Chambertin (Holdings) Limited

Annual report and consolidated financial statements

Registered number 08515929

30 September 2016

Contents

Directors' Report and Strategic Report

The directors present their report and the audited consolidated financial statements for the year ended 30 September 2016.

Principal activities

The principal activities of the Group are the provision of software, digital solutions and technology-based outsourcing services, primarily to the public sector and regulated markets in the United Kingdom, Australasia, South-East Asia and North America

Strategic Report

Business model

The Civica vision is to help organisations achieve better outcomes through more connected ways of working, enabled by the use of digital technology and automation. This vision is delivered through a business model which has three core capabilities to deliver value to our customers:

1. **Critical software** to improve and automate daily tasks from critical front line services to back office administration;
2. **Digital** solutions to deliver a new generation of services from concept to implementation, helping organisations to transform their customers' experience and improve lives;
3. **Outsourcing** solutions and managed services, with a distinctive platform-based approach, combining business process expertise with technology know-how to help customers reduce cost and risk, improve performance and support widespread business transformation.

Business review

During the year to 30 September 2016, turnover grew 14.4% to £267.693 million *(year ended 30 September 2015: £234.052 million)* and operating profit before depreciation, amortisation and exceptional charges increased by 17.7% to £55.109 million *(year ended 30 September 2015: £46.821 million)*.

Our performance continues to be driven and sustained by a clear and consistent strategy, aligned to customer needs to improve service delivery and efficiency through automation, which is focused on:

- Maximising the penetration of specialist IPR software;
- Growing the scope and scale of digital solutions for our customers;
- Expanding technology-based BPS activities in areas of domain expertise; and
- Complementary acquisitions to strengthen capability and build scale.

During the year we made good progress across all dimensions of our strategy, increasing our scale of activity. We have also continued to put in place the building blocks for our future growth, with particular focus on a scalable operating platform for product development, sales & marketing and operations globally.

We continue to be regarded as a strong and stable partner by our customers, critical to which is sustained investment in employee development and our culture which continues to be a key differentiator for Civica. The business has also benefitted from a 'One Civica' focus, from building out our hub office strategy to increased collaboration globally.

Our ability to out-perform the market and our competitors demonstrates the resilience of our business model and the value we add to our customers. Together with improved visibility of earnings through long-term recurring revenues which increased in the year to 49.5 per cent of overall turnover, the Group strengthened its financial position which is also an important determinant for customers as they seek resilient partners as their requirements continue to evolve.

Directors' Report and Strategic Report *(continued)*

Business review *(continued)*

We made further investments in the year to strengthen capability, resources and management, which also supported significant new contract awards in the UK, Australia and the USA including major software systems, cloud-based services and BPO partnerships.

The Group increased revenues in each of our geographies during 2016, with revenues from our largest territory in the UK increased by 16 per cent to £217.6 million, driven by a strong performance in local government, social housing and health & care together with expansion in the government and national security vertical. Similarly, we grew revenues related to each of our core capabilities of software, digital and outsourcing, with revenues from digital solutions increased by 150 per cent to £44.8 million.

With a record order book of £815 million, a strong financial foundation and an ambitious management team, Civica remains in a very good position to sustain our growth performance as we move into 2017, and we anticipate further market opportunities as customers seek to respond to rapid and significant changes especially in the public sector.

Our people and our values

At Civica our people matter and we actively invest and support their development, including through our Learning Academy. Our people are the ones who build lasting relationships with our customers, the ones who have ideas and make them happen, and the ones who bring our business to life.

Our people, their know-how and their commitment to do well for customers, colleagues and communities is a defining characteristic for Civica. Recognising the difference this makes, we continue to recruit and retain people with the values (Knowledge, Integrity and Action), ability and attitude to succeed. We aim to ensure that Civica remains a great place to work and continues to be an employer of choice with a strong employee brand that attracts a high calibre. Our culture encourages personal development and growth, with the support and autonomy to put ideas into action and to transform the way we, and our customers, work. Corporate responsibility is integral to our business activity and we continue to progress existing and new programmes focused around employees, customers and communities. Policies and procedures are designed to support our dynamic, people-centric culture and our values for a diverse workforce. During 2016 we launched our Net Promoter System survey as a platform for employee engagement, with divisions linking the results into existing Investors in People-based plans.

The Group continued its record of growth, adding more than 900 people during the period. With progress across our software, digital and outsourcing activities including excellent new acquisitions, we maintained our focus on ensuring smooth take-on and transitions with positive feedback from the teams involved. Successful transfers including the 220 people who joined under TUPE through our new partnership with Hull City Council and an extension to our existing Gloucester City Council contract, underpinned a strong performance on new outsourcing contracts and further strengthened our distinctive culture. Supported by internal advertising, Civica continued to appoint and promote employees into new roles across the business supporting retention of key skills and experience. As a member of the 5% Club the company invests in the recruitment of graduates and apprentices who now make up 3 per cent of our current workforce.

We constantly review our management structure to ensure that as we grow we remain effective, efficient and agile, giving our teams the autonomy and support to respond to the needs of the business. During 2016 we consolidated a number of common support functions to align and streamline operational processes to give customers and colleagues a stronger and more consistent experience. The Group continued to build on its network of hub offices, which offer a more open and dynamic environment that provide improved working spaces, allow teams to work better together and support agile working and creativity. During the year we grew the number of people working from our South West Hub. We recognise the importance of two-way communications in engaging our employees, ensuring they understand our business and the role they play in delivering our strategy, and supporting our culture. Activities range from regular business news, briefings and leadership dinners, to global calls including our regular CEO & CFO 'Cascade', and 'Limelite' innovation updates. A high level of feedback is encouraged including regular listening boards, employee surveys and workshops.

Directors' Report and Strategic Report *(continued)*

Our people and values *(continued)*

The Group provides a competitive benefits package, including flexible elements that employees can tailor to their specific needs including additional holiday, life insurance and critical illness cover. People also have access to an employee discount scheme, and externally managed confidential assistance helpline, together with our 'Positive Health' wellbeing programme linked to the Civica Academy to help achieve a better work-life balance. The exceptional efforts of individuals and teams and their contribution to the reputation and performance of the business continues to be recognised through initiatives ranging from Civica's Special Thanks and Recognition (CSTAR) points reward scheme to our annual UK and International Employee Awards, which received over 500 nominations.

The Group's Learning Academy provides a consistent programme of training, development and talent management to support our people through their careers and help them reach their potential. We combine formal training with mentor-based and cross-business programmes, supported with planned and ad-hoc communications, networking opportunities and online communities to ensure a detailed understanding of our business, the markets we serve and the skills and behaviours needed to manage and work effectively and to deliver for our customers. The Academy continues to adapt to our changing circumstances and the evolving needs of our people and our customers. New programmes introduced during the year included 'Inspirational Leadership', to underpin our high performing culture and our junior management programme 'Potential' to equip people with the skills to succeed in a management role. We also incorporated best practice from recent acquisitions to improve a number of existing activities including 'Horizons', Civica's graduate, apprentice and placement programme and our 'Top Gear' business development programme. This year we welcomed a record number of young joiners and are on track with our 5% Club commitment.

Run by volunteers from across the business the Civica Foundation provides a focal point for our charitable fundraising and community support. We continue to support employees and teams in making a positive difference and raising funds for charities through a wide range of activities. The Foundation also provides individuals with a one-off donation to stimulate charitable initiatives. Nominated charities for the Group include the Prince's Trust, Action for Children, Shelter and Water for Kids. Projects include employees cycling or running in the UK Tour de Civica, and active involvement in the annual Byte Night sleep out to raise money for Action for Children and help tackle the issue of youth homelessness. In addition to our Group fundraising, our office 'Charity Champions' play a fundamental role in organising local events to raise awareness and money for a variety of initiatives including national events such as Macmillan's Coffee Morning and Children in Need. We also continue to promote a number of company-wide schemes, including 'Donate a Day', whereby employees are able to take a day out from work to support a local charity or community scheme of their choice, and 'Pennies from Heaven', through which they can donate the pence of their salary each month to a charity of their choice.

Civica is committed to high standards and the Civica Management System encompasses our approach to quality, environment and health and safety. Accreditations include, among others, ISO 9001 (quality), ISO 14001 (environmental management), ISO 27001 (information security), ISO 20000 (IT service management) and OHSAS 18001 (health & safety). The Group continued to progress its operational excellence programme designed to embed consistent best practice in support of the continued growth and ambition of the company. Civica is committed to sound and fair business practices. Prevention, deterrence and detection of fraud or bribery is the responsibility of all and the company encourages employees to report any suspicion in confidence. We are also committed to identifying and assessing any potential risks and eliminating the possibility of modern slavery and human trafficking occurring in our business, including in our supply chains.

Directors’ Report and Strategic Report *(continued)*

Acquisitions

Civica continued its successful record of selectively acquiring and integrating complementary businesses which enhance our market position and extend the Group’s capability in line with our vision and strategy, in particular, in the areas of government and digital transformation

During the year the Group acquired the following businesses:

Alahar Limited, the owner of legal IT solutions provider **Norwel Computer Services Limited**. Based in Cheadle, Norwel specialises in application software and related services for the legal sector, supplying more than 60 customers in both public and private sectors. Its products for legal practice and case management, including cloud-based software-as-a-service (SaaS) solutions, are used by customers to automate day-to-day processes for improved services and increased productivity.

Digital transformation specialist **IPL Group Limited**. Based in Bath, IPL specialises in designing, building and managing secure business-critical software solutions for customers in both public and private sectors with core capabilities in digital and mobile solutions, data management and analytics. IPL has a successful 37-year history of delivering secure software solutions to help improve customer experience, operational efficiency and risk management for more than 400 organisations across government, security and intelligence, transport, infrastructure and financial service sectors. Customers include the Foreign and Commonwealth Office, the Environment Agency, Highways England, Nationwide Building Society, First Group and Kent Police.

Digital specialist **SFW Limited**. SFW, based in Woking with an offshore development centre in Vadodara, India, specialises in building and managing digital solutions for the public sector, supplying 70 organisations predominantly in UK national and local government. Core capabilities are focused around digital engagement, CRM-based applications and workplace collaboration. SFW has a strong record of helping organisations to digitise internal processes and customer interactions. Government customers include the Home Office, DEFRA and DECC, together with non-departmental bodies such as the Environment Agency, Acas and the Electoral Commission, which deployed a digital service created by SFW to collate the results of the EU Referendum. The company also works with local public services and regulated markets.

The acquisitions made during the year strengthen Civica’s position and capability as a leading digital partner for the markets it serves, adding to the specialist capability within the Group to support digital transformation which now comprises almost a third of the company’s employees.

The impact of acquisitions during the year are outlined in note 2.

Subsequent event

Subsequent to the balance sheet date, the Group has acquired the entire share capital of **Abritas Limited**, a company incorporated in the United Kingdom. Its principal activities are the provision of web-based application software and related services for the UK social housing sector.

Directors' Report and Strategic Report *(continued)*

Key performance indicators

Management use various key performance indicators (KPIs) to routinely monitor the Group's performance and development. Those KPIs include:

- Turnover;
- Gross profit;
- Operating profit before amortisation and exceptional charges;
- Operating profit before depreciation, amortisation, exceptional charges, Project Centum costs and interest (EBITDAE);
- Operating cash flow before exceptional items, Project Centum, defined benefit pension scheme contributions, provision movements and taxation; and
- Operating cash flow conversion as a percentage of EBITDAE.

These KPIs for the year ended 30 September 2016 and for the previous 2 financial years were:

		Year ended 30 September 2016	Year ended 30 September 2015	Year ended 30 September 2014
Turnover	£000	**267,693**	234,052	220,055
Gross profit	£000	**221,843**	181,928	162,819
%		**82.9%**	77.7%	74.0%
Operating profit before amortisation and exceptional charges	£000	**49,754**	41,735	38,443
%		**18.6%**	17.8%	17.5%
EBITDAE	£000	**55,109**	46,821	43,607
%		**20.6%**	20.0%	19.8%
Operating cash flow	£000	**50,202**	41,837	37,814
Operating cash flow as a % of EBITDAE		**91.1%**	89.4%	86.7%

Principal risks and uncertainties

The board is responsible for the Group's approach to assessing risk and accepts that in creating value for the Group, the Group must take on and accept some risk. The executive directors are responsible for implementing the board's policies on risk and control and monitoring compliance with these policies across the Group. This system is designed to manage, rather than eliminate, the risk of failure to achieve corporate objectives. Accordingly, it can only provide reasonable but not absolute assurance against material misstatement or loss.

As with all other entities providing specialist software and systems, managed services and outsourcing solutions primarily to the public sector, the main risks and uncertainties facing the Group surround the level of public sector funding available in future periods, the risks of technological advancement and the threat of competition.

Directors' Report and Strategic Report *(continued)*

Future developments

The Group continues to increase its global profile and is valued for its combination of people, technology and business process expertise. With a resilient business and well developed strategy, we believe the Group is extremely well placed as a strong and stable partner for our customers as they continue to respond to rapid and significant change.

Dividends

The directors do not recommend the payment of a dividend *(2015: £nil)*.

Directors

The directors who held office during the year were as follows:

Executive directors:

Simon Downing	Chairman (Chief Executive Officer prior to July 2016)
Wayne Story	Chief Executive Officer (appointed 4 July 2016)
Phillip Rowland	Chief Financial Officer
Michael Stoddard	Company Secretary

Non-executive directors:

Michael Jeffries	Independent non-executive director (Chairman prior to July 2016)
Martin Le Huray	OMERS Private Equity Inc representative
Isabelle Pagnotta	OMERS Private Equity Inc representative (appointed 23 October 2015)
Mark Redman	OMERS Private Equity Inc representative (resigned 23 October 2015)
Lisa Melchior	OMERS Private Equity Inc representative (resigned 7 June 2016)

Certain directors benefit from qualifying third party indemnity provisions in place during the financial year and at the date of this report.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Other information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report.

Auditor

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

By order of the board

P.R

Phillip Rowland
Director

2 Burston Road
Putney
London
SW15 6AR

26 January 2017

Statement of directors' responsibilities in respect of the annual report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

KPMG LLP
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA
United Kingdom

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

We have audited the financial statements of Chambertin (Holdings) Limited for the year ended 30 September 2016 set out on pages 10 to 46. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 30 September 2016 and of the group's loss for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

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

Matters on which we are required to report by exception

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

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

Mike Barradell (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA

27 January 2017

Consolidated Profit and Loss Account
for year ended 30 September 2016

	Note	**Year ended 30 September 2016 £000**	*Restated* Year ended 30 September 2015 £000
Turnover	*1,3*	**267,693**	234,052
Cost of sales		**(45,850)**	(52,124)
Gross profit		**221,843**	181,928
Administrative expenses		**(211,837)**	(172,687)
Operating profit before amortisation and exceptional charges		**49,754**	41,735
Exceptional charges	*4*	**(2,378)**	(2,797)
Amortisation	*10*	**(37,370)**	(29,697)
Group operating profit		**10,006**	9,241
Interest receivable and similar income	*7*	**189**	2,445
Interest payable and similar charges	*8*	**(46,871)**	(41,573)
Loss on ordinary activities before taxation		**(36,676)**	(29,887)
Tax on loss on ordinary activities	*9*	**270**	(1,226)
Loss for the financial year		**(36,406)**	(31,113)

All turnover and results are derived from continuing activities.

The notes on pages 17 to 46 form part of the financial statements.

Consolidated Other Comprehensive Income
for year ended 30 September 2016

	Note	**Year ended 30 September 2016 £000**	*Restated* Year ended 30 September 2015 £000
Loss for the year		**(36,406)**	(31,113)
Other comprehensive income			
Foreign exchange differences on translation of foreign operations		**4,805**	(3,704)
Remeasurement of the net defined benefit liability	*20*	**(851)**	(82)
Deferred tax on other comprehensive income		**50**	17
Other comprehensive income for the year, net of income tax		**4,004**	(3,769)
Total comprehensive income for the year		**(32,402)**	(34,882)

Consolidated Balance Sheet
at 30 September 2016

	Note	2016 £000	2016 £000	Restated 2015 £000	Restated 2015 £000
Fixed assets					
Intangible assets					
Goodwill	10	**416,839**		398,975	
Other intangibles	10	**51,780**		20,415	
			468,619		419,390
Tangible assets	11		**12,374**		6,734
			480,993		426,124
Current assets					
Debtors	13	**92,006**		88,321	
Cash at bank and in hand		**49,932**		36,559	
		141,938		124,880	
Creditors: amounts falling due within one year	14	**(119,519)**		(116,534)	
Net current assets			**22,419**		8,346
Total assets less current liabilities			**503,412**		434,470
Creditors: amounts falling due after more than one year	15		**(603,727)**		(505,022)
Provisions for liabilities					
Provisions	19	**(3,787)**		(1,735)	
Pensions and similar obligations	20	**(3,978)**		(3,408)	
			(7,765)		(5,143)
Net liabilities			**(108,080)**		(75,695)
Capital and reserves					
Called up share capital	21		**2**		2
Share premium account			**999**		982
Profit and loss account			**(109,081)**		(76,679)
Shareholders' deficit			**(108,080)**		(75,695)

The notes on pages 17 to 46 form part of the financial statements.

These financial statements were approved by the board of directors on 26 January 2017 and were signed on its behalf by:

Phillip Rowland
Director

Company registered number: 8515929

Company Balance Sheet
at 30 September 2016

	Note	**2016** £000	**2016** £000	2015 £000	2015 £000
Fixed assets					
Investments	*12*		**805**		805
Current assets					
Debtors (including £4,902,000 *(2015: £4,676,000)* due after more than one year)	*13*	**4,902**		4,676	
		4,902		4,676	
Creditors: amounts falling due within one year	*14*	**(2)**		-	
Net current assets			**4,900**		4,676
Total assets less current liabilities			**5,705**		5,481
Creditors: amounts falling due after more than one year	*15*		**(6,450)**		(5,673)
Net liabilities			**(745)**		(192)
Capital and reserves					
Called up share capital	*21*		**2**		2
Share premium account			**999**		982
Profit and loss account			**(1,746)**		(1,176)
Shareholders' deficit			**(745)**		(192)

The notes on pages 17 to 46 form part of the financial statements.

These financial statements were approved by the board of directors on 26 January 2017 and were signed on its behalf by:

Phillip Rowland
Director

Company registered number: 8515929

Consolidated Statement of Changes in Equity

	Note	Share capital £000	Share premium £000	Profit and loss £000	Total equity £000
Balance at 1 October 2014		2	982	(41,572)	(40,588)
Effect of change in accounting policy (FRS 102 transition)	*27*	-	-	(225)	(225)
Balance at 1 October 2014 restated		2	982	(41,797)	(40,813)
Total comprehensive income for the period					
Loss as previously reported		-	-	(30,603)	(30,603)
FRS 102 transition adjustments	*27*	-	-	(510)	(510)
Restated loss for the year		-	-	(31,113)	(31,113)
Other comprehensive income as previously reported		-	-	(3,887)	(3,887)
FRS 102 transition adjustments	*27*	-	-	118	118
Restated other comprehensive income		-	-	(3,769)	(3,769)
Total comprehensive income for the period		-	-	(34,882)	(34,882)
Balance at 30 September 2015	*21*	**2**	**982**	**(76,679)**	**(75,695)**

	Note	Share capital £000	Share premium £000	Profit and loss £000	Total equity £000
Balance at 1 October 2015		2	982	(76,679)	(75,695)
Total comprehensive income for the period					
Loss for the year		-	-	(36,406)	(36,406)
Other comprehensive income		-	-	4,004	4,004
Total comprehensive income for the period		-	-	(32,402)	(32,402)
Transactions with owners, recorded directly in equity					
Issue of shares	*21*	-	17	-	17
Total contributions by and distributions to owners		-	17	-	17
Balance at 30 September 2016	*21*	**2**	**999**	**(109,081)**	**(108,080)**

Company Statement of Changes in Equity

	Share capital £000	Share premium £000	Profit and loss £000	Total equity £000
Balance at 1 October 2014	2	982	(661)	323
Total comprehensive income for the period				
Loss for the year	-	-	(515)	(515)
Total comprehensive income for the period	-	-	(515)	(515)
Balance at 30 September 2015	**2**	**982**	**(1,176)**	**(192)**

	Share capital £000	Share premium £000	Profit and loss £000	Total equity £000
Balance at 1 October 2015	2	982	(1,176)	(192)
Total comprehensive income for the period				
Loss for the year	-	-	(570)	(570)
Total comprehensive income for the period	-	-	(570)	(570)
Transactions with owners, recorded directly in equity				
Issue of shares	-	17	-	17
Total contributions by and distributions to owners	-	17	-	17
Balance at 30 September 2016	**2**	**999**	**(1,746)**	**(745)**

Consolidated Cash Flow Statement

for year ended 30 September 2016

	Note	**2016**	2015
		£000	£000
Cash flows from operating activities			
Loss for the year		**(36,406)**	(31,113)
Adjustments for:			
Depreciation and amortisation		**40,335**	32,966
Foreign exchange losses	*7,8*	**859**	(2,329)
Interest receivable and similar income	*7*	**(189)**	(116)
Interest payable and similar charges	*8*	**46,012**	41,573
Taxation	*9*	**(270)**	1,226
		50,341	42,207
(Increase)/decrease in trade and other debtors		**6,111**	(5,873)
(Decrease)/increase in trade and other creditors		**(11,018)**	890
(Decrease)/increase in provisions		**1,287**	172
Pension contributions in excess of service cost		**(406)**	(529)
		46,315	36,867
Tax received/(paid)		**337**	(1,156)
Net cash from operating activities		**46,652**	35,711
Cash flows from investing activities			
Interest received		**297**	116
Acquisition of subsidiaries		**(40,210)**	(18,726)
Purchase of tangible fixed assets	*11*	**(2,865)**	(2,854)
Proceeds from sale of tangible fixed assets		**30**	126
Purchase of software intangible assets	*10*	**(1,358)**	(907)
Capitalised development expenditure	*10*	**(7,387)**	(6,244)
Net cash from investing activities		**(51,493)**	(28,489)
Cash flows from financing activities			
Proceeds from the issue/(purchase) of share capital		**40**	(21)
Proceeds from new bank loans		**72,700**	22,800
Proceeds from new loan notes		**16,800**	5,300
Interest paid		**(15,765)**	(14,365)
Repayment of borrowings		**(56,821)**	(22,000)
Payment of finance lease liabilities		**(156)**	(795)
Payment of facility fees		**(510)**	-
Net cash from financing activities		**16,288**	(9,081)
Net increase/(decrease) in cash and cash equivalents		**11,447**	(1,859)
Cash and cash equivalents at the beginning of the year		**36,559**	39,542
Effect of exchange rate fluctuations on cash held		**1,926**	(1,124)
Cash and cash equivalents at the end of the year		**49,932**	36,559

Notes
(forming part of the financial statements)

1 Accounting policies

Chambertin (Holdings) Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK.

These Group and parent company financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland (*"FRS 102"*) as issued in August 2014. The amendments to FRS 102 issued in July 2015 and effective immediately have been applied. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

In the transition to FRS 102 from old UK GAAP, the Group has made measurement and recognition adjustments. An explanation of how the transition to FRS 102 has affected financial position and financial performance of the Group is provided in note 27.

In the transition to FRS 102 from old UK GAAP, the Company has made no measurement and recognition adjustments.

FRS 102 grants certain first-time adoption exemptions from the full requirements of FRS 102. The following exemptions have been taken in these financial statements:

- Business combinations – Business combinations that took place prior to 30 September 2014 have not been restated.
- Lease incentives – for leases commenced before 30 September 2014 the Group continued to account for lease incentives under previous UK GAAP.

The parent company is included in the consolidated financial statements, and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures for the Company financial statements have been applied:

- The reconciliation of the number of shares outstanding from the beginning to the end of the period has not been included a second time;
- No separate parent company Cash Flow Statement with related notes is included; and
- Key Management Personnel compensation has not been included a second time.

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

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 26.

Notes *(continued)*

1 Accounting policies *(continued)*

1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

1.2 Going concern

The Financial Reporting Council (FRC) issued *"Going Concern and Liquidity Risk: Guidance for Directors of UK Companies"* in 2009, and the directors have considered this when preparing these financial statements.

The Group has made a loss of £36.4m in the year to 30 September 2016 and as at that date had net liabilities of £108.1m and net current assets of £22.4m. It is noted that net current assets include a non-cash item of £42.2m in respect of deferred income primarily representing recurring maintenance and support income received in advance. After making allowance for this non-cash liability on an adjusted basis the Group has net current assets of £64.6m. It is also noted that significant factors in the year-end result were non-cash interest charges of £31.2m and that the Group continues to be cash generative.

The directors have prepared financial forecasts for the Group, comprising operating profit, balance sheet and cash flows to 31 March 2018.

For the purposes of their assessment of the appropriateness of the preparation of the Group's accounts on a going concern basis, the directors have considered the principal areas of uncertainty within the forecasts and the underlying assumptions, in particular those relating to market and customer risks, cost management and working capital management.

On the basis of these forecasts and these considerations, the directors have assessed future covenant compliance and headroom to 31 March 2018 and have concluded that it is appropriate for the financial statements for the period ended 30 September 2016 to be prepared on a going concern basis.

The Company has made a loss of £570k in the year to 30 September 2016 and as at that date had net liabilities of £745k. The company holds investments in subsidiaries that are forecast to remain cash generative with financial headroom. Having assessed these facts the directors are satisfied that the company would be able to access sufficient liquid resources to meet any obligations that fall due up to at least 31 March 2018. The company financial statements have been prepared on a going concern basis accordingly.

1.3 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 30 September 2016. A subsidiary is an entity that is controlled by the parent. The results of subsidiary undertakings are included in the consolidated profit and loss account from the date that control commences. Control is established when the Company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities.

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

In the parent financial statements, investments in subsidiaries are carried at cost less impairment.

1.4 Turnover

Turnover comprises the value of sales of licences, support, hosting, maintenance and training services, consulting contracts, hardware and outsourcing services. Turnover excludes both value added tax and transactions between group companies.

Revenue from the sale of initial licence fees is recognised at the point an irrevocable commitment to use the software is received from the customer. Revenue from the provision of annual licence fees, support, hosting and maintenance is recognised over the period to which the contracted service relates. Revenue from the provision of training and consultancy services is recognised when the services have been performed. Hardware sales are recognised on delivery. Hardware maintenance revenues are recognised evenly over the period to which they relate. Revenue from the delivery of outsourcing contracts is recognised over the life of the contract on a long term contract accounting basis.

The excess of amounts invoiced over revenue recognised is recorded as deferred income.

Notes *(continued)*

1 Accounting policies *(continued)*

1.5 Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Finance lease

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the rate implicit in the lease. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Interest receivable and Interest payable

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy).

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

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

1.6 Taxation

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

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

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Timing differences are not provided for differences relating to investments in subsidiaries to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Notes *(continued)*

1 Accounting policies *(continued)*

1.7 Foreign currency

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

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Group's presentational currency, Sterling, at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised in other comprehensive income.

1.8 Business combinations

Business combinations are accounted for using the purchase method as at the acquisition date, which is the date on which control is transferred to the entity. At the acquisition date, the group recognises goodwill as:

- the fair value of the consideration (excluding contingent consideration) transferred; plus
- estimated amount of contingent consideration (see below); plus
- the fair value of the equity instruments issued; plus
- directly attributable transaction costs; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities and contingent liabilities assumed.

Consideration which is contingent on future events is recognised based on the estimated amount if the contingent consideration is probable and can be measured reliably. Any subsequent changes to the amount are treated as an adjustment to the cost of the acquisition.

FRS 102.35 grants certain exemptions from the full requirements of FRS 102 in the transition period. The Group elected not to restate business combinations that took place prior to 30 September 2014. In respect of acquisitions prior to that date, goodwill is included on the basis of its deemed cost, which represents the amount recorded under old UK GAAP. Intangible assets previously included in goodwill, are not recognised separately.

1.9 Intangible assets and goodwill

Goodwill
Goodwill is stated at cost less any accumulated amortisation and accumulated impairment losses. Goodwill is allocated to cash-generating units or group of cash-generating units that are expected to benefit from the synergies of the business combination from which it arose.

Goodwill for all acquisitions relates to anticipated future growth opportunities and synergies, including the value of the workforce.

Research and development

Expenditure on research activities is recognised in the profit and loss account as an expense as incurred.

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

Notes *(continued)*

1 Accounting policies *(continued)*

1.9 Intangible assets and goodwill (continued)

Other intangible assets

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and less accumulated impairment losses. The cost of intangible assets acquired in a business combination are capitalised separately from goodwill if the fair value can be measured reliably at the acquisition date.

Amortisation

Amortisation is charged to the profit or loss over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use. The estimated useful lives are 3 years for capitalise development costs and 10 years for customer relationships.

Goodwill is amortised on a straight line basis over its useful life. Goodwill has no residual value. The finite useful life of goodwill is estimated to be 10 years.

The company reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date. Goodwill and other intangible assets are tested for impairment in accordance with Section 27 Impairment of assets when there is an indication that goodwill or an intangible asset may be impaired.

1.10 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

Leases in which the entity assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease. Lease payments are accounted for as described at 1.5 above.

The company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

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

- buildings 50 years
- leasehold property 3 to 10 years
- computer equipment and fixtures and fittings 3 to 7 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset’s future economic benefits.

Notes *(continued)*

1 Accounting policies *(continued)*

1.11 Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable provisions. Trade and other creditors are recognised at transaction price. Subsequent to initial recognition they are measured at cost, less provisions according to any perceived risks.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised at the value of future payments. An assessment of the value of interest bearing borrowings has been undertaken as at the year end. No material differences exist between book and fair value.

Cash and cash equivalents

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

1.12 Impairment excluding deferred tax assets

Financial assets (including trade and other debtors)

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

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Group would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the entity's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing is allocated to cash-generating units ("CGU") that are expected to benefit from the synergies of the combination. For the purpose of goodwill impairment testing, if goodwill cannot be allocated to individual CGUs or groups of CGUs on a non-arbitrary basis, the impairment of goodwill is determined using the recoverable amount of the acquired entity in its entirety, or if it has been integrated then the entire group of entities into which it has been integrated.

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

An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Notes *(continued)*

1 Accounting policies *(continued)*

1.13 Employee benefits

Defined contribution pension plans

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

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The entity's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The entity determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate as determined at the beginning of the annual period to the net defined benefit liability (asset) taking account of changes arising as a result of contributions and benefit payments.

The discount rate is the yield at the balance sheet date on AA credit rated bonds denominated in the currency of, and having maturity dates approximating to the terms of the entity's obligations. A valuation is performed annually by a qualified actuary using the projected unit credit method. The entity recognises net defined benefit plan assets to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

Changes in the net defined benefit liability arising from employee service rendered during the period, net interest on net defined benefit liability, and the cost of plan introductions, benefit changes, curtailments and settlements during the period are recognised in profit or loss.

Remeasurement of the net defined benefit liability/asset is recognised in other comprehensive income in the period in which it occurs.

1.14 Provisions

A provision is recognised in the balance sheet when the entity has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Where the parent Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company treats the guarantee contract as a contingent liability in its individual financial statements until such time as it becomes probable that the company will be required to make a payment under the guarantee.

Notes *(continued)*

2 Acquisitions and disposal of businesses

Acquisitions in the current period

On 20 April 2016, the Group acquired the entire share capital of Alahar Limited for consideration of £2,970,000 plus acquisition costs of £102,000. The company's wholly owned subsidiary, Norwel Computer Services Limited, specialises in application software and related services for the legal sector and local authorities. The business contributed revenue of £735,000 and net profit of £289,000 to the revenue and net loss for the year.

Effect of acquisition

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

	Book values	Fair value adjustments	Recognised values on acquisition
	£000	£000	£000
Acquiree's net assets at the acquisition date:			
Tangible fixed assets	37	-	**37**
Intangible assets	104	2,004	**2,108**
Trade and other debtors	227	-	**227**
Cash	829	-	**829**
Trade and other creditors	(520)	-	**(520)**
Deferred tax liabilities	(6)	(394)	**(400)**
Provisions	-	(35)	**(35)**
Net identifiable assets and liabilities	671	1,575	**2,246**

	£000
Total cost of business combination:	
Consideration paid:	
Initial cash consideration relating to business combination	**2,970**
Costs directly attributable to the business combination	**102**
Total consideration	**3,072**
Goodwill on acquisition	**826**

Adjustments have been made to recognise the fair value of assets and liabilities as at the date of acquisition.

The expected useful life of goodwill and other intangible assets stemming from this acquisition is 10 years.

Notes *(continued)*

2 Acquisitions of businesses *(continued)*

Acquisitions in the current period *(continued)*

On 28 April 2016, the Group acquired the entire share capital of IPL Group Limited for an enterprise value of £69,319,000 including acquisition costs of £976,000 and debt of £38,021,000 which was repaid on acquisition. IPL Group provides digital solutions to the public and private sectors. The business contributed revenue of £14,659,000 and net profit of £2,771,000 to the revenue and net loss for the year.

Effect of acquisition

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

	Book values	Fair value adjustments	Recognised values on acquisition
	£000	£000	£000
Acquiree's net liabilities at the acquisition date:			
Tangible fixed assets	5,484	-	**5,484**
Intangible assets	326	25,423	**25,749**
Trade and other debtors	9,038	(20)	**9,018**
Cash	1,831	-	**1,831**
Interest-bearing loans and borrowings	(38,021)	-	**(38,021)**
Trade and other creditors	(4,742)	(2,486)	**(7,228)**
Deferred tax liabilities	(19)	(4,436)	**(4,455)**
Provisions	-	(730)	**(730)**
Net identifiable assets and liabilities	(26,103)	17,751	**(8,352)**
Total cost of business combination:			
Consideration paid:			
Initial cash consideration relating to business combination			**30,322**
Costs directly attributable to the business combination			**976**
Total consideration			**31,298**
Goodwill on acquisition			**39,650**

Adjustments have been made to recognise the fair value of assets and liabilities as at the date of acquisition.

The expected useful life of goodwill and other intangible assets stemming from this acquisition is 10 years.

Notes *(continued)*

2 Acquisitions of businesses *(continued)*

Acquisitions in the current period *(continued)*

On 21 July 2016, the Group acquired the entire share capital of SFW Limited for consideration of £9,942,000 plus acquisition costs of £285,000. The company provides digital services the public sector. The business contributed revenue of £1,582,000 and net loss after tax of £43,000.

Effect of acquisition

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

	Book values	Fair value adjustments	Recognised values on acquisition
	£000	£000	£000
Acquiree's net assets at the acquisition date:			
Tangible fixed assets	259	-	**259**
Intangible assets	-	6,829	**6,829**
Trade and other debtors	1,380	(90)	**1,290**
Cash	2,256	-	**2,256**
Trade and other creditors	(1,355)	-	**(1,355)**
Deferred tax liabilities	(5)	(1,348)	**(1,353)**
Net identifiable assets and liabilities	2,535	5,391	**7,926**

Total cost of business combination:	
Consideration paid:	
Initial cash consideration relating to business combination	**9,942**
Costs directly attributable to the business combination	**285**
Total consideration	**10,227**
Goodwill on acquisition	**2,301**

Adjustments have been made to recognise the fair value of assets and liabilities as at the date of acquisition.

The expected useful life of goodwill and other intangible assets stemming from this acquisition is 10 years.

Notes *(continued)*

2 Acquisitions of businesses *(continued)*

Acquisitions in the prior period

The Group acquired Asidua Holdings Limited on 10 November 2014 and WTG Technologies Group Limited on 8 September 2015. Those businesses contributed revenue of £8,329,000 and net profit after tax of £749,000 to the results of the Group in the prior year.

Subsequently, in accordance with FRS 102, the provisional fair values have been adjusted to recognise assets and liabilities as at the dates of acquisition:

	Fair value adjustments £000
Intangible assets	**10,262**
Trade and other creditors	**(105)**
Deferred tax liabilities	**(2,223)**
Net adjustment to identifiable assets and liabilities	**7,934**
Total cost of business combination:	
Adjustment to consideration	**-**
Adjustment to goodwill on acquisition	**(7,934)**

Notes *(continued)*

3 Turnover

	2016	2015
	£000	£000
Sale of goods	**68,208**	73,275
Rendering of services	**199,485**	160,777
Total turnover	**267,693**	234,052

	2016	2015
	£000	£000
By activity:		
Owned software and related equipment	**44,092**	45,502
Third party software and services	**24,116**	27,773
Implementation and consulting services	**66,884**	46,166
Recurring support, managed services and outsourcing	**132,601**	114,611
Total turnover	**267,693**	234,052
By geographical market:		
United Kingdom	**217,588**	187,282
Australasia and Far East	**44,700**	41,997
North America	**5,405**	4,773
Total turnover	**267,693**	234,052

Notes *(continued)*

4 Expenses and auditor's remuneration

Included in profit/loss are the following:

	2016	*Restated* 2015
	£000	£000
Depreciation of tangible fixed assets:		
Owned assets	**2,965**	3,270
Amortisation	**37,370**	29,697
Exceptional costs – included in administrative expenses	**2,378**	2,797
Project Centum – included in administrative expenses	**2,390**	1,816

During the year the group incurred £2,378,000 *(2015: £2,797,000)* of costs relating to the strategic reorganisation of its operations, which related to redundancy, location closure costs and aborted acquisition costs.

Following the acquisition of the Civica Group in 2013, the Group commenced Project Centum to build a stronger platform for growth. Costs incurred during 2016 were £2,390,000 *(2015: £1,816,000)*. These costs are not core to the operations of the Group's activities and separate disclosure allows users of the accounts to better understand the underlying trading performance and to create a better comparative for future trading periods.

Auditor's remuneration:

	2016	2015
	£000	£000
Audit of these financial statements	**42**	35
Amounts receivable by the company's auditor and its associates in respect of:		
Audit of financial statements of subsidiaries of the company	**220**	178
Taxation and other services	**26**	7

5 Staff numbers and costs

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

	Number of employees	
	2016	2015
Technical	**2,339**	2,098
Sales and marketing	**185**	210
Finance and administration	**388**	357
	2,912	2,665

The aggregate payroll costs of these persons were as follows:

	2016	2015
	£000	£000
Wages and salaries	**110,355**	94,090
Social security costs	**10,364**	8,643
Contributions to defined contribution plans	**7,365**	6,420
	128,084	109,153

Notes *(continued)*

6 Directors' remuneration

	2016	2015
	£000	£000
Directors' remuneration	**1,636**	1,044
Company contributions to money purchase pension plans	**38**	72

The aggregate of remuneration of the highest paid director was £698,000 *(2015: £630,000)*, and company pension contributions of £20,000 *(2015: £41,000)* were made to a money purchase scheme on their behalf.

	Number of directors	
	2016	2015
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	**2**	3

Transactions with key management personnel are disclosed in note 24.

7 Interest receivable and similar income

		Restated
	2016	2015
	£000	£000
Bank interest	**189**	116
Exchange differences on inter-company loans	**-**	2,329
Total interest receivable and similar income	**189**	2,445

8 Interest payable and similar charges

		Restated
	2016	2015
	£000	£000
Interest payable on financial liabilities	**45,887**	41,435
Exchange differences on inter-company loans	**859**	-
Net interest expense on net defined benefit liabilities	**125**	138
Total interest payable and similar charges	**46,871**	41,573

Notes *(continued)*

9 Taxation

Total tax expense recognised in the profit and loss account, other comprehensive income and equity

	2016		*Restated* 2015	
	£000	**£000**	£000	£000
Current tax				
UK corporation tax on income for the period	**-**		-	
UK corporation tax adjustment in respect of prior periods	**66**		(317)	
Overseas tax on income for the period	**(1,399)**		215	
Overseas tax adjustment in respect of prior periods	**523**		-	
Total current tax		**(810)**		(102)
Deferred tax (see note 18)				
Origination and reversal of timing differences	**1,068**		(628)	
Change in tax rate	**880**		-	
Adjustments in respect of previous periods	**(818)**		(493)	
Total deferred tax		**1,130**		(1,121)
Tax credit relating to changes in accounting policies		**-**		14
Total tax		**320**		(1,209)

	2016			*Restated* 2015		
	Current tax £000	**Deferred tax £000**	**Total tax £000**	Current tax £000	Deferred tax £000	Total tax £000
Recognised in Profit and loss account	**(810)**	**1,080**	**270**	(102)	(1,124)	(1,226)
Recognised in other comprehensive income	**-**	**50**	**50**	-	17	17
Total tax	**(810)**	**1,130**	**320**	(102)	(1,107)	(1,209)

Notes *(continued)*

9 **Taxation** *(continued)*

Analysis of current tax recognised in profit and loss

	2016	2015
	£000	£000
UK corporation tax	**66**	(317)
Foreign tax	**(876)**	215
Total current tax recognised in profit and loss	**(810)**	(102)

Reconciliation of effective tax rate

		Restated
	2016	2015
	£000	£000
Loss for the year	**(36,406)**	(31,113)
Total tax credit/(expense) recognised in profit and loss	**270**	(1,226)
Loss excluding taxation	**(36,676)**	(29,887)
Tax using the UK corporation tax rate of 20% *(2015: 20.5%)*	**7,335**	6,127
Non-deductible expenses	**(3,177)**	(2,937)
Goodwill amortisation	**(4,834)**	(4,594)
Deductions for items not in the P&L account	**341**	-
Tax losses arising in the year not recognised	**(374)**	(82)
Recognition of previously unrecognised tax losses	**51**	797
Effect of corporation tax rates in foreign jurisdictions	**157**	260
Corporation tax adjustment in respect of previous periods	**590**	(316)
Deferred tax adjustment in respect of previous periods	**(818)**	(493)
Deferred tax change of rate adjustment	**999**	12
Total tax credit/(expense) included in profit or loss	**270**	(1,226)

The main rate of UK corporation tax reduced from 21% to 20% on 1 April 2015, therefore the average corporation tax rate for the year ended 30 September 2016 was 20% *(2015: 20.5%)*. Legislation was introduced in the Finance (no 2) Act 2015 to reduce the main rate of Corporation Tax to 19% from 1 April 2017. Finance Act 2016 has set the Corporation Tax rate from 1 April 2020 at 17%, which was substantively enacted at the balance sheet date.

Notes *(continued)*

10 Intangible assets and goodwill

Group	Goodwill £000	Customer relationships £000	Software £000	Development costs £000	Total £000
Cost					
At beginning of the year *(restated)*	450,966	10,262	3,182	22,616	487,026
Acquisitions through business combinations	42,587	34,256	326	104	77,273
Other acquisitions – internally developed	-	-	-	5,415	5,415
Other acquisitions – externally purchased	-	-	1,358	1,972	3,330
Effect of movements in foreign exchange	-	-	-	2,233	2,233
At end of the year	493,553	44,518	4,866	32,340	575,277
Amortisation and impairment					
At beginning of the year *(restated)*	51,991	549	2,122	12,974	67,636
Amortisation for the year	24,723	4,734	1,189	6,724	37,370
Effect of movements in foreign exchange	-	-	-	1,652	1,652
At end of the year	76,714	5,283	3,311	21,350	106,658
Net book value					
At 30 September 2015 *(restated)*	398,975	9,713	1,060	9,642	419,390
At 30 September 2016	**416,839**	**39,235**	**1,555**	**10,990**	**468,619**

Amortisation charge

The amortisation charge is recognised in the administrative expenses line in the profit and loss account.

Notes *(continued)*

11 Tangible fixed assets

Group	Freehold land and buildings £000	Leasehold property £000	Computer equipment, fixtures and fittings £000	Total £000
Cost				
At beginning of the year *(restated)*	1,357	1,642	8,701	11,700
Acquisitions through business combinations	5,146	11	623	5,780
Additions	-	959	1,906	2,865
Disposals	-	-	(106)	(106)
Effect of movements in foreign exchange	-	11	2,727	2,738
At end of the year	6,503	2,623	13,851	22,977
Depreciation and impairment				
At beginning of the year *(restated)*	97	428	4,441	4,966
Depreciation charge for the year	153	433	2,676	3,262
Disposals	-	-	(57)	(57)
Effect of movements in foreign exchange	-	11	2,421	2,432
At end of the year	250	872	9,481	10,603
Net book value				
At 30 September 2015 *(restated)*	1,260	1,214	4,260	6,734
At 30 September 2016	**6,253**	**1,751**	**4,370**	**12,374**

12 Fixed asset investments

Company	**Shares in subsidiary undertakings £000**
Cost and net book value	
At 30 September 2015 and 30 September 2016	805

Notes *(continued)*

12 Fixed asset investments *(continued)*

Shares in subsidiary undertakings (which are included in these Group accounts) at the year-end are as follows:

Company	Country of incorporation	Principal activities	Class and % of shares held
Active companies:			
Chambertin Finance Limited	United Kingdom	Holding company	Ordinary 100%
Chambertin Midco Limited *	United Kingdom	Holding company	Ordinary 100%
Chambertin Acquisition Limited *	United Kingdom	Holding company	Ordinary 100%
Cornwall TopCo Limited *	United Kingdom	Holding company	Ordinary 100%
Cornwall MidCo Limited *	United Kingdom	Holding company	Ordinary 100%
Cornwall BidCo Limited *	United Kingdom	Holding company	Ordinary 100%
Civica Group Limited *	United Kingdom	Holding company	Ordinary 100%
Civica Holdings Limited *	United Kingdom	Holding company	Ordinary 100%
Civica UK Limited *	United Kingdom	Trading **	Ordinary 100%
Civica Services Limited *	United Kingdom	Trading **	Ordinary 100%
Civica Pty Limited *	Australia	Trading **	Ordinary 100%
Civica Solutions Pty Ltd *	Australia	Trading **	Ordinary 100%
Civica Education Pty Ltd *	Australia	Trading **	Ordinary 100%
Civica Pte Limited *	Singapore	Trading **	Ordinary 100%
Creative Microsystems Limited *	USA	Trading **	Ordinary 100%
Chambertin Australia Holdco Pty Limited *	Australia	Holding company	Ordinary 100%
Chambertin Australia Bidco Pty Limited *	Australia	Holding company	Ordinary 100%
Civica Technologies Limited *	United Kingdom	Holding company	Ordinary 100%
Asidua Holdings Limited *	Northern Ireland	Holding company	Ordinary 100%
Asidua Limited *	Northern Ireland	Trading **	Ordinary 100%
Asidua Ireland Limited *	Republic of Ireland	Trading **	Ordinary 100%
WTG Technologies Group Limited *	United Kingdom	Holding company	Ordinary 100%
WTG Technologies Limited *	United Kingdom	Trading **	Ordinary 100%
Alahar Limited *	United Kingdom	Holding company	Ordinary 100%
Norwel Computer Services Limited *	United Kingdom	Trading **	Ordinary 100%
IPL Group Limited *	United Kingdom	Holding company	Ordinary 100%
IPL Information Processing Limited *	United Kingdom	Trading **	Ordinary 100%
SFW Limited *	United Kingdom	Trading **	Ordinary 100%
SFW India Private Limited *	India	Trading **	Ordinary 100%
Dormant companies:			
Corero Business Systems Limited *	United Kingdom	Inactive	Ordinary 100%
Coldharbour Systems Limited *	United Kingdom	Inactive	Ordinary 100%
CCS IT Limited *	United Kingdom	Inactive	Ordinary 100%
Civica Financial Systems Limited *	United Kingdom	Inactive	Ordinary 100%
Gateway Computing Limited *	United Kingdom	Inactive	Ordinary 100%
Public Sector Costing Associates Limited *	United Kingdom	Inactive	Ordinary 100%
Civica Trustees Limited *	United Kingdom	Inactive	Ordinary 100%
Sudiar Limited *	United Kingdom	Inactive	Ordinary 100%
Radius Pension Trustees Limited *	United Kingdom	Inactive	Ordinary 100%
Asidua (GB) Limited *	Northern Ireland	Inactive	Ordinary 100%
IPL Holdings Limited *	United Kingdom	Inactive	Ordinary 100%
IPL Type B Limited *	United Kingdom	Inactive	Ordinary 100%
IPL Software Products Limited *	United Kingdom	Inactive	Ordinary 100%
IPL Consultancy Services Limited *	United Kingdom	Inactive	Ordinary 100%
Cornwall Australia Pty Ltd *	Australia	Inactive	Ordinary 100%
WHICS Product Pty Ltd *	Australia	Inactive	Ordinary 100%
Karmet Pty Ltd *	Australia	Inactive	Ordinary 100%
England Consulting Pty Ltd *	Australia	Inactive	Ordinary 100%
Genasys Systems Pty Limited *	Australia	Inactive	Ordinary 100%

* Interests held indirectly

** All trading companies' principal activities are in line with those of the Group, being the provision of software, digital solutions and technology-based outsourcing services, primarily to the public sector and regulated markets.

Notes *(continued)*

13 Debtors

	Group		Company	
		Restated		
	2016	2015	**2016**	2015
	£000	£000	**£000**	£000
Trade debtors	**36,419**	26,581	**-**	-
Amounts owed by group undertakings	**-**	-	**4,902**	4,676
Amounts recoverable on contracts	**44,721**	48,742	**-**	-
Prepayments and other debtors	**10,566**	7,382	**-**	-
Deferred tax assets (see note 18)	**281**	4,494	**-**	-
Corporation tax	**19**	1,122	**-**	-
	92,006	88,321	**4,902**	4,676
Due within one year	**92,006**	88,321	**-**	-
Due after more than one year	**-**	-	**4,902**	4,676
	92,006	88,321	**4,902**	4,676

Debtors include amounts owed by group undertakings to the Company of £4,902,000 *(2015: £4,676,000)* due after more than one year. Recoverability of this debtor is reviewed annually and the intention of the Company not to recall it within less than one year is communicated to the relevant group undertaking. No interest is accrued, and the fair value is not materially different to the book value.

14 Creditors: amounts falling due within one year

	Group		Company	
		Restated		
	2016	2015	**2016**	2015
	£000	£000	**£000**	£000
Bank loans and overdrafts (see note 16)	**22,652**	20,949	**-**	-
Obligations under finance leases (see note 17)	**-**	95	**-**	-
Trade creditors	**14,159**	12,998	**-**	-
Taxation and social security	**10,449**	8,413	**-**	-
Accruals and other creditors	**30,013**	24,729	**-**	-
Deferred income	**42,246**	49,165	**-**	-
Corporation tax	**-**	-	**2**	-
Contingent consideration	**-**	185	**-**	-
	119,519	116,534	**2**	-

15 Creditors: amounts falling after more than one year

	Group		Company	
	2016	2015	**2016**	2015
	£000	£000	**£000**	£000
Bank loans and overdrafts (see note 16)	**293,579**	239,041	**-**	-
Shareholder loan notes	**229,751**	212,951	**4,773**	4,573
Accrued interest on shareholders' loan notes	**80,397**	53,030	**1,676**	1,099
Amounts owed to group undertakings	**-**	-	**1**	1
	603,727	505,022	**6,450**	5,673

Notes *(continued)*

16 Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group's and parent Company's interest-bearing loans and borrowings.

	Group 2016 £000	2015 £000	**Company 2016 £000**	2015 £000
Creditors falling due more than one year				
Secured bank loans	**293,579**	239,041	**-**	-
Shareholder loan notes	**229,751**	212,951	**4,773**	4,573
Accrued interest on shareholders' loan notes	**80,397**	53,030	**1,676**	1,099
	603,727	505,022	**6,449**	5,672
Creditors falling due within less than one year				
Secured bank loans	**22,652**	20,949	**-**	-
Finance lease liabilities	**-**	95	**-**	-
	22,652	21,044	**-**	-

The Group's bank loans and revolving credit facility are secured by way of a fixed and floating charge over the assets of the Group. Bank loans attract interest rates at LIBOR plus margins of between 3.0% and 4.75% and are denominated in Sterling. £30,600,000 *(2015: £36,900,000)* is repayable by regular instalments, and the remaining is repayable at maturity.

Shareholder loan notes are subordinated to the Group's bank facilities and are denominated in Sterling. They attract interest at rates of 10% which is accrued and rolled up. The loan notes and accrued interest are due for repayment in 2062.

17 Other interest-bearing loans and borrowings

Finance lease liabilities are payable as follows:

Group	**Minimum lease payments 2016 £000**	Minimum lease payments 2015 £000
Less than one year	**-**	95
	-	95

Notes *(continued)*

18 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Group	Assets		Liabilities		Net	
	2016	2015	**2016**	2015	**2016**	2015
	£000	£000	**£000**	£000	**£000**	£000
Accelerated capital allowances	**1,487**	1,754	**-**	-	**1,487**	1,754
Arising on business combinations	**-**	-	**(6,670)**	(1,943)	**(6,670)**	(1,943)
Employee benefits	**676**	683	**-**	-	**676**	683
Unused tax losses	**-**	234	**-**	-	**-**	234
Other	**4,788**	3,986	**-**	(220)	**4,788**	3,766
Deferred tax assets / (liabilities)	**6,951**	6,657	**(6,670)**	(2,163)	**281**	4,494

The group has tax losses arising in the UK of £46,376,000 *(2015: £46,695,000)* that are available indefinitely for offset against future taxable profits of those companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they may not be used to offset taxable profits elsewhere in the group, and they have arisen in subsidiaries that have no ability to use these losses in the foreseeable future.

The amount of the net reversal of deferred tax liabilities expected to occur next year is £1,516,000, relating to the reversal of existing timing differences on intangible fixed assets, and a net increase of deferred tax assets of £89,000 relating to the origination of new timing differences on tangible fixed assets.

Company

The company has no deferred tax assets or liabilities, either recognised or unrecognised.

Notes *(continued)*

19 Provisions

Group	**Other provisions £000**	**Property provisions £000**	**Total £000**
Balance at beginning of the year	-	1,735	1,735
Provisions utilised during the year	-	(186)	(186)
Amounts arising from acquisitions	-	765	765
Balance sheet reclassification during the year	-	471	471
Created during the year	1,000	-	1,000
Effect of movements in foreign exchange	-	2	2
Balance at end of the year	**1,000**	**2,787**	**3,787**

Property provisions relate to dilapidation provisions. These are utilised as costs are incurred.
Other provisions relate to potential liabilities.

20 Employee benefits

Defined contribution plans

The Group operates a defined benefit scheme, the Radius Group Pension Scheme ("the Radius Scheme"), and is a participating employer in two other defined benefit pension schemes, The Sanderson Group Retirement Benefit Scheme ("the Group Scheme") and The Pension and Life Assurance Plan of Sanderson Systems Limited ("the Systems Scheme"). The schemes were acquired on the acquisition of the Civica Group.

Radius Scheme

The Radius Scheme is a self-administered pension scheme which provides retirement benefits to current and former employees. Prior to 1 October 2001, the scheme provided benefits on both a defined contribution and defined benefit basis. The defined benefit section was closed to members, with the exception of long service staff in January 1995. With effect from 1 October 2001 all future benefits for all staff have accrued on a defined contribution basis. The scheme is closed to new members, but certain employees continue to have deferred benefits accrued.

The latest actuarial valuation was at 5 April 2015.

Group Scheme and Systems Scheme

The Group Scheme and Systems Scheme are sectionalised, and the assets and liabilities attributable to the Group are ring-fenced. The Group has no accountability for the other participating employers' assets and liabilities.

The employers are required to make contributions at a level that is set to make good any past service deficit, as the schemes are both closed to new members and future accrual. The funding arrangements have been agreed as a fixed percentage.

The latest actuarial valuation of the Group Scheme was at 1 April 2014, and the Systems Scheme was at 1 November 2014.

The Group includes the assets and liabilities of these arrangements in the consolidated balance sheet. Current service costs, curtailment and settlement gains and losses, and net interest on the net defined benefit liability are included in the profit and loss account in the period to which they relate. Actuarial gains and losses are recognised in other comprehensive income. The information disclosed below is in respect of the whole of the three plans of the Group.

Notes *(continued)*

20 Employee benefits *(continued)*

Net pension (liability)/asset

	2016
	£000
Defined benefit obligation	**(28,906)**
Plan assets	**24,928**
Net pension (liability)/asset	**(3,978)**

Movements in present value of defined benefit obligation

	2016
	£000
At 30 September 2015 *(restated)*	**(24,516)**
Interest expense	**(908)**
Remeasurement: actuarial gains/(losses)	**(4,208)**
Benefits paid	**726**
At 30 September 2016	**(28,906)**

Movements in fair value of plan assets

	2016
	£000
At 30 September 2015 *(restated)*	**21,108**
Interest income	**783**
Remeasurement: return on plan assets less interest income	**3,357**
Contributions by employer	**406**
Benefits paid	**(726)**
At 30 September 2016	**24,928**

Expense recognised in the profit and loss account

		Restated
	2016	2015
	£000	£000
Net interest on net defined benefit liability	**(125)**	(139)
Total expense recognised in profit or loss	**(125)**	(139)

The total recognised in the statement of other comprehensive income are remeasurement gains/(losses) of (£851,000) *(2015: (£82,000))*.

Notes *(continued)*

20 Employee benefits *(continued)*

The fair value of the plan assets and the return on those assets were as follows:

	2016 Fair value £000	*Restated* 2015 Fair value £000
Equities	**10,703**	8,891
Fixed income bonds	**6,464**	5,265
Group pension contract	**2,778**	2,679
Cash	**576**	757
Guaranteed annuity rates	**4,407**	3,516
	24,928	21,108
Actual return on plan assets	**3,357**	548

Principal actuarial assumptions at the year-end and the range of values (expressed as weighted averages) applied to the schemes were as follows:

	2016 %	2015 %
Discount rate	**2.3 – 2.9**	3.5 – 4.0
Inflation rate (RPI)	**2.5 – 3.2**	2.7 – 3.1
Future pension increases	**2.4 – 5.0**	2.3 – 5.0

In valuing the liabilities of the pension funds at 30 September 2016, mortality assumptions have been made as indicated below.

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

- Current pensioner aged 65: 21.9 to 22.8 years (male), 23.9 to 25.2 years (female).
- Future retiree upon reaching 65: 23.2 to 24.1 years (male), 25.4 to 26.6 years (female).

Defined contribution plans

The Group operates a number of defined contribution pension plans.

The total expense relating to these plans in the current year was £7,365,000 *(2015: £6,420,000).*

Notes *(continued)*

21 Capital and reserves

Share capital

In thousands of shares	**Ordinary shares 2016**
On issue at beginning of the year	**1,733**
Issued for cash	**17**
On issue at end of the year – fully paid	**1,750**

During the year the Company issued 17,250 D ordinary shares for cash consideration of £17,250.

		2016 £	2015 £
Allotted, called up and fully paid			
719,412 *(2015: 719,412)*	A ordinary shares of £0.001 each	**719**	719
750,000 *(2015: 750,000)*	B ordinary shares of £0.000000013 each	**-**	-
30,588 *(2015: 30,588)*	C ordinary shares of £0.001 each	**31**	31
249,996 *(2015: 232,746)*	D ordinary shares of £0.001 each	**250**	233
4 *(2015: 4)*	E ordinary shares of £200 each	**800**	800
Total (classified in shareholders' funds)		**1,800**	1,783

The holders of A, C, D and E ordinary shares are entitled to receive dividends as declared from time to time and holders of B, D and E ordinary shares are entitled to one vote per share at meetings of the Company.

Reserves

Reserves of the Group represent the following:

Share premium

The excess of consideration received for shares issued above their nominal value net of transaction costs.

Profit and loss

Cumulative total comprehensive income net of distributions to shareholders.

Notes *(continued)*

22 Financial instruments

Carrying amount of financial instruments

The balance sheet and notes to the financial statements provide information on the carrying amounts of financial assets and liabilities.

23 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Group		**Company**	
	2016	2015	**2016**	2015
	£000	£000	**£000**	£000
Less than one year	**4,221**	3,248	-	-
Between one and five years	**9,607**	11,205	-	-
More than five years	**8,998**	10,282	-	-
	22,826	24,735	-	-

During the year £5,130,000 was recognised as an expense in the profit and loss account in respect of operating leases *(2015: £4,067,000).*

24 Related parties

Group

Transactions with key management personnel

Total compensation of key management personnel (the directors) in the year amounted to £1,674,000 *(2015: £1,116,000).* Key management personnel own 28.12% of the issued share capital of the Company.

Key management personnel subscribed for loan notes totalling £200,000 *(2015: £nil)* issued by the Group during the year. The balance outstanding at the year-end was £8,209,000 *(2015: £8,009,000).* These loan notes accrued interest of £1,005,000 during the year *(2015: £914,000)*, and the accrued interest balance at the year-end was £2,937,000 *(2015: £1,933,000).*

Other related party transactions

71.88% of the issued share capital of the Company is held by a company incorporated in Canada, OPE Chambertin Investment Limited, which is a subsidiary of OMERS Administration Corporation (OAC) which is a non-share capital corporation company continued pursuant to the Ontario Municipal Employees Retirement System Act 2006.

OAC subscribed for loan notes totalling £16,600,000 *(2015: £5,300,000)* issued by the Group during the year. The balance outstanding at the year-end was £221,542,000 *(2015: £204,942,000).* The interest charged on OAC's loan notes during the year was £26,363,000 *(2015: £23,085,000)*, and the accrued interest at the year-end was £77,460,000 *(2015: £51,097,000)*, all of which will be settled in the form of Payment In Kind Notes.

Monitoring fees and expenses of £368,000 *(2015: £371,000)* were paid to OMERS Private Equity Inc during the year.

Company

Transactions with key management personnel

Key management personnel subscribed for loan notes totalling £200,000 *(2015: £nil)* issued by the Company during the year. The balance outstanding at the year-end was £4,773,000 *(2015: £4,573,000).* These loan notes accrued interest of £577,000 during the year *(2015: £521,000)*, and the accrued interest balance at the year-end was £1,676,000 *(2015: £1,099,000).*

Notes *(continued)*

25 Subsequent event

Subsequent to the balance sheet date, the Group has acquired the entire share capital of Abritas Limited, a company incorporated in the United Kingdom. Its principal activities are the provision of web-based application software and related services for the UK social housing sector, with annual turnover of approximately £5m.

26 Accounting estimates and judgements

Key sources of estimation uncertainty

The preparation of financial statements requires management to make estimates and judgements that affect the reported values of assets and liabilities, profits and losses, and associated disclosures. Estimates and judgements are continually evaluated based on historical experience and other factors such as expected future events. Actual values may differ to management estimates, and those estimates may be revised in the future either positively or negatively depending upon actual outcomes or changes in expectations.

Key assumptions and other sources of estimation uncertainty at the balance sheet date that may cause material adjustment to the carrying amounts of assets or liabilities within the next financial year are as follows:

Pension assumptions

The Group makes assumptions regarding variables used in calculating the defined benefit pension scheme valuations and disclosures. These assumptions are made in conjunction with advice from independent actuaries, and are disclosed in note 20.

Revenue recognition

Accounting judgements are applied to recognition of revenue, in particular the ‘unbundling’ of different elements of certain multi-element contracts and selection of the most appropriate revenue model where contracts are long term in nature.

In both of these cases a range of acceptable outcomes are possible. Therefore, it is important that the approach and methodologies adopted are appropriate and consistently applied.

Fair values

Fair values of identifiable intangible assets recognised in business combinations relate to customer contracts and relationships at the date of each acquisition, as disclosed in note 2.

The key assumptions to calculate the fair values are the existence and value of contracts/customer relationships, rates of customer attrition, and the weighted average cost of capital.

Notes *(continued)*

27 Explanation of transition to FRS 102 from old UK GAAP

As stated in note 1, these are the Group's and Company's first financial statements prepared in accordance with FRS 102.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 30 September 2016 and the comparative information presented in these financial statements for the year ended 30 September 2015.

Group

In preparing its FRS 102 balance sheet, the Group has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (old UK GAAP). An explanation of how the transition from old UK GAAP to FRS 102 has affected the Group's financial position and financial performance is set out below.

Reconciliation of comprehensive income and equity from old UK GAAP to FRS 102

Group	**Note**	**Comprehensive income for the year ended 30 September 2015 £000**	**Equity as at 30 September 2015 £000**	**Equity as at 30 September 2014 £000**
Amount under old UK GAAP		**(34,490)**	**(75,078)**	**(40,588)**
Recognition of other intangible assets on business combinations:	a)			
Goodwill		-	(8,209)	-
Other intangibles		-	10,262	-
Deferred tax liability		-	(2,053)	-
Tax on loss on ordinary activities		110	110	-
Administrative expenses – amortisation charge		(443)	(443)	-
Accrual for holiday pay:	b)			
Goodwill		-	105	-
Creditors		-	(999)	(894)
Adjustment to defined benefit pension liabilities:	c)			
Pensions and similar obligations		-	835	835
Interest payable		(220)	(220)	-
Other comprehensive income		147	147	-
Adjustment to deferred tax (relating to adjustment of defined benefit pension liabilities):	d)			
Deferred tax asset		-	(166)	(166)
Tax on loss on ordinary activities		43	43	-
Tax on other comprehensive income		(29)	(29)	-
Reclassification of computer software assets:	e)			
Tangible fixed assets		-	(1,060)	(983)
Other intangibles		-	1,060	983
Administrative expenses – depreciation charge		829	-	-
Administrative expenses – amortisation charge		(829)	-	-
Fair value adjustment to deferred tax assets acquired:	f)			
Goodwill		-	170	-
Deferred tax asset		-	(170)	-
Amount under FRS 102		**(34,882)**	**(75,695)**	**(40,813)**

Notes *(continued)*

27 Explanation of transition to FRS 102 from old UK GAAP *(continued)*

Notes to the reconciliation of comprehensive income and equity

a) Reclassification within intangible assets of £10,262,000 from goodwill to customer relationships, recognition of the deferred tax liability arising on the fair value of customer relationships, with associated adjustments to amortisation resulting in an additional charge of £443,000 and a deferred tax credit of £110,000 in the year ended 30 September 2015.

b) Accrual for holiday pay of £894,000 recognised for existing Group undertakings, and £105,000 for entities acquired in the year ended 30 September 2015.

c) Adjustment to the present value of defined benefit pension liabilities as at 30 September 2014 and 30 September 2015, with the associated additional charge of £220,000 to the profit and loss account to reflect the net interest on the net defined benefit liability under FRS 102, and £147,000 reduction to the actuarial losses recognised in other comprehensive income.

d) Adjustment to the deferred tax asset movement and carrying value associated with the restatement of defined benefit pension liabilities in note c).

e) Reclassification of computer software from tangible fixed assets to intangible assets, with the associated depreciation charge reclassified as amortisation.

f) Fair value adjustment (within the hindsight window allowed by FRS 102) to deferred tax assets acquired in business combinations in the year ended 30 September 2015, recognised retrospectively as a prior year adjustment under FRS 102 rather than prospectively under old UK GAAP.

Company

In preparing its FRS 102 balance sheet, the Company has not had to make any adjustments to amounts reported previously in financial statements prepared in accordance with its old basis of accounting (old UK GAAP).