

Company Registration No. 10975623

# Zellis Holdings Limited

**Annual Report and Consolidated Financial Statements.**

**For the year ended 30 April 2022.**



# ZELLIS HOLDINGS LIMITED

## COMPANY INFORMATION



### Directors

Jakob Brevinge (resigned 17 December 2021)

James Stevens (appointed 17 December 2021)

John Petter

Alan Kinch

### Secretary

Helen Copestick (resigned 16 August 2021)

Chris Fox (appointed 16 August 2021)

### Company number

10975623

### Registered office

740 Waterside Drive  
Aztec West  
Almondsbury  
Bristol  
BS32 4UF

### Auditor

Grant Thornton UK LLP  
2 Glass Wharf  
Bristol  
BS2 0EL

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**ZELLIS HOLDINGS LIMITED**  
**STRATEGIC REPORT**  
**FOR THE YEAR ENDED 30 APRIL 2022**

## Financial Highlights

### Reported Revenue

**£175.4m**

**FY21: £159.7m**

### Reported Revenue Growth

**9.8%**

**FY21: 4.8%**

(Refer to page 12 for details)

### Organic Pro forma trading EBITDA

**£57.4m**

**FY21: £48.1m**

(Refer to page 11 for details)

### EBITDA Margin %

**32.9%**

**FY21: 30.3%**

Organic Pro forma trading EBITDA as % of Organic Revenue (see page 12 for details)

### Organic Pro forma trading EBITDAC

**£43.1m**

**FY21: £36.2m**

(Refer to page 11 for details)

### EBITDAC Margin %

**24.7%**

**FY21: 22.8%**

Organic Pro forma trading EBITDAC as % of Organic Revenue (see page 12 for details)

### Operating profit /loss

**£10.1m**

**FY21: £1.8m loss**

(Refer to page 51 for details)

### Operating Profit Margin %

**5.8%**

**FY21: -1.1%**

Operating Profit as % of Revenue (see page 51 for details)

### Significant separately disclosed items

**£6.9m**

**FY21: £9.4m**

(Refer to note 6 for details)

### Net cash from operating activities

**£50.0m**

**FY21: £36.1m**

(Before changes in working capital and provisions)

# ZELLIS HOLDINGS LIMITED

## STRATEGIC REPORT

### FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)

#### Other key highlights

Employee NPS*	Apr-22/(Apr-21)	Bitsight.com rating	Apr-22/(Apr-21)
<b>Zellis</b>	<b>12 (20)</b>	<b>Zellis</b>	<b>800 (800)</b>
<b>Moorepay</b>	<b>14 (48)</b>	<b>Moorepay</b>	<b>800 (780)</b>
<b>Benefex</b>	<b>27 (38)</b>	<b>Benefex</b>	<b>770 (740)</b>

\*ENPS positive despite drop caused by pandemic spike and above pre pandemic levels

## Zellis Group at a glance

### Zellis Group in numbers



**5,200**

customers in the UK  
and Ireland



**2,141**

colleagues across the  
Group



**>63m**

payslips processed every year



**74**

international locations  
served by Benefex



**5m**

employees paid every  
month



**1 in 6**

of UK working  
population paid by  
Zellis



**>£25bn**

paid through our BPaaS each  
year



**50+**

years of HR and payroll  
technology and service  
expertise

**ZELLIS HOLDINGS LIMITED**  
**STRATEGIC REPORT**  
**FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)**

**Zellis Group at a glance (continued)**

**Our Locations**

Our geographic reach provides us with access to diverse talent and close proximity to our customers.



**13**

**locations in the UK, Ireland & India**



# ZELLIS HOLDINGS LIMITED STRATEGIC REPORT FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)

## Purpose, Vision, Strategy & Values

### Our purpose

Making people feel appreciated for the work they do  
**Precision | Choice | Magic**

Our mission is to **help our customers make every moment at work count**. We achieve this through **award-winning payroll and HR solutions** which both optimise their fundamental processes and deliver the modern, digital employee experiences that **make people feel appreciated for the work they do**.

We're always building on our heritage as **the leading provider of software and services for the UK and Ireland**, driving **new innovations** that help customers meet and **exceed their business objectives**.

### Our vision

To be **the clear leader** in pay, reward, analytics and people experiences

Our vision is to be **the clear leader** in pay, reward, analytics, and people experiences. There is nothing more important to us **than building trusting and beneficial relationships with our customers**, using our size, scale, and breadth of experience to **offer tailored solutions that precisely meet their business needs**.

We design solutions that keep our customers ahead of change as they navigate the regulatory complexity and workforce uncertainty which exists in today's business landscape. At the heart of everything we do are our highly qualified payroll and HR experts, who are **committed to delivering first-class customer service at all times**.

### Our values

#### Our values & behaviours.

##### Unstoppable Together

We work together to achieve amazing results

We are inclusive, celebrating differences and respecting others

##### Always Learning

We build expertise in ourselves and others

We are dynamic, always looking for better ways

##### Make It Count

We work with precision and pace

We take ownership for what we do and how we do it matters



# ZELLIS HOLDINGS LIMITED STRATEGIC REPORT FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)

## Purpose, Vision, Strategy & Values (continued)

### Our Group Strategy



### Our Product Strategy

	zellis	Benefex™ A Zellis Company	moorepay A Zellis Company
Market definition	Core market is Payroll and Core HR software and services to UK/ROI enterprises >1000 employees where Zellis has a <b>leadership position</b> and can compete vs. global players	Core market is online benefit management from small-medium businesses to multinational companies	Core market is Payroll and HCM software and services to UK SMBs with 50-1000 employees
Strategic focus	<b>Focus on our core markets and achieve full potential</b> by closing product gaps and differentiating against customer segments' key purchase criteria <b>Increase product / brand awareness</b> and to support win rate (supported by product improvements) <b>Demonstrate operational cost advantage</b> and increase competitiveness with customers	<b>Focus on maintaining product differentiation</b> while fulfilling the cross-sell potential to Zellis customers Ensure product scalability creates a foundation for <b>operational leverage</b>	<b>Focus on increasing product differentiation</b> with NextGen SMB suite and connectors plus launching software-only sales through partners
Additional focus	<b>Expand into close adjacencies</b> (e.g. salary advance, workforce management) and unlock new segments Build <b>Real Time Pay</b> capability	<b>Increase existing customer adoption of new products</b> Home, Recognition, Broking, Communications, Financial wellbeing)	<b>Targeting 500-1000 customers</b> will increase the group's win rate in this segment through faster implementation and a lower cost, standardised op model Moorepay Ireland targeting SMB in Ireland
Strategic initiatives	<div>Zellis HCM Cloud</div> <div>Managed Services transformation</div> <div>Faster payroll &amp; Real Time Pay</div> <div>RapidStart implementation</div> <div>ZCS downstream</div> <div>Data analytics and insights</div> <div>Zellis Workforce Management solution</div>	<div>Reward &amp; Recognition</div> <div>Home + content</div> <div>Zellis cross-sell</div> <div>Global benefits</div> <div>Parameterised Benefits</div> <div>WRKIT</div>	<div>NextGen</div> <div>500-1000 EE segment</div> <div>Managed Services transform</div> <div>SMB partnerships</div> <div>Faster payroll &amp; Real Time Pay</div> <div>Moorepay Ireland</div>



**ZELLIS HOLDINGS LIMITED**  
**STRATEGIC REPORT**  
**FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)**

## **Purpose, Vision, Strategy & Values (continued)**

### **Our Environmental Social Governance (ESG) framework**

Our ambition is to be the leader in ESG outcomes in the UK and ROI HR, Benefits and Payroll Solutions market.

#### **We are committed to**

##### **Wellbeing for all.**

- Make pay and benefits easier to understand
- Promote wellbeing through digital resources
- Build knowledge and confidence for better financial wellbeing

##### **Diversity of thought and experiences.**

- Empower organisations to be representative and equitable through data
- Advance inclusion and celebrate differences
- Champion pay equity and personalised benefits

##### **Strong communities.**

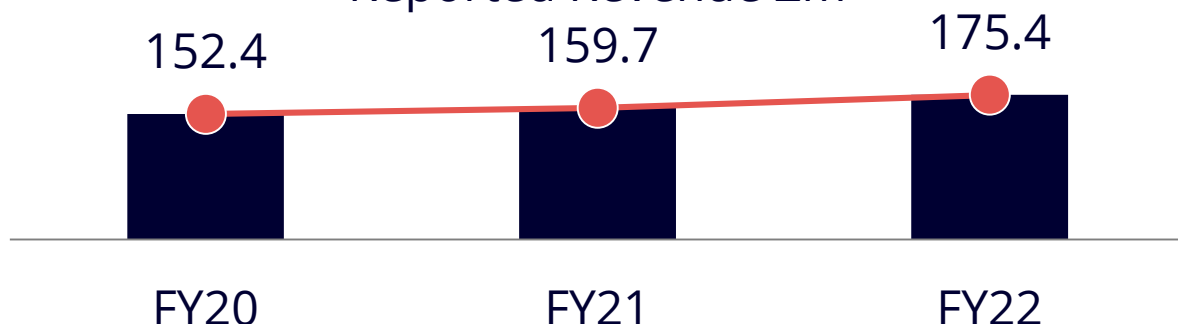
- Protect our environment for future generations
- Nurture high quality employment and workplace experiences
- Make charitable giving easy

**for our company, customers and communities.**

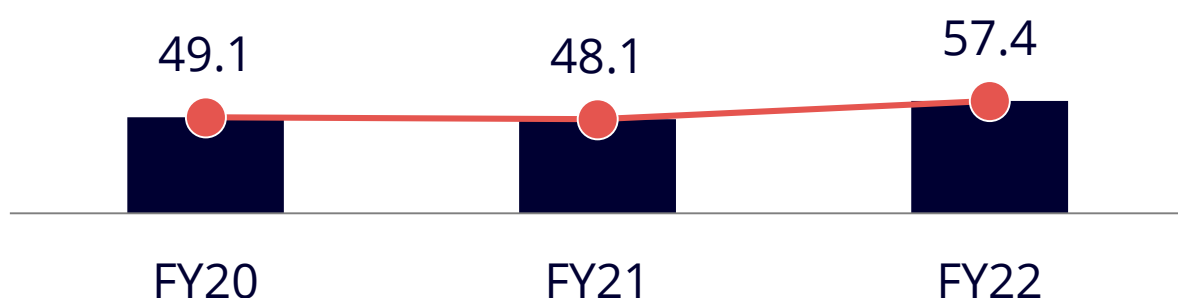
**ZELLIS HOLDINGS LIMITED**  
**STRATEGIC REPORT**  
**FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)**

## Group financial performance

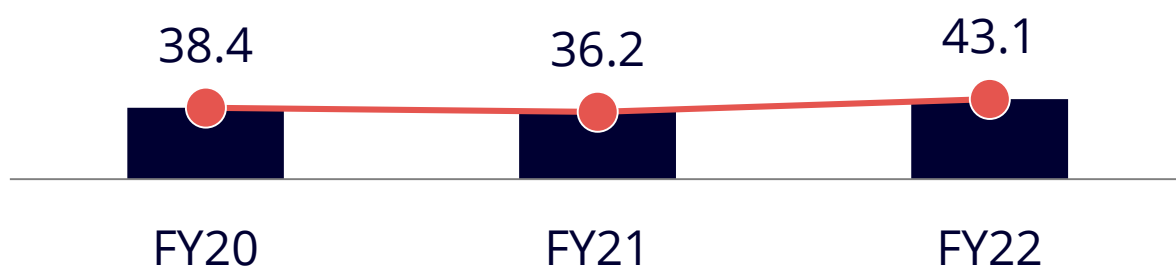
Reported Revenue £m



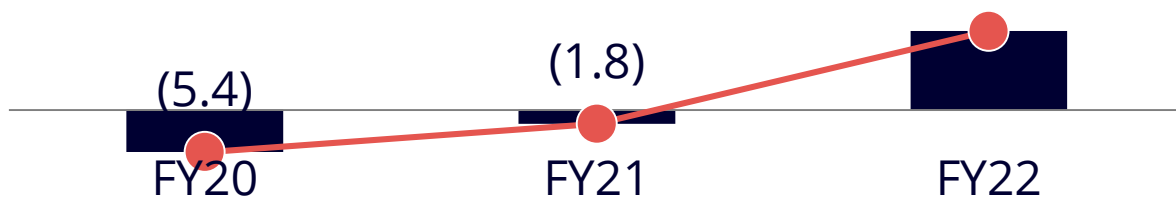
Organic Pro forma trading EBITDA £m



Organic Pro forma trading EBITDAC £m



Operating profit / (loss) £m



# ZELLIS HOLDINGS LIMITED

## STRATEGIC REPORT

### FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)

The Directors present their strategic report on the affairs of Zellis Holdings Limited (“the Zellis Group” or “the Group”) for the year to 30 April 2022.

## Background to the year

The Zellis Group has again enjoyed strong performance in FY22, with significant momentum for future growth evidenced by year-on-year increases in Revenue, EBITDA, and Sales ARR. This progress reflects the continued success of the group’s business model, its leadership and strategic direction, and the direct results of its investments in people, product, and customer experience.

This progress has been achieved in the context of significant change and emerging pressures on organisations of every size. The lingering impact of Covid-19 has introduced new working norms, accelerated the adoption of new technologies, and brought employee experience, particularly digital experiences, into sharp focus. The hiring crisis known as ‘the great resignation’, conflict in Ukraine, and energy prices have exacerbated concerns about inflation and cost-of-living.

These conditions serve to intensify our customers’ requirements for advanced, efficient, and effective solutions and services. Our growth against this backdrop offers evidence of the continuing appeal of the Zellis Group as a partner. Over the course of the year, we celebrated a number of key milestones and successes, including:

### Migrating existing and new customers to Zellis HCM Cloud

Zellis HCM Cloud was fully launched just before the start of FY22 and represents our flagship cloud-based human capital management (HCM) solution.

Since it entered general availability, a steady flow of new and existing customers have adopted and are either partially or fully migrated to the new solution. In September 2021, Zellis announced a significant update to Zellis HCM Cloud, using customer feedback and experiences with the tool to introduce further improvements and an update development roadmap prioritising the most in-demand features. As of April 2022, one in five Zellis customers (85) have purchased Zellis HCM Cloud, 31 of whom are new customers.

Zellis HCM Cloud provides customers with real choice and flexibility in the form of two core editions:

- 1. HCM Edition:** With HCM Edition, customers can deploy a full suite of payroll, HR, benefits, and recognition tools, taking advantage of the open nature of the platforms to operate easily with their other key applications via exclusive connectors.
- 2. Payroll Edition:** With Payroll edition, customers can harness the full power of Zellis’ best-of-breed payroll software, with the option of integrating it seamlessly with their existing HR solution.

With a substantial number of customers operating on Zellis HCM Cloud, we have also benefitted from more user data. This is being used to update the development cycle and put emphasis on the most effective and popular features of the solution, such as leave management.

### Expanding appeal through partnerships and acquisition

Zellis Group has also announced multiple partnerships and made a significant acquisition to expand the utility and appeal of its services and solutions.

# **ZELLIS HOLDINGS LIMITED**

## **STRATEGIC REPORT**

### **FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)**

#### **Background to the year (continued)**

##### **Expanding appeal through partnerships and acquisition (continued)**

In November, Zellis launched a cloud-based version of Moorepay's payroll & HR platform with new functionality including Faster Payments, and enhanced analytics and benefits modules. This upgrade reflects the overall Group's direction of travel to leadership in cloud solutions and is aligned to increasing demands for cloud-based infrastructure.

Enhancing the employee experience while reducing burden on HR teams was also the focus of Zellis' collaboration with Experian, announced in February 2022. This partnership extended Experian's new automated employment and income verification services, Work Report, to all of its customers, and millions of people across the UK. This digital service offers an automated alternative for the time-consuming process of sourcing and sharing the payroll and implement information required to secure many financial services, most notably mortgages.

Recognising the power of interoperability with some of the markets most widely used HR tools, Zellis has also been expanding its network of integrated partners. Zellis has announced new connectors to UKG and Cornerstone HR, with several other popular connectors set to be tested and released through its marketplace.

In January, the Zellis Group also celebrated a significant acquisition, which served to highlight the Group's focus on the pressing demands to support better colleague mental, physical and financial health. Benefex (a Zellis company) acquired Wrkit, the employee engagement platform, headquartered in Ireland. As part of the deal, Wrkit's full staff and entire product set, which includes employee discounts, wellbeing, recognition, and communication tools, became a part of the Zellis Group, enhancing our customer offering and innovations which directly address some of the most significant challenges employers face today.

##### **Significant appointments and new milestones at the board level**

Zellis has expanded its senior leadership team with two significant new additions.

In June 2021, Zellis announced the appointment of Jacqui Summons to its Zellis TopCo Limited board as its first independent non-executive director, the first addition to Zellis' supervisory board since the company launched with its new brand in January 2019. Summons serves as Chief People Officer at EMIS Health, bringing an extensive range of HR and technology expertise which closely aligns with Zellis' customer-focused strategy. She is contributing over three decades of specialist knowledge of the challenges businesses face every day, from Diversity, Equity and Inclusion (DEI) to wellbeing, talent management and digital employee experiences. Moreover, as an independent director, this appointment further strengthens the group's corporate governance practices through a stronger board composition.

Zellis additionally announced the appointment of Chris Fox, as its new General Counsel and company Secretary. With over 15 years of experience as a lawyer and strategy consultant, Fox was named In-House Solicitor of the Year by the Law Society in 2019. Fox has already been instrumental in helping enhance and augment the Group's procurement and compliance processes to align with the highest industry standards, including an update to its Slavery & Human Trafficking statement.

# **ZELLIS HOLDINGS LIMITED STRATEGIC REPORT FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)**

## **Background to the year (continued)**

### **Industry awards success**

Zellis continues to win accolades from its industry's most respected and informed stakeholders.

In October, Zellis announced it had again won two prestigious awards from the Chartered Institute of Payroll Professionals. For the second year running, Zellis' flagship platform, Zellis HCM Cloud, was recognised as Software product of the year and Moorepay was Highly Commended for Specialist Payroll Supplier of the Year. Zellis and Moorepay were shortlisted for several other CIPP awards, including Payroll Service Provider of the year and Best Coronavirus (Covid-19) Crisis Response.

In addition, the efforts of Zellis BPaaS were recognised by the CIPP, which declared that Mandy Haslam, Payroll Advisory & Operational Enablement Director had earned its prestigious Spotlight Award. The award reflected the success of the entire company's BPaaS and consulting teams, which continue to deliver complicated payroll support with accuracy and care during and unprecedented period of disruption and legislative change brought about by the ongoing Covid-19 pandemic.

Award season success continued in December, as Zellis won Payroll and HR Software Product of the year award at the Rewards, the annual awards presented by Reward Strategy.

# ZELLIS HOLDINGS LIMITED

## STRATEGIC REPORT

### FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)

#### Financial review

The principal activity of the Group is to provide technology solutions and services for human resources management. The results for the year to 30 April 2022 are set out in the consolidated income statement on page 51. Zellis Group closed the year with revenues of £175,350k (2021: £159,703k) and operating profit excluding significant separately disclosed items and amortisation of acquired intangibles of £43,471k (2021: £33,034k). After significant separately disclosed items of £6,944k (2021: £9,418k) and amortisation of acquired intangibles of £26,401k (2021: £25,397k), the Group reported an operating profit of £10,126k (2021: loss £1,781k).

#### Pro forma trading EBITDA

Operating profit / (loss) is reconciled to the pro forma trading EBITDA/EBITDAC and organic proforma trading EBITDA/EBITDAC as follows (organic measures removes the impact of the in-year Wrkit acquisition):

	2022 £m	2021* £m
<b>Operating profit / (loss)</b>	<b>10.1</b>	<b>(1.8)</b>
<u>Non-cash adjustments</u>		
Depreciation	5.0	5.2
Amortisation	34.8	32.4
<u>Non-trading adjustments</u>		
Capita non-novated Revenue (see page 12)	(0.5)	(0.7)
Significant separately disclosed items (Note 6)	6.9	9.4
Management fee from Bain Capital	1.6	1.5
Defined benefit pension scheme costs and adjustments	0.0	1.9
Forex differences** and other non-trading adjustments	(0.5)	0.2
<b>Pro forma trading EBITDA</b>	<b>57.4</b>	<b>48.1</b>
Add back employee costs capitalised	(14.3)	(11.9)
<b>Pro forma trading EBITDAC</b>	<b>43.1</b>	<b>36.2</b>
Wrkit	0.0	-
<b>Organic Pro forma trading EBITDAC</b>	<b>43.1</b>	<b>36.2</b>
Remove employee costs capitalised	14.3	11.9
Wrkit	0.0	-
<b>Organic Pro forma trading EBITDA</b>	<b>57.4</b>	<b>48.1</b>

\*Adjusted to include £2m impact of Capita novated customers in order to allow for organic comparison to current year.

\*\*The difference in forex exchange rates used between management accounts (budgeted rates) and financial reporting (actual rates), in line with debt covenant compliance calculations.

Net financing costs are at £32,256k (2021: £27,826k) and the loss on ordinary activities before tax is £22,130k (2021: £29,607k).

Significant separately disclosed items related to costs which the group has incurred as a result of activities in relation to completion of the carve out from the previous parent company (2022: £1,785k; 2021: £3,763k), acquisition and financing costs (2022: £2,562k; 2021: £1,451k), business transformation activities to drive return on investment (2022: £2,235k; 2021: £2,911k), and other material events or external circumstances (2022: £362k; 2021: £1,293k). The classification of these costs as significant separately disclosed items has been performed on the basis that there is an expectation for these to have material financial impact that are not part of the normal trading activities or are part of a transformation programme which has a material impact on the financial statements (note 6).

# ZELLIS HOLDINGS LIMITED

## STRATEGIC REPORT

### FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)

#### Financial review (continued)

#### Key performance indicators

Apart from the KPIs disclosed in the Financial Highlights, the Group also focus on other key performance indicators, specifically on revenue growth (9.8%), Operating profit before significant separately disclosed items and amortisation of acquired intangibles of £43.5m (2021: £33.0m) and Operating profit margin before significant separately disclosed items and amortisation of acquired intangibles 25% (2021: 21%). In addition, Net Promoter Score ('NPS') from our customers and employees are also crucial for the group. We conduct NPS surveys with customers every quarter and with employees twice a year.

#### Underlying and organic reconciliations

	Revenue £m	Proforma EBITDA £m	Proforma EBITDAC £m
<b>2022</b>			
<b>Reported</b>	<b>175.4</b>	<b>57.4</b>	<b>43.1</b>
<i>Year-on-year Growth (%)</i>	<i>9.8%</i>	<i>19.3%</i>	<i>19.1%</i>
Non-recurring items:			
- Capita non-novated customers*	(0.5)	-	-
<b>Underlying</b>	<b>174.9</b>	<b>57.4</b>	<b>43.1</b>
<i>Year-on-year Growth (%)</i>	<i>10.0%</i>	<i>19.3%</i>	<i>19.1%</i>
In-period acquisitions			
- Wrkit	(0.5)	(0.0)	(0.0)
<b>Organic</b>	<b>174.4</b>	<b>57.4</b>	<b>43.1</b>
<i>Year-on-year Growth (%)</i>	<i>9.7%</i>	<i>19.3%</i>	<i>19.1%</i>
<b>2021**</b>			
<b>Reported</b>	<b>159.7</b>	<b>48.1</b>	<b>36.2</b>
<i>Year-on-year Growth (%)</i>	<i>4.8%</i>	<i>(2.0%)</i>	<i>(5.7%)</i>
Non-recurring items:			
- Capita non-novated customers*	(0.7)	-	-
<b>Underlying &amp; Organic</b>	<b>159.0</b>	<b>48.1</b>	<b>36.2</b>
<i>Year-on-year Growth (%)</i>	<i>4.3%</i>	<i>(2.0%)</i>	<i>(5.7%)</i>

\* In FY21, the Group acquired the people, platform and customers of Capita Employee Benefits, the Benefits and Brokering division of Capita Employee Benefits Ltd. This acquisition included both customers agreeing to novate across to Benefex's benefits systems ("novated customers"), but also included customers that will stay on the existing Capita system until the end of their current contract ("non-novated customers"). The latter are serviced by Benefex, and therefore generates third party revenue, albeit only for a short-term period, and hence this revenue has been adjusted as a one-off item in order to show true underlying revenue growth.

\*\* FY21 numbers have been adjusted to exclude £2.9m impact of revenue from Capita novated customers and associated £2m impact of EBITDA in order to allow for organic comparison to current year.



# ZELLIS HOLDINGS LIMITED

## STRATEGIC REPORT

### FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)

#### Financial review (continued)

##### Financial Position

On 30 April 2022, the Group had cash balances of £9.0m (2021: £9.3m) and bank loans of £321m (2021: £300m). See Note 24 for further details.

The key terms of the Group's borrowing facilities are summarised as follows as of 30 April 2022:

£'m	Facility	Maturity	Drawn 2021*	RCF	PIK	Non-cash	Drawn 2022*
Senior	270.0	Jan '25	273.7		7.6		281.3
Second Lien	20.0	Jan '26	21.0		2.2		23.2
Revolving Facility	40.0	Jan '24	4.0	4.0			8.0
Capitalised Borrowing Costs & Non-cash Adjustments**			1.1			7.9	9.0
<b>Total Borrowings (Note 24)</b>	<b>330.0</b>		<b>299.8</b>	<b>4.0</b>	<b>9.8</b>	<b>7.9</b>	<b>321.5</b>
Less: Second Lien, Capitalised Borrowing Costs & Non-cash Adjustments			(22.1)				(32.2)
Less: Cash			(9.3)				(9.0)
<b>Consolidated Senior Net Debt</b>			<b>268.4</b>				<b>280.3</b>

\*2021 includes PIK of December 2020 interest. 2022 also includes June/December 2021 interest PIK.

\*\*Amortisation and Accrued Interest

Interest Breakdown (Bps)	Charge	Loan Inception 2017			As of November 2020 <sup>3</sup>			As of January 2022 <sup>4</sup>		
		Senior	2 <sup>nd</sup> Lien	RCF	Senior	2 <sup>nd</sup> Lien	RCF	Senior	2 <sup>nd</sup> Lien	RCF
Floating Rate <sup>1</sup>		LIBOR	LIBOR	LIBOR	LIBOR	LIBOR	LIBOR	SONIA	SONIA	SONIA
Cash Only Margin <sup>2</sup>		475-525	850	325-425	475-525	850	325-425	475-525	850	325-425
PIK Margin TOTAL <sup>3</sup>		-	-	-	550	925	-	550	925	-
- Cash Portion		-	-	-	275	-	-	275	-	-
- PIK Portion		-	-	-	275	925	-	275	925	-
Credit Adjustment Spread <sup>4</sup>		-	-	-	-	-	-	24	2.31	2.3

1. The floating element on the Second Lien Term Loan is subject to a 1.00% floor and the floating element on the Senior and RCF are subject to a 0.0% floor.
2. The Cash Margin Ratchet varies from 475 – 525 bps on the Term Loan and 325 – 425 bps on the RCF. This ratchet is based on the Consolidated Senior Secured Net Debt Leverage Ratio. (Consolidated Senior Secured Net Debt / LTM EBITDA).
3. As of Nov 20, a Payment in Kind ("PIK") arrangement was put in place across both Senior and the 2<sup>nd</sup> Lien debt. When opting to PIK, the margin is fixed at 5.5% (50% Cash and 50% PIK) and 9.25% (100% PIK) respectively. PIK is not an option for the RCF.
4. As of Jan 22, both facilities were restated as the debt's variable element was transitioned from LIBOR to SONIA. This also added a forward-looking Credit Adjustment Spread which ensured the fair conversion of existing contracts when transitioning between the two rates.

The current financial arrangements include a leverage covenant which requires that the leverage (the ratio of the Consolidated Senior Secured Net Debt to Last Twelve Months EBITDA) does not exceed 9.05. At year end the leverage was substantially below this level at 4.9x (2021: 5.6x).

# ZELLIS HOLDINGS LIMITED

## STRATEGIC REPORT

### FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)

## Looking Forward

Following a solid 12 months of growth, we have outlined a number of priorities for FY22, including:

### Growing our Zellis HCM Cloud user base

Our primary focus for FY23 remains selling Zellis HCM Cloud to both new and existing customers. The update in FY22 has shown us that there remains significant appetite amongst current ResourceLink customers to upgrade to our new solution, as well as non-customers who are looking for solutions to future-proof their organisation.

Zellis HCM Cloud additionally offers significant enhancements to performance, resilience, and flexibility which remain essential at a time when employers are under significant pressure.

We will continue to pursue strong growth in the number of net new Zellis HCM Cloud customers as more organisations look for alternative, forward-looking solutions. We believe that Zellis HCM Cloud is a next-generation product – one that addresses the three most important needs of modern organisations:

1. **Modern, digital experiences:** Fluid, mobile-ready payroll, and HR functionality, which integrates seamlessly with third-party apps and productivity tools.
2. **Data-driven insights and decision making:** Fully integrated reporting with the holistic, intuitive analytics power that complex HR data demands, delivered with best-in-class information security.
3. **Operational efficiency and cost control:** A streamlined experience which reduces error rates, manual complexity, and time to complete all common tasks, constantly evolving to maintain regulatory compliance.

### Focus on core markets and achieve full potential

#### Zellis – Building on momentum

##### Zellis has delivered another strong year of growth

Our roadmap for the next 12 months is focused on building to maximum effect on the momentum developed over the past year. This means taking active development decisions to close product gaps based on user feedback and to further differentiate against our customer segments' key purchase criteria.

##### Focusing on customer success and commercial growth

A big part of our success has relied on the strength of our relationship with our customers. We are expanding our efforts with a modernisation of our customer support centre, and more direct access to help and answers on everything from product updates to legislative changes.

We will also be energising our commercial growth engine to cultivate wider brand and product awareness. This includes a return to in person events with customers and prospects, and more product-led features and information available on our website and through sales channels.

##### Partnering for success

We will also be expanding into close adjacencies, including partnerships to deliver earned wage access solutions, and tools to better support workforce management, to generate additional revenue and unlock new market segments. Successful collaborations with businesses like Experian for Work Report, or Wagestream and Salary Finance have paved the way for more collaborations, and connections.

# **ZELLIS HOLDINGS LIMITED**

## **STRATEGIC REPORT**

### **FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)**

#### **Looking Forward (continued)**

##### **Focus on core markets and achieve full potential (continued)**

We are enhancing and expanding the way we introduce customers to solutions from across the Zellis Group. As both the public and private sectors face challenges emerging from the cost-of-living crisis and the war for talent, options available through Benefex and Wrkit offer effective solutions to pressing challenges.

##### Maintaining a leadership position

We remain committed to offering a best-in-class suite of solutions and services that give our customers comfort they have the best solution today and into the future. Innovation in real-time payroll is allowing us to bring modern alternatives to outdated and costly processes. Our Faster Payments solution is just one example of a highly cost effective and efficient option we are among the first to offer, which can insulate businesses against the rising costs of payroll errors.

Organisations everywhere are looking for new ideas to offer more effective ESG and DEI processes, policies and tools. We know that our customers are looking for us to lead by example, and offer guidance and solutions based on our extensive market experience. Zellis will be rolling out a sophisticated and modular system for processing

We will continue our position as a market leader in automating legislative compliance as new legislation in our jurisdictions is implemented and will continue our strategy of making more and more data accessible through the Zellis Intelligence Platform and insight dashboards.

##### **Moorepay – The move to Next Gen**

Moorepay closed FY22 with 17% revenue growth and building on this success we have identified a number of priorities that we are focusing on for FY23.

##### Next Generation platform

Our primary focus during FY23 is building on the success we have seen during FY22 in the commercialisation of our Next Generation Payroll and HR platform. In FY22 we launched a programme to engage with our customers and demonstrate the value that the Next Generation platform brings. From the results we achieved in FY22 we know there is significant appetite within our customer base to upgrade and move to the NextGen platform.

Features like the Mobile App, API capability, new look and feel, the new report writer and new dashboards are driving demand. We are seeing the same feedback when demonstrating the product to prospects.

##### Benefex/Wrkit proposition

Following Benefex's acquisition of the Gateway and Wrkit platforms, we have already successfully integrated these propositions into the Moorepay NextGen platform. These new propositions allow Moorepay to provide flexible but affordable benefits and discounts to the SMB market, and the largest opportunity will be to up-sell benefits and discounts to our customer base. With the cost-of-living crisis and financial wellness in the news more than ever, this provides Moorepay with highly relevant propositions to help and support our customers with financial wellness for their employees.

# ZELLIS HOLDINGS LIMITED

## STRATEGIC REPORT

### FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)

#### Looking Forward (continued)

##### Focus on core markets and achieve full potential (continued)

###### 500-1000 market

We have seen strong growth from customers with 500-1000 employees in FY22 and we expect to see this continue in FY23. Our NextGen Payroll and HR platform meets the needs of larger SMBs looking for either a payroll and HR software suite or just payroll with an integration to their existing HR software.

###### Roadmap

We have a full roadmap which is focused on four key priorities:

- Strengthening our offering within the HR software market for SMBs
- Improving productivity for our customers through their payroll cycle through more automation and high-quality mobile app-based self-service
- Expanding our marketplace offering to ensure we can integrate with a wide range of popular software partners who serve UK SMBs
- Launching our NextGen platform in the Republic of Ireland

##### **Benefex - Focus on global employee experience**

The roadmap for the next 12 months is to build out the proposition, delivery, and market positioning to solve more of the problems that our customers have. By offering one, global home for benefits, wellbeing, culture, engagement, and communication we will accelerate our journey to becoming a £100m business.

The OneHub product suite will develop, with a roadmap, to launch: global navigation, conversational support in over 100 languages, analytics, content shop and integration of the Wrkit offer. For the smaller end of the market, we will continue to grow our SMB solution to meet the inbound demand.

We will continue to build on the proportion of revenue that comes from global business (currently one-third) by targeting enterprise customers who are not yet using our technology at a global level. Our sales and marketing focus will be on securing global enterprise opportunities and building on our circa 50% of new business that now comes from global deals.

##### **Cross-selling Benefits and Recognition**

As part of Zellis HCM Cloud, customers have been taking up the opportunity to amplify our own payroll and HR functionality with the industry-leading employee benefits and recognition platforms provided by our sister company, Benefex:

- **OneHub | Benefits** provides a single platform to manage employee benefits, with a seamless integration with payroll putting customers in control of benefit spend whilst gaining actionable insights.
- **OneHub | Recognition** lets colleagues recognise and reward each another through a simple, social app. Data from the app is integrated into the Zellis Intelligence Platform alongside payroll and HR data, allowing for advanced cross-product analysis of employee trends.
- **OneHub | Discounts (through Wrkit)** features lifestyle savings and learning opportunities with offers from top brands and training providers.

# ZELLIS HOLDINGS LIMITED

## STRATEGIC REPORT

### FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)

#### Looking Forward (continued)

##### Focus on core markets and achieve full potential (continued)

- **OneHub | Wellbeing (through Wrkit)** helps you encourage mental and physical health with lifestyle plans, articles, and video-led workouts.

In FY23, we will continue to focus on cross selling Benefex solutions to our Zellis HCM Cloud customers in order to help them realise these additional benefits.

##### Delivering value to customers

Delivering outcomes, which deliver value to our customer's business, is at the heart of what we do and in FY23 we will looking to do this through the following

- **Commitment to Customer success** Our commitment to Customer Success and satisfaction has not changed, it is a huge differentiator for us in the market. That is why, this year, we emphasised to all colleagues their role in delivery customer success. Following our NPS improvement in FY22, we noted that those customers with a customer success manager scored higher. This led us to increase investment in the customer success function in Zellis, to match the success of similar 100% coverage in Benefex.
- **Helping customers address cost-of-living pressures:** As we know the world is facing some difficult times right now with cost of living and energy crisis; and making ends meet is tough for a lot of the country's workforce, that is why at Zellis we have brought a number of products to market which allow our customers to help their employees at this difficult time. Earned wage access, delivered through our partnerships with Wagestream and Salary Finance, provides customers with the ability to allow employees to draw against earnings to date within any given pay period, Faster Payments enables customers to have the flexibility to choose when they pay people, particularly useful for those working shifts who perhaps do not have a consistent wage on a regular basis. Work Report makes accessing financial services like mortgages easier by improving access to important verification material. Our Wrkit discount and wellbeing applications provide a typical family, with everyday savings estimated at around £1,250 per year and access to free courses as well as much needed support on both physical and mental wellbeing.
- **Evolution of the "New Normal":** The employment market has never been more buoyant, we are in unprecedented times with the Great Resignation, the introduction of the 4-day work week, hybrid working and a war for talent. Never before have we seen a time where the number of available jobs outweighs the number of people available to work, and unfortunately that does mean that there is an opportunity for people to oversell themselves, for employers to act hastily when hiring someone and now a legal requirement for Registered Bodies and Responsible Organisations to undertake digital identity verification. For Zellis this has provided a unique opportunity to strengthen our background checking capabilities, it is a little-known fact that Zellis is one of the country's leading providers of background and employment checking having conducted over 2 million checks, and a programme of investment to expand further. We are committed to service improvements and new product offerings in FY23 to support an ever-changing world. Whether it is a basic right to work check, an enhanced Disclosure & Barring Service check, a digital ID verification or a social media check, our full suite of Education, Employment and Personal checks will ensure our customers will make the right choices and remain compliant with the latest policies and regulations.

# ZELLIS HOLDINGS LIMITED

## STRATEGIC REPORT

### FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)

#### Looking Forward (continued)

##### Delivering value to customers (continued)

- **Driving values and digital transformation:** Our consultancy and solutions organisation now consists of more than 100 experts who can work together with customers to drive value and digital transformation beyond implementation, training, and configuration of our products. Our cloud HCM offering has enabled and made available a whole new level of business and data intelligence around our customers most important asset, their people. During FY22 we hired a number of the industry's leading strategists to provide the necessary provenance and credibility to ensure our technological innovation is matched with real world thought leadership.
- Delivering value to our customers always has been, and always will be, an essential element of our strategy and culture. In FY23 we will focus in particular on the following initiatives:
  - **Expanding the value of Zellis HCM Cloud:** As it enters its second year, Zellis will continue to focus on enhancing the value our customers receive from our flagship cloud solution. In addition to new features and functionality, which will include new systems for workforce and leave management, we will be introducing new integrations and connectors to some of the most popular and effective market solutions.
  - **Moorepay - New software product launch:** In November 2021 Moorepay launched its NextGen software product with a completely new UX including a mobile app. The product uses Microsoft Azure cloud technology and is now being offered as an upgrade to all of Moorepay's existing customers as well as to all prospective customers. Moorepay is aligning its payroll and HR service expertise to the new software product and is also redesigning and automating key internal processes to improve the accuracy, responsiveness and productivity of its overall software and service offering across payroll and HR.
  - **Benefex – Home platform:** With the recent launch of the innovative Home platform, enhanced employee wellness and lifestyle offerings, and our growing global reach we are excited to help our customers improve their employee engagement more than ever before. Our dedicated Customer Success team members liaise closely with our customers to ensure they are extracting the greatest value from our platform, products, and services and also to identify other ways that we can help those customers create an exceptional experience every day for their employees.

##### Research and Development

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

The group continues to open up commercial opportunities by investing in its new flagship product HCM cloud, developing cloud-based technology to deliver significant product enhancements in terms of: new apps, improved user experience, connectivity and integration with other platforms, analytics and insights as well as improved resilience and security.

As well as the development of new products the Group releases enhancements that meet required legislative changes in the UK and Ireland, as well as functional enhancements that drive further efficiencies and engagement for employees, managers, HR administrators and senior decision makers.



# **ZELLIS HOLDINGS LIMITED**

## **STRATEGIC REPORT**

### **FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)**

#### **Section 172(1) Statement**

Section 172 of the Companies Act 2006 requires a director of a company to act in the way he or she considers, in good faith, would most likely promote the success of the company for the benefit of its members as a whole. In doing this, section 172(1) requires a director to have regard, amongst other matters, to the:

- likely consequences of any decisions in the long-term.
- interests of the company's employees.
- need to foster the company's business relationships with suppliers, customers, and others.
- impact of the company's operations on the community and environment.
- desirability of the company maintaining a reputation for high standards of business conduct; and
- need to act fairly as between members of the company.

In discharging its section 172(1) duties the Group has regard to the factors set out above. We acknowledge that every decision we make will not necessarily result in a positive outcome for all of our stakeholders and the board frequently has to make difficult decisions based on competing priorities. By considering the Group's purpose ("Making people feel appreciated for the work they do"), values (Unstoppable together; Always learning; Make it count) and strategic priorities (an integrated approach to pay and reward; deep understanding of customer needs; new insights through data integration and analytics; leading service delivery with process and automation gains; great customer/colleague experience) we aim to balance those different perspectives. Our strategy is met through our business model focusing on delivering value for our stakeholders. We have outlined how we engage, create value (by focusing on what matters to the Group) and the key inputs (in what the Group is doing) that delivers this for our stakeholders.

The Group delegates authority for day-to-day management of the Group to executive directors and then engage management teams in setting, approving, and overseeing the execution of the business strategy and related policies. The Group reviews risk and compliance, legal, pensions and health and safety matters at every Board meeting. The Group also reviews other areas over the course of the financial year including the Group's financial and operational performance; stakeholder-related matters; diversity and inclusivity; and corporate responsibility matters. This is done through the consideration and discussion of reports which are sent in advance of each board meeting and through presentations to the Board.

The impacts of the Group's activities on the Group's stakeholders (including its workforce, customers, and suppliers) are an important consideration when making relevant decisions. In general, stakeholder engagements take place at the operational and group level which is considered an efficient and effective approach.

The Group reviews information regularly to help it understand the interests and views of the Group's key stakeholders and other relevant factors when making decisions. This information was distributed in a range of different formats including reports and presentations on our financial and operational performance, non-financial KPIs, risk, environmental, social, and corporate governance matters and the outcomes of specific pieces of engagement. As a result of this, the Group has had an overview of engagement with stakeholders and other relevant factors which allows it to understand the nature of the stakeholders' concerns and to comply with our section 172 duty to promote success of the Group.



# **ZELLIS HOLDINGS LIMITED**

## **STRATEGIC REPORT**

### **FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)**

#### **Section 172(1) Statement (Continued)**

##### **Suppliers**

Our suppliers are predominantly across the categories of IT, property, and professional services.

##### *How we engage*

A preferred supplier list is in place to ensure Zellis have a compliant, ESG focussed, and cost-effective supply base to meet business requirements. All preferred suppliers have a business owner allocated to them and are engaged in accordance with the Zellis supplier management standards including regular operational meetings, monthly/quarterly reviews, and periodic executive reviews where appropriate.

New suppliers are engaged where a preferred supplier cannot meet the business requirements appropriately. Any new supplier is engaged through the appropriate procurement process including RFI, RFP or competitive tender.

##### *What matters to them*

Our supply base contains a wide range of companies with varying priorities. The effective application of our supplier management approach ensures that we understand the specific priorities of each supplier and work collaboratively to collectively achieve these. We also endeavour to ensure that payments to our suppliers are made in line with agreed terms and conditions.

##### *What we are doing*

We have a supplier assurance programme ensuring our supply chain continues to adhere to the highest statutory and regulatory compliance, security, financial crime prevention, sustainability in business resilience and ESG standards throughout the relationship with the group.

We are also continuing to work collaboratively with suppliers to improve standards and access innovations in the fast-changing supply markets which includes establishing shared environmental sustainability initiatives and reporting on sustainability issues.

##### **Customers**

Our customers are spread across all industry sectors from mid-market (1,000+ employees) in Zellis to SMEs (50-1,000 employees) in Moorepay, to whom we provide award-winning payroll and HR solutions and BPaaS. Through Benefex, augmented by the capabilities gained via the acquisition of Wrkit, we also provide employee benefits, recognition, and communications solutions.

##### *How we engage*

Each customer has regular contact with a relationship manager who will discuss new opportunities on their accounts and give access to our support services team to raise incidents and request advice. For larger customers with more complex service requirements, we hold regular meetings and provide them with timely reports and KPIs on our services and control environments.

##### *What matters to them*

Our Zellis HCM Cloud customers need modern, performant, and easy-to-use systems, with rich functionality that provides them with accurate and timely legislative information for them to run payroll and HR, as well as sophisticated data analytics capabilities.

# **ZELLIS HOLDINGS LIMITED**

## **STRATEGIC REPORT**

### **FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)**

#### **Section 172(1) Statement (Continued)**

##### **Customers (continued)**

Our Zellis business process as a service ("BPaaS") customers expect us to deliver above and beyond traditional outsourcing. We deliver best-in-class, tech-enabled BPaaS payroll and HR services accurately, securely, and on-time, but also to deliver additional value through process optimisation, cost reduction, business continuity planning (i.e., operational resilience), business intelligence and reporting.

Our Zellis Customer Solutions (ZCS) customers expect us to deliver seamless implementations, as well as other value-adding consultancy and support services.

Our Zellis Background Checking (ZBC) customers expect us to provide them with tailored services to cater for their specific needs and enable them to hire with confidence.

Our Benefits and Recognition customers expect us to deliver exceptional employee experiences with intuitive technology which is fully integrated with their HR systems and can offer real-time data insights and reporting.

##### *What are we doing?*

We focus on innovation, improving our product offering by regularly reviewing our roadmaps to make sure we prioritise the right updates for our customers' needs. We also recognise the importance of choice and extensibility, which is why we have built Zellis HCM Cloud as an open platform that can be easily integrated with other solutions.

We take a partnership approach with all of our customers, but especially our BPaaS customers. We strive to act as an extension of our customers' payroll and HR teams, equipped with the best possible technology and solutions, and adopting a mindset of continuous improvement that allows us to add value above and beyond alternative providers.

We also maintain a strong focus on compliance, ensuring that software updates to cover new legislative requirements are delivered in a timely manner.

Our IT security environment is under regular review because data protection is one of our top priorities as a payroll and HR provider.

##### **Lenders**

We have two levels of debt (main term loan and second lien), and they are managed by agents on behalf of a number of banks that form the syndicate for our borrowings.

##### *How we engage*

Information undertakings form part of our agreements with the lenders. This information is provided on a monthly and quarterly basis. If the lenders have any queries, this is communicated to us via the agents, and we respond as soon as it is practicable. In addition, we also have quarterly CFO calls with the lenders within the syndicate.

##### *What matters to them*

That we are adhering to the terms of the agreement and that there are no cash flow or other issues impacting the business.

# **ZELLIS HOLDINGS LIMITED**

## **STRATEGIC REPORT**

### **FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)**

#### **Section 172(1) Statement (Continued)**

##### **Lenders (continued)**

*What are we doing?*

We complete the appropriate tests as per the lender agreements and monitor on an ongoing basis. We also regularly review our performance as a business.

##### **Shareholders**

Our shareholders are primarily Bain Capital with some shares held by Group executives. Bain Capital are a global private equity firm, founded in 1981, with \$100 billion in assets under management.

*How we engage*

We engage regularly with our major shareholder, Bain Capital, both on a formal and an informal basis. Formal Board meetings, at which Bain Capital are represented, are held monthly. In addition, Audit and Risk Committees and Remuneration Committees are held at least twice a year.

Bain Capital members also provide support and guidance to Group executives on a wide variety of matters including attendance at Steering Committee meetings for initiatives which are key to delivering the Group strategy.

*What matters to them*

That the business executes on its strategic plan, improves the underlying business and delivers sustainable returns.

*What are we doing?*

Regular interaction and communication with the Board ensures that the goals of the business and Bain Capital are aligned.

##### **Pension trustees**

*How we engage*

The Group is represented at regular pension trustee meetings by an Executive member. In this meeting the Group shares information on strategy, financial position, and performance as well as any other important information. During the meetings the Group openly engages with the trustees and their advisors on investment and risk management strategies undertaken by the fund.

*What matters to them*

Pension trustees operate on behalf of the members of the pension scheme and therefore act in the best interest of the scheme beneficiaries. That means working with their advisors and the Group to ensure that investments are made by the scheme balancing both the investment return and risk management. The trustees also ensure the business makes appropriate contributions into the scheme to fund the pension deficit over time whilst ensuring the business remains a strong financial covenant.

*What are we doing?*

The board are committed to openly engaging with the pension trustees and their advisors to ensure collectively the best interests of all the stakeholders are maintained.

# ZELLIS HOLDINGS LIMITED STRATEGIC REPORT FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)

## Section 172(1) Statement (Continued)

### Employees, Community and Environment

See separate “Our Colleagues”, “Our Communities” and “Our Environment” sections below.

### Our Colleagues

#### Our culture

Our colleagues expect us to provide a safe and healthy working environment that provides recognition of achievements and opportunities for personal development and progression, all underpinned by a culture where all colleagues feel they can participate and play an active part.

Our values, which were defined in 2019, with input from all over 2,000 colleagues, are not empty words on a poster. They reflect who we are, and how we operate as a business.



We believe that if we focus on the colleague experience, underpinned by a diverse and inclusive culture, then we will be better placed to serve the needs of our customers and enhance the communities we operate in.

At Zellis Group we work hard to create an inclusive and engaging values-driven culture that people want to join and are proud to be part of.

#### Engagement strategy

We have a comprehensive and collaborative communications and engagement strategy that includes a global all-colleague intranet, daily news articles, weekly news bulletins, monthly all-hands calls, twice yearly all-colleague roadshows, frequent CEO blogs, interactive internal social media channels, regular engagement surveys, and a peer-to-peer recognition platform.

We work with colleagues to recognise, raise awareness, and celebrate what matters most to them, whether culturally, individually, or as a community they are part of.

We seek regular feedback from colleagues and our employee NPS scores, and underpinning engagement drivers have continued to improve.

# ZELLIS HOLDINGS LIMITED STRATEGIC REPORT FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)

## Our Colleagues (continued)

### Growth and development

At Zellis Group we want every colleague to thrive and feel fulfilled at work. We encourage all colleagues to learn and grow through a multi-channel learning & development framework that includes a digital learning offering, a comprehensive programme of L&D opportunities and activities, our newly launched career pathway hub, and multiple accredited learning programmes including supporting our next generation of leaders with Future Leader and Making Management Count programmes.

Over the past year our colleagues have completed 7,346 digital learning modules and 11 colleagues have successfully completed apprenticeships with 60 active apprenticeships. We have also introduced a group induction that has seen 233 colleagues attending since its launch September 2021.

### Reward and recognition

We offer a reward and recognition framework that brings to life our own purpose *'To make people feel appreciated for the work they do'*, by ensuring:

- Our minimum pay rates are in line with the Real Living Wage.
- We offer private medical cover to colleagues, funded by Zellis Group.
- Our flexible benefits offering gives colleagues choice to select the right benefits for them, whether for peace of mind, such as insurance for them and their family, or to enable lifestyle choices, such as cycle to work and travel benefits as well as range of resources and benefits to support financial wellbeing.
- Our recognition platform MyAppreciation creates an in-the-moment social way for colleagues to recognise their peers anytime, anywhere against our values and we also celebrate and reward colleagues' achievements through our monthly values-based recognition award programme.

### Wellbeing for all

Throughout the past two years we have appreciated that the pandemic has impacted everyone differently, and in support of this we prioritised the development and enhancement of many of our employee wellbeing offerings, including the introduction of accredited Mental Health First Aiders, the launch of a mental health & wellbeing hub and 'Working Well' colleague support network, and an enhanced Employee Assistance Programme globally.

We have partnered with external experts, including medical practitioners, to support colleagues with a range of targeted health talks and masterclasses including menopause awareness, mental health & wellbeing support, men's health, and exercise & nutrition. We have taken the initiative to partner with Moneyhelper, a service provided by the Money and Pensions Service, to make payslips more accessible and understandable for everyone. We have extended the Wrkit solutions we offer customers to our colleagues, giving access to discounts, courses, wellbeing tools and cashback for all our colleagues.

And now, as we look to returning to a new normal, we continue to listen to and work with our colleagues to adapt to new ways of working which will see the introduction of a hybrid working approach for the majority of our colleagues globally. This will allow for greater flexibility and help balance work and home commitments which we recognise is especially important for many colleagues who may have caring responsibilities.

# ZELLIS HOLDINGS LIMITED

## STRATEGIC REPORT

### FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)

#### Our Colleagues (continued)

##### Building a diverse, equitable, and inclusive culture

Zellis Group believes that everyone, irrespective of their gender, sexual orientation, race, nationality, religious belief, disability, or any personal characteristics, should be supported to achieve their ambitions equally.

We are committed to building a diverse, inclusive, and engaging culture and environment that colleagues want to join and are proud to be part of.

We recognise this requires long term commitment, with support and participation from all colleagues which is why we have spent time working with colleagues, industry experts, customers, and partners to define a comprehensive Diversity, Equity, & Inclusion (DEI) approach that will help us become a more inclusive organisation, that is truly reflective of the communities and customers we serve.

As part of this investment we partnered with Economist Impact to produce the [Time to Act: Seven principles for effective DEI data gathering research report](#). This research, along with insight from our own regular engagement surveys, and feedback from colleague-led focus groups, has helped develop our own approach to gathering Diversity, Equity & Inclusion data.

Making use of our own products and capabilities we have developed MyDiversity – a diversity data capture module within ResourceLink – to help baseline our organisation against the communities we operate in and set out measurable high-level ambitions and goals.

We ask all colleagues to complete an annual Diversity, Equity & Inclusion eLearning module and provide enhanced training for managers to support them to source and select talent, ensuring balanced shortlists and practical tools and data to support hiring decisions and break down barriers to entering work for people from disadvantaged or underrepresented groups.

We also offer awareness sessions to educate and give practical ways for leaders, managers, and colleagues to create a more inclusive workplace including – education on pronouns, British Sign Language, Autism at work and cultural differences.

At Zellis Group we welcome gender pay gap reporting as an effective way for us, along with other organisations, to gain visibility on progress for gender pay parity – an intrinsic part of achieving gender equality. Our latest report is available at: [ZELLIS UK LIMITED gender pay gap data for 2021-22 reporting year - GOV.UK - GOV.UK \(gender-pay-gap.service.gov.uk\)](#)

As at 30 April 2022, the proportion of females was as follows:

	2022 Total	2022 Females
Directors and Company Secretary	4	0%
Executive team*	7	29%
Senior leadership team**	56	38%
Colleagues	2,074	49%
<b>Total</b>	<b>2,141</b>	<b>49%</b>

\*Executive team, see page 34

\*\* Senior leaders reporting into the Executive team



# ZELLIS HOLDINGS LIMITED STRATEGIC REPORT FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)

## Our Colleagues (continued)

### Building a diverse, equitable, and inclusive culture (continued)

We are also proud that our two in-house management and leadership development programmes, launched in 2019, support our ambitions for a more equal and reflective company structure, with 66% of Making Management Count and 63% of Future Leaders UK current delegates being women.

In February 2022 we launched the first of our colleague-led networks – ‘Count Me In’, a women’s business group and ‘Moore Visibility’ our group wide LGBT+ network - to accelerate change and ensure colleagues views and interests are represented at all levels of the business.

## Our Communities

We work to strengthen the communities we operate in through a programme of local activities and initiatives.

We believe that creating meaningful employment is one of the most significant ways that we can contribute to healthy communities, and we are developing education partnerships with schools and universities, both in the UK and India, to help build employability in our local communities, and support a talent pipeline that includes traditionally underrepresented or disadvantaged groups.

Our programme of initiatives includes Zellis community volunteering days, charity fundraising activities and enabling payroll giving for our colleagues and our customers’ colleagues through our benefits platform and payroll software.

This year we have partnered with Pennies from Heaven, the UK’s largest workplace micro giving scheme that allows colleagues to donate the pennies or cents from their monthly pay directly to charity, with over 20% take up from colleagues so far.

We uphold human rights and commit to our anti-modern slavery and human trafficking statement and report on the performance of our action plan to the Home Office on how we contribute to the prevention of associated financial crimes. Our action plan includes maintaining oversight of our supply chains ensuring alignment with FATF recommendations. We recognise the richness of our payroll data and how this can be utilised to detect modern slavery, forced and bonded labour. In line with requirements, we ensure our colleagues are trained and aware of the signs of this crime and societal atrocity.

## Our Environment

### Environment management and regulatory reporting

Zellis Group meets the eligibility thresholds for environmental regulatory reporting under the Energy Savings Opportunity Scheme (ESOS) and since April 2022, the Streamlined Energy and Carbon Reporting (SECR).

In October 2021 we completed our first EcoVadis submission, scoring 38, and whilst this was a disappointing outcome, we are confident we can quickly demonstrate progress by focusing on key areas and aim to achieve a Silver EcoVadis score (55+) by 2023.

In accordance with regulatory requirements, Zellis Group appointed LG Energy Group as our external environmental lead assessor to support the development of our environmental programme that will enable us to achieve our ambition of becoming net carbon zero by 2027.



# **ZELLIS HOLDINGS LIMITED**

## **STRATEGIC REPORT**

### **FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)**

#### **Our Environment (continued)**

##### **Environment management and regulatory reporting (continued)**

All our group environmental reporting is duly filed, and we look forward to reporting on the performance outcomes of our environmental plan in the next financial year.

Our environmental risk assessment helped establish the environmental plan to meet regulation and integrate with our risk management framework and guidance documents aligning to a range of standards including ISO31000 and ISO14001. The risk assessment included environmental aspects such as climate change relating scenarios applicable to our business. Our business resilience plans are aligned to the government responses and statutory and regulatory requirements.

Zellis Group understands its exposure to transitional change climate risks and have responded to socio and economic shifts towards delivering a low carbon and sustainable future. We are consciously adapting to socio preferences to give people a better quality of life without compromising customer requirements because we see how important this is to our stakeholders.

Zellis Group has reduced our impact on the environment due to the restrictions imposed during the pandemic and as we have moved out of those restrictions, we recognised our carbon footprint will never return to the volumes of carbon emissions previously generated. Recognising the chronic and life-threatening consequences of air pollution caused by tyre emissions and greenhouse gas emissions from commuting, Zellis Group moved to a hybrid operating model reducing the need for extensive travel between locations lowering our burden on the environment, reducing harm to people's health within our community and improving the quality of life of our colleagues.

We benefitted from some office closures and invested in enhancements to reduce our consumption of non-renewable energy through improved insulation of our buildings, enhanced energy efficient lighting systems and migrating the internal data centre to the cloud.

##### **Energy Consumption and Green House Gas ('GHG') emissions and energy use data for period 1 May 2021 to 30 April 2022**

In line with the Streamlined Energy and Carbon Reporting regulation, the company is required to report its energy consumption and greenhouse gas emissions arising in the UK. All scope 1 & 2 sources of energy and emissions have been disclosed as well as scope 3 sources of energy and emissions.

LG Energy Group was appointed on 10 March 2022, to deliver our Environmental regulatory assessments under ESOS and SECR and support the development of our environmental programme to achieve 'carbon net zero' emissions.

The group have an investment program underway to materially reduce our energy footprint. The Birmingham and Peterborough offices have been modernised with LED lighting, PIR sensors and switch off policies. Electric car charging points have been installed at two sites and Zellis are looking to instal throughout the group. Employees are encouraged to make responsible decisions when leasing cars through company schemes. A Hybrid Working Policy has been implemented which has seen the electricity consumption reduce significantly in the past 12 months.

This environmental programme has been determined from a risk assessment compliant with our risk management framework, aligned to ISO31000 risk management and ISO14001 for environmental management systems.

# ZELLIS HOLDINGS LIMITED

## STRATEGIC REPORT

### FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)

#### Our Environment (continued)

#### Energy Consumption and Green House Gas ('GHG') emissions and energy use data for period 1 May 2021 to 30 April 2022 (continued)

The group anticipate that carbon emissions will increase next year as we move out of the pandemic provisions restricting the movement of our colleagues. However, our new hybrid working operating model will help to reduce our burden on the environment.

	Energy Consumption (MWh)	GHG Emissions (tCO <sub>2</sub> e)	
	Year Ended 30 April 2022	Year Ended 30 April 2022	Year Ended 30 April 2021
Combustion of Natural Gas	117.04	21.44	N/A
<b>Scope 1 Total</b>	<b>117.04</b>	<b>21.44</b>	<b>N/A</b>
Generation of Purchased Electricity	982.46	208.61	318.00
<b>Scope 2 Total</b>	<b>982.46</b>	<b>208.61</b>	<b>318.00</b>
Combustion of Fuel in Staff Vehicles	245.05	60.34	22.00
<b>Scope 3 Total</b>	<b>245.05</b>	<b>60.34</b>	<b>22.00</b>
<b>Grand Total</b>	<b>1,344.55</b>	<b>290.39</b>	<b>340.00</b>
<i>Intensity per £100,000 of Revenue</i>	0.77	0.17	0.21

#### Conversion Factors

All conversion factors and fuel properties used in this disclosure have been taken from the 2021 "UK Government Greenhouse Gas Conversion Factors for Company Reporting" published by the Department for Business, Energy & Industrial Strategy (BEIS) and the Department for Environment, Food & Rural Affairs (DEFRA). All greenhouse gas emissions have been expressed in terms of their carbon dioxide equivalence.

#### Utilities

Where possible, energy consumption expressed in kilowatt-hours has been taken from suppliers' invoices. Due to reporting deadlines the April 2022 figures have been extrapolated from the data available.

#### Transport

Colleagues drive personal or leased vehicles and are reimbursed through mileage claims. The kWh/mile and kgCO<sub>2</sub>e/mile conversion factors from the category "Cars (by size): Average Car & Unknown Fuel" have been used to calculate greenhouse gas emissions and underlying energy use.

Environmental reporting for business travel has been formalised with the innovation of our core payroll product.

# **ZELLIS HOLDINGS LIMITED**

## **STRATEGIC REPORT**

### **FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)**

#### **Our Environment (continued)**

##### **Energy Consumption and Green House Gas ('GHG') emissions and energy use data for period 1 May 2021 to 30 April 2022 (continued)**

##### **Other Fuels & Emissions**

Maintenance records did not contain any instances of refrigerant leaks during the reference period. No other fugitive emissions have been identified.

##### **Energy Efficiency Action**

The Group have set environmental objectives aligned to the risk assessment. Our environmental programme targets "mitigating environmental aspects and impacts of significance" so that our efforts are focused on where we can make a difference to all our stakeholders, colleagues, shareholders, investors, customers, suppliers, and the wider community in which we operate across our operational jurisdictions in the United Kingdom, Republic of Ireland, Republic of India and the United States of America.

Looking forward, Zellis Group continues to work with our external lead assessor in developing our carbon net zero plan with clearly defined objectives and metrics to measure our performance and progress in a timeline proportionate for our business.

#### **Governance, Risk and Compliance**

Zellis Group adopts a principles and outcomes approach to maximising the benefit of risk, considering our statutory and regulatory requirements, and threats having the potential to impact our products, services, and overall customer experience. In line with ISO31000, the Board and the Executive set risk appetite within an acceptable level of tolerance to enable growth. Our enterprise risk management practices are dynamic creating opportunities benefiting our customers and customer colleagues whilst safeguarding against threats that could harm our stakeholders.

As leaders, we recognise the importance of an enlightened stakeholder approach to ensure we pursue the interests of our investors and shareholders whilst considering the needs of all our stakeholders in an inclusive way. Our Executives stay closely connected to our colleagues, customers, partners, and suppliers as we listen and take a proactive interest in what they have to say about products, services and customer outcomes. The Zellis Group recognises there are nuances to the risk exposures impacting each brand and the products and services within our portfolio. We manage these risks through a centralised group risk management framework capable of brand risk reporting, entity risk reporting and group aggregate risk reporting. These dimensions transform the way we think and the way we approach risk mitigation plans and deliver effective corporate governance.

Zellis Group continually monitors and improves its internal control system maintaining standards to minimum requirements, keeping them relevant in response to a rapidly changing environment. Overall, our internal control system is designed to ensure sustainability for the long-term success of the Group. We are confident in our systems and controls framework and believe it is capable of keeping the operation of our governance, risk and compliance programme fresh and practical but effective. Our governance is managed and delivered through a GRC Manual comprising of the following integrated frameworks:

# **ZELLIS HOLDINGS LIMITED**

## **STRATEGIC REPORT**

### **FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)**

#### **Governance, Risk and Compliance (continued)**

##### **Document Management Framework**

The document management framework provides the structure for our governance mechanisms to integrate with each other across the group. The framework is created in accordance with ISO9001 for quality management systems and customer focus as well as ISO15489 the international standard for information and documentation records management. It is the foundation for the GRC Manual and has a scalable and fluid approach to corporate governance which means the framework grows proportionately in line with the business and accommodates an unlimited number of subjects.

##### **Financial Crime Prevention Framework**

Zellis Group's risk appetite is risk averse in this category and therefore has zero tolerance for any money laundering and financial crimes. Zellis Group strengthened provisions through centralisation of a dedicated specialised Anti-Money Laundering and Financial Crime Prevention Centre of Excellence. Some of our core financial controls are tested externally within our SOC1 Type 2 Financial Controls Programme and we have consistently achieved strong performance outcomes. We maintain a live scenario-based risk assessment for all our products and services and consider all anti-money laundering and financial crime prevention risk factors, including fraud, money laundering sanctions, bribery, and corruption. We recognise there are potential product opportunities that can add value to our customers own financial systems and control provisions to meet a mature regulatory environment and we will be assessing how we can innovate in this space in the next financial reporting period.

##### **Data Protection and Data Privacy Framework**

The protection of our customer and company information is critical to our business. We acknowledge our customers are very sensitive to the handling of their data and therefore we adopted a group wide response to certification to ISO27001, the standard recommended by regulators for data protection and security of data provisions. Zellis Group is continually updating its provisions and is investing in a data protection and data privacy software in the forthcoming financial year which will help transform and operationalise our data management regulatory requirements into one digital source of truth. This investment has the added benefits of improving our business resilience and enhancing oversight through data mapping from customers to our supply chains to comply with modern slavery provisions. We are looking forward to reporting on the effectiveness of this investment in the next financial year.

##### **Information Security Framework**

Zellis Group invested in our information security management system and controls framework to sustain our ISO27001 certification and cyber essentials. Some of the core IT controls within our framework are also tested within our SOC1 Type 2 financial controls testing programme. We invested heavily in our monitoring systems to develop a hardened shell reducing impacts from a range of cyber security threats increasing our resilience to actual events. We also have external assessors in place delivering monitoring services as well as making recommendations to enhance our processes when required.

The security of our customer data is of paramount importance to us and therefore, will always remain a priority and strong focus by the Board and the Executive.

# **ZELLIS HOLDINGS LIMITED**

## **STRATEGIC REPORT**

### **FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)**

#### **Governance, Risk and Compliance (continued)**

##### **Business Resilience Framework**

In a rapidly changing world of emerging threats from new technologies and innovation, climate change and environmental threats, smarter bad actors, and the ongoing impacts from the pandemic and more recently financial resilience from economic sanctions we know that business resilience is no longer an unexpected event. These events happen in patterns, more frequently and often intertwined or in sequence. Expecting the unexpected is no longer a should do. It is a must do and contingent to our service provision and sustainability. We have designed a comprehensive and interactive strategy for business resilience. Our contingencies continue to evolve as we risk assess and test them to improve our response capability no matter when, where or how an event will manifest. We have documented extensive governance mechanisms in line with ISO22301 and train our colleagues to ensure everyone knows what to do during a crisis but more importantly how to bring situations under control expediently and calmly. Events can be detrimental to people, our industry, our economy, and our planet. For this reason, we place our customers and customer colleagues at the heart of our response.

##### **Partnering and Supply Chain Assurance Programme**

We rely on a partnering strategy to increase our value proposition, as such the combination of subject matter (data protection and data privacy, information security, anti-money laundering and financial crime prevention, modern slavery, human trafficking, forced and bonded labour and environmental, social and governance and business resilience) is applied throughout our supply chain management practices. We expect our supply chains to adhere to our standards and codes of practice in all subject matter, acknowledging international recommendations and guidance applicable to our business for all applicable risk exposures.

We have invested in the provision of a dedicated supplier assurance programme and realised the benefits from dedicated compliance supplier assurance resource since the appointment in November 2021. The programme maximises the benefit of risk and takes an entrepreneurial approach in seeking opportunities to get the best out of our providers and supplier relationships to ensure our supply chains contribute overall to our customer experiences and outcomes.

Overall, risk appetite is aligned to our growth plan and is reviewed to ensure it is resilient, aligns with the concerns of our customers and is sustainable.

##### **Principal risks and uncertainties**

The Board has overall responsibility for the Group's approach to assessing risk and the systems of internal control, and for monitoring their effectiveness in providing its shareholders with a return that is consistent with a responsible assessment and mitigation of risks. This includes reviewing financial, operational, and regulatory compliance controls, which themselves include the data protection, security and financial crime prevention controls around customer and internal data. The Board has established on-going processes for identifying, evaluating, and managing the significant risks faced by the Group to support risk reporting.

All employees are accountable for operating within these policies.

##### **Covid-19 pandemic**

The outbreak of coronavirus (COVID-19) in 2020 quickly evolved into a global pandemic unlike anything we have seen in our lifetimes. It continues to influence major social and economic changes around the world, with long-lasting ramifications ahead.

# **ZELLIS HOLDINGS LIMITED STRATEGIC REPORT FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)**

## **Principal risks and uncertainties (continued)**

### **Covid-19 pandemic (continued)**

The Zellis Group operates across the UK and Ireland, but also has a service delivery centre in Kochi, India. All three countries were emerging from national lockdowns at different rates since April 2021, adopting different approaches to balance employee safety and a return to more normalised operations.

Given the nature of our business, we have remained relatively well positioned to address these challenges. We provide business-critical payroll and HR services to our customers, with a high proportion of our revenues being committed and recurring (approximately 80%). Since many of our employees were classified as key workers, we were required to continue operations during the pandemic to ensure that the businesses we support could themselves continue to operate.

### **Our response to the pandemic**

Throughout the past two years we have consistently acted in a rapid and considered way to offer the most effective support for our people, our customers and to mitigate as much as possible any adverse impacts to our business. As the world emerges from the most severe stages of the pandemic, both organisational and societal responses to the lingering effects of the pandemic have become more familiar and better established. As such, we are entering a new phase of our response.

### **Safeguarding our people**

We continue to listen to and work with our colleagues to adapt to new ways of working. This includes the introduction of a hybrid working approach for the majority of our UK, ROI and Indian colleagues, to allow for greater flexibility and help balance work and home commitments which we recognise is especially important for many colleagues who may have caring responsibilities.

For our Indian colleagues we also recognised that additional support would have a big impact those with less access to COVID-19 vaccination. We took the extra step of organising a vaccination programme which we extended to our colleagues, and their families, free of cost. The effort was an incredible success, which resulted in over a thousand shots being given over the course of two campaigns.

We have prioritised the development and enhancement of many of our employee benefit offerings, including the introduction of certified Mental Health First Aiders, the launch of a mental health & wellbeing hub and 'Working Well' colleague support network, and an improved Employee Assistance Programme.

### **Supporting our customers**

We continue to provide our payroll and HR solutions to customers as they emerge from the pandemic with minimal disruption.

Many of our customers' businesses are still feeling the impact of COVID-19. Regulatory measures in the UK and Ireland introduced to during the pandemic remain in place or have lingering impacts which require effective technology and BPaaS support.

We are extremely proud of the work we did during the pandemic to support our customers, delivering effective changes in extremely tight timescales. We are building on the lessons learned from that process to help our customers introduce new ways to improve processes and ensure long-term resilience.



# **ZELLIS HOLDINGS LIMITED**

## **STRATEGIC REPORT**

### **FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)**

#### **Principal risks and uncertainties (continued)**

##### **Conflict in Ukraine**

The military crisis in Ukraine continues to impact countless lives and has demanded a response from individuals, governments, and businesses around the world.

The Zellis Group (including Moorepay and Benefex) does not have any operations, ownership, or supplier relationships which are sourced from the regions and countries currently in conflict or subject to sanctions or trade restrictions. The direct impact to our business, and the service we provide our customers, is therefore minimal.

Even so, the Zellis Group is taking additional steps to safeguard the business and our people. We have extended support and counselling to colleagues who are impacted by the conflict. In recognition of the increased risk of cyber-attack during conflicts, we have conducted a full review of its digital security controls and we remain confident in our defences against potential attack.

##### **Inflation and cost-of-living crisis**

High levels of inflation, and the consequential impact on individuals facing a severe cost-of-living crisis, have become a pressing concern for all employers. These conditions appear set to remain in place for the short to medium term, creating a pressing need for employers to support the financial, physical and mental health of their employees.

The services and solutions we provide put us at the forefront of any discussion about address cost-of-living pressures and supporting employee financial wellbeing. We will continue to expand and promote our expertise and capacity to help companies expand their ability to offer benefits, discounts, training and tools that directly support their employees, particularly those most exposed to worsening economic conditions, in the medium and long term.

In terms of cost inflation, the majority of our costs are employee based, so therefore within our control in terms of frequency and extent of increases awarded. Any increase in our cost base is protected via index-linked indexation clauses in the majority of our customer contracts.

#### **Corporate Governance**

##### **The Role of the Board**

The Board is collectively responsible for the long-term success of the company operating within a structured corporate governance framework delivering entrepreneurial leadership within a prudent but effective risk management framework. The Board sets our strategic aims and assesses the adequacy of resources to meet objectives, reviews Executive performance and promoting successful delivery whilst upholding our codes of conduct, values, and standards. The risk management framework enables group risk reporting informing the Board with the right information needed to gain a clear line of sight into the management and performance of the business. Through proactive engagement, the Board constructively challenges the Executive giving them direction on the tone of behavioural compliance and conduct for ethical practices and ways of working defining our culture. The Board drives value creation without exposure to excessive risk or value destruction, staying compliant with laws, regulations, subscribed codes and fulfilment of the statutory duties of Directors. Their role overall is stewardship and oversight of the Executive to ensure successful delivery of the right outcomes for all stakeholders.



# ZELLIS HOLDINGS LIMITED

## STRATEGIC REPORT

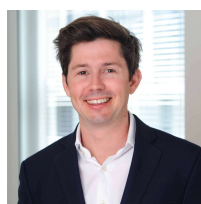
### FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)

#### Corporate Governance (continued)

##### Board Diversity

Zellis Group recognises the value in board diversity and wants to develop a more dynamic board composition with the aim of benefiting from greater insights and innovation. We have made plans for creating a colleague community improving our opportunities for enhanced board diversity. We appreciate board diversity takes time, but we have created a pathway by developing our succession planning activities to ensure we are on the right track towards addressing complex boardroom matters, increase revenues and sustainability.

##### Statutory Directors' & Company Secretary's Biographies



##### James Stevens

###### Principal – Bain Capital & Non-Exec Director – Zellis Group

James joined Bain Capital Private Equity in 2014. He is a Principal in the Technology Financial and Business Services Vertical and a member of the European Private Equity team. Prior to joining Bain Capital Private Equity, James worked as a consultant at Bain & Company in London and Sydney across a number of sectors including Private Equity, consumer products and mining. Prior to this, Mr. Stevens worked in renewable energy across Asia.



##### John Petter

###### Chief Executive Officer

John is responsible for driving the Zellis Group's vision and purpose and ensuring that we deliver on our commitments to our customers. John joined Zellis Group from BT, where he was the CEO of the Consumer division, helping to transform customer experience at the business. His wealth of knowledge is now a key driver of the Group's success.



##### Alan Kinch

###### Chief Financial Officer

Alan leads all aspects of financial and commercial management within the Zellis Group. Alan joined Zellis Group from the Group Enterprise Division of Vodafone, where he was Chief Financial Officer. Prior to this, Alan was the Chief Financial Officer of Williams Grand Prix Holdings Plc. He now brings global, multi-industry expertise to his role at Zellis Group.



##### Chris Fox

###### Group General Counsel and Company Secretary

Chris heads up the Legal and compliance function of the group. Chris joined Zellis Group from Kambi Group, where, as Chief Legal Officer and General Counsel he was accountable for all legal and regulatory risk management and governance, and prior to that Chris was Senior Legal Counsel at Vodafone.

# ZELLIS HOLDINGS LIMITED STRATEGIC REPORT FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)

## Corporate Governance (continued)

### Our Executive Team



**Tom Canning**  
**Chief Commercial Officer**

Tom leads Zellis' Commercial division, bringing a vast amount of experience in B2B software sales, marketing, customer success and strategy. Tom joined Zellis from Flexera, a global software and cloud management company, where he was responsible for all aspects of the business in Europe, Middle East, and Africa.



**Caroline Drake**  
**Chief People Officer**

Caroline works to ensure that every member of the Zellis family receives an exceptional colleague experience, and that our core values are promoted in everything we do. Caroline joined Zellis from Worldpay, where she was Group Development and HR Director. Her insights make her an invaluable member of the team.



**Abigail Vaughan**  
**Chief Operating Officer**

Abigail heads up Zellis' BPaaS and Customer Solutions divisions, focusing on delivering industry-leading payroll, HR, implementation and consultancy services to our customers. Abigail joined Zellis from BT and Accenture, where she held numerous leadership roles in Transformation and Operations. Her continuous improvement mindset will ensure Zellis meets rising expectations.



**Marko Perisic**  
**Chief Technology and Product Officer**

Marko leads Zellis' award-winning Product and Technology teams, and is focused on developing market-leading, innovative solutions for our customers. Marko joined Zellis from Microsoft, where he was General Manager. He has also held positions at multiple start-ups and brings exceptional experience to the team.



**George Dunnett**  
**Chief Product Officer**

George is responsible for accelerating and fully realising Zellis' product vision. George joined Zellis from Bain & Co, where he led global transformation, strategy, and digital programmes, as well as & across multiple sectors. His experience and expertise will help Zellis fulfil its own transformation objectives.



**Anthony Vollmer**  
**Managing Director, Moorepay**

Anthony joined Moorepay as MD in February 2019 and is responsible for the overall service we provide to our Moorepay customers, the wellbeing of our colleagues and the performance of the business.

# ZELLIS HOLDINGS LIMITED STRATEGIC REPORT FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)

## Corporate Governance (continued)

### Our Executive Team (continued)



**Matt Macri-Waller**  
**Founder and CEO, Benefex**

Matt is a global thought leader in the employee experience space, specialising in how technology can help bridge the gap between companies and its employees. He is the Founder and CEO of Benefex, the award-winning global employee experience provider.

### Board Composition

#### Zellis Topco Limited

##### The Supervisory Board

Board meetings occur for Zellis Topco Limited which is the uppermost group entity within our organisation structure. Meetings are held monthly, and membership comprises of Executive Directors of Zellis Group and Bain Capital, the majority shareholder of Zellis Group. The Board also appointed one independent Non-Executive Director. The Zellis Topco Board invites other Executive leaders and Bain Capital representatives as and when agendas require specialists to advise and provide constructive challenge and oversight on specific matters.

##### Membership

- Stuart Gent, Director, Bain Capital, Executive Director
- Christophe Jacobs Van Merlen, Bain Capital, Executive Director
- James Stevens, Bain Capital, Executive Director
- Jacqueline Summons, Independent Non-Executive Director
- Charles Megaw, Bain Capital
- John Petter, Zellis Group Chief Executive Officer
- Alan Kinch, Zellis Group Chief Financial Officer
- Chris Fox, Zellis Group General Counsel and Company Secretary

##### The Audit and Risk Committee

Zellis Topco Ltd operates a sub-committee. The Audit and Risk Committee thinks carefully about governance arrangements, embracing evaluation and effectiveness with openness and transparency. The sub-committee discusses financial and risk matters, meeting at least quarterly to receive reports from senior leaders on governance, risk and compliance programme effectiveness, compliance oversight matters, group risk reporting, money laundering reporting officer report on anti-money laundering and financial crime prevention matters, performance reporting on security controls and reporting on financial control effectiveness and financial performance reporting.

# **ZELLIS HOLDINGS LIMITED STRATEGIC REPORT FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)**

## **Corporate Governance (continued)**

### **Board Composition (continued)**

#### **Zellis Topco Limited (continued)**

#### **The Audit and Risk Committee (continued)**

##### **Executive and NED Membership**

- John Petter, Group Chief Executive Officer
- Alan Kinch, Group Chief Financial Officer
- Chris Fox, Group General Counsel and Company Secretary
- James Stevens, Bain Capital
- Appointed Auditors Representatives, Grant Thornton UK LLP

##### **Senior Leadership Reporting**

- Samantha Wood, Group Head of Compliance and MLRO
- Russ Fray, Zellis Chief Information Security Officer
- David Ainsworth, Zellis Group Finance Director, Control and Operations

#### **Zellis Holdings Limited**

##### **Board**

Zellis Holdings Limited is the first group entity representing our brands and therefore brings the Executive into a more dynamic board environment to exchange, debate and constructively challenge each other to nurture effective decision making. It is the entity which is utilised for all regulatory reporting. The Board membership comprises of 2 Executive Directors, the Company Secretary and General Counsel and 1 Non-Executive Director appointed by and representing Bain Capital.

##### **Executive and NED Membership**

- John Petter, Group Chief Executive Officer
- Alan Kinch, Group Chief Financial Officer
- Chris Fox, Group General Counsel and Company Secretary
- James Stevens, Non-Executive Director

##### **GRC Executive Sub Committee**

Zellis Holdings Limited operates a GRC Executive Sub Committee delivered by the Group Head of Compliance and meets bi-monthly. Membership comprises of 6 Executive members and includes the Executive Directors of Moorepay and Benefex, plus three Executives of Zellis Group, the Group General Counsel and Company Secretary. The Executive receive the Group Head of Compliance report on the overall health of the governance, risk and compliance programme, performance of the governance mechanisms and conduct outcomes, group risk reporting and compliance oversight. It is also a forum to receive and update the Executive with emerging trends and new requirements on the horizon.

# ZELLIS HOLDINGS LIMITED STRATEGIC REPORT FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)

## Corporate Governance (continued)

### Board Composition (continued)

#### Zellis Holdings Limited (continued)

#### GRC Executive Sub Committee (continued)

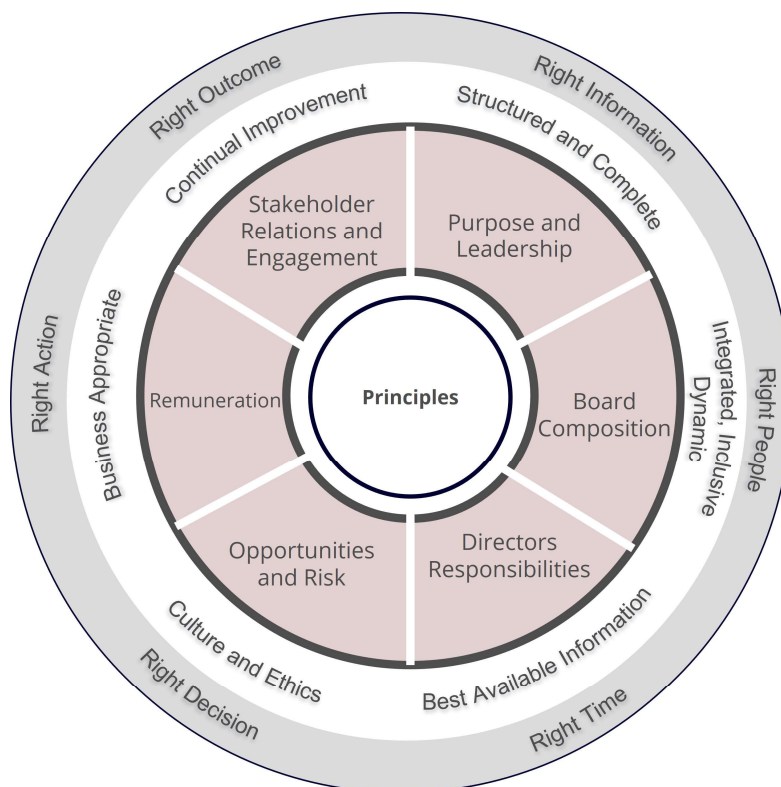
##### Executive Membership

- Alan Kinch, Group Chief Financial Officer
- Abigail Vaughan, Chief Operating Officer
- George Dunnett, Chief Product Officer
- Anthony Vollmer, Moorepay Managing Director
- Matt Macri-Waller, Benefex Chief Executive Officer
- Chris Fox, Group General Counsel and Company Secretary

##### Senior Leadership Membership

- Samantha Wood, Group Head of Compliance and MLRO
- Ian Clarke, Zellis Chief Information Officer
- Russ Fray, Zellis Chief Information Security Officer.

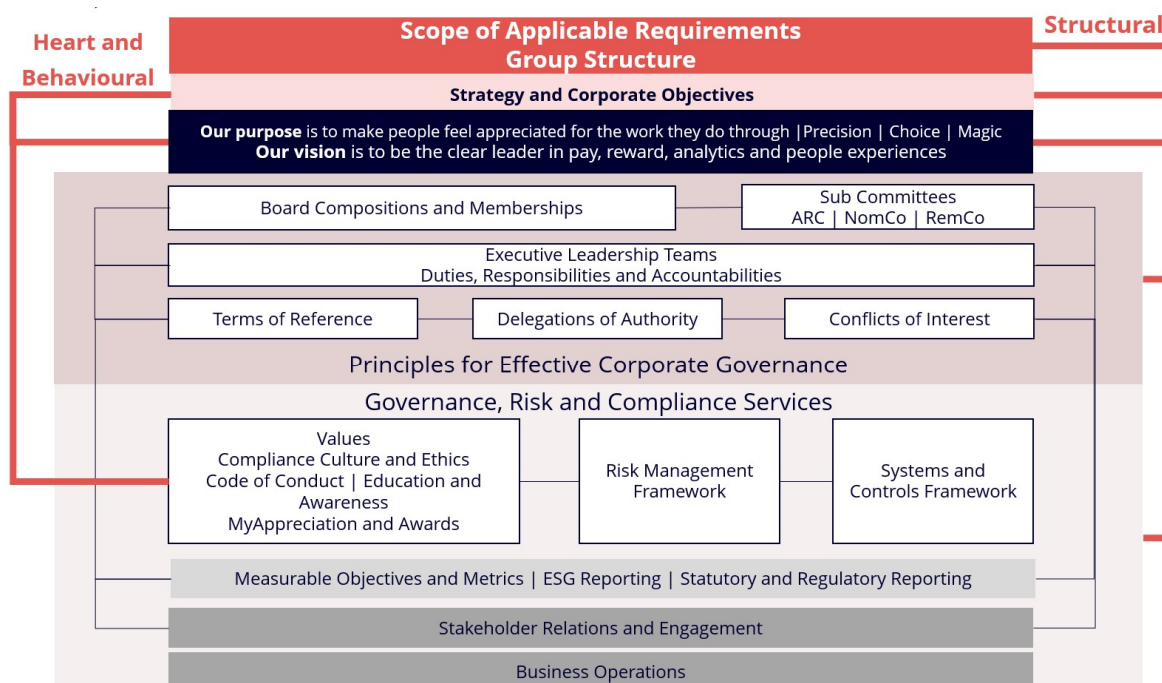
### Corporate Governance Framework



# ZELLIS HOLDINGS LIMITED STRATEGIC REPORT FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)

## Corporate Governance (continued)

### Corporate Governance Framework (continued)



During this reporting period, Zellis Group established our corporate governance framework in compliance with Wates Corporate Governance Principles for Large Private Companies. We have integrated these principles into our governance mechanisms, streamlined and synchronised management information flows between the entities and flowing up to the highest tier in the group level Board structure. The multi-directional approach to reporting ensures the right level of accountability and ownership.

There are two elements to our corporate governance, the mechanisms which are the corporate governance framework and the risk management framework supported by an integrated GRC Manual connecting subject matter divided into frameworks synergised through a set of corporate governance and risk management principles. This synergy helps influence and shape the conduct of everyone within the Group to inform behavioural compliance. Our governance mechanisms are therefore deliberately and closely connected to the heart of our purpose, our vision, our conscience, our values and our culture.

## Health and safety

The Group has an established health and safety policy that focuses on the ability to measure performance and to pursue continual improvement in managing health and safety. The policy is reviewed regularly by the Health and Safety Manager.

## Principal Decisions

Following the acquisition of Zellis Group (formerly NGA UK & Ireland) from NGA HR, the business has been undergoing a significant transformation. This transformation has been separated into three phases:



# **ZELLIS HOLDINGS LIMITED**

## **STRATEGIC REPORT**

### **FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)**

#### **Principal Decisions (continued)**

##### **Stage 1 - Creating a standalone Group (FY18-FY20)**

The first stage of this was to carve the business out from the former parent and set the business up as a separate Group of legal entities with the necessary people, processes, and systems. This was largely completed during the year ended 30 April 2020.

##### **Stage 2 - Investing in products, platforms and automation (FY20-21)**

The second phase of the journey was to invest in transformational programmes to drive return on investment. The second phase included:

- Enhancing the Product range - through developing a range of payroll and HR software modules built in the Cloud with enhanced capabilities including analytics and which are significantly easier to implement and plug in to.
- BPaaS transformation - developing digital workflows to improve speed and accuracy and to deliver significant automation.
- Cost rationalisation - targeted set of programmes to reduce costs across the business (including third party costs), improve organisational efficiencies and complete property rationalisation.
- Moorepay growth - Developed and now launching a new SMB Payroll & HR Software suite (cloud based), including additional Faster Payments, Analytics and Benefits modules; plus, mobile app and APIs/connectors. In addition to core SMB market, now successfully targeting larger SMB customer segment (up to 1,000 employees).
- By diversifying its employee experience technology product range and leveraging its global experience and footprint, Benefex will reinforce the current strong organic growth trajectory. The Accelerate programme will significantly enhance the customer platform experience by improving both the simplicity and end-to-end time of product implementation projects and renewal cycles.

These projects were designed with the long-term sustainable success of the business in mind and are in line with our strategic vision of the Group.

##### **Stage 3 - Accelerating Growth (FY22 onward).**

Following the launch of Zellis HCM, Moorepay NextGen, Benefex International, Home and the acquisition of Wrkit, as referenced in the 'Background to the Year' section, we have moved into the accelerated growth phase. New Sales Annual Recurring Revenue show high compound annual growth rate % over the past 3 years as a result, and we enter into FY23 with a very healthy pipeline and expect sales to grow significantly again in FY23 with a diversified set of revenue streams.

The board is of the view that by implementing these initiatives, the interests of all stakeholders are considered appropriately and are in balance.

# **ZELLIS HOLDINGS LIMITED STRATEGIC REPORT FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)**

This report was approved by the board of directors on 30 August 2022 and signed on its behalf by:



Alan Kinch

Director

30 August 2022

# ZELLIS HOLDINGS LIMITED

## DIRECTORS' REPORT

### FOR THE YEAR ENDED 30 APRIL 2022

The Directors present their annual report on the affairs of the Group together with the financial statements and auditor's report for the year to 30 April 2022.

In accordance with s414(C) (11) of the Companies Act, included in the Strategic Report is information relating to future developments which would otherwise be required by Schedule 7 of the 'Large and Medium Sized Companies and Groups (Accounts and Reports) Regulation 2008' to be contained in a Directors' Report.

## Information included in the Strategic Report

The Directors' Report, together with the Strategic Report on pages 1 to 41, represent the management report for the purpose of compliance with legislation. As permitted by legislation, some of the matters required to be included in the Directors' Report have been considered in the Strategic Report as the Board considers them to be of strategic importance. Specifically, these are:

Subject Matter	Reference
Greenhouse gas emissions, energy consumption and energy-efficiency action	Environment section in the Strategic Report.
Stakeholders	s172 section in the Strategic Report.

## Events after the reporting date

Details of significant events since the reporting date are contained in note 26 to the Group financial statements.

## Financial risk management objectives and policies

The Group's activities expose it to a number of financial risks including credit risk, interest rate risk and liquidity risk. The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provide written principles on the use of financial derivatives to manage these risks. The Group does not use derivative financial instruments for speculative purposes.

### Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's trade and other receivables from customers.

Management has a credit policy in place and the exposure to credit risk is monitored on an on-going basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The Group does not require collateral in respect of financial assets.

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

### Interest rate risk

Interest rate risk is the risk of increased net financing costs due to increases in market interest rates. The Group finances its operations and acquisitions through a mixture of retained profits, bank borrowings and equity; the Group's main interest rate risk therefore comes from its bank borrowings, which the Group borrows principally in Sterling and the Group has an interest rate cap in place, to assist with the risk of increasing interest rates.

# **ZELLIS HOLDINGS LIMITED**

## **DIRECTORS' REPORT**

### **FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)**

#### **Financial risk management objectives and policies (continued)**

##### **Liquidity risk**

Liquidity risk is the risk that the Group will not be able to meet its financial commitments as they fall due.

The Group's objective is to ensure that adequate facilities are available through use of bank loans and finance leases. The Group manages liquidity risk through regular cash flow forecasting and monitoring of cash flows, management review and regular review of working capital and costs. The Group regularly monitors its available headroom under its borrowing facilities.

##### **Dividends**

No dividends were declared during the year under review (2021: nil).

##### **Research and development**

The research and development performed by the Group is documented within the Strategic report on page 18.

#### **Directors**

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

Jakob Brevinge\* (resigned 17 December 2021)

James Stevens\* (appointed 17 December 2021)

John Petter

Alan Kinch

\*Representatives of Bain Capital

#### **Director's and Officer's indemnities**

The Group has made qualifying third-party indemnity provisions for the benefit of its Directors and Officers during the year; these remain in force at the date of this report.

#### **Identity of private equity firm**

On 30 April 2022, The Group was a wholly owned subsidiary of Zellis TopCo Limited which is wholly owned by Bain Capital Europe Fund IV LP. Bain Capital was established in 1984 and is one of the world's leading multi-asset alternative investment firm. Most of Bain Capital Private Equity's Managing Directors and team members have worked as strategy consultants advising companies across a wide range of industries. From this heritage, the firm has built upon the experience and ability of our professionals to assess a Group's potential, develop powerful strategies, and implement transformational change in partnership with great management teams.

# **ZELLIS HOLDINGS LIMITED**

## **DIRECTORS' REPORT**

### **FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)**

#### **Identity of private equity firm (continued)**

Bain Capital made its investment in the Group on 31 January 2018 through one of its twelve global private equity funds, namely its Europe Fund IV. Prior to the acquisition, the Group was part of Northgate Information Solutions Limited, parented by Northgate Luxembourg GP S.à.r.l., a company who was registered in Luxembourg and who was ultimately controlled at the time by The Goldman Sachs Group, Inc.

#### **Statement of compliance with the Guidelines for Disclosure and Transparency in Private Equity**

For the year ended 30 April 2022, the Directors consider the annual report and financial statements to comply with all aspects of the Guidelines for Disclosure and Transparency in Private Equity.

#### **Going concern**

The Directors have a reasonable expectation that the Group and the company have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements as detailed in note 2 on page 58 of the financial statements.

Details of the future developments of the Group are explained on page 14 in the strategic report.

#### **Auditor**

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

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

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

The auditor, Grant Thornton UK LLP, has indicated their willingness to continue in office as auditor. The reappointment of the auditor will be approved by the Annual General Meeting.

#### **Approval**

This report was approved by the board of directors on 30 August 2022 and signed on its behalf by:



Alan Kinch

Director

30 August 2022

## **ZELLIS HOLDINGS LIMITED**

### **DIRECTORS' RESPONSIBILITIES STATEMENT**

### **FOR THE YEAR ENDED 30 APRIL 2022**

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

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they have elected to prepare the group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and applicable law and have elected to prepare the parent company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

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

- select suitable accounting policies and then apply them consistently.
- make judgements and estimates that are reasonable, relevant, reliable, and prudent.
- for the group financial statements, state whether they have been prepared in accordance with UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006.
- for the parent company financial statements, state whether they have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, subject to any material departures disclosed and explained in the financial statements.
- assess the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations or have no realistic alternative but to do so.

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

By Order of the Board of Directors and signed on behalf of the Board:



Alan Kinch

Director

30 August 2022



# **ZELLIS HOLDINGS LIMITED**

## **INDEPENDENT AUDITOR'S REPORT**

### **FOR THE YEAR ENDED 30 APRIL 2022**

#### **Independent auditor's report to the members of Zellis Holdings Limited**

##### **Opinion**

We have audited the financial statements of Zellis Holdings Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 April 2022, which comprise consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cashflow, company statement of financial position and company statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and UK-adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 April 2022 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

##### **Separate opinion in relation to International Financial Reporting Standards (IFRSs) as issued by the IASB**

As explained in note 2 to the group financial statements, the group in addition to applying UK-adopted international accounting standards, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the group financial statements give a true and fair view of the consolidated financial position of the group as at 30 April 2022 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRSs as issued by the IASB.

##### **Basis for opinion**

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

# **ZELLIS HOLDINGS LIMITED**

## **INDEPENDENT AUDITOR'S REPORT**

### **FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)**

#### **Conclusions relating to going concern**

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the group or the parent company to cease to continue as a going concern.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the group's and the parent company's business model including effects arising from macro-economic uncertainties such as Brexit and Covid-19, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the group's and the parent company's financial resources or ability to continue operations over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

#### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

# **ZELLIS HOLDINGS LIMITED**

## **INDEPENDENT AUDITOR'S REPORT**

### **FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)**

#### **Opinions on other matters prescribed by the Companies Act 2006**

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

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

#### **Matter on which we are required to report under the Companies Act 2006**

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

#### **Matters on which we are required to report by exception**

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

- adequate accounting records have not been kept 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.

#### **Responsibilities of directors for the financial statements**

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

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

#### **Auditor's responsibilities for the audit of the financial statements**

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

# **ZELLIS HOLDINGS LIMITED**

## **INDEPENDENT AUDITOR'S REPORT**

### **FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)**

#### **Auditor's responsibilities for the audit of the financial statements (continued)**

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

#### **Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of how the Group is complying with significant legal and regulatory frameworks through inquiries of management;
- The Group is subject to many laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements. We identified international accounting standards and Companies Act 2006, along with legal legislation relating to employment, health & safety, data protection and environmental issues, as those most likely to have a material affect if non-compliance were to occur;
- We communicated relevant laws and potential fraud risks to all engagement team members and remained alert to any indicators of fraud or non-compliance with laws and regulations throughout the audit;
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud may occur. We considered the opportunity and incentives for management to perpetrate fraud, and the potential impact on the financial statements;
- In assessing the potential risks of material misstatement, we obtained an understanding of;
  - the Group's operations, including the nature of its revenue sources, products, and services of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in the risks that may result in risks of material misstatement;
  - the Group's control environment;
  - the design of the Group's relevant controls over significant risks; and
  - the Group's business processes in respect of classes of transactions that are significant to the financial statements
- Audit procedures performed by the engagement team included;
  - identifying the significant risk of fraud within revenue recognition and undertaking substantive testing to obtain sufficient and appropriate audit evidence;
  - testing manual journal entries relating to management estimates and entries determined to be large or relating to unusual transactions; and
  - identifying and testing related party transactions.

# **ZELLIS HOLDINGS LIMITED**

## **INDEPENDENT AUDITOR'S REPORT**

### **FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)**

#### **Auditor's responsibilities for the audit of the financial statements (continued)**

#### **Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud (continued)**

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery, or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it;

- Assessment of the appropriateness of the collective competence and capabilities of the team included;
  - consideration of the engagement team's understanding of, and practical experience with, audit engagements of a similar nature and complexity;
  - appropriate training, knowledge of the industry in which the Group operates; and
  - understanding of the legal and regulatory requirements specific to the Group.
- We did not identify any material matters relating to non-compliance with laws and regulations or relating to fraud.

#### **Use of our report**

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



#### **Tim Lincoln**

Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants

Bristol

**30 August 2022**

# ZELLIS HOLDINGS LIMITED

## CONSOLIDATED INCOME STATEMENT

### FOR THE YEAR ENDED 30 APRIL 2022

	Note	2022 £'000	2021 £'000
Revenue	4	175,350	159,703
Operating costs	5	(165,224)	(161,484)
<b>Operating profit / (loss)</b>		<b>10,126</b>	<b>(1,781)</b>
Operating profit before significant separately disclosed items and amortisation of acquired intangibles		43,471	33,034
Amortisation of acquired intangibles	5	(26,401)	(25,397)
Significant separately disclosed items	6	(6,944)	(9,418)
<b>Operating profit / (loss)</b>		<b>10,126</b>	<b>(1,781)</b>
Finance costs	9	(32,256)	(27,826)
<b>Loss before tax</b>		<b>(22,130)</b>	<b>(29,607)</b>
Tax	10	9,388	9,163
<b>Loss for the period</b>		<b>(12,742)</b>	<b>(20,444)</b>
<b>Attributable to:</b>			
Owners of the Company		(12,742)	(20,444)
		<b>(12,742)</b>	<b>(20,444)</b>

The notes on pages 58 to 104 are an integral part of these consolidated financial statements. All operations relating to continuing operations.



# ZELLIS HOLDINGS LIMITED

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

### FOR THE YEAR ENDED 30 APRIL 2022

	2022	2021
	£'000	£'000
<b>Loss for the period</b>	(12,742)	(20,444)
<b>Items that will not be reclassified subsequently to profit or loss</b>		
Remeasurement of net defined benefit liability	15,247	(787)
Deferred tax arising on the actuarial (loss) / gain recognised in the pension scheme	(3,812)	171
	<b>11,435</b>	<b>(616)</b>
<b>Items that may be reclassified subsequently to profit or loss:</b>		
Exchange differences on translation of foreign operations	2,427	117
Net gain on cashflow hedges	1,782	746
<b>Total other comprehensive income for the period net of tax</b>	15,644	247
<b>Total comprehensive profit/(loss) for the period</b>	<b>2,902</b>	<b>(20,197)</b>
Total comprehensive profit/(loss) attributable to: Owners of the Company	<b>2,902</b>	<b>(20,197)</b>

# ZELLIS HOLDINGS LIMITED

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

### FOR THE YEAR ENDED 30 APRIL 2022

		2022	2021
	Note	£'000	Restated £'000
<b>Non-current assets</b>			
Goodwill	11	363,126	357,734
Intangible assets	11	118,037	134,493
Property, plant and equipment	12	3,452	3,524
Right of use assets	13	10,798	8,760
Contract fulfilment assets	4	8,771	13,366
Deferred tax asset	16	38,399	33,079
Other financial assets	25	1,248	-
		<b>543,831</b>	<b>550,956</b>
<b>Current assets</b>			
Trade and other receivables	14	60,387	47,967
Contract fulfilment assets	4	10,886	8,294
Corporation tax repayable		-	524
Cash and cash equivalents	15	9,004	9,331
Other current financial assets	25	135	-
		80,412	66,116
<b>Total assets</b>		<b>624,243</b>	<b>617,072</b>
<b>Current liabilities</b>			
Borrowings	24	14,633	9,686
Lease liabilities	13	3,097	2,362
Provisions	19	1,048	477
Current tax liabilities		435	321
Trade and other payables	17	31,291	30,290
Other current financial liabilities	25	-	1,321
Contract liabilities	4	55,237	47,550
		105,741	92,007
<b>Net current liabilities</b>		<b>25,329</b>	<b>25,891</b>
<b>Non-current liabilities</b>			
Borrowings	24	306,852	290,067
Lease liabilities	13	8,151	7,863
Retirement benefit obligations	18	24,258	41,935
Provisions	19	2,381	1,048
Deferred tax liabilities	16	20,199	20,703
Contract liabilities	4	31,634	41,324
		393,475	402,940
<b>Total liabilities</b>		<b>499,216</b>	<b>494,947</b>
<b>Net assets</b>		<b>125,027</b>	<b>122,125</b>

# ZELLIS HOLDINGS LIMITED

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

### FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)

	Note	2022 £'000	2021 Restated £'000
<b>Equity</b>			
Share capital	20	0	0
Share premium	21	249,497	249,497
Cash flow hedge reserve		461	(1,321)
Retained earnings		(124,931)	(126,051)
<b>Total equity</b>		<b>125,027</b>	<b>122,125</b>

The Statement of Financial Position for the year ended 30 April 2021 has been restated to correct a couple of prior period adjustments. The effect of the restatements are summarised in note 3.

The notes on pages 58 to 104 are an integral part of these consolidated financial statements.

The financial statements of Zellis Holdings Limited (company registration number: 10975623) were approved and authorised for issue by the Board of Directors and were signed on its behalf by:

A. R. L.

Alan Kinch

Director

30 August 2022

# ZELLIS HOLDINGS LIMITED

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

### FOR THE YEAR ENDED 30 APRIL 2022

	Share capital (Note 20) £'000	Share premium (Note 21) £'000	Cost of Cashflow Hedge	Cash flow hedge reserve £'000	Retained earnings £'000	Total £'000
<b>As at 1 May 2020</b>	<b>0</b>	<b>209,497</b>	-	<b>(2,067)</b>	<b>(105,108)</b>	<b>102,322</b>
			-			
Issue of shares	-	40,000	-	-	-	40,000
Loss for the year	-	-	-	-	(20,444)	(20,444)
Other comprehensive income for the year:						
Remeasurement of net defined benefit liability	-	-	-	-	(787)	(787)
Deferred tax arising on the actuarial loss recognised in the pension scheme	-	-	-	-	171	171
Exchange differences on translation of foreign operations	-	-	-	-	117	117
Net gain on cashflow hedges	-	-	-	746	-	746
<b>At 30 April 2021</b>	<b>0</b>	<b>249,497</b>	<b>-</b>	<b>(1,321)</b>	<b>(126,051)</b>	<b>122,125</b>
Loss for the year	-	-	-	-	(12,742)	(12,742)
Other comprehensive income for the year:						
Remeasurement of net defined benefit liability	-	-	-	-	15,247	15,247
Deferred tax arising on the actuarial gain recognised in the pension scheme	-	-	-	-	(3,812)	(3,812)
Exchange differences on translation of foreign operations	-	-	-	-	2,427	2,427
Net gain on cashflow hedges	-	-	(436)	2,218	-	1,782
<b>At 30 April 2022</b>	<b>0</b>	<b>249,497</b>	<b>(436)</b>	<b>897</b>	<b>(124,931)</b>	<b>125,027</b>

# ZELLIS HOLDINGS LIMITED

## CONSOLIDATED STATEMENT OF CASH FLOW

### FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)

	2022	2021
	£'000	£'000
<b>Cash flows from operating activities</b>		
Loss for the year	(12,742)	(20,444)
Adjustments for:		
Amortisation of acquired intangibles	26,401	25,397
Tax credit	(9,388)	(9,163)
Amortisation of other intangibles	8,415	6,991
Depreciation	4,970	5,188
Net financing costs	32,256	27,826
Tax refunded	46	327
<b>Net cash from operating activities before changes in working capital and provisions</b>	<b>49,958</b>	<b>36,122</b>
Change in contract fulfilment assets, trade and other receivables	(22,592)	(1,889)
Change in contract liabilities, trade and other payables	8,076	(10,304)
Change in provisions and employee benefits	(2,217)	(4,674)
<b>Net cash from operating activities</b>	<b>33,225</b>	<b>19,255</b>
<b>Investing activities</b>		
Acquisition of intangible assets	(14,467)	(12,086)
Business acquisition	(6,177)	(4,139)
Purchases of property, plant and equipment	(1,225)	(1,685)
<b>Net cash used in investing activities</b>	<b>(21,869)</b>	<b>(17,910)</b>
<b>Financing activities</b>		
Loan arrangement fees	-	(691)
Lease payments	(5,381)	(4,913)
Interest paid	(10,302)	(15,614)
Proceeds on issue of shares	-	40,000
Bank loans repaid	-	(36,000)
New bank loans raised	4,000	4,777
<b>Net cash used in financing activities</b>	<b>(11,683)</b>	<b>(12,441)</b>
Net decrease in cash and cash equivalents	(327)	(11,096)
Cash and cash equivalents at beginning of period	9,331	20,427
<b>Cash and cash equivalents at end of period</b>	<b>9,004</b>	<b>9,331</b>

# ZELLIS HOLDINGS LIMITED

## CONSOLIDATED STATEMENT OF CASH FLOW

### FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)

#### Reconciliation of liabilities arising from financing activities:

£'000	Long-term borrowings	Short-term borrowings	Lease liabilities	Total
<b>As at 1 May 2020</b>	<b>290,000</b>	<b>40,000</b>	<b>13,416</b>	<b>343,416</b>
Cash-flows:				
- Repayment	-	(36,000)	(4,913)	(40,913)
Non-cash:				
- Addition	4,777	-	782	5,559
- Accretion of lease interest	-	-	940	940
<b>As at 30 April 2021</b>	<b>294,777</b>	<b>4,000</b>	<b>10,225</b>	<b>309,002</b>
Cash-flows:				
- Repayment	-	-	(5,470)	(5,470)
- Proceeds	-	4,000	-	4,000
Non-cash:				
- Addition	9,791	-	5,675	15,466
- Accretion of lease interest	-	-	818	818
<b>As at 30 April 2022</b>	<b>304,568</b>	<b>8,000</b>	<b>11,248</b>	<b>323,816</b>



# ZELLIS HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 APRIL 2022

#### 1 General information

Zellis Holdings Limited ("the Company") is a private company limited by shares incorporated and domiciled in the United Kingdom under the Companies Act 2006 and is registered in England and Wales under the registration number 10975623. The company was incorporated on 21 September 2017. The address of the Company's registered office is 740 Waterside Drive, Aztec West, Almondsbury, Bristol, BS32 4UF.

The principal activities of the Company and its subsidiaries (together, "the Group") and the nature of the Group's operations is set out in the strategic report on pages 1 to 41.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates. Foreign operations are included in accordance with the policies set out in note 2.

#### 2 Accounting policies

##### Basis of accounting

The financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

The financial statements have been prepared on the historical cost basis with the exception of the net assets acquired on business combinations and derivative financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

The principal accounting policies adopted are set out below.

##### Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 1 to 41. In addition, note 25 to the financial statements include the Group's exposures to interest and liquidity risk.

Notwithstanding the net current liabilities of £25.3m (2021: £25.9m), the financial statements have been prepared on a going concern basis for the following reasons:

The group has made an operating profit for the year of £10.1m (2021: loss of £1.8m) and generated operating profit before significant separately disclosed items and amortisation of acquired intangibles of £43.5m (2021: £33.0m). The significant separately disclosed items have been reducing year on year (2022: £6.9m; 2021: £9.4m; 2020: £14.0m; 2019 £31.1m) and are expected to decrease continuously going forward. The negative impact on operating loss of these one-off/non-cash items is further highlighted by the positive net cash generated from operating activities of £33.2m (2021: £19.3m). The impact of Covid-19 to the group has been discussed in the Strategic Report on pages 1 to 41.

# ZELLIS HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)

## 2 Accounting policies (continued)

### Going concern (continued)

The Directors have undertaken a comprehensive going concern review over the period to April 2024, considering the forecast cash flows of the Group and the liquidity headroom available over the corresponding period, taking into account the Group's principal risks and uncertainties. The Group has modelled various forecasts in its assessment of going concern which have been considered by the Directors, along with a likelihood assessment of these forecasts, being:

- a base case, which reflects the Directors' current expectations of future trading
- severe but plausible downside forecasts, based on reasonable sensitivities on key cashflow items; and
- a reverse stress test analysis setting out what would be required to break liquidity, or covenant requirements.

This review of forecasts indicates that the Group should be able to trade and operate within its current revolving credit facility ("RCF") and settle its liabilities as they fall due and have the ability to maintain compliance with debt covenants for the foreseeable future. The current £40m RCF facility is available until 31<sup>st</sup> January 2024 and the Base Case scenario for the period ending 30 April 2024 assumes that this facility is renewed. The Directors do not consider this to be a material uncertainty due to the fact that the base case scenario predicts the facility to be unutilised from July 2023, in addition to there being more than sufficient time between the date of signing of the accounts and the cessation of the facility for a new facility to be negotiated.

The up to date forecast cashflow indicates closing liquidity of £68.6m at the end of FY24, with significant headroom over covenant leverage ratio. In addition, a series of mitigating actions identified could be put in place to further reduce the risk to Going Concern should they be required.

After due consideration, the Directors have a reasonable expectation that the Group has adequate liquidity to continue as going concern for the foreseeable future. Therefore, these accounts have been prepared on a going concern basis.

### Non-GAAP performance measures

The board have presented 'Proforma Trading EBITDA' and 'Proforma Trading EBITDAC' as adjusted profit measures in the Strategic report. They believe that these measures provides additional useful information for the shareholders on the underlying performance of the business. These measures are consistent with how the business performance is monitored internally and is in line with the debt covenant compliance calculations. The proforma trading EBITDA is not a recognised performance measure under adopted IFRS and may not be directly comparable with measures used by other companies. The adjustments made to operating profits / losses have the effect of excluding significant separately disclosed items. These are predominantly transformational in nature outside normal business as usual ('BAU') activities and distort the understanding of the underlying performance for the year and comparability between periods.

### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) for the year ended 30 April 2022. Control is achieved when the Company:

- has the power over the investee;

# ZELLIS HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)

## 2 Accounting policies (continued)

### Basis of consolidation (continued)

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

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

The Company considers all relevant facts and circumstances

- in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:
- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

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

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, the gain or loss on disposal recognised in profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e., reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as

# ZELLIS HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)

## 2 Accounting policies (continued)

### Basis of consolidation (continued)

the fair value on initial recognition for subsequent accounting under IFRS 9 Financial Instruments, when applicable, the costs on initial recognition of an investment in an associate or a joint venture.

### Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired, and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

When a business combination is achieved in stages, the Group's previously held interests in the acquired entity is remeasured to its acquisition date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

### Intangible assets

#### Goodwill

Goodwill is initially recognised and measured as set out in the Business Combinations section above.

# **ZELLIS HOLDINGS LIMITED**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)**

## **2 Accounting policies (continued)**

### **Intangible assets (continued)**

#### **Goodwill (continued)**

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired.

If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

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

#### **Other intangible assets excluding goodwill**

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

New intangibles recognised under IFRS 3 relating to customer contracts and relationships, existing technologies and trade names are amortised straight-line over a useful economic life of 3 – 8 years.

Amounts capitalised under purchased software are amortised straight-line over 3 years.

### **Research and development expenditure**

Expenditure on research activities is recognised as an expense in the year in which it is incurred.

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

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

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the year in which it is incurred. These internally-generated assets are amortised straight-line over 5 years.

# **ZELLIS HOLDINGS LIMITED**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)**

## **2 Accounting policies (continued)**

### **Research and development expenditure (continued)**

#### **Subsequent measurement**

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

#### **Impairment excluding deferred tax assets**

The carrying amounts of the Group's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. If the recoverable amount of an asset (cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount but so that the increased carrying amount does not exceed the carrying amount that would have been determined, had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in estimates used to determine the recoverable amount.

### **Revenue**

The Group generates revenue from the following types of services:

- Provision of software as a service ('SaaS'), including regulatory updates and associated maintenance;
- HR Analytics and Services;
- Provision of business processes as a service ('BPaaS');
- Implementation

The Group recognises revenue based on 5 basic principles described in IFRS15:

#### **1. Identify the contract with a customer;**

The Group enter into written contracts with its customers, and work does not commence until both parties have approved the contract and therefore have committed to the terms and conditions therein.



# ZELLIS HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)

## 2 Accounting policies (continued)

### Revenue (continued)

#### 1. Identify the contract with a customer (continued);

Within these contracts the payment terms and conditions for the services being performed are explicitly noted as well as each party's rights with regards to these services. The contract will also note down billing requirements under the contract, such as milestone billing, annual billing in advance, etc.

#### 2. Identify all the individual performance obligations within the contract;

A performance obligation is a contractual agreement to transfer agreed goods or services to a customer. An obligation is deemed fulfilled when the customer can utilise the delivered goods or services. Fulfilment is typically at the point when supplied technology can be utilised for its intended purpose or when a service has been completed (e.g., running an outsource payroll).

A single customer contract may contain multiple separately identifiable performance obligations. Where such obligations are defined, they will be dealt with as a separate delivery event, and the associated transaction price will be apportioned appropriately.

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

Where the separate obligations are not defined, then unless deemed to be material, the contract will be treated as one performance obligation.

#### 3. Determine the transaction price;

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

There are no financing components, non-cash considerations or any considerations payable to the customer within the Group's customer contracts.

#### 4. Allocate the price to the performance obligations;

Our contracts include a quoted price for many different elements within the contracts.

The Group's process for pricing elements within the contracts is generally based on either the standalone selling price of specific service offerings or is based on an estimate of the price of those services, and therefore the contractual prices are indicative of the standalone selling prices.

#### 5. Recognise revenue as the performance obligations are fulfilled.

**Implementation:** As software/service implementation activity does not deliver a performance obligation to the customer, all customer payments/receivables and corresponding internal operational costs related to implementations are deferred to the Statement of financial position until delivery. The release of deferred implementation revenue and costs will be recognised on a straight-line basis over the life of



# ZELLIS HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)

## 2 Accounting policies (continued)

### Revenue (continued)

#### 5. Recognise revenue as the performance obligations are fulfilled (continued).

the contract (from delivery). The adjusted monthly revenue from the provision of services will be recognised each month that we provide the service for a performance obligation.

**Third Party Licenses:** A net commission is recognised at the point in time where benefits of ownership transfer to our customer.

**On-Prem licenses:** Recognised on a straight-line basis over the life of the contract (from delivery).

**On-Prem read only licenses:** Recognised at contract date, as the performance obligation is met on 'delivery' of the licence.

**SaaS License and Hosting:** Recognised on a straight-line basis over the life of the contract (from delivery).

**SaaS read only licenses:** Recognised over contract term, as the performance obligation will include on-going access to hosted services.

**BPaaS:** Recognised over the contract term as the performance obligation is received by the customer evenly over the contract term.

**Benefits and recognition software and brokering services:** Recognised over the time the customer benefits from the service.

**HR Analytics and Services/Background Checking:** Revenue is recognised at a point in time, as the service is provided to the customer, in line with delivery of the work.

If a customer makes payment (or the Group has an unconditional right to receive consideration) before the performance obligation is fulfilled, then the associated revenue is not recognised, and a contract liability is recorded.

If the Group fulfils a performance obligation prior to customer payment or before consideration is due, the associated revenue is recognised by way of accrued income.

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

Sales commissions are incremental costs to obtain a contract and hence, where significant, are deferred and released over the life of the contract.

### Costs on contracts with customers

An asset is recognised for incremental costs to obtain a contract, where the Group expects to recover the costs.

An asset is recognised for costs to fulfil contracts if the following criteria are met:

- the costs are directly related to a contract;
- the costs generate or enhance the Group's resources used in satisfying performance obligations in the future; and

# **ZELLIS HOLDINGS LIMITED**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)**

## **2 Accounting policies (continued)**

### **Costs on contracts with customers (continued)**

- the costs are expected to be recovered.

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

The asset is amortised over the period that the benefit will be transferred to the customer. Assets are assessed for impairment.

### **Provisions**

#### **Contract Losses**

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

### **Financial instruments**

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI) and fair value through profit or loss.

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

### **Derivative financial instruments and hedge accounting**

#### **Initial recognition and subsequent measurement**

The Group uses derivative financial instruments, such as interest rate caps to hedge its interest rate risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment;
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction;
- Hedges of a net investment in a foreign operation.

# ZELLIS HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)

## 2 Accounting policies (continued)

### Derivative financial instruments and hedge accounting (continued)

#### Initial recognition and subsequent measurement (continued)

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item. Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

#### Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

We have considered the hedge accounting requirements of IAS 39 and IFRS 9 in respect of the IBOR reform. The borrowing and cash flow hedge, the latter matures on 31 December 2023, are both designated using SONIA therefore there is no current impact on the hedge accounting.

### Loans and receivables

Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

An interest PIK option was granted for the senior and second lien loans from November 2020. As a result, the carrying values of the loans as at 30 April 2022 had been recalculated as the present value of the established future contractual cash flows discounted at the loans' original effective interest rates. The changes in carrying value have been recognised in the Income Statement.

The group has a non-recourse factoring agreement in place. The Factor bears the credit default risk of the approved receivables. Zellis continues to service and collect payments into a designated account which is automatically swept to the Factor daily. The trade receivable is derecognised in its entirety as soon as they are transferred to the Factor.

# **ZELLIS HOLDINGS LIMITED**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)**

## **2 Accounting policies (continued)**

### **Financial liabilities and equity**

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

#### **Equity instruments**

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised as the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

#### **Bank borrowings**

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

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

### **Share capital**

#### **Ordinary shares**

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

### **Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Depreciation is recognised so as to write off the cost of assets over their useful lives, using the straight-line method, on the following bases:

Fixtures, fittings and office equipment 2-10 years

Leasehold improvements                      Life of the lease

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or scrapping of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

# ZELLIS HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)

## 2 Accounting policies (continued)

### Cash and cash equivalents

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

### Leases

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

#### Group as a lessee

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

#### Right-of-use assets

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

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

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

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

#### Lease liabilities

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

# **ZELLIS HOLDINGS LIMITED**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)**

## **2 Accounting policies (continued)**

### **Leases (continued)**

#### **Lease liabilities (continued)**

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

#### **Leases – Estimating the incremental borrowing rate**

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

#### **Short-term leases and leases of low-value assets**

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

### **Finance costs**

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

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

### **Taxation**

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

#### **Current tax**

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's

# **ZELLIS HOLDINGS LIMITED**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)**

## **2 Accounting policies (continued)**

### **Taxation (continued)**

#### **Current tax (continued)**

liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Company supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

#### **Deferred tax**

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the reporting date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

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



# ZELLIS HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)

## 2 Accounting policies (continued)

### Taxation (continued)

#### Deferred tax (continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

### Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a Discounted Cash Flow ('DCF') model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognised by the Group.

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

The key assumptions are:

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

The Directors are required to review the goodwill at least annually for impairment of the carrying value as compared to the recoverable amount. The pre-tax discount rates used are 10.9% (Zellis), 10.8% (Moorepay) and 21.9% (Benefex), with terminal growth rates of 2.5% (Zellis and Moorepay) and 2% (Benefex). These have remained unchanged from the prior financial year.

The surplus headroom above the carrying value of goodwill at 30 April 2022 was satisfactory.

# **ZELLIS HOLDINGS LIMITED**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)**

## **2 Accounting policies (continued)**

### **Retirement benefit costs**

The Group operates various defined contribution pension schemes. The assets of the schemes are held separately from those of the Group in independently administered funds. The amounts charged to the income statement represent the contributions payable to the schemes in respect of the accounting period.

The Group also operates two defined benefit pension schemes. The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of the future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of the economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments.

Net interest expense and other expenses related to the defined benefit plans are recognised in the profit and loss. When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

### **Provisions**

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

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

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

# **ZELLIS HOLDINGS LIMITED**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)**

## **2 Accounting policies (continued)**

### **Provisions (continued)**

#### **Property provisions**

A property provision is recognised when the expected benefits to be derived from the property are lower than the unavoidable cost of meeting the contractual obligations on that property.

### **Critical accounting judgements**

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

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

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

#### **Revenue recognition**

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

The implementation phase for Payroll and HR Admin services takes between zero to 18 months, during which time the related performance obligation is not being delivered to the customer. Under the contracts, Zellis is entitled to bill the customer during the implementation phase and hence contract liabilities are created. Correspondingly, costs incurred during this phase are assessed and, where they create a contract fulfilment asset, are capitalised.

For the majority of its contracts, the group considers the services provided to the customers including the initial implementation, subsequent licencing and/or managed payroll, to be a combined single performance obligation. This is because these elements are not distinct and are interdependent. As a result, the group recognise revenue accordingly, which is spread over the contract period (from delivery). Where separate performance obligations have been identified, the revenue recognition for each deliverable is assessed and recognised independently.

# **ZELLIS HOLDINGS LIMITED**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)**

## **2 Accounting policies (continued)**

### **Critical accounting judgements (continued)**

#### **Recognition of internally generated intangible assets from development**

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

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

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

### **Key sources of estimation uncertainty**

#### **Pensions**

Details of the principal actuarial assumptions used in calculating the recognised liability for the defined benefit plans are given in note 18. Changes to the discount rate, mortality rates, fair value and actual return on plan assets may necessitate material adjustments to this liability in the future.

#### **Fair value measurement on a business combination**

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

#### **Fair value measurement on acquisition of subsidiary**

Management applies judgement in accounting for acquisitions, including identifying assets arising from the application of IFRS 3 Business combinations, undertaking purchase price allocation exercises to allocate value between assets acquired, including the allocation between intangible assets and goodwill, and where relevant valuing contingent consideration. Key judgements are made in respect of discount rates, growth rates, royalty rates and the estimated life of intangibles. See note 27 for further detail.

# ZELLIS HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)

#### 3 Restatement of prior year balances

Prior year restatements have been made to rectify adjustments in the FY21 consolidated financial statements. The first adjustment related to the misclassification on the main Consolidated Statement of Financial Position of current contract fulfilment assets as non-current contract fulfilment assets, and vice-versa. The second adjustment related to the misclassification between accrued income and current and non-current contract liabilities.

The effect of restatement on the Consolidated Statement of Financial Position as at 30 April 2021 was as follows:

£'000	As previously reported	Restatements	As restated
Contract fulfilment assets (non-current)	8,294	5,072	13,366
<b>Total non-current assets</b>	<b>545,884</b>	<b>5,072</b>	<b>550,956</b>
Trade and other receivables	35,235	12,732	47,967
Contract fulfilment assets (current)	13,366	(5,072)	8,294
<b>Total current assets</b>	<b>58,456</b>	<b>7,660</b>	<b>66,116</b>
<b>Total assets</b>	<b>604,340</b>	<b>12,732</b>	<b>617,072</b>
Contract liabilities (current)	43,757	3,793	47,550
<b>Total current liabilities</b>	<b>88,214</b>	<b>3,793</b>	<b>92,007</b>
<b>Net current liabilities</b>	<b>29,758</b>	<b>(3,867)</b>	<b>25,891</b>
Contract liabilities (non-current)	32,385	8,939	41,324
<b>Total non-current liabilities</b>	<b>394,001</b>	<b>8,939</b>	<b>402,940</b>
<b>Total liabilities</b>	<b>482,215</b>	<b>12,732</b>	<b>494,947</b>

There is nil impact on Net Assets or the Consolidated Income Statement. A restatement of the Consolidated Statement of Financial Position as at 30 April 2020 was not necessary as there was no impact on the opening balances for FY21.

#### 4 Revenue

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

	2022	2021
	£'000	£'000
<b>Continuing operations</b>		
Software	98,847	88,543
HR Analytics and Services	17,374	11,128
BPaaS	36,559	36,413
Implementation	16,668	17,291
Other	5,902	6,328
	<b>175,350</b>	<b>159,703</b>

# ZELLIS HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)

#### 4 Revenue (continued)

	2022	2021 Restated
	£'000	£'000
<b>Deferred income / costs to contract fulfilment assets &amp; liabilities</b>		
Contract fulfilment assets – current	10,886	8,294
Contract fulfilment assets – non-current	8,771	13,366
Contract liabilities – current	(55,237)	(47,550)
Contract liabilities – non-current	(31,634)	(41,324)
<b>Net contract liabilities</b>	<b>(67,214)</b>	<b>(67,214)</b>

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

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

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

	2022	2021
	£'000	£'000
<b>Revenue recognised in relation to contract liabilities</b>		
Revenue recognised that was included in the contract liability balance at the beginning of the year	47,550	40,995

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

	2022	2021
	£'000	£'000
<b>Unsatisfied long-term contracts</b>		
Aggregate amount of contracts partially or fully unsatisfied as at 30 April	265,831	239,672

Management expects that of the transaction price allocated to the unsatisfied contracts as of 30 April 2022 that £265.8m (2021: £239.7m) will be recognised as revenue in the next reporting periods. £121.0m, £73.5m, £37.0m, £21.7m and £12.6m will be recognised as revenue in reporting periods ending 30 April 2023, 30 April 2024, 30 April 2025, 30 April 2026 and 30 April 2027 respectively.

	2022	2021
	£'000	£'000
<b>Assets recognised from costs to fulfil a contract</b>		
Asset recognised from costs incurred to fulfil contracts at 30 April	19,657	21,660
Amortisation recognised as cost of providing services during the period	10,420	9,198

# ZELLIS HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)

#### 5 Operating costs

	2022	2021
	£'000	£'000
Depreciation of property, plant and equipment	1,642	1,228
Depreciation of right of use assets	3,328	3,960
Amortisation of acquired intangibles	26,401	25,397
Amortisation of other intangibles	8,415	6,991
Staff costs (see note 8)	94,108	92,776
Significant separately disclosed items (see note 6)	6,944	9,418
Management fees	1,601	1,541
Professional fees	3,412	2,080
IT costs	15,581	11,323
Property costs	2,860	2,951
Capitalised employee and related costs	(14,333)	(11,883)
Other operating costs	15,265	15,702
	<b>165,224</b>	<b>161,484</b>

#### 6 Significant separately disclosed items

The group incurred the following significant costs in the year which are separately disclosed:

	2022	2021
	£'000	£'000
Severance and restructuring	1,785	3,763
Acquisition and refinancing	2,562	1,451
Business transformation and integration	2,235	2,911
Significant events and external circumstances	362	1,293
	<b>6,944</b>	<b>9,418</b>

Following the acquisition of the business by Bain Capital in January 2018, major transformations took place leading to material costs. Whilst many of these have now been completed a number have migrated into subsequent phases. These costs do not reflect the underlying trading results and are predominantly a result of the acquisition by Bain Capital because they would not have been incurred had the acquisition not taken place. Therefore, they are separately identified and reported which enables the shareholders and management to better understand the performance for the year and comparability between periods. They have been categorised into four main areas below.



# ZELLIS HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)

#### 6 Significant separately disclosed items (continued)

##### 1) Severance and restructuring.

Following the acquisition by Bain Capital, the business undertook a major strategic review, engaged third party specialists, and instigated a restructuring of the business. This included changes in personnel, rebranding, and the introduction of new business processes. In the year ended 30 April 2022, the majority of severance and restructuring costs related to a very large and strategic restructuring across BPaaS linked to a transformational project targeting operational efficiencies through the offshoring of a number of roles and a reduction in headcount.

##### 2) Acquisition and financing.

Acquisition costs were incurred in the year relating to the ongoing integration of the employee benefits business from Capita, acquired in December 2020. Primarily these relate to costs of the Orbit platform which hosts the contracts that will run to maturity rather than novate over to the Benefex platform.

Then in January 2022, Benefex further acquired Wrkit, the employee engagement, wellbeing, and discounts platform, as the Group continues to invest and grow. In relation to this latest acquisition a number of costs have been incurred including due diligence, legal and project management costs and these have been recognised as SSDIs.

##### 3) Business Transformation and integration.

A number of business transformational projects initiated in prior years continued into FY22 and entered their next phases. At the heart of these projects is a focus on customer experience. During FY22 the main spend related to:

- Programme to digitalise workflows for our BPAAS customer through end-to-end customer journeys leveraging automation and robotics;
- A transformational project to improve customer experience through reduced implementation times;
- Ongoing transformational project relating to the set up and roll out of our HCM cloud capabilities as part of growth strategy.

##### 4) Significant events or external circumstances.

In the light of the COVID-19 pandemic a specific bad debt provision had been created in 2020 to account for the potential credit losses predicted and against the same backdrop an incremental holiday pay accrual was recognised. As we reached the end of FY22 the UK and Irish economies were beginning to return to normal and restrictions on individuals and businesses were very much reduced. As a consequence, a significant reduction was booked to both of these provisions.

Conversely, as an additional expense, we paid a one-off COVID related incentive to certain staff in recognition of the one-off current financial issues being faced as inflicted by COVID, especially on those lower income individuals in our organisation.

# ZELLIS HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)

#### 7 Auditor's remuneration

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

	2022	2021
	£'000	£'000
Fees payable to the company's auditor and their associates for the audit of the company's annual accounts	69	84
Fees payable to the company's auditor and their associates for other services to the group		
- The audit of the company's subsidiaries	197	178
<b>Total audit fees</b>	<b>266</b>	<b>262</b>
Other services (loan covenants review)	10	10
<b>Total non-audit fees</b>	<b>10</b>	<b>10</b>

#### 8 Staff costs

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

	2022	2021
	Number	Number
Sales	203	210
BPaaS	1,019	1,007
Technology support	374	319
Implementation services	429	386
Administration	196	207
	<b>2,221</b>	<b>2,129</b>

Their aggregate remuneration comprised:

	2022	2021
	£'000	£'000
Wages and salaries	82,165	79,068
Social security costs	8,584	7,771
Other pension costs	3,359	5,937
	<b>94,108</b>	<b>92,776</b>

'Other pension costs' include only those defined benefit scheme costs included within operating costs and the defined contribution scheme charge.

# ZELLIS HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)

#### 8 Staff costs (continued)

##### Directors' emoluments

	2022	2021
	£'000	£'000
Directors' emoluments	1,395	855
	<b>1,395</b>	<b>855</b>

The aggregate emoluments of the highest paid director were £775k (2021: £461k).

Total short-term employee benefits paid during the year in the form of bonuses were £644k. During the year, no directors accrued benefits under the money purchase scheme.

#### 9 Finance costs

	2022	2021
	£'000	£'000
Interest on bank overdrafts and loans	21,728	21,175
Amortisation of issue costs on bank loans	7,089	5,356
Unwind of dilapidation provision	76	102
Net pension finance expense	798	656
Interest on obligations under leases	869	940
Foreign exchange loss / (gain)	1,696	(403)
	<b>32,256</b>	<b>27,826</b>

#### 10 Tax

The tax charged to the income statement is as follows:

	2022	2021
	£'000	£'000
<b>Corporation tax:</b>		
Current period	-	151
Overseas tax charge	779	566
Adjustment in respect of prior year	(44)	(21)
	<b>735</b>	<b>696</b>

# ZELLIS HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)

#### 10 Tax (continued)

	2022	2021
	£'000	£'000
<b>Deferred tax (note 16):</b>		
Origination and reversal of temporary differences	(5,820)	(5,111)
Adjustment in respect of prior year	73	(4,748)
Effect of changes in tax rates (note 16)	(4,376)	-
	<b>(10,123)</b>	<b>(9,859)</b>
<b>Tax credit on Income Statement</b>	<b>(9,388)</b>	<b>(9,163)</b>

The standard rate of corporation tax applied to reported profit is 19%.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The tax credit for the year can be reconciled to the loss in the income statement as follows:

	2022	2021
	£'000	£'000
Loss before tax on continuing operations	(22,130)	(29,607)
Tax at the UK corporation tax rate of 19%	(4,205)	(5,625)
Effect of revaluing deferred tax brought forward at future enacted tax rate	(4,376)	-
Effect of tax rate changes on deferred tax charge/credit in relation to current period movements	(1,390)	-
Tax effect of expenses that are not deductible in determining taxable profit (net of reversal)	(501)	(392)
Tax effect of income not taxable in determining taxable profit	(100)	(303)
Tax adjustments in relation to prior periods	29	-
Change in CIR approach*	-	(4,770)
Corporate interest restriction	1,180	1,995
Effect of overseas tax rates	(25)	(68)
<b>Tax credit for the year</b>	<b>(9,388)</b>	<b>(9,163)</b>

\*Change in approach surrounding Corporate Interest Restriction from a Fixed Ratio approach to a Group Ratio election approach.

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

	2022	2021
	£'000	£'000
<b>Deferred tax charge / (credit):</b>		
<b>Items that will not be reclassified subsequently to profit or loss:</b>		
Remeasurement of net defined benefit liability	3,812	(171)

# ZELLIS HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)

#### 11 Intangible assets and goodwill

	Goodwill	Purchased software	Customer relationships	Existing technology	Trade name	Development costs	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost:</b>							
At 1 May 2020	357,734	3,367	120,212	62,625	8,093	20,950	572,981
Additions	-	19	4,139	-	-	12,067	16,225
Write offs	-	(76)	-	-	-	-	(76)
<b>At 30 April 2021</b>	<b>357,734</b>	<b>3,310</b>	<b>124,351</b>	<b>62,625</b>	<b>8,093</b>	<b>33,017</b>	<b>589,130</b>
Additions	5,392	43	2,061	1,769	64	14,423	23,752
Write offs	-	-	-	-	-	-	-
<b>At 30 April 2022</b>	<b>363,126</b>	<b>3,353</b>	<b>126,412</b>	<b>64,394</b>	<b>8,157</b>	<b>47,440</b>	<b>612,882</b>
<b>Amortisation:</b>							
At 1 May 2020	-	(2,536)	(33,459)	(19,957)	(2,509)	(6,131)	(64,592)
Disposals	-	77	-	-	-	-	77
Charge for the year	-	(257)	(15,528)	(8,728)	(1,141)	(6,734)	(32,388)
<b>At 30 April 2021</b>	<b>-</b>	<b>(2,716)</b>	<b>(48,987)</b>	<b>(28,685)</b>	<b>(3,650)</b>	<b>(12,865)</b>	<b>(96,903)</b>
Disposals	-	-	-	-	-	-	-
Charge for the year	-	(238)	(17,123)	(8,223)	(1,056)	(8,176)	(34,816)
<b>At 30 April 2022</b>	<b>-</b>	<b>(2,954)</b>	<b>(66,110)</b>	<b>(36,908)</b>	<b>(4,706)</b>	<b>(21,041)</b>	<b>(131,719)</b>
<b>Net book value:</b>							
At 30 April 2022	<b>363,126</b>	<b>399</b>	<b>60,302</b>	<b>27,486</b>	<b>3,451</b>	<b>26,399</b>	<b>481,163</b>
At 30 April 2021	<b>357,734</b>	<b>594</b>	<b>75,364</b>	<b>33,940</b>	<b>4,443</b>	<b>20,152</b>	<b>492,227</b>

Acquired intangibles are trade and assets acquired during the acquisition, they include customer contracts and relationships, existing technologies and trade names.

Impairment assessment on goodwill is performed on an annual basis. Goodwill for each Cash Generating Unit ('CGU') is £316.3m (Zellis), £20.5m (Moorepay) and £26.4m (Benefex) respectively. No indication of impairment was identified. The assessment applies a discounted cashflow model with financial forecasts to a five year forecast for the Group, with the first two years as per the current budget agreed by the Board. The pre-tax discount rates (10.9% for Zellis, 10.8% for Moorepay, and 21.9% for Benefex) and terminal growth rates (2.5% for Zellis and Moorepay, 2% for Benefex) applied for each CGU (Zellis, Moorepay and Benefex) are obtained from third party specialists at acquisition.

Headroom is £253.0m (Zellis), £210.1m (Moorepay) and £81.2m (Benefex) respectively. The compounded annual growth rates of Zellis, Moorepay and Benefex CGUs' EBITDAs from FY23 to FY27 in this five-year forecast are 8%, 17% and 24% respectively. In the sensitivity analysis where the assumptions are stretched to accommodate stronger headwinds, the revised headroom is £20.8m (Zellis), £128.9m (Moorepay) and £16.4m (Benefex) respectively.

# ZELLIS HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)

#### 12 Property, plant and equipment

	Leasehold improvements	Fixtures & fittings and computer Equipment	Total
	£'000	£'000	£'000
<b>Cost:</b>			
<b>As at 1 May 2020</b>	<b>2,010</b>	<b>5,622</b>	<b>7,632</b>
Additions	92	1,385	1,477
Write offs	(88)	(474)	(562)
<b>As at 30 April 2021</b>	<b>2,014</b>	<b>6,533</b>	<b>8,547</b>
Additions	59	1,545	1,604
Write offs	-	(34)	(34)
<b>As at 30 April 2022</b>	<b>2,073</b>	<b>8,044</b>	<b>10,117</b>
<b>Depreciation:</b>			
<b>As at 1 May 2020</b>	<b>(1,084)</b>	<b>(2,905)</b>	<b>(3,989)</b>
Charge for the year	(210)	(1,018)	(1,228)
Write offs	51	143	194
<b>As at 30 April 2021</b>	<b>(1,243)</b>	<b>(3,780)</b>	<b>(5,023)</b>
Charge for the year	(185)	(1,457)	(1,642)
Write offs	-	-	-
<b>As at 30 April 2022</b>	<b>(1,428)</b>	<b>(5,237)</b>	<b>(6,665)</b>
<b>Net book value</b>			
As at 30 April 2022	<b>645</b>	<b>2,807</b>	<b>3,452</b>
As at 30 April 2021	<b>771</b>	<b>2,753</b>	<b>3,524</b>

# ZELLIS HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)

#### 13 Leases

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

£'000	Building	Vehicles	Equipment	Total
<b>As at 1 May 2020</b>	<b>9,382</b>	<b>145</b>	<b>2,405</b>	<b>11,932</b>
Additions	763	-	75	838
Reclassifications	12	-	(12)	-
Write offs	(50)	-	-	(50)
Depreciation	(2,060)	(117)	(1,783)	(3,960)
<b>As at 30 April 2021</b>	<b>8,047</b>	<b>28</b>	<b>685</b>	<b>8,760</b>
Additions	633	-	4,902	5,535
Write offs	(141)	(28)	-	(169)
Depreciation	(1,323)	-	(2,005)	(3,328)
<b>As at 30 April 2022</b>	<b>7,216</b>	<b>0</b>	<b>3,582</b>	<b>10,798</b>

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	2022	2021
	£'000	£'000
<b>As at 1 May</b>	10,225	13,416
Additions	5,535	782
Accretion of interest	869	940
Payments	(5,381)	(4,913)
	<b>11,248</b>	<b>10,225</b>
Current	3,097	2,362
Non-current	8,151	7,863
At 30 April 2022	<b>11,248</b>	<b>10,225</b>



# ZELLIS HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)

#### 13 Leases (continued)

The following are the amounts recognised in profit or loss:

	2022	2021
	£'000	£'000
<b>Depreciation charge of right-of-use asset (Note 5)</b>		
Building	1,323	2,060
Equipment	2,005	1,783
Vehicles	-	117
	<b>3,328</b>	<b>3,960</b>
Interest expense	869	940
<b>Total recognised in the profit and loss</b>	<b>4,197</b>	<b>4,900</b>

The total cash outflow for leases was £5,381k (2021: £4,913k). Lease addition for the year was £5,535k (2021: £782k).

#### 14 Trade and other receivables

	2022	2021 Restated
	£'000	£'000
<b>Debt instruments at amortised costs</b>		
Trade receivables	32,129	23,594
Less allowance for expected credit losses	(1,894)	(2,854)
<b>Net trade receivables</b>	<b>30,235</b>	<b>20,740</b>
Accrued income	16,229	16,811
Prepayment and other receivables	13,923	10,416
<b>Total trade and other receivables</b>	<b>60,387</b>	<b>47,967</b>

#### Movement in the allowance for expected credit losses:

	£'000
At 1 May 2020	2,761
Provision for expected credit losses	198
Utilised in period	(105)
<b>At 30 April 2021</b>	<b>2,854</b>
Reduction in the provision for expected credit losses	(889)
Utilised in period	(71)
<b>At 30 April 2022</b>	<b>1,894</b>

# ZELLIS HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)

#### 15 Cash and cash equivalents

	2022	2021
	£'000	£'000
Cash at bank and in hand	9,004	9,331

The fair value of cash and cash equivalents which corresponds to its carrying value is £9,004k (2021: £9,331k).

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

#### 16 Deferred tax

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

	Accelerated Tax depreciation £'000	Deferred development costs £'000	Other £'000	Retirement Benefit obligations £'000	Tax losses £'000	Total £'000
At 1 May 2020	4,152	(24,603)	1,058	8,204	13,535	2,346
Adoption of accounting policy	(41)	(813)	241	(3)	5,364	4,748
(Credit) / charge to profit or loss	(676)	4,506	252	(354)	1,384	5,112
Charge to other comprehensive income	-	-	-	170	-	170
<b>At 30 April 2021</b>	<b>3,435</b>	<b>(20,910)</b>	<b>1,551</b>	<b>8,017</b>	<b>20,283</b>	<b>12,376</b>
Adjustment in respect of prior years	44	(751)	34	36	563	(74)
(Credit) / charge to profit or loss	(927)	6,686	(57)	(608)	725	5,819
Charge / (credit) to profit or loss in relation to changes in tax rates	1,089	(5,224)	233	2,516	5,762	4,376
Credit to other comprehensive income	-	-	-	(3,812)	-	(3,812)
Amounts arising on acquisition of business	-	-	(485)	-	-	(485)
<b>At 30 April 2022</b>	<b>3,641</b>	<b>(20,199)</b>	<b>1,276</b>	<b>6,149</b>	<b>27,333</b>	<b>18,200</b>

# ZELLIS HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)

#### 16 Deferred tax (continued)

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

	2022	2021
	£'000	£'000
Deferred tax liabilities	(20,199)	(20,703)
Deferred tax assets	38,399	33,079
	<b>18,200</b>	<b>12,376</b>

Finance Act 2021 included legislation increasing the main rate of UK corporation tax from 19% up to 25% from 1 April 2023. The changes were substantively enacted at the balance sheet date and therefore deferred taxes have been measured using the enacted tax rates applicable to the dates liabilities are expected to be settled and assets realised.

As at 30th April 2022, the group has unused tax losses of £112,109k (2021: tax losses of £106,957k) available for offset against future profits. A deferred tax asset has been recognised in respect of these losses.

As at 30th April 2022 the group has deductible temporary differences of £23,619k (2021: £13,366k) that have not been recognised as a deferred tax asset.

#### 17 Trade and other payables

	2022	2021
	£'000	£'000
Trade payables	3,535	5,912
Loans from group undertakings	473	1,221
Other payables	3,145	834
Accruals	14,201	17,039
Other taxes and social security costs	9,937	5,284
<b>Total trade and other payables</b>	<b>31,291</b>	<b>30,290</b>

Trade and other payables are valued at amortised cost. The directors consider that the carrying amount of trade payables approximates to their fair value.

Loan from group undertakings is repayable on demand subject to agreement by the borrower and lender but no later than 31 January 2025 and carries an interest of 8% per annum.

# **ZELLIS HOLDINGS LIMITED**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)**

#### **18 Employee benefits**

For details on the related employee benefit expenses see note 8.

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

Benefits are related to salary close to retirement or leaving service (if earlier) and also to years of pensionable service. Assets are held in separate, trustee administered funds. Employer contributions to the schemes are determined on the basis of regular valuations undertaken by independent, qualified actuaries.

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

#### **Funding**

Both plans are funded by the Group's subsidiaries. Over the next year, the Group will pay estimated contributions of £5.8m to the defined benefit schemes. The funding requirements are based on the pension fund's actuarial measurement framework set out in the funding policies of the plan. This includes the additional contributions aimed at removing the deficit of the Schemes. Contributions to the defined contribution schemes are in addition to the contributions to the UK defined benefit schemes.

# ZELLIS HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)

#### 18 Employee benefits (continued)

##### Movements in the net defined benefit liability

The following table shows a reconciliation from the opening balances to the closing balances for the net defined benefit and its components.

	Defined benefit obligation £'000	Fair value of plan assets £'000	Net defined benefit liability £'000
At 1 May 2020	309,806	(266,912)	42,894
<b>Included in income statement</b>			
Current service cost	965	734	1,699
Past service cost	222	-	222
Interest expense	4,885	(4,229)	656
	<b>6,072</b>	<b>(3,495)</b>	<b>2,577</b>
<b>Included in statement of comprehensive income:</b>			
Remeasurement (gain) / loss:			
Financial assumptions	5,056	-	5,056
Demographic	(5,989)	-	(5,989)
Experience adjustment	(2,054)	-	(2,054)
Return on plan assets excluding interest income	-	3,773	3,773
	<b>(2,987)</b>	<b>3,773</b>	<b>786</b>
<b>Other</b>			
Contribution paid by the employer	-	(4,322)	(4,322)
Benefits paid	(8,946)	8,946	-
	<b>(8,946)</b>	<b>4,624</b>	<b>(4,322)</b>
<b>Net book value</b>			
<b>At 30 April 2021</b>	<b>303,945</b>	<b>(262,010)</b>	<b>41,935</b>

# ZELLIS HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)

#### 18 Employee benefits (continued)

	Defined benefit obligation £'000	Fair value of plan assets £'000	Net defined benefit liability £'000
At 1 May 2021	303,945	(262,010)	41,935
<b>Included in income statement</b>			
Current service cost	779	537	1,316
Past service cost	-	-	-
Interest expense	5,975	(5,177)	798
	<b>6,754</b>	<b>(4,640)</b>	<b>2,114</b>
<b>Included in statement of comprehensive income:</b>			
Financial assumptions	(44,823)	-	(44,823)
Demographic	(6,426)	-	(6,426)
Experience adjustment	3,167	-	3,167
Change in asset ceiling	10,274	-	10,274
Return on plan assets excluding interest income	-	22,561	22,561
	<b>(37,808)</b>	<b>22,561</b>	<b>(15,247)</b>
<b>Other</b>			
Contribution paid by the employer	-	(4,544)	(4,544)
Benefits paid	(10,361)	10,361	-
	<b>(10,361)</b>	<b>5,817</b>	<b>(4,544)</b>
<b>Net book value</b>			
<b>At 30 April 2022</b>	<b>262,530</b>	<b>(238,272)</b>	<b>24,258</b>

# ZELLIS HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)

#### 18 Employee benefits (continued)

##### Fair value of plan assets

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

	2022	2021
	£'000	£'000
Equities	26,877	25,321
LDI Funds	55,434	64,266
Multi-asset credit	42,680	18,345
Private credit	7,953	11,323
Property	28,283	25,240
Asset backed securities	28,005	49,638
Diversified growth funds	24,070	50,657
Cash and current assets	24,970	17,219
	<b>238,272</b>	<b>262,009</b>

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

##### Defined benefit obligation

##### Actuarial assumptions

The principal actuarial assumptions at the balance sheet date were:

	Northgate HR scheme	Rebus scheme
	pa	pa
Discount rate	3.2%	3.2%
Future salary increases	1.0%	1.0%
Retail price inflation	3.6%	3.7%
Consumer price inflation	2.9%	3.1%
Future pension increases (2.5% LPI)	2.3%	2.2%
Future pension increases (5%LPI)	3.4%	3.0%

The weighted average duration of the expected benefit payments is about 15 years for the Northgate Scheme and 17 years for the Rebus Scheme. The current longevities underlying the values of the defined benefit obligation at the reporting date were as follows:



# ZELLIS HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)

#### 18 Employee benefits (continued)

##### Defined benefit obligation (continued)

##### Actuarial assumptions (continued)

	Northgate HR scheme pa	Rebus scheme pa
<b>Life expectancy at age 65 now</b>		
Males	21.7	21.7
Females	24.2	24.2
<b>Life expectancy at age 65 in 20 years</b>		
Males	22.6	22.6
Females	25.3	25.3

##### Sensitivity analysis

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

	£'000 Increase	£'000 Decrease
Discount rate (0.1% movement)	(4,032)	4,131
Inflation and related future pension growth (0.1% movement)	1,814	(1,817)
Future salary growth (0.1% movement)	0	(296)
Life expectancy (1 year movement)	9,433	(9,408)

Although the analysis does not take account of the full distribution of cash flows expected under the plans, it does provide an approximation of the sensitivity of the assumptions shown.

# ZELLIS HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)

#### 19 Provisions

	2022	2021
	£'000	£'000
<b>At 1 May 2021</b>	<b>1,525</b>	<b>2,130</b>
Addition	2,005	111
Utilisation	(187)	(557)
Transfer	0	(260)
Discount unwind	86	101
<b>At 30 April 2022</b>	<b>3,429</b>	<b>1,525</b>
Analysed as:		
Current	1,048	477
Non-current	2,381	1,048
<b>At 30 April 2022</b>	<b>3,429</b>	<b>1,525</b>

The opening provision relates to legal fees on disputes, claims provision and dilapidation provisions for repairs and redecorations at the end of the lease (make good provision). During the year, an additional provision was created for the contingent consideration relating to the Wrkit acquisition (see note 27).

#### 20 Share capital

	2022	2021
	£	£
<b>Authorised, issued and fully paid:</b>		
900 ordinary shares of £0.01 each (2020: 900)	9	9

The Company has one class of ordinary shares which carry no right to fixed income.

Date	Shares issued	Amount paid £
21 September 2017	100	1
31 January 2018	100	176,718,604
14 September 2018	200	12,778,364
21 June 2019	100	9,800,000
25 July 2019	100	2,700,000
14 August 2019	100	7,300,000
29 August 2019	100	200,000
26 November 2020	100	40,000,000

# ZELLIS HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)

#### 21 Share premium

	£'000
At 1 May 2020	209,497
Premium arising on issue of equity shares	40,000
<b>At 30 April 2021 and 30 April 2022</b>	<b>249,497</b>

#### 22 Commitments and contingencies

The Group and its subsidiaries are contingently liable with respect to lawsuits and other matters that arise in the normal course of business. The Group has assessed any potential liability and have provided for these where appropriate, and the potential liability will continue to be monitored.

#### 23 Related party disclosures

Management fees amounting to £1,650k (2021: £1,541k) were charged to the Group by Bain Capital, nothing was outstanding as at 30 April 2022 (2021: £1,125k).

The remuneration of key management (deemed to be the directors) for the year was £1,395k (2021: £855k). This includes directors' emoluments disclosed in note 8 to these accounts. A full list of subsidiary and associated undertakings is included in note 3 to the Company accounts on page 110. The next most senior parent undertaking preparing consolidated financial statement is Zellis Topco Limited.

As at the year-end, there is £580k (2021: £586k) recognised in trade and other receivables, whereby the group has made loans to shareholders. These loans are interest bearing and repayable on the earlier of exit or ten years.

# ZELLIS HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)

#### 24 Borrowings

	2022	2021
	£'000	£'000
<b>Secured borrowing at amortised cost</b>		
Bank loans	321,485	299,753
Lease liabilities (see note 13)	11,248	10,225
<b>Total borrowings</b>	<b>332,733</b>	<b>309,978</b>
Amount due for settlement within 12 months	17,730	12,048
Amount due for settlement after 12 months	315,003	297,930

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

- i) The group has three principal bank loans:
  - a. a loan of £270 million with a repayment date of 31 January 2025. The loan is secured by a fixed and floating charge over the assets of Zellis Holdings Limited and its material subsidiaries. The loan carries a variable rate of SONIA (with a 0% floor) plus a Credit Adjustment Spread of 0.24% plus a margin ranging between 4.75 – 5.25% depending on the Senior Secured Net Leverage Ratio.
  - b. a revolving credit facility of £40 million of which £8 million was drawn down at year end with a termination date of 31 January 2024. The loan carries variable interest rate of SONIA (with a 0% floor) plus a Credit Adjustment Spread of 0.023% plus a margin ranging between 3.25% - 4.25% determined by the Senior Secured Net Leverage Ratio.
  - c. a loan of £20m with a repayment date of 31 January 2026. The loan is secured by a fixed and floating charge over the assets of Zellis Holdings Limited and its material subsidiaries. The loan carries a variable rate of SONIA (with a 1% floor) plus a Credit Adjustment Spread of 0.0231% plus a margin of 8.5%.
- ii) In November 2020, an interest PIK arrangement was agreed with lenders on the £270m senior loan facility for 3 years during which Zellis have the option to reduce the cash interest payments to SONIA plus a Credit Adjustment Spread + 2.75% with the remaining 2.5% plus 0.25% margin settled via PIK. A similar option was agreed for the £20m second lien where the loan interest margin plus Credit Adjustment Spread + 0.75% can be chosen to be settled via PIK until maturity date.
- iii) The facilities contain certain financial covenants which have been met.
- iv) The bank loans of £321,485k include the principal of £270,000k and second lien of £20,000k; drawn RCF of £8m, capitalised interest of £14,567k and non-cash adjustments of £8,918k net of capitalised borrowing costs (see page 13). All borrowings are denominated in UK Pounds.
- v) Lease liabilities inclusive of IFRS 16 lease liabilities are secured by the assets leased. The borrowings are a mix of variable and fixed interest rate debt with repayment periods not exceeding ten years.

# ZELLIS HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)

#### 24 Borrowings (continued)

- vi) On the 31<sup>st</sup> December 2021 the lending facilities were transitioned from LIBOR to SONIA. This transition was from a forward looking LIBOR rate to a backward looking SONIA rate (five day look-back period), meaning the interest expense is not known until the end of the period. SONIA is an overnight rate risk free rate whereas LIBOR includes a bank credit-risk component. Existing contracts that are transitioned from LIBOR to SONIA therefore have a Credit Adjustment Spread element to account for this difference. Zellis chose a forward-looking Credit Adjustment Spread as this represented the lower interest expense.

The weighted average interest rates paid during the year for the bank loans were 6.2%.

#### 25 Financial instruments

The Group's financial assets and liabilities mainly comprise bank borrowings, cash, liquid resources and various items, such as trade and other receivables and trade and other payables that arise directly from operations.

The main financial market risks arising from the Group's operations are credit risk, interest rate risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

##### a) Interest rate risk

Interest rate risk is the risk of increased net financing costs due to increases in market interest rates. The Group finances its operations and acquisitions through a mixture of retained profits, bank borrowings and equity; the Group's main interest rate risk therefore comes from its bank borrowings, which the Group borrows principally in Sterling.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Management is of the view that the key interest rate risk is the variability of SONIA on both the term loans and the RCF.

The Group is exposed to certain risks relating to its ongoing business operations. The primary risks managed using derivative instruments are interest rate risk.

The Company is partially funded using floating rate GBP loans that expose the Company to potential variability in interest rates. The Company's risk management strategy is to protect the Company against adverse fluctuations in interest rates utilising pay fixed, receive float interest rate swaps, and interest rate caps to reduce its exposure to variability in cash flows on the Company's floating-rate debt to the extent that it is practicable and cost effective to do so. During the year the Company's interest rate swap matured and was replaced with an interest rate cap.

##### Interest Rate Cap

GBP	£140,150,000.00
Strike rate	1.75%

# ZELLIS HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)

## 25 Financial instruments (continued)

### a) Interest rate risk (continued)

#### Hedging activities and derivatives (interest rate cap 2022; interest rate swap 2021)

Interest rate derivatives	2022 £'000	2021 £'000
Other financial Assets		
- Current	135	-
- Non-current	1,248	-
<b>Total</b>	<b>1,383</b>	<b>-</b>
Other current financial liabilities	-	1,321
<b>Total</b>	<b>-</b>	<b>1,321</b>

The Group is exposed to certain risks relating to its ongoing business operations. The primary risks managed using derivative instruments are interest rate risk.

The Company expects that for all designated hedge relationships, changes in value of both the Hedging Instrument and the Hedged Transaction will offset and systematically move in opposite directions given the critical terms of the Hedging Instrument and the Hedged Transactions are closely aligned. The Company performs periodic qualitative prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and the hedging instrument.

The potential sources of hedge ineffectiveness are as follows:

1. Movements in the Company's and hedging counterparty's credit spread that would result in movements in fair value of the Hedging Instrument that would not be reflected in the movements in the value of the Hedged Transactions.
2. The possibility of changes to the critical terms (e.g. reset dates, index mismatches, payment dates) of the Hedged Transactions due to a refinancing or debt renegotiation such that they no longer match those of the Hedging Instrument. The Company would reflect such mismatch when modelling the hypothetical derivative and this could be a potential source of hedge ineffectiveness.

Each hedging instrument is designated in a 1:1 hedge ratio against an equivalent notional amount of hedged item. Should an insufficient amount of hedged item be available the hedging instrument will be designated or proportionally designated as appropriate.

Fair value estimates of derivatives are based on relevant market information and information about the financial instruments which are subjective in nature. The fair value of these financial instruments is estimated by discounting the future cash flows to net present values using appropriate market rates prevailing at the reporting date.

The key inputs for the valuation of interest rate caps are forward curves for GBP SONIA and market volatility.

Derivative valuations are adjusted to reflect the impact of both counterparty credit risk and the Company's non-performance risk as required by IFRS 13.

# ZELLIS HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)

## 25 Financial instruments (continued)

### a) Interest rate risk (continued)

Economic relationship as per IFRS 9 para. B6.4.4 explains that the requirement that an economic relationship exists means that the hedging instrument and the hedged item have values that generally move in the opposite direction because of the same risk, which is the hedged risk. Hence, there must be an expectation that the value of the hedging instrument and the value of the hedged item will systematically change in response to movements in either the same underlying or underlyings that are economically related in such a way that they respond in a similar way to the risk that is being hedged. Whilst sources of ineffectiveness do exist in the hedging relationship (as further described below), the changes in value of both the hedging instrument and the hedged item are expected to offset and move in opposite directions given that such changes are based on the same underlying risk, being GBP SONIA.

£000's	Derivative assets	Derivative liabilities	Change in F.V. in period (hedging instrument)	Change in F.V. in period (hedged item)
Interest rate swap/cap	1,384	-	324	357
	<b>1,384</b>	<b>-</b>	<b>324</b>	<b>357</b>

Interest rate derivatives £'000	Cost of Hedging Reserve	Cash flow Hedge Reserve	Total Hedge Reserve
Opening balances - 30 April 2021	-	1,321	1,321
Add: change in fair value of hedging instrument recognised in OCI	-	(854)	(854)
Add: costs of hedging deferred and recognised in OCI in respect of the time value of options	526	-	526
Less: reclassified from OCI to profit or loss in respect of the time value of options	(90)	-	(90)
Less: reclassified from OCI to profit or loss from the cash flow hedge reserve	-	(1,364)	(1,364)
<b>Closing balances - 30 April 2022</b>	<b>436</b>	<b>(897)</b>	<b>(461)</b>
Hedge ineffectiveness recognised			

On 31<sup>st</sup> December 2021, the one-year interest rate swap matured. Management took the decision to fix for two years using an interest rate cap. This was due to the uncertainty in the macro-economic environment leading to a volatile SONIA forward curve. At the time, the curve was forecast to retract after two years. Management made the decision to hedge £140.2m (50%) of the Senior Debt, (down from £210m), and switch to a cap due to the premiums payable at the time and the two-year cap representing the best value compared with the more expensive swap options.



# ZELLIS HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)

## 25 Financial instruments (continued)

### b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial commitments as they fall due.

The Group's objective is to ensure that adequate facilities are available through use of bank loans and finance leases. The Group manages liquidity risk through regular cash flow forecasting and monitoring of cash flows, management review and regular review of working capital and costs.

The Group regularly monitors its available headroom under its borrowing facilities. At 30 April 2022, £32.5m (2021: £36.5m) of undrawn facilities and £9.0m (2021: £10.9m) of cash were available.

In respect of the Group's financial liabilities including estimated interest where applicable, the table below includes details (at the balance sheet date) of the periods in which they mature.

	<1 year	1-2 years	2-3 years	3-4 years	4-5 years	>5 years	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
30 April 2022							
Lease liability and estimated interest	4,014	3,745	1,751	2,053	817	638	13,018
Revolving credit facility	8,000	-	-	-	-	-	8,000
Term loan and estimated interest	10,183	14,527	313,279	34,886	-	-	372,875
Trade and other payables	31,291	-	-	-	-	-	31,291
	<b>53,488</b>	<b>18,272</b>	<b>315,030</b>	<b>36,939</b>	<b>817</b>	<b>638</b>	<b>425,184</b>

The variable interest rate is determined by SONIA and a variable margin as detailed in note 23. Management have deemed the margin to be consistent each year based on best estimates and forecasts.

# ZELLIS HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)

## 25 Financial instruments (continued)

### c) Fair values of financial assets and financial liabilities

The table below analyses financial instruments, into a fair value hierarchy based on the valuation technique used to determine fair value.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Carrying amount	Fair value
	£'000	£'000
Interest rate cap (level 2)	1,384	1,384
	<b>1,384</b>	<b>1,384</b>

Estimation of fair values except as detailed in the table above, the directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate to their fair values.

### d) Capital management

The Group's objectives when managing capital (bank borrowings) are to safeguard the Group's ability to continue as a going concern, support the growth of the business and to maintain an optimal capital structure to reduce the cost of borrowing. The Group finances its operations through a combination of equity (£249.5m) and bank borrowings (£321.5m).

### e) Credit risk

The Group provides for expected credit losses on debt using a provision matrix based on historical default rates for the segments based on geographical location and market sector.

Entity/Aging	Not yet due	0-89 days overdue	90-179 days overdue	180-269 days overdue	270-359 days overdue	>360 days overdue
Zellis UK	0%	5%	10%	20%	20%	100%
Zellis Ireland	0%	5%	10%	20%	20%	100%
Moorepay	1%	10%	65%	100%	100%	100%
Pro IV	0%	0%	0%	0%	0%	100%
Benefex	1%	1%	50%	100%	100%	100%

# ZELLIS HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)

## 25 Financial instruments (continued)

### f) Credit risk (continued)

The trade receivables and accrued income as at 30 April 2022 have been analysed as follows:

	Not yet due	0-89 days overdue	90-179 days overdue	180-269 days overdue	270-359 days overdue	>360 days overdue	Total
Trade receivables	24,062	6,877	745	296	84	65	32,129
Accrued income	16,229	-	-	-	-	-	16,229
<b>Total</b>	<b>40,291</b>	<b>6,877</b>	<b>745</b>	<b>296</b>	<b>84</b>	<b>65</b>	<b>48,358</b>

In addition to these principles we provide for additional expected credit losses on a case by case basis where the risk would not fall under these general provision rates. This includes specific Expected Credit Loss provision in light of Covid-19 which is included in significant separately disclosed items in note 6.

Management hold regular reviews concerning debt and collections management and thus we have a clear view of the circumstances that may require additional provision.

Management also review at least annually the provision rates to ensure they are providing coverage of the potential credit risk.

### g) Factoring

The group has a non-recourse factoring agreement in place. As at 30 Apr 2022, the amount representing the group's continuing involvement is £1.3m (2021: £1.8m), being the amount that is factored and due to be collected from customers. There is no exposure to the group because of the non-recourse arrangement in place as well as the insurance placed by the factor on the customer balances. £85k (2021: £71k) of factoring commission has been charged for the year.

The £1.3m can be analysed as follows:

£'000	Not yet due	0-89 days overdue	>90 days overdue	Total
Factored amount to be collected	274	908	97	1,279

## 26 Post balance sheet events

There are no material post balance sheet events to report.

# ZELLIS HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)

## 27 Acquisition

On 10 January 2022, Benefex Limited (a wholly owned subsidiary of Zellis Holdings Limited) acquired 100% of the equity in Wrkit, a provider of employee engagement, wellbeing and discounts platform. Consideration was £8.4m, of which £6.7m was paid in cash with a further £1.7m of estimated contingent consideration, payable on 1 April 2023 and 30 June 2024.

The acquisition has enabled the group to extend its product offering with employee engagement, by adding employee discount offering, wellbeing platform and new communication tools to the current OneHub product suite, helping customers solve more of their employee engagement challenges.

Included with the Group's results for the period are revenues of £0.5m and a loss before tax of £25k (excluding acquired intangible amortization). The impact of the acquisition on the consolidated balance sheet was:

£'000	Fair Value
Tangible Assets	
- Other Tangible Assets	8
Intangible Assets	
- Customer Relationships	2,061
- Software	1,769
- Brand	64
Cash and cash equivalents	550
Trade and other receivables	413
Trade and other payables	(1,352)
Non-current liabilities	
- Deferred Tax	(485)
<b>Fair value of identifiable assets and liabilities acquired:</b>	<b>3,028</b>

Gross trade receivables were £0.4m on acquisition, of which £0.4m were expected to be recovered.

### Consideration transferred

£'000	Consideration
Cash	6,727
Contingent Consideration	1,693
<b>Total Consideration</b>	<b>8,420</b>

The Group has agreed to pay the selling shareholders an additional consideration based upon the financial performance of calendar year 2022; payable in instalments across FY23 and FY24. The Group has estimated this consideration as at 30th April 2022 and included a provision of £1.7m which represents its fair value at the date of acquisition (see note 19).

# ZELLIS HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)

## 27 Acquisition (continued)

### Goodwill

£'000	Goodwill
Total Consideration	8,420
Fair value of identifiable assets	(3,028)
<b>Goodwill</b>	<b>5,392</b>

The goodwill is attributable mainly to the skills and technical talent of Wrkit's work force and the synergies expected to be achieved from integrating the company into the Group's existing employment benefits offering business. None of the goodwill recognised is expected to be deductible for tax purposes.

### Acquisition Related Costs

The Group incurred acquisition-related costs of £0.5m including legal fees and due diligence costs. These costs have been included in operating costs as 'significant separately disclosed items' (see note 6).

# ZELLIS HOLDINGS LIMITED

## COMPANY STATEMENT OF FINANCIAL POSITION

### FOR THE YEAR ENDED 30 APRIL 2022

		2022	2021 Restated
	Note	£'000	£'000
<b>Non-current assets</b>			
Investments in subsidiaries	3	466,941	466,941
Other financial Assets		1,248	-
		<b>468,189</b>	<b>466,941</b>
<b>Current assets</b>			
Trade and other receivables	4	42,118	82,277
Cash and cash equivalents		535	494
Deferred tax asset		13,846	8,421
		56,499	91,192
<b>Total assets</b>		<b>524,688</b>	<b>558,133</b>
<b>Current liabilities</b>			
Trade and other payables	5	46,080	78,307
Other current financial liabilities		-	1,321
Borrowings	6	14,633	9,686
Total current liabilities		60,713	89,314
<b>Net current assets/(liabilities)</b>		<b>(4,214)</b>	<b>1,878</b>
<b>Non-current liabilities</b>			
Borrowings	6	306,852	290,067
Total non-current liabilities		306,852	290,067
<b>Total liabilities</b>		<b>367,565</b>	<b>379,381</b>
<b>Net assets</b>		<b>157,123</b>	<b>178,752</b>
<b>Equity</b>			
Share capital	7	0	0
Share premium	7	249,497	249,497
Cashflow hedge reserve		461	(1,321)
Retained earnings		(92,835)	(69,424)
<b>Equity attributable to owners of the Company</b>		<b>157,123</b>	<b>178,752</b>

As permitted by section 408 of the Companies Act 2006, the income statement of the company has not been presented in the financial statements. The loss for the financial year was £23.4m (2021: £16.9m restated).

The Statement of Financial Position for the year ended 30 April 2021 has been restated to correct a couple of prior period adjustments. The effects of these restatements are summarised in the note 2.

## **ZELLIS HOLDINGS LIMITED COMPANY STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)**

The financial statements of Zellis Holdings Limited (company registration number: 10975623) were approved and authorised for issue by the Board of Directors and were signed on its behalf by:



Alan Kinch

Director

30 August 2022



# ZELLIS HOLDINGS LIMITED

## COMPANY STATEMENT OF CHANGES IN EQUITY

### FOR THE YEAR ENDED 30 APRIL 2022

	Share capital (Note 7)	Share premium (Note 7)	Cash flow hedge reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000
<b>As at 1 May 2020</b>	-	209,497	(2,067)	(52,511)	154,919
Issue of shares	-	40,000	-	-	40,000
Loss for the year (restated)	-	-	-	(16,913)	(16,913)
Net gain on cashflow hedges	-	-	746	-	746
<b>At 30 April 2021 (restated)</b>	-	249,497	(1,321)	(69,424)	178,752
Loss for the year	-	-	-	(23,411)	(23,411)
Net gain on cashflow hedges	-	-	1,782	-	1,782
<b>At 30 April 2022</b>	-	249,497	461	(92,835)	157,123

The Statement of Changes in Equity for the year ended 30 April 2021 has been restated to correct a couple of prior period adjustments. The effects of these restatements are summarised in the note 2.

# ZELLIS HOLDINGS LIMITED

## NOTES TO THE COMPANY FINANCIAL STATEMENT

### FOR THE YEAR ENDED 30 APRIL 2022

#### 1 Accounting policies Basis of preparation

Zellis Holdings Limited (the "Company") is a private company limited by shares incorporated and domiciled in the United Kingdom under the Companies Act and is registered in England and Wales. The address of the Company's registered office is 740 Waterside Drive, Aztec West, Almondsbury, Bristol, BS32 4UF.

The nature of Zellis Holdings Limited's operations and its principal activities are set out in the strategic report on pages 1 to 41.

The Company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the FRC. Accordingly, these financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework'.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International accounting standards in conformity with the Companies Act 2006 but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

Under section s408 of the Companies Act 2006 the company is exempt from the requirement to present its own profit and loss account.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- Cash Flow Statement and related notes;
- Business Combinations;
- Financial instruments;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs; and
- Disclosures in respect of the compensation of Key Management Personnel. The accounting policies are consistent with those given on pages 58 – 75.

Fees payable to the group's auditor and their associates for non-audit services to the company are not required to be disclosed because the consolidated financial statements are required to disclose such fees on a consolidated basis.

The Company has no employees other than Directors.

#### Investments in subsidiaries

Investments in subsidiaries are accounted for at cost less, where appropriate, provisions for impairment.

#### Critical accounting judgements and key sources of estimation uncertainty

The only critical accounting judgements and key sources of estimation uncertainty relates to the impairment assessment for the non-financial assets generated through business combinations and subsidiary acquisitions. Please refer to page 75 for further details.

# ZELLIS HOLDINGS LIMITED

## NOTES TO THE COMPANY FINANCIAL STATEMENT

### FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)

## 2 Restatement of prior year balances

Prior year restatements have been made to adjust for entries made to the consolidated financial statements as at 30 April 2021; that were not made to the corresponding company accounts of Zellis Holdings Limited. These restatements relate to an understatement of finance expense of £1.9m, the addition of a deferred tax credit of £3.7m and the reclassification of accrued interest on the borrowings.

The effect of restatement on the Statement of Financial Position as at 30 April 2021 was as follows:

£'000	As previously reported	Restatements	As restated
Deferred tax asset	4,744	3,677	8,421
<b>Total assets</b>	<b>554,456</b>	<b>3,677</b>	<b>558,133</b>
Trade and Other payables	84,705	(6,398)	78,307
Borrowings	4,000	5,686	9,686
<b>Total current liabilities</b>	<b>90,026</b>	<b>(712)</b>	<b>89,314</b>
Borrowings - non-current	287,413	2,654	290,067
<b>Total liabilities</b>	<b>377,439</b>	<b>1,942</b>	<b>379,381</b>
Accumulated losses	(71,159)	1,735	(69,424)
<b>Total equity</b>	<b>177,017</b>	<b>1,735</b>	<b>178,752</b>

A restatement of the Consolidated Statement of Financial Position as at 30 April 2020 was not necessary as there was no impact on the opening balances for FY21.

## 3 Investments in subsidiaries

	Subsidiary undertakings £'000
<b>Cost:</b>	
At 1 May 2021	466,941
Additions	-
At 30 April 2022	<b>466,941</b>
<b>Impairment:</b>	
At 1 May 2021	-
Charge for the year	-
At 30 April 2022	-
<b>Net book value</b>	
At 30 April 2022	<b>466,941</b>

# ZELLIS HOLDINGS LIMITED

## NOTES TO THE COMPANY FINANCIAL STATEMENT

### FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)

### 3 Investments in subsidiaries (continued)

The subsidiary undertakings at 30 April 2022, the nature of whose business is the sale of computer solutions and services (except as noted) and the ordinary share capital, of all of which are wholly-owned and consolidated were:

Entity	Country of incorporation	% shareholding
<b>Held Directly:</b>		
Zellis India Holdco Limited	United Kingdom	100%
Zellis UK Limited	United Kingdom	100%
Moorepay Group Limited	United Kingdom	100%
Benefex Holdings Limited*****	United Kingdom	100%
Colour Bidco (US) Inc***	United States	100%
Zellis HR India Private Limited**	India	99.99%
<b>Held Indirectly:</b>		
Moorepay Limited	United Kingdom	100%
Jamy Investments limited	United Kingdom	100%
Moorepay Compliance Limited	United Kingdom	100%
Zellis Information Solutions Company*	Ireland	100%
Zellis Ireland Limited*	Ireland	100%
Engage Technologies Limited*	Ireland	100%
Engage Technologies Support Limited*	Ireland	100%
Zellis Services Ireland Limited*	Ireland	100%
Zellis Dormco Limited	United Kingdom	100%
PRO-IV Technology LLC****	United States	100%
Benefex Limited*****	United Kingdom	100%
PES (Bristol) Limited*****	United Kingdom	100%
Benefit Administration Centre Limited*****	United Kingdom	100%
Benefex Financial Solutions Limited*****	United Kingdom	100%
Wrkit Limited*	Ireland	100%

\*The registered office for these companies is 26 Pembroke Street upper, Dublin 2, Ireland

\*\*The registered office for these companies is 4th floor Kakkanad, Kochi 682042, Kerala, India

\*\*\* The registered office for these companies 4001 Kennett Pike, Suite 302, Wilmington, New Castle, Delaware, 19807

\*\*\*\*The registered office for these companies is 251 Little Falls Drive, Wilmington, New Castle DE 19808

\*\*\*\*\* The registered office for these companies is Mountbatten House, Grosvenor Square, Southampton, Hampshire, SO15 2JU

Companies incorporated in the United Kingdom have the same registered address as Zellis Holdings Limited, shown on page 58. The Directors have considered the value in use of the investments and have concluded that an impairment in investment value is not applicable.

During the year, the following dormant companies were dissolved: Cara Information Technology Limited, Benefit Administration Services Ltd, Benefit Administration Gateway Ltd, Business Information Management Limited and Mills Associates Limited.

# ZELLIS HOLDINGS LIMITED

## NOTES TO THE COMPANY FINANCIAL STATEMENT

### FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)

#### 4 Trade and other receivables

	2022	2021
	£'000	£'000
Amounts owed by group undertakings	42,113	81,813
Less allowance for expected credit losses	(1,395)	(1,140)
<b>Net trade and other receivables</b>	<b>40,718</b>	<b>80,673</b>
Prepayment and other receivables	1,400	1,604
<b>Total trade and other receivables</b>	<b>42,118</b>	<b>82,277</b>

#### 5 Trade and other payables

	2022	2021 Restated
	£'000	£'000
Trade payables	136	1,129
Amounts owed to group undertakings	43,110	74,682
Accruals	2,542	2,387
Other payables	292	109
<b>Total trade and other payables</b>	<b>46,080</b>	<b>78,307</b>

#### 6 Borrowings

The details of the loans are disclosed within note 24 of the consolidated financial statements and should be regarded as an integral part of the financial statements.

#### 7 Share capital

	Number	£
Authorised, issued and fully paid:		
900 Ordinary (2021: 900) shares of £0.01 each	900	9

The Company has one class of ordinary shares which carry no right to fixed income.

# ZELLIS HOLDINGS LIMITED

## NOTES TO THE COMPANY FINANCIAL STATEMENT

### FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)

#### 7 Share capital (continued)

Date	Shares issued	Amount paid
21 September 2017	100	1
31 January 2018	100	176,718,604
14 September 2018	200	12,778,364
21 June 2019	100	9,800,000
25 July 2019	100	2,700,000
14 August 2019	100	7,300,000
29 August 2019	100	200,000
26 November 2020	100	40,000,000

#### Share premium

	£'000
<b>At 1 May 2020</b>	<b>209,497</b>
Premium arising on issue of equity shares	40,000
<b>At 30 April 2021</b>	<b>249,497</b>
Premium arising on issue of equity shares	-
<b>At 30 April 2022</b>	<b>249,497</b>

#### 8 Ultimate controlling party

Zellis Midco Limited is the parent company of Zellis Holdings limited.

The smallest undertaking for which the company is a member and for which group financial statements are prepared is Zellis Topco Limited.

The largest undertaking for which the company is a member and for which group financial statements are prepared is Zellis Holdco S.à.r.l.

Copies of accounts can be obtained from 740 Waterside Drive, Aztec West, Almondsbury, Bristol, BS32 4UF.

The ultimate controlling party of the group as at 30 April 2022 was Bain Capital Europe Fund IV LP.

For further information  
please visit [zellis.com](https://zellis.com)

