



Company Registration No. 10975623

Zellis Holdings Limited

Annual Report and Consolidated Financial Statements.

For the year ended 30 April 2021.



ZELLIS HOLDINGS LIMITED COMPANY INFORMATION

Directors

Jakob Brevinge

John Petter

Alan Kinch

Secretary

Elizabeth Leppard (resigned 19 April 2021)

Helen Copestick (appointed 19 April 2021, resigned
16 August 2021)

Chris Fox (appointed 16 August 2021)

Company number

10975623

Registered office

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Auditor

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ZELLIS HOLDINGS LIMITED
STRATEGIC REPORT
FOR THE YEAR ENDED 30 APRIL 2021

Financial Highlights

Reported Revenue

£159.7m

FY20: £152.4m

Underlying Revenue Growth

4.3%

FY20: 7.5%

(Refer to page 6 for details)

Organic Pro forma trading EBITDA

£50.1m

FY20: £49.1m

(Refer to page 5 for details)

EBITDA Margin %

32.1%

FY20: 32.2%

Organic Pro forma trading EBITDA as % of Organic Revenue
(see page 6 for details)

Significant separately disclosed items

£9.4m

FY20: £14.0m

(Refer to note 6 for details)

Net cash from operating activities

£36.0m

FY20: £33.0m

(Before changes in working capital and provisions.)

Other key highlights

Employee NPS	Apr-21/(Mar-20)	Bitsight.com rating	Apr-21/(Apr-20)
Zellis & Moorepay	22 (-6)	Zellis	800 (700)
Benefex	38 (24)	Moorepay	780 (750)
		Benefex	740 (770)

Zellis UK in numbers



5m

employees paid every month



50%

of the top 10 UK retailers work with us



10

of the top 30 UK universities



£28bn+

paid each year through our Managed Services



29%

of the FTSE 100 are Zellis customers

ZELLIS HOLDINGS LIMITED STRATEGIC REPORT FOR THE YEAR ENDED 30 APRIL 2021 (CONTINUED)

Mission, vision, strategy & values

Our mission

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 your 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

Our vision is to be **the clear leader in pay, reward, analytics, and people experiences**. There's 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 strategy:



Payroll and Core HR software and services to UK/RoI enterprises >1000 employees









Benefits management to enterprises > 500 employees






Payroll and HCM software and services to UK/RoI SMBs with 50-1000 employees

ZELLIS HOLDINGS LIMITED STRATEGIC REPORT FOR THE YEAR ENDED 30 APRIL 2021 (CONTINUED)

<p>Differentiate in the core</p>  <ul style="list-style-type: none"> • HR records & admin • Payroll • Benefits 	<p>Grow in close adjacencies</p>  <p>T&A, Expenses, Analytics, Compensation, Reward and Recognition <i>In Moorepay, also broader HR services</i></p>	<p>Partner and retain revenues in Talent</p>  <p>Continue serving existing customers in Talent For new customers, partner with best-of-breed. <i>In Moorepay, also partner on rostering</i></p>
 <p>Best of breed in payroll, benefits, & HR software and services</p>	 <p>Deep customer partnerships to maximise and accelerate value</p>	 <p>Great digital experiences enabled by integration</p>
<p>— enabled by an effective, engaged, and simpler organisation that our colleagues are proud to be part of —</p>		

Our values

		
<h3>Unstoppable together.</h3> <p>We work together to achieve amazing results.</p> <p>We are inclusive, celebrating differences and respecting others.</p>	<h3>Always learning.</h3> <p>We build expertise in ourselves and others.</p> <p>We are dynamic always looking for better ways.</p>	<h3>Make it count.</h3> <p>We work with precision and pace.</p> <p>We take ownership for what we do and how we do it matters.</p>

ZELLIS HOLDINGS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 30 APRIL 2021 (CONTINUED)

The Directors present their strategic report on the affairs of Zellis Holdings Limited (“the Group”) for the year to 30 April 2021.

Background to the year

In spite of the challenges caused by the COVID-19 pandemic, the Zellis Group enjoyed a strong and performant FY21, maintaining year-on-year increases in Revenue, EBITDA and reduced loss before tax. This reflects the resilience of our business model, the quality and expertise of our team, and the critical nature of the solutions we offer.

Over the course of the year, we celebrated a number of key milestones and successes, including:

Injection of new equity from Bain Capital and PIK agreement with lenders

We were pleased to receive backing from our major shareholder, Bain Capital, who injected £40m of new equity. In addition to this, the Group have negotiated the option of allowing payment in kind (‘PIK’) treatment of our loan interest from our lenders which give us flexibility in whether we settle interest as cash or roll up into loan principal. These actions have significantly enhanced the Group’s statement of financial position and gives us options surrounding potential opportunities to accelerate inorganic and organic growth.

Full launch of Zellis HCM Cloud

In September 2020, we soft launched the first version of our new cloud-based human capital management (HCM) solution, Zellis HCM Cloud 1.0, to a small group of early adopting customers.

In March 2021, we hosted a highly successful launch event to mark the general availability of Zellis HCM Cloud 2.0, which builds on the first version of the solution with a series of exciting new updates and improvements.

By transforming two factors – people and data – Zellis HCM Cloud provides superior digital experiences to employees, unlocks powerful analytics via the Zellis Intelligence Platform, and transforms business-critical processes to ensure organisations are as efficient as possible.

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 connect easily with their other key applications via the brand new Zellis Marketplace.
- 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.

Development of Zellis Portal for Managed Services

Over the past year, our Managed Services division has embarked on a transformation programme to revolutionise its payroll service delivery, as well as how customers access key information and insights. A critical element of this programme has been the development of a modern, data-driven, and secure customer collaboration portal, underpinned by the Zellis HCM Cloud platform. The portal acts as an “open kitchen” into Zellis Managed Services; customers can drop data to be instantly verified and processed, access intelligent payroll reports for verification and approval, benefit from complete transparency around the checks being completed by the Zellis team, and see a countdown to the closure for each and every payroll. The portal also facilitates automated payroll processing and reconciliation, moving away from a manual approach and delivering an exceptional customer experience.

ZELLIS HOLDINGS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 30 APRIL 2021 (CONTINUED)

Background to the year (continued)

Acquisition of Capita Employee Benefits

In November 2020, the Group announced the acquisition of the people, platform and customers of Capita Employee Benefits, the Benefits and Brokering division of Capita Employee Benefits Ltd. The acquisition took the form of a trade and asset purchase, including all customers, the Orbit benefits platform, and employees across benefit consulting, broking, and related administration. The newly combined business will help solve even more of the employee benefits and pension challenges Benefex's customers are facing, helping them to deliver exceptional employee experiences, every day.

Industry awards success

In FY21, Zellis achieved a total of seven award nominations for its payroll and HR solutions, as well as three award nominations for its response to the COVID-19 crisis. In October 2020, we were delighted to win the prize for 'Software Product of the Year' at the CIPP Annual Excellence Awards, and the following month received 'Highly Commended' for 'In-Country Payroll Provider of the Year' at the Global Payroll Association Awards.

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 2021 are set out in the consolidated income statement on page 33. Zellis Holdings closed the year with revenues of £159,703k (2020: £152,407k) and operating profit excluding significant separately disclosed items and amortisation of acquired intangibles of £33,034k (2020: £33,639k). After significant separately disclosed items of £9,418k (2020: £14,033k) and amortisation of acquired intangibles of £25,397k (2020: £24,966k), the Group reported an operating loss of £1,781k (2020: loss £5,360k).

Pro forma trading EBITDA

Operating loss is reconciled to the pro forma trading EBITDA as follows:

	2021	2020
	£m	£m
Operating loss	(1.8)	(5.4)
<u>Non-cash adjustments</u>		
Depreciation	5.2	6.7
Amortisation	32.4	30.1
IFRS 9 ECL against intercompany debtors	0.0	0.4
<u>Non-trading adjustments</u>		
Capita non-novated Revenue (see page 6)	(0.7)	-
Significant separately disclosed items (Note 6)	9.4	14.0
Management fee from Bain Capital	1.5	1.5
Defined benefit pension scheme costs and adjustments	1.9	1.4
Forex differences* and other non-trading adjustments	0.2	0.4
Pro forma trading EBITDA	48.1	49.1
Operating loss re Capita novated customers (see page 6)	2.0	-
Organic Pro forma trading EBITDA	50.1	49.1

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

ZELLIS HOLDINGS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 30 APRIL 2021 (CONTINUED)

Financial review (continued)

Net financing costs are at £27,826k (2020: £27,058k) and the loss on ordinary activities before tax is £29,607k (2020: £32,418k).

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 (2021: £3.8m; 2020: £2.0m), acquisition and financing costs (2021: £1.5m; 2020: -£0.3m), business transformation activities to drive return on investment (2021: £2.9m; 2020: £9.6m), and other material events or external circumstances (2021: £1.3m; 2020: £2.6m). 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).

Apart from the KPIs disclosed in the Financial Highlights, the Group also focus on other key performance indicators, specifically on revenue growth (4.8%), Operating profit before significant separately disclosed items and amortisation of acquired intangibles of £33.0m (2020: £33.6m) and Operating profit margin before significant separately disclosed items and amortisation of acquired intangibles 21% (2020: 22%). In addition, Net Promoter Score ('NPS') from our customers and employees are also crucial for the group. We conduct NPS surveys with customer as well as employees twice a year. Recent surveys on customers and employees both saw steady improvements.

Underlying and organic reconciliations

	2021		2020	
	Revenue £m	Proforma EBITDA £m	Revenue £m	Proforma EBITDA £m
Reported	159.7	48.1	152.4	49.1
<i>Year-on-year Growth (%)</i>	4.8%	(2.0%)	7.5%	2.1%
Non-recurring items:				
- Capita non-novated customers*	(0.7)	-	-	-
Underlying	159.0	48.1	152.4	49.1
<i>Year-on-year Growth (%)</i>	4.3%	(2.0%)	7.5%	2.1%
In-period acquisitions				
- Capita novated revenue and operating cost*	(2.9)	2.0	-	-
Organic	156.1	50.1	152.4	49.1
<i>Year-on-year Growth (%)</i>	2.4%	2.0%	7.5%	2.1%

*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.

ZELLIS HOLDINGS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 30 APRIL 2021 (CONTINUED)

Financial review (continued)

Financial Position

At 30 April 2021 the Group had cash balances of £9.3m (2020: £20.4m) and bank loans of £300m (2020: £321m). See Note 24 for further details.

The key terms of the Group's borrowing facilities are summarised as follows as at 30 April 2021:

	Facility	Maturity	Amount Drawn Down
Senior	£270m	January 2025	£274m*
Revolving Facility	£40m	January 2024	£4m
Second Lien	£20m	January 2026	£21m*

*includes PIK of December 2020 interest.

In November 2020, an interest PIK arrangement was agreed with lenders on the £270m senior loan facility for 3 years during which the interest payments will be reduced to LIBOR + 2.75% with the remaining 2.5% plus 0.25% margin settled via PIK. The loan interest margin on the £20m second lien plus 0.75% will be settled via PIK until maturity date.

The current financial arrangements include a leverage covenant which requires 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 5.6x (2020: 5.9x).

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 FY22 is selling Zellis HCM Cloud to both new and existing customers. We feel there is a healthy appetite amongst our current ResourceLink customers to upgrade to our new solution, not least because of the additional performance, resilience, and flexibility it offers during the current period of business disruption.

At the same time, we are targeting a strong growth in 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.

ZELLIS HOLDINGS LIMITED STRATEGIC REPORT FOR THE YEAR ENDED 30 APRIL 2021 (CONTINUED)

Looking Forward (continued)

We are helping customers become engaged, empowered, and efficient to succeed in even the most challenging market conditions. This is reflected in our exciting product roadmap, which incorporates the latest in cloud, data, automation, and AI technologies.

Driving innovation with Agile Payroll

A key feature of our roadmap for the next 12 months and beyond is the development of Zellis Agile Payroll, a complete reimagining of the traditional payroll process which cuts costs, improves accuracy, and generates new insights.

Zellis Agile Payroll further builds on our payroll software's reputation as the most sophisticated in the market by combining the following elements:

- **Faster Payments:** We have partnered with Mastercard, Starling Bank and Income Group to deliver payments significantly faster than traditional BACS and cheaper than CHAPS. Customers gain up to three days back in the payroll cycle to make additional changes that boost overall accuracy.
- **Enhanced automation:** Payroll teams have to process fewer changes manually, leading to a reduction in errors and overpayments, and giving them back more time to focus on more strategic work.
- **Payroll analytics:** Our payroll engine continually performs a multitude of checks against a vast range of controls, automating the production of shared information and data. Intuitive dashboards then turn this data into information, which itself is translated into insights.
- **Earned Wage Access (EWA):** We have partnered with Wagestream to give employees the opportunity to enhance their financial wellbeing through Earned Wage Access. As a result, customers can experience higher rates of retention, reduced absenteeism, and improved productivity.

Expanding our network of Zellis Marketplace partners

In March 2021, we officially launched the Zellis Marketplace, which provides customers with an extensive range of solutions to give them the choice and flexibility needed to maximise their investment in Zellis HCM Cloud. This includes Zellis services and apps, as well as third-party system connectors.

Over the course of FY22, we hope to launch a number of exciting new Marketplace partnerships, including UKG, Wagestream, Salary Finance, Microsoft, TalentSoft, Benefex and Cornerstone.

Cross-selling Benefits and Recognition

As part of Zellis HCM Cloud, customers have the option to integrate 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.

ZELLIS HOLDINGS LIMITED STRATEGIC REPORT FOR THE YEAR ENDED 30 APRIL 2021 (CONTINUED)

Looking Forward (continued)

Cross-selling Benefits and Recognition (continued)

- 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.

In FY22, we will 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 value to our customers always has been, and always will be, an essential element of our strategy and culture. However, in FY22 we will focus in particular on the following initiatives:

- **Promoting Zellis Customer Solutions (ZCS):** Now under a new name, our consultancy and solutions organisation consist of more than 100 experts who can work together with customers to not only implement Zellis technology and services, but also support them in-life. We have developed a range of different support options to help customers maximise the value they receive from Zellis in areas such as implementation, business intelligence, process reviews, upgrades, COVID-19, and more.
- **Building our Value Advisory Function:** At the end of FY21, we were delighted to appoint a new Head of Value Advisory to spearhead a new Business Value Advisory function. This function is designed to advise both existing and prospective customers on how to enhance the value they receive from their Zellis software and managed services solutions. We look forward to building this function further over the next 12 months and beyond.
- **Expanding our Customer Success programme:** Our commitment to customer success and satisfaction is a huge part of what makes stand out in the market. We have appointed a Director of Customer Success, and one of our key aims for FY22 is to expand this function by bringing onboard a number of new Customer Success Managers.

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 2021 (CONTINUED)

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 compliance controls and risk management procedures, which themselves include the security and 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.

All employees are accountable for operating within these policies.

Covid-19 pandemic

The outbreak of coronavirus (COVID-19) in China in January 2020 quickly evolved into a global pandemic unlike anything we have seen in our lifetimes. It has had a major social and economic impact around the world, and many anticipate long-lasting ramifications ahead.

The Zellis Group operates across the UK and Ireland, but also has a service delivery centre in Kochi, India. All three countries have experienced several national lockdowns since the initial outbreak, and these have heavily affected many consumers and businesses alike.

However, given the nature of our business, we are 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

Following the outbreak of COVID-19, we acted rapidly to support our customers, ensure the safety of our people, and mitigate the potential adverse impacts on our business. As the outbreak developed into a global pandemic, we realised the need for quick decision making and created a COVID-19 taskforce responsible for decision making and business continuity planning, led by our CEO, John Petter. This taskforce met daily throughout the pandemic and enabled decisions to be made quickly and ensured timely actions were implemented.

Safeguarding our people

Safeguarding our people by ensuring a safe working environment for all colleagues has been a major priority throughout the pandemic. We quickly transitioned colleagues to homeworking wherever possible, which included the provision of additional hardware and devices, increased software security and the distribution of 4G dongles to locations where secure fixed line connections could not be achieved.

In addition to enabling remote working, measures taken where office working was necessary included increased spacing between workstations, provision of appropriate personal protective equipment (PPE), staggered shifts and breaks, enhanced cleaning processes, and contingency planning.

We have also expanded our employee wellbeing programme by increasing our number of qualified Mental Health First Aiders, introducing a mandatory one-hour meeting-free slot for all colleagues each day, and encouraging regular use of our internal colleague recognition platform.

In India, we organised a vaccination drive for all of our Kochi colleagues and their immediate families.

ZELLIS HOLDINGS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 30 APRIL 2021 (CONTINUED)

Principal risks and uncertainties (continued)

Supporting our customers

We continue to provide our payroll and HR solutions to customers throughout the pandemic with minimal disruption.

Nonetheless, many of our customers' businesses have been impacted by COVID-19. Governments have taken unprecedented steps to protect public health, the economy, and jobs. This has led to a wave of new regulatory measures in the UK and Ireland for our customers to comply with.

A crucial aspect of our response has therefore been to ensure both our technology and managed services customers remain compliant with these changes by developing dedicated payroll functionality in our software for:

- The Coronavirus Job Retention Scheme (UK) and The Temporary Wage Subsidy Scheme (ROI)
- Changes to Statutory Sick Pay (UK) and Social Welfare Payments (ROI)
- Changes to the ROI Employer COVID-19 Refund Scheme

We approximate that just under 2,000 hours of development time have been spent on these new software patches.

Furthermore, we have introduced new offerings such as our Furlough Advisory Service and Coronavirus Job Retention Scheme Support to give our non-managed services customers the option of advice and hands-on support from our payroll experts. We also directly supported a small number of non-Zellis customers that faced business continuity challenges in their payroll functions, helping them to keep their employees paid accurately and on-time.

As a result of our response, we have experienced a significant improvement in our Net Promoter Score (NPS) score over the COVID-19 pandemic. We know that NPS is often linked to situational context and that providing excellent responses to customer issues in times of need often drives improvement in this area.

Impact of Brexit

On 1 January 2021 the UK and the EU started a new relationship, following the end of the Brexit transition arrangement. The new EU-UK Trade and Cooperation Agreement has been passed by both the UK and European Parliaments. As a result, the agreements between the UK and the EU came into force on 1 May 2021. This was the last official step in the formalising the new relationship between the EU and the UK.

Zellis has considered, as part of our broad risk management, the potential impact of Brexit on our ability to service our clients with the new trade relationship. The group's contracts, cashflows and finances are denominated predominantly in sterling thus the exposure to foreign exchange rate shifts is limited. Our services are mainly oriented around people and technology and the group's suppliers are predominantly based in the UK, therefore the impact on supply chain is also considered minimal. There is some indirect exposure to downshifts in the UK employment levels given we are a payroll and HR service provider and our software is used by organisations to pay UK based employees.

The group's main risk relating to Brexit is surrounding its customer base, more specifically the ability of customers to continue to trade and settle their liabilities as and when due. The Group hasn't experienced, nor does not currently foresee any material adverse impact on day-to-day operations due to the domestic nature of our UK business and customer needs. Additionally, we have low numbers of UK and

ZELLIS HOLDINGS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 30 APRIL 2021 (CONTINUED)

Principal risks and uncertainties (continued)

Impact of Brexit (continued)

EU colleagues based outside their home countries. Where this is the case, the risk has been mitigated due to protections put in place by the UK and certain EU governments to enable such citizens to continue to reside and work outside their home countries.

The management team is continuing to monitor the Brexit developments and will continue to look at ways to mitigate any risks as they arise.

Cyber Security

Zellis has adopted a principles and objectives approach to managing risk taking into account all threats to the business including the statutory and regulatory environment and the abuse of our products and services, ensuring our systems and controls remain robust enough to sustain resilience and effectiveness in risk mitigation. The Executive set our risk appetite and tolerance thresholds for Senior Managers to adhere to in line with corporate plans for growth. This is an integrated and inclusive risk-based approach to managing internal and external threats applying risk-based principles recognised by regulators and aligned to ISO31000 the international standard for risk management.

The nature of our business places identifies with three key risk areas regarding the management and processing of high volumes of customer data including personal data, the financial crime and money laundering exposures from outsource payroll processing, employment benefits and payment services, as well as supply chain risk exposures associated with our partnering strategy. These threats carry a multitude of risk exposures which the business has identified and set remedial actions and an internal control system that brings us back to a level of risk acceptance. We are always proactively monitoring the environment and testing the adequacy of our internal systems and applying a three lines of defence model and subscribe to appropriate external audit scrutiny to challenge our controllership and stewardship. Consequently, Zellis continually improves its internal control system and challenge same to sustaining adequacy in managing emerging threats to the business. Overall, this approach keeps the operation of our compliance programme lean, effective, proactive and sustainable.

Information security is proactively managed with a mature internal control system under the external scrutiny of our certification ISO27001 and our SOC1 Type 2 control testing programme. We acknowledge changes in the external certifications environment and are proactively continuing to strengthen our controls keeping pace with information security vulnerabilities and financial control respectively.

Anti-money laundering, and financial crime prevention is of paramount importance to preventing the abuse of our products and core services, making sure the integrity of outsourced payroll, HR services and employment benefits are safeguarded to ensure we remain at the leading edge of high quality, secure products and services. For the first time we see the UK national risk assessment call out outsourced payroll services as a high risk. Zellis has proactively responded and scrutinised the adequacy of our control's framework. We continually update our risk assessment to ensure the robustness of our internal control system and challenge our practices to test our acumen on control design effectiveness.

We rely on a partnering strategy to increase our value proposition, as such the combination of information security, anti-money laundering and financial crime prevention 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.

ZELLIS HOLDINGS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 30 APRIL 2021 (CONTINUED)

Principal risks and uncertainties (continued)

Cyber Security (continued)

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.

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.

ZELLIS HOLDINGS LIMITED STRATEGIC REPORT FOR THE YEAR ENDED 30 APRIL 2021 (CONTINUED)

Section 172(1) Statement (Continued)

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.

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, ethical, 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 will be 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 approach that ensures our supply base continues to adhere to the highest security, compliance, and ethical 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.

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 managed services. Through Benefex, we also provide employee benefits, recognition, and communications solutions.

How we engage

Each customer has a relationship manager allocated to 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.

ZELLIS HOLDINGS LIMITED STRATEGIC REPORT FOR THE YEAR ENDED 30 APRIL 2021 (CONTINUED)

Section 172(1) Statement (Continued)

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.

Our Zellis Managed Services customers expect us to deliver above and beyond traditional outsourcing. They expect us to not only deliver payroll and HR services accurately, securely, and on-time, but also to deliver additional value through process optimisation, cost reduction, business continuity planning, 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 managed services clients. We strive to act as an extension of our customers' payroll and HR teams, 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.

Employees

How we engage

At Zellis we work hard to create a culture where people want to join, belong to and be part of a progressive organisation.

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

What matters to them

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

ZELLIS HOLDINGS LIMITED STRATEGIC REPORT FOR THE YEAR ENDED 30 APRIL 2021 (CONTINUED)

Section 172(1) Statement (Continued)

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

What are we doing

At Zellis we want every colleague to thrive and feel fulfilled at work. We encourage all colleagues to learn and grow through various learning and development channels (including the internal Learning Portal) and support career growth through internal career paths, our future leaders and making management count programmes, and sponsoring colleagues through achieving various accreditations.

We are committed to recruiting and retaining a diverse and inclusive workforce that is representative of the customers we serve and the communities we operate in. We ensure hiring managers are educated on our diversity and inclusion principles and give them practical tools and data to support their hiring decisions and mentoring programmes to support the development and progression of all colleagues - regardless of background - in Zellis.

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 all colleagues, funded by Zellis;
- 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;
- 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.

Throughout the pandemic we have continued to ensure our colleagues feel connected and supported whilst working remotely, especially colleagues with caring responsibilities, who may have been challenged with disruption to schooling and loss of other support networks.

We have prioritised colleagues' wellbeing through the creation of our 'Working Well' mental health and wellbeing network, the introduction of accredited Mental Health First Aiders, and the launch of a mental health & wellbeing hub containing resources, learning and support for our colleagues and their families. This is in addition to our enhanced employee benefits offerings, which includes access to an Employee Assistance Programme.

We've evolved our approach to colleague consultation through the development of a new, progressive employee forum - Zellis ENgage (ZEN) - who come together quarterly to focus on discussion items set jointly by the Exec Team and ZEN members themselves, and ensure colleagues views are represented at all levels of the business.

As a result, our employee NPS score has been improving rapidly.

ZELLIS HOLDINGS LIMITED STRATEGIC REPORT FOR THE YEAR ENDED 30 APRIL 2021 (CONTINUED)

Section 172(1) Statement (Continued)

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.

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 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.

ZELLIS HOLDINGS LIMITED STRATEGIC REPORT FOR THE YEAR ENDED 30 APRIL 2021 (CONTINUED)

Section 172(1) Statement (Continued)

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.

Community and environment

We continue to enhance employability in our communities through Apprenticeships (47 apprentices in the UK), Career Visits, Work Experience, and partnership with companies. By the doing this, we are addressing shortages of skilled staff, gender pay gap issues (published annually available on HMRC website) and supply chain issues, creating a skilled future workforce which will benefit IT sector growth.

Our code of conduct and supporting policies has laid out guidance on how we conduct our business to act responsibly in the interests of customers in treating them fairly and give respect to the wider communities, protecting the environment through proactively minimising our impacts of significance on non-renewable energy. For example, we have promoted paperless payslips to reduce paper consumption and wastage which leads to a reduction in our carbon impact from associated distributions, and we updated our IT equipment to be more environmentally friendly with proper disposal of e-waste.

We uphold human rights and commit to our modern slavery and human trafficking policy which includes maintaining oversight of our supply chains to ensure alignment with FATF recommendations.

Environmental management is a focus area for the forthcoming year to enhance our practices and processes to be more proactive and conscious in reducing the burden on the plant.

Principal Decisions

Following the acquisition of Zellis (formerly NGA UK & Ireland) from NGA HR, the business has been undergoing a significant transformation.

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 April 2020.

ZELLIS HOLDINGS LIMITED STRATEGIC REPORT FOR THE YEAR ENDED 30 APRIL 2021 (CONTINUED)

Principal Decisions (continued)

We are now well underway into the second phase of the journey which is to invest in transformational programmes to drive return on investment. Notable progress has been made during the last year as referenced in the 'Background to the Year' section of the strategic report. The second phase includes:

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

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

Board Composition

Board meetings for Zellis Topco Ltd are held monthly throughout the year and comprise of at least 3 senior executive employees of Zellis and at least 2 directors (who are also employees of Bain Capital; our majority shareholder) alongside other executives and Bain Capital representatives as required.

The board for Zellis Holdings Limited is comprised of 3 directors, of which Jakob Brevinge is appointed by and represents Bain Capital.

Gender diversity

The group maintains an equal opportunities policy and believes that everyone, irrespective of their gender, sexual orientation, race, nationality, religious belief, disability, or any personal characteristics, should be given equal opportunities for progression and reward. We have adhered to the government's disclosure requirements on gender pay gap and our latest report is available at <https://gender-pay-gap.service.gov.uk/Employer/HVDDpQi/2020>.

ZELLIS HOLDINGS LIMITED STRATEGIC REPORT FOR THE YEAR ENDED 30 APRIL 2021 (CONTINUED)

Gender diversity (continued)

As at 30 April 2021, the proportion of females was as follows:

	2021 Total	2021 Females
Directors	3	0%
Senior management*	9	22%
Employees	2,129	46%

*Executive team including CEO & CFO

Health and safety

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

This report was approved by the board of directors on 29 September 2021 and signed on its behalf by:



Alan Kinch

Director

ZELLIS HOLDINGS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 APRIL 2021

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 2021.

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.

Events after the reporting date

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

Stakeholders

Details of stakeholder engagement have been included in the s172 section in the Strategic report.

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 swap in place, to assist with the risk of increasing interest rates.

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.

ZELLIS HOLDINGS LIMITED DIRECTORS' REPORT FOR THE YEAR ENDED 30 APRIL 2021 (CONTINUED)

Dividends

No dividends were declared during the year under review (2020: nil).

Research and development

The research and development performed by the Group is documented within the Strategic report on page 9.

Directors

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

Jakob Brevinge*

John Petter

Alan Kinch

*Representative of Bain Capital

Director's indemnities

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

Identity of private equity firm

On 30 April 2021, 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.

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 2021, the Directors consider the annual report and financial statements to comply with all aspects of the Guidelines for Disclosure and Transparency in Private Equity.

ZELLIS HOLDINGS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 APRIL 2021 (CONTINUED)

Our Board of Directors

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 and provides entrepreneurial leadership within a prudent and effective risk management framework. The Board sets our strategic aims and they meet monthly to assess the adequacy of resources needed to meet objectives and review management performance to ensure successful delivery whilst upholding our codes of conduct, values and standards in a sustainable manner. The risk management framework supports a risk-based approach so that the Board can make high quality decisions based on a clear line of sight into the business. Through proactive engagement, the Board constructively challenges management and gives management direction to ensure performance culture 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.

Overall, the Board ensures obligations to shareholders and other interested stakeholders are understood and met. To enhance governance, the Board also has an Audit and Risk Committee and thinks carefully about its governance arrangements, embracing evaluation and effectiveness with openness and transparency.

Directors' Biographies



Jakob Brevinge

Principal – Bain Capital & Non-Exec Director - Zellis

Jakob joined Bain Capital Private Equity in 2012. He is a Principal in the Healthcare Vertical and a member of the European Private Equity team. Prior to joining Bain Capital Private Equity, Jakob worked at McKinsey & Company.



John Petter

Chief Executive Officer

John is responsible for driving Zellis' vision and purpose and ensuring that we deliver on our commitments to our customers. John joined Zellis 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 Zellis' success.



Alan Kinch

Chief Financial Officer

Alan leads all aspects of financial and commercial management within the Zellis Group. Alan joined Zellis 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.

ZELLIS HOLDINGS LIMITED DIRECTORS' REPORT FOR THE YEAR ENDED 30 APRIL 2021 (CONTINUED)

Our Executive Team



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.



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' Managed Services 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.



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.



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.



Chris Fox
Group General Counsel

Chris heads up the Legal and compliance function of the group. Chris joined Zellis 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 DIRECTORS' REPORT FOR THE YEAR ENDED 30 APRIL 2021 (CONTINUED)

Our Executive Team (continued)



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.



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.

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 40 of the financial statements.

Details of the future developments of the Group are explained on page 9 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.

**ZELLIS HOLDINGS LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 APRIL 2021 (CONTINUED)**

Green House Gas ('GHG') emissions and energy use data for period 1 May 2020 to 30 April 2021

	Year Ended 30 April 2021	Year Ended 30 April 2020
Energy consumption used to calculate emissions: /kWh		
Emissions from combustion of gas gCO ₂ e (scope 1)	Not applicable	Not applicable
Emissions from combustion of fuel for transport purposes (Scope 1)	Not applicable	Not applicable
Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel (scope 3)	22 tCO ₂ e	217 tCO ₂ e
Emissions from purchased electricity (Scope 2)	1,363k kWh, equivalent of 318 tCO ₂ e	2,250k kWh, equivalent of 525 tCO ₂ e
Total gross CO₂e based on above	340 tCO₂e	742 tCO₂e
Intensity ratio: tCO ₂ e gross figure based from mandatory fields above/£100,000 revenue	0.21 tCO ₂ e per £100,000 revenue	0.5 tCO ₂ e per £100,000 revenue
Methodology	GHG protocol	GHG protocol

The GHG emissions and energy use have reduced significantly in the year ended 30 April 2021 compared to prior year due to offices being vacant for prolonged periods of time and decreased business travel as a result of the Covid-19 pandemic.

Energy Efficiency Action: The group have an investment programme underway to materially reduce the energy footprint. The current key initiatives include modernising offices with enhanced lighting systems and roofing insulation, migrating the internal data centre to the cloud, and replacing the majority of print with digital alternatives (e.g. electronic signatures, digital payslips etc).

Approval

This report was approved by the board of directors on 29 September 2021 and signed on its behalf by:



Alan Kinch

Director

ZELLIS HOLDINGS LIMITED DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 30 APRIL 2021

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 international accounting standards in conformity with the requirements of the Companies Act 2006.
- for the parent company financial statements, state whether applicable UK accounting standards have been followed, 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

29 September 2021

ZELLIS HOLDINGS LIMITED INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 30 APRIL 2021

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 2021, which comprise consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flow, 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 international accounting standards in conformity with the requirements of the Companies Act 2006. 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 2021 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- 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 international accounting standards in conformity with the requirements of the Companies Act 2006, 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 2021 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 2021 (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 2021 (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 2021 (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. 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 Company is complying with significant legal and regulatory frameworks through inquiries of management;
- The Company 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 legislation relating to employment, health & safety, data protection and environmental issues, as those most likely to have a material effect 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 Company's financial statements to material misstatement, including how fraud might 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 Company's operations, including the nature of its revenue sources, products, and services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement;
 - the Company's control environment;
 - the Company's relevant controls over areas of significant risks; and
 - the Company'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, in particular journal entries relating to management estimates and entries determined to be large or relating to unusual transactions; and

ZELLIS HOLDINGS LIMITED INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 30 APRIL 2021 (CONTINUED)

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

- identifying and testing related party transactions.
- Assessment of the appropriateness of the collective competence and capabilities of the engagement 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 Company operates; and
 - understanding of the legal and regulatory requirements specific to the Company.
- 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

29 September 2021

ZELLIS HOLDINGS LIMITED

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30 APRIL 2021

	Note	2021 £'000	2020 £'000
Revenue	4	159,703	152,407
Operating costs	5	(161,484)	(157,767)
Operating loss		(1,781)	(5,360)
Operating profit before significant separately disclosed items and amortisation of acquired intangibles			
		33,034	33,639
Amortisation of acquired intangibles	5	(25,397)	(24,966)
Significant separately disclosed items	6	(9,418)	(14,033)
Operating loss		(1,781)	(5,360)
Finance costs	9	(27,826)	(27,058)
Loss before tax		(29,607)	(32,418)
Tax	10	9,163	6,575
Loss for the period		(20,444)	(25,843)
Attributable to:			
Owners of the Company		(20,444)	(25,843)
		(20,444)	(25,843)

The notes on pages 40 to 84 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 2021

	2021	2020
	£'000	£'000
Loss for the period	(20,444)	(25,843)
Items that will not be reclassified subsequently to profit or loss		
Remeasurement of net defined benefit liability	(787)	6,635
Deferred tax arising on the actuarial gain/(loss) recognised in the pension scheme	171	(775)
	(616)	5,860
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	117	(212)
Net gain/(loss) on cashflow hedges	746	(2,384)
Total other comprehensive income for the period net of tax	247	3,264
Total comprehensive loss for the period	(20,197)	(22,579)
Total comprehensive loss attributable to: Owners of the Company	(20,197)	(22,579)

ZELLIS HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 30 APRIL 2021

		2021	2020 (Restated)
	Note	£'000	£'000
Non-current assets			
Goodwill	11	357,734	357,734
Intangible assets	11	134,493	150,655
Property, plant and equipment	12	3,524	3,643
Right of use assets	13	8,760	11,931
Contract fulfilment assets	4	8,294	15,010
Deferred tax asset	16	33,079	26,949
		545,884	565,922
Current assets			
Trade and other receivables	14	35,235	31,225
Contract fulfilment assets	4	13,366	8,879
Corporation tax repayable		524	623
Cash and cash equivalents	15	9,331	20,427
		58,456	61,154
Total assets		604,340	627,076
Current liabilities			
Borrowings	24	9,686	44,361
Lease liabilities	13	2,362	3,973
Provisions	19	477	636
Current tax liabilities		321	306
Trade and other payables	17	30,290	31,567
Other current financial liabilities	25	1,321	579
Contract liabilities	4	43,757	40,995
		88,214	122,417
Net current liabilities		29,758	61,263
Non-current liabilities			
Borrowings	24	290,067	280,625
Lease liabilities	13	7,863	9,443
Retirement benefit obligations	18	41,935	42,894
Provisions	19	1,048	1,494
Deferred tax liabilities	16	20,703	24,603
Other non-current financial liabilities	25	-	1,488
Contract Liabilities	4	32,385	41,790
		394,001	402,337
Total liabilities		482,215	524,754
Net assets		122,125	102,322

ZELLIS HOLDINGS LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 30 APRIL 2021 (CONTINUED)

	Note	2021	2020
		£'000	£'000
Equity			
Share capital	20	-	-
Share premium	21	249,497	209,497
Cash flow hedge reserve		(1,321)	(2,067)
Retained earnings		(126,051)	(105,108)
Total equity		122,125	102,322

The notes on pages 40 to 84 are an integral part of these consolidated financial statements.

The Consolidated Statement of Financial Position for the year ended 30 April 2020 has been restated due to reclassification. The effect of the restatement is summarised in the note 3.

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. Kinch

Alan Kinch

Director

29 September 2021

ZELLIS HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 APRIL 2021

	Share capital (Note 20)	Share premium (Note 21)	Cash flow hedge reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000
As at 1 May 2019	-	189,497	317	(84,552)	105,262
Issue of shares	-	20,000	-	-	20,000
Loss for the year	-	-	-	(25,843)	(25,843)
Change in accounting policy*	-	-	-	(361)	(361)
Other comprehensive income for the year:					
Remeasurement of net defined benefit liability	-	-	-	6,635	6,635
Deferred tax arising on the actuarial loss recognised in the pension scheme	-	-	-	(775)	(775)
Exchange differences on translation of foreign operations	-	-	-	(212)	(212)
Net loss on cashflow hedges	-	-	(2,384)	-	(2,384)
At 30 April 2020	<u>-</u>	<u>209,497</u>	<u>(2,067)</u>	<u>(105,108)</u>	<u>102,322</u>
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 gain recognised in the pension scheme	-	-	-	171	171
Exchange differences on translation of foreign operations	-	-	-	117	117
Net gain on cashflow hedges	-	-	746	-	746
At 30 April 2021	<u>-</u>	<u>249,497</u>	<u>(1,321)</u>	<u>(126,051)</u>	<u>122,125</u>

*This relates to correction of an adjustment re IFRS 15 transition.

ZELLIS HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOW

FOR THE YEAR ENDED 30 APRIL 2021

	2021	2020
	£'000	£'000
Cash flows from operating activities		
Loss for the year	(20,444)	(25,843)
Adjustments for:		
Amortisation of acquired intangibles	25,397	24,966
Tax credit	(9,163)	(6,575)
Amortisation of other intangibles	6,991	5,172
Depreciation	5,188	6,736
Net financing costs	27,826	27,058
Tax refunded	327	1,531
Net cash from operating activities before changes in working capital and provisions	36,122	33,045
Change in contract fulfilment assets, trade and other receivables	(1,889)	1,631
Change in contract liabilities, trade and other payables	(10,304)	(7,534)
Change in provisions and employee benefits	(4,674)	(4,588)
Net cash from operating activities	19,255	22,554
Investing activities		
Acquisition of intangible assets	(12,086)	(11,389)
Business acquisition	(4,139)	-
Purchases of property, plant and equipment	(1,685)	(1,465)
Net cash used in investing activities	(17,910)	(12,854)
Financing activities		
Loan arrangement fees	(691)	(900)
Lease payments	(4,913)	(6,930)
Interest paid	(15,614)	(19,968)
Proceeds on issue of shares	40,000	20,000
Bank loans repaid	(36,000)	-
New bank loans raised	4,777	11,000
Net cash (used)/from financing activities	(12,441)	3,202
Net (decrease)/increase in cash and cash equivalents	(11,096)	12,902
Cash and cash equivalents at beginning of period	20,427	7,525
Cash and cash equivalents at end of period	9,331	20,427

ZELLIS HOLDINGS LIMITED
CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 30 APRIL 2021 (CONTINUED)

Reconciliation of liabilities arising from financing activities:

£'000	Long-term borrowings	Short-term borrowings	Lease liabilities	Total
1 May 2020	290,000	40,000	13,416	343,416
Cash-flows:				
- Repayment	-	(36,000)	(4,913)	(40,913)
- Proceeds	-	-	-	-
Non-cash:				
- Addition	4,777	-	782	5,559
- Accretion of lease interest	-	-	940	940
30 April 2021	294,777	4,000	10,225	309,002
1 May 2019	280,000	39,000	16,403	335,403
Cash-flows:				
- Repayment	-	-	(6,972)	(6,972)
- Proceeds	10,000	1,000	-	11,000
Non-cash:				
- Addition	-	-	2,972	2,972
- Accretion of lease interest	-	-	1,013	1,013
30 April 2020	290,000	40,000	13,416	343,416

ZELLIS HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2021

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 20.

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 20. In addition, note 25 to the financial statements include the Group's exposures to interest and liquidity risk.

Notwithstanding the net current liabilities of £29.8m (2020: £61.3m), the financial statements have been prepared on a going concern basis for the following reasons:

The group has made an operating loss for the year of £1.8m (2020: loss of £5.4m) and generated operating profit before significant separately disclosed items and amortisation of acquired intangibles of £33.0m (2020: £33.6m). The significant separately disclosed items have been reducing year on year (2021: £9.4m; 2020: £14.0m; 2019 £31.1m) and is expected to decrease continuously going forward. The impact of Covid-19 to the group has been discussed in the Strategic Report on page 10 to 11. While the Group has demonstrated resilience against the economic headwind, the Directors have also adopted further measures to strengthen our liquidity and financial position during the year via an additional capital injection of £40m from Bain Capital, interest settled via Payment In Kind ('PIK') for 3 years on the £270m

ZELLIS HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2021 (CONTINUED)

Going concern (continued)

senior loan and until maturity for £20m second lien loan, and updated pension deficit contribution schedule.

The Directors have prepared forecasts for the twelve-month period to September 2022, which indicate that Group should be able to operate within its current revolving facility, trade and settles its liabilities as they fall due and have the ability to maintain compliance with debt covenants for at least twelve months from the date of approval of these financial statements.

The up to date forecast cashflow indicates closing liquidity of £56.2m at the end of FY23, with significant headroom over covenant leverage ratio. Reverse stress tests have been performed which also indicate that the highly improbable stress scenarios could all be individually managed within our current available liquidity. In addition, a series of mitigating actions identified could be put in place to further reduce the risk to Going Concern.

The Directors have a reasonable expectation that the Group has adequate resources to continue as going concern for a period of at least twelve months from the date of signing of these financial statements. Therefore, these accounts have been prepared on a going concern basis.

Non-GAAP performance measures

The board have presented 'Proforma Trading EBITDA' as an adjusted profit measure in the Strategic report. They believe that this measure provides additional useful information for the shareholders on the underlying performance of the business. These measures are consistent with how 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 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 2021. Control is achieved when the Company:

- has the power over the investee;
- 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:

ZELLIS HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2021 (CONTINUED)

Basis of consolidation (continued)

- 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 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.

ZELLIS HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2021 (CONTINUED)

Business combinations (continued)

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.

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.

ZELLIS HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2021 (CONTINUED)

Intangible assets (continued)

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 5 - 8 years.

Amounts capitalised under purchased software are amortised straight-line over 5 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.

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.

ZELLIS HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2021 (CONTINUED)

Impairment excluding deferred tax assets (continued)

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;
- Provision of business processes as a service ('BPaaS');
- Customer solutions;
- Benefits and recognition software and brokering services;
- Background checking.

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.

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.

ZELLIS HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2021 (CONTINUED)

Revenue (continued)

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 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.

ZELLIS HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2021 (CONTINUED)

Revenue (continued)

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

Customer Solutions/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
- 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.

ZELLIS HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2021 (CONTINUED)

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 swaps 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.

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:

ZELLIS HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2021 (CONTINUED)

Derivative financial instruments and hedge accounting (continued)

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 2021, are both designated using LIBOR therefore there is no current impact on the hedge accounting. We are currently engaging with our lenders in order to agree a revised reference rate for our lender agreements prior to the transition deadline to determine the future adaptation of SONIA or LIBOR.

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 2021 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.

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.

ZELLIS HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2021 (CONTINUED)

Financial liabilities and equity (continued)

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.

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.

ZELLIS HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2021 (CONTINUED)

Leases (continued)

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.

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.

ZELLIS HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2021 (CONTINUED)

Leases (continued)

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 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.

ZELLIS HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2021 (CONTINUED)

Taxation (continued)

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.

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.

ZELLIS HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2021 (CONTINUED)

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 rate used is 10.9% (Zellis), 10.8% (Moorepay) and 21.9% (Benefex), 5 year forecasts and terminal growth rate of 2.5% (Zellis and Moorepay) and 2% (Benefex). These have remained the same from prior financial year.

The surplus headroom above the carrying value of goodwill at 30 April 2021 was satisfactory.

ZELLIS HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2021 (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.

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.

ZELLIS HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2021 (CONTINUED)

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 2021 (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.

ZELLIS HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2021 (CONTINUED)

3 Restatement of prior period balances

One prior year restatements have been made in the FY20 Consolidated Statement of Financial Position. It related to a balance sheet reclassification between borrowings and trade and other receivables, to reclassify accrued interest from accruals to borrowings.

The effect of restatement on the Consolidated Statement of Financial Position as at 30 April 2020 was as follows:

£'000	As previously reported	Restatements	As restated
Borrowings	40,000	4,361	44,361
Trade and other payables	35,928	(4,361)	31,657
Total liabilities	524,754	-	524,754
Total equity	102,322	-	102,322

4 Revenue

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

	2021 £'000	2020 £'000
Continuing operations		
SaaS and BPaaS	131,510	129,909
Benefits and Brokering	10,658	6,684
Customer Solutions, Background Checking and Other	17,535	15,814
	159,703	152,407

	2021 £'000	2020 £'000
Deferred income/costs to contract fulfilment assets & liabilities		
Contract fulfilment assets – current	8,294	8,879
Contract fulfilment assets – non-current	13,366	15,010
Contract liabilities – current	(43,757)	(40,995)
Contract liabilities – non-current	(32,385)	(41,790)
Net contract liabilities	(54,482)	(58,896)

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.

ZELLIS HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2021 (CONTINUED)

4 Revenue (continued)

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.

	2021	2020
	£'000	£'000
Revenue recognised in relation to contract liabilities		
Revenue recognised that was included in the contract liability balance at the beginning of the year	40,995	31,531

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

	2021	2020
	£'000	£'000
Unsatisfied long-term contracts		
Aggregate amount of contracts partially or fully unsatisfied as at 30 April	239,672	263,064

Management expects that of the transaction price allocated to the unsatisfied contracts as of 30 April 2021 of £239.7m (2020: £263.1m) will be recognised as revenue in the next reporting periods. £109.2m, £69.3m, £40.1m, £14.6m and £6.4m will be recognised as revenue in reporting periods ending 30 April 2022, 30 April 2023, 30 April 2024, 30 April 2025 and 30 April 2026 respectively.

	2021	2020
	£'000	£'000
Assets recognised from costs to fulfil a contract		
Asset recognised from costs incurred to fulfil contracts at 30 April	21,660	23,890
Amortisation recognised as cost of providing services during the period	9,198	8,241

ZELLIS HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2021 (CONTINUED)

5 Operating costs

	2021	2020
	£'000	£'000
Depreciation of property, plant and equipment	1,228	1,267
Depreciation of right of use assets	3,960	5,469
Amortisation of acquired intangibles	25,397	24,966
Amortisation of other intangibles	6,991	5,172
Staff costs (see note 8)	92,776	89,043
Significant separately disclosed items (see note 6)	9,418	14,033
Management fees	1,541	1,542
Professional fees	2,080	2,313
IT costs	11,323	8,225
Property costs	2,951	3,458
Other operating costs	3,819	2,280
	161,484	157,767

6 Significant separately disclosed items

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

	2021	2020
	£'000	£'000
Severance and restructuring	3,763	2,048
Acquisition and refinancing	1,451	(258)
Business transformation and integration	2,911	9,626
Significant events and external circumstances	1,293	2,617
	9,418	14,033

Following the acquisition of the business by Bain Capital in January 2018, major transformations have taken place leading to material costs. 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 2021 (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 2021 the main costs related to restructuring/redundancies costs in order to continue to optimise our structure post acquisition. We have also exited 5 office locations including our head office at Hemel Hempstead. As a result, our head office has been moved to Bristol which involved the change of registered address for majority of the legal entities. A number of colleagues based on these office locations were also made redundant.

2) Acquisition and financing.

Acquisition costs were incurred following the acquisition by Bain Capital, including significant re-financing of debt and new management share structure. Costs in the year ended 30 April 2021 mainly relate to the actions surrounding the £40m equity injection from Bain capital, the agreement of an interest PIK option with the lenders for the senior and 2nd lien loan, the reduction in deficit contribution approved by the Defined Benefit pension scheme trustees and the acquisition of the employee benefits business from Capita. This acquisition was made up of trade and assets, and TUPE of c.140 employees. Legal and migration costs were incurred that are recorded in this category. Benefex has taken over the Orbit platform from Capita to manage the customers. While some customers will migrate to Benefex contracts and platform (novating customers), there are others (non-novating customers) that chose not to migrate and will remain on Orbit platform until existing contracts lapse within 1-2 years. The direct costs of the non-novating customers are tailing off and therefore not reflective of the underlying business performance. As a result, the Orbit platform costs relating to the non-novating customers are recorded in this category.

3) Business Transformation and integration.

Post the carve out from the previous parent, the group have undertaken a number of business transformational projects. During FY20 and FY21 the main spend related to:

- Enhancement programme to improve the customer experience, and increase efficiency using robotics and automation; the project started in 2018 and is expected to complete in the year ended 30 April 2022. Total accumulated cost to date is £6.5m (2021: £1.8m; 2020: £2.5m).
- A transformation project to set up HCM cloud capabilities for our software, whereby ResourceLink will be hosted on public cloud with the capacity to connect to 3rd party apps, enabling significant ability to upscale and connectivity;
- Finance and IT transformation focussed on structure and capabilities as well as IT security reviews, and finance system enhancements.

4) Significant events or external circumstances.

Following unprecedented changes in global landscape, we have made a specific bad debt provision against the potential credit losses predicted in light of the Covid-19 pandemic as well as incremental holiday pay accrual.

ZELLIS HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2021 (CONTINUED)

6 Significant separately disclosed items (continued)

In addition, we have ensured our properties are Covid-19 secure including PPEs, extra signs, hand sanitation stations, rearrangements of fixture & fittings, etc.

7 Auditor's remuneration

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

	2021	2020
	£'000	£'000
Fees payable to the company's auditor and their associates for the audit of the company's annual accounts	84	80
Fees payable to the company's auditor and their associates for other services to the group		
- The audit of the company's subsidiaries	178	306
Total audit fees	262	386
Other services (loan covenants review)	10	10
Total non-audit fees	10	10

8 Staff costs

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

	2021	2020
	Number	Number
Sales	210	203
Managed services	1,007	1,117
Technology support	319	344
Implementation services	386	322
Administration	207	201
	2,129	2,187

Their aggregate remuneration comprised:

	2021	2020
	£'000	£'000
Wages and salaries	79,068	76,632
Social security costs	7,771	7,059
Other pension costs	5,937	5,352
	92,776	89,043

'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 2021 (CONTINUED)

8 Staff costs (continued)

Directors' emoluments

	2021	2020 Restated
	£'000	£'000
Directors' emoluments	855	886
	855	886

The aggregate emoluments of the highest paid director were £461k (2020: £350k). Total short-term employee benefits paid during the year in the form of bonus was £120k. During the year, no directors accrued benefits under the money purchase scheme.

9 Finance costs

	2021	2020
	£'000	£'000
Interest on bank overdrafts and loans	21,175	21,230
Amortisation of issue costs on bank loans	5,356	3,218
Unwind of dilapidation provision	102	77
Net pension finance expense	656	1,248
Interest on obligations under leases	940	1,013
Foreign exchange (gain)/loss	(403)	272
	27,826	27,058

10 Tax

The tax (credited)/charged to the income statement is as follows:

	2021	2020
	£'000	£'000
Corporation tax:		
Current period	151	6
Overseas tax charge	566	427
Adjustment in respect of prior year	(21)	(1,010)
	696	(577)

ZELLIS HOLDINGS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2021 (CONTINUED)

10 Tax (continued)

	2021	2020
	£'000	£'000
Deferred tax (note 16)		
Origination and reversal of temporary differences	(5,111)	(5,358)
Adjustment in respect of prior year	(4,748)	(1,331)
Effect of changes in tax rates	-	691
	<u>(9,859)</u>	<u>(5,998)</u>
Tax credit on Income Statement	<u><u>9,163</u></u>	<u><u>6,575</u></u>

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)/charge for the year can be reconciled to the loss in the income statement as follows:

	2021	2020
	£'000	£'000
Loss before tax on continuing operations	(29,607)	(32,418)
Tax at the UK corporation tax rate of 19%	(5,625)	(6,160)
Effect of change in local corporation tax rate		
Tax effect of expenses that are not deductible in determining taxable profit (net of reversal)	(392)	(682)
Tax effect of income not taxable in determining taxable profit	(303)	(195)
Change in CIR approach*	(4,770)	(2,341)
Effect of changes in tax rate	-	691
Depreciation on assets not qualifying for tax allowances	-	69
Corporate interest restriction	1,995	2,218
Effect of overseas tax rates	(68)	(175)
Tax credit for the year	<u><u>(9,163)</u></u>	<u><u>(6,575)</u></u>

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

ZELLIS HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2021 (CONTINUED)

10 Tax (continued)

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

	2021	2020
	£'000	£'000
Deferred tax charge/(credit):		
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of net defined benefit liability	(170)	775

11 Intangible assets and goodwill

	Goodwill	Purchased software	Customer relationships	Existing technology	Trade name	Development costs	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost:							
At 1 May 2019	358,452	2,375	120,212	62,625	8,093	10,553	562,310
Additions	-	992	-	-	-	10,397	11,389
Write offs	(718)	-	-	-	-	-	(718)
At 30 April 2020	357,734	3,367	120,212	62,625	8,093	20,950	572,981
Additions	-	20	4,139	-	-	12,067	16,225
Write offs	-	(76)	-	-	-	-	(76)
At 30 April 2021	357,734	3,311	124,351	62,625	8,093	33,017	589,130
Amortisation:							
At 1 May 2019	-	(1,734)	(18,363)	(11,228)	(1,368)	(1,761)	(34,454)
Charge for the year	-	(802)	(15,096)	(8,729)	(1,141)	(4,370)	(30,138)
At 30 April 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)
At 30 April 2021	-	(2,716)	(48,987)	(28,685)	(3,650)	(12,865)	(96,903)
Net book value:							
At 30 April 2021	357,734	595	75,363	33,940	4,443	20,152	492,227
At 30 April 2020	357,734	831	86,753	42,668	5,584	14,819	508,389

ZELLIS HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2021 (CONTINUED)

11 Intangible assets and goodwill (continued)

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 £21.0m (Benefex) respectively. No indication of impairment was identified. The assessment applies a discounted cashflow model with financial forecasts from the group's 5-year plan which embedded the impact from Covid-19 pandemic and was agreed with 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 £200.0m (Zellis), £98.1m (Moorepay) and £51.1m (Benefex) respectively. The compounded annual growth rates of Zellis, Moorepay and Benefex CGUs' EBITDAs from FY21 to FY25 in the 5-year plan are 7%, 14% and 36% respectively.

In the sensitivity analysis where the assumptions are stretched to accommodate stronger headwinds, the revised headroom is £14.0m (Zellis), £93.9m (Moorepay) and £11.6m (Benefex) respectively. The amount of research and development expenditure recognised as an expense is £561k (2020: £301k).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2021 (CONTINUED)

12 Property, plant and equipment

	Leasehold improvements	Fixtures & fittings and computer Equipment	Total
	£'000	£'000	£'000
Cost:			
At 1 May 2019	1,702	4,464	6,166
Additions	308	1,326	1,634
Write offs	-	(168)	(168)
At 30 April 2020	2,010	5,622	7,632
Additions	92	1,385	1,477
Write offs	(88)	(474)	(562)
At 30 April 2021	2,014	6,533	8,547
Depreciation:			
At 1 May 2019	(894)	(1,828)	(2,722)
Charge for the year	(190)	(1,245)	(1,435)
Write offs	-	168	168
At 30 April 2020	(1,084)	(2,905)	(3,989)
Charge for the year	(210)	(1,018)	(1,228)
Write offs	51	143	194
At 30 April 2021	(1,243)	(3,780)	(5,023)
Net book value			
At 30 April 2021	771	2,753	3,524
At 30 April 2020	926	2,717	3,643

ZELLIS HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2021 (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
As at 1 May 2019	10,248	262	4,423	14,933
Additions	1,231	-	1,237	2,468
Depreciation	(2,097)	(117)	(3,255)	(5,469)
As at 30 April 2020	9,382	145	2,405	11,932
Additions	763	-	75	838
Reclassification	12	-	(12)	-
Write offs	(50)	-	-	(50)
Depreciation	(2,060)	(117)	(1,783)	(3,960)
As at 30 April 2021	8,047	28	685	8,760

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

	2021	2020
	£'000	£'000
As at 1 May	13,416	16,403
Additions	782	2,972
Accretion of interest	940	1,013
Payments	(4,913)	(6,972)
	10,225	13,416

The following are the amounts recognised in profit or loss:

	2021	2020
	£'000	£'000
Depreciation charge of right-of-use asset (Note 5)		
Building	2,060	2,097
Equipment	1,783	3,248
Vehicles	117	117
Other	-	7
	3,960	5,469

ZELLIS HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2021 (CONTINUED)

13 Leases (continued)

Interest expense	940	1,013
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in operating expenses)	-	9
Expense relating to variable lease payments not included in lease liabilities (included in administrative expenses)	-	132
Total recognised in the profit and loss	4,900	6,623

The total cash outflow for leases was £4,913k (2020: £6,972k). Lease addition for the year was £782k (2020: £2,468k).

14 Trade and other receivables

	2021	2020
	£'000	£'000
Debt instruments at amortised costs		
Trade receivables	23,594	23,229
Less allowance for expected credit losses	(2,854)	(2,761)
Net trade receivables	20,740	20,468
Accrued income	4,079	2,612
Prepayment and other receivables	10,416	8,145
Total trade and other receivables	35,235	31,225

Movement in the allowance for expected credit losses:

	£'000
At 1 May 2019	703
Provision for expected credit losses	2,264
Utilised in period	(206)
At 30 April 2020	2,761
Provision for expected credit losses	198
Utilised in period	(105)
At 30 April 2021	2,854

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2021 (CONTINUED)

15 Cash and cash equivalents

	2021	2020
	£'000	£'000
Cash at bank and in hand	9,331	20,427

The fair value of cash and cash equivalents which corresponds to its carrying value is £9,331k (2020: £20,427k).

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 2019	3,653	(24,877)	98	9,493	8,755	(2,878)
Adoption of accounting policy	912	(811)	600	(445)	1,076	1,332
Charge/(credit) to profit or loss	(413)	1,287	158	(69)	3,704	4,667
Credit to other comprehensive income	-	(202)	202	(775)	-	(775)
At 30 April 2020	4,152	(24,603)	1,058	8,204	13,535	2,346
Adjustment in respect of prior years	(41)	(813)	241	(3)	5,364	4,748
Charge/(credit) to profit or loss	(676)	4,506	252	(354)	1,384	5,112
Debit to other comprehensive income	-	-	-	170	-	170
At 30 April 2021	3,435	(20,910)	1,551	8,017	20,283	12,376

ZELLIS HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2021 (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:

	2021	2020
	£'000	£'000
Deferred tax liabilities	(20,703)	(24,603)
Deferred tax assets	33,079	26,949
	<u>12,376</u>	<u>2,346</u>

As at 30th April 2021, the group has unused tax losses of £106,957k (2020: tax losses of £71,465k) available for offset against future profits. A deferred tax asset has been recognised in respect of these losses.

As at 30th April 2021 the group has deductible temporary differences of £13,366k (2020: £34,310k) that have not been recognised as a deferred tax asset.

17 Trade and other payables

	2021	2020
	£'000	Restated £'000
Trade payables	5,912	5,634
Loans from group undertakings	1,221	1,299
Other payables	834	1,658
Accruals	17,039	12,600
Other taxes and social security costs	5,284	10,376
Total trade and other payables	<u>30,290</u>	<u>31,567</u>

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.

Accruals has been restated in FY20 due to a reclassification, the effect of the restatement is summarised in note 3.

ZELLIS HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2021 (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. As the schemes are closed to new entrants for pension accrual, under the method used to calculate pension costs in accordance with IAS19, the cost as a percentage of covered pensionable payroll will tend to increase as the average age of the membership increases.

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

Funding

Both plans are funded by the Group's subsidiaries. Over the next year, the Group will pay estimated contributions of £5.0m 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 2021 (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	Fair value of plan assets	Net defined benefit liability
	£'000	£'000	£'000
At 1 May 2019	286,852	(233,963)	52,889
Included in income statement			
Current service cost	854	418	1,272
Interest expense	7,076	(5,828)	1,248
	7,930	(5,410)	2,520
Included in statement of comprehensive income:			
Remeasurement loss (gain):			
Financial assumptions	24,794	-	24,794
Demographic	3,324	-	3,324
Experience adjustment	(5,407)	-	(5,407)
Return on plan assets excluding interest income	-	(29,345)	(29,345)
	22,711	(29,345)	(6,634)
Other			
Contribution paid by the employer	-	(5,880)	(5,880)
Benefits paid	(7,686)	7,686	-
	(7,686)	1,806	(5,880)
Net book value			
At 30 April 2020	309,807	(266,912)	42,894

ZELLIS HOLDINGS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2021 (CONTINUED)

18 Employee benefits (continued)

	Defined benefit obligation	Fair value of plan assets	Net defined benefit liability
	£'000	£'000	£'000
At 1 May 2020	309,807	(266,912)	42,894
Included in income statement			
Current service cost	965	734	1,699
Past service cost	222	-	222
Interest expense	4,885	(4,229)	656
	6,072	(3,495)	2,577
Included in statement of comprehensive income:			
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
	(2,987)	3,773	786
Other			
Contribution paid by the employer	-	(4,322)	(4,322)
Benefits paid	(8,946)	8,946	-
	(8,946)	4,624	(4,322)
Net book value			
At 30 April 2021	303,946	(262,010)	41,935

ZELLIS HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2021 (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:

	2021	2020
	£'000	£'000
Equities	25,321	18,120
LDI Funds	64,266	81,070
Multi-asset credit	18,345	14,487
Private credit	11,323	15,421
Property	25,240	24,152
Asset backed securities	49,638	47,637
Diversified growth funds	50,657	44,494
Cash and current assets	17,219	21,531
	262,009	266,912

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	2.0%	2.0%
Future salary increases	1.0%	1.0%
Retail price inflation	3.2%	3.3%
Consumer price inflation	2.5%	2.7%
Future pension increases (2.5% LPI)	2.2%	2.0%
Future pension increases (5%LPI)	3.1%	2.6%

The weighted average durations of the expected benefit payments is about 17 years for the Northgate Scheme and 19 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 2021 (CONTINUED)

18 Employee benefits (continued)

	Northgate HR scheme pa	Rebus scheme pa
Life expectancy at age 65 now		
Males	22.1	22.1
Females	24.5	24.5
Life expectancy at age 65 in 20 years		
Males	23.1	23.1
Females	25.6	25.6

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)	(5,372)	5,512
Inflation and related future pension growth (0.1% movement)	2,500	(2,487)
Future salary growth (0.1% movement)	-	(376)
Life expectancy (1 year movement)	12,386	(12,259)

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.

19 Provisions

	2021 £'000	2020 £'000
At 1 May	2,130	1,648
Addition	111	438
Utilisation	(557)	(187)
Transfer	(260)	155
Discount unwind	101	76
At 30 April	1,525	2,130
Analysed as:		
Current	477	636
Non-current	1,048	1,494
At 30 April	1,525	2,130

The provision relates to legal fees on disputes and claims provision and dilapidations provision for repairs and redecorations at the end of the lease (make good provision).

ZELLIS HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2021 (CONTINUED)

20 Share capital

	2021	2020
	£	£
Authorised, issued and fully paid:		
900 ordinary shares of £0.01 each (2020: 800)	9	8

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

21 Share premium

	£'000
At 1 May 2019	189,497
Premium arising on issue of equity shares	20,000
At 30 April 2020	209,497
Premium arising on issue of equity shares	40,000
At 30 April 2021	249,497

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.

ZELLIS HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2021 (CONTINUED)

23 Related party disclosures

Management fees amounting to £1,541k (2020: £1,542k) were charged to the Group by Bain Capital, £1,125k was outstanding as at 30 April 2021 (2020: £2,298k).

The remuneration of key management (deemed to be the directors) for the year was £855k (2020: £886k) emoluments. 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 90. The next most senior parent undertaking preparing consolidated financial statement is Zellis Topco Limited.

As at the year-end, there is £586k (2020: 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 2021 (CONTINUED)

24 Borrowings

	2021	2020
	£'000	Restated £'000
Secured borrowing at amortised cost		
Bank loans	299,753	324,986
Lease liabilities (see note 13)	10,225	13,416
	309,978	338,402
Total borrowings		
Amount due for settlement within 12 months	12,048	48,334
Amount due for settlement after 12 months	297,930	290,068

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 LIBOR 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 £4 million was drawn down at year end with a termination date of 31 January 2024. The loan carries variable interest rate of LIBOR 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 LIBOR plus a margin of 8.5% (with a 1% floor).
- ii) In November 2020, an interest PIK arrangement was agreed with lenders on the £270m senior loan facility for 3 years during which the interest payments will be reduced to LIBOR + 2.75% with the remaining 2.5% plus 0.25% margin settled via PIK. The loan interest margin on the £20m second lien plus 0.75% will be settled via PIK until maturity date.
- iii) The facilities contain certain financial covenants which have been met.
- iv) The bank loan of £299,753k includes the principal of £270,000k and second lien of £20,000k, and is presented net of capitalised fees of £9,753k. 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.

The weighted average interest rates paid during the year for the bank loans were 6.1%.

Bank loans have been restated in FY20 due to a reclassification, the effect of the restatement is summarised in note 3.

ZELLIS HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2021 (CONTINUED)

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 are of the view that the key interest rate risk is the variability of LIBOR on both the term loan and 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 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.

Derivatives designated as hedging instruments reflect the positive change in fair value of interest rate swap contracts, designated as cashflow hedges to hedge against variable interest rates.

Hedging activities and derivatives (interest rate swap)

Interest rate swap on nominal value of £210m of the £270m senior loan facility	2021 £'000	2020 £'000
Other financial liabilities		
- Current	1,321	579
- Non-current	-	1,488
Total	1,321	2,067

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.

ZELLIS HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2021 (CONTINUED)

25 Financial instruments (continued)

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.
3. The variable interest rate of the swap (i.e. 6-month GBP-LIBOR) is not subject to a floor whereas the Borrowings from which the Hedged Transactions are expected to flow are subject to a floor of 0% on 6-month GBP-LIBOR. At the inception of the hedging relationship, the floor had no intrinsic value and would not impact the measurement of hedge ineffectiveness. However, the Company will incorporate the floor when modelling of the hypothetical derivative as this could be a potential source of hedge ineffectiveness going forward.

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 inputs for the valuation of interest rate swaps are forward curves for 6-month GBP-LIBOR.

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.

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 2021, £0.5m (2020: £1m) of undrawn facilities and £9.3m (2020: £20.4m) 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.

ZELLIS HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2021 (CONTINUED)

25 Financial instruments (continued)

	<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 2021							
Lease liability and estimated interest	3,085	2,545	1,977	1,977	1,609	1,494	12,687
Revolving credit facility	4,000	-	-	-	-	-	4,000
Term loan and estimated interest	7,662	7,874	12,155	310,681	34,855	-	373,227
Trade and other payables	30,290	-	-	-	-	-	30,290
	45,037	10,419	14,132	312,658	36,464	1,494	420,204

The variable interest rate is determined by LIBOR and a variable margin as detailed in note 24. Management have deemed the margin to be consistent each year based on best estimates and forecasts.

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 swap (level 2)	(1,321)	(2,067)
	(1,321)	(2,067)

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.

ZELLIS HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2021 (CONTINUED)

25 Financial instruments (continued)

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 (£299.8m).

e) Credit risk

Group provides 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	1%	1%	5%	5%	15%	50%
Moorepay	1%	10%	65%	100%	100%	100%
Pro IV	0%	0%	0%	0%	0%	100%
Benefex	1%	5%	15%	20%	25%	100%

The trade receivables and accrued income as at 30 April 2021 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	19,522	3,232	426	178	95	141	23,594
Accrued income	4,079	-	-	-	-	-	4,079
Total	23,601	3,232	426	178	95	141	27,673

In addition to these principles we provide 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.

ZELLIS HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2021 (CONTINUED)

25 Financial instruments (continued)

f) Factoring

The group has a non-recourse factoring agreement in place. As at 30 Apr 2021, the amount representing the group's continuing involvement is £1.8m (2020: £2.2m), 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. £71k (2020: £142k) of factoring commission has been charged for the year.

The £1.8m can be analysed as follows:

£'000	Not yet due	0-89 days overdue	>90 days overdue	Total
Factored amount to be collected	1,765	67	2	1,834

26 Post balance sheet events

There is no material post balance sheet event to report.

27 Acquisition

On 1 December 2020, Benefex financial solutions Limited acquired part of the employee benefits solutions business of Capita Employee Benefits Limited ('Capita') for £4.1m to enhance its market share. The acquisition consisted of trade and assets which are primarily made up of customer contracts, records, and the right to use the existing platform. No equity interest was acquired, and no goodwill was recognised.

Acquisition expenditure amounted to £1.3m. The acquired business generated £3.7m of revenue and £1.3m of operating loss during the year ended 30 April 2021.

ZELLIS HOLDINGS LIMITED

COMPANY STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 30 APRIL 2021

		2021	2020
	Note	£'000	Restated £'000
Non-current assets			
Investments in subsidiaries	3	466,941	391,941
		466,941	391,941
Current assets			
Trade and other receivables	4	82,277	144,267
Cash and cash equivalents		494	4,474
Deferred tax asset		4,744	4,744
		87,515	153,485
Total assets		554,456	545,426
Current liabilities			
Trade and other payables	5	84,705	67,815
Other current financial liabilities		1,321	579
Borrowings	6	4,000	40,000
Total current liabilities		90,026	108,394
Net current liabilities/assets		(2,511)	45,091
Non-current liabilities			
Borrowings	6	287,413	280,625
Other non-current financial liabilities		-	1,488
Total non-current liabilities		287,413	282,113
Total liabilities		377,439	390,507
Net assets		177,017	154,919
Equity			
Share capital	7	-	-
Share premium	7	249,497	209,497
Cashflow hedge reserve		(1,321)	(2,067)
Retained earnings		(71,159)	(52,511)
Equity attributable to owners of the Company		177,017	154,919

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 £18.7m (2020: £13.2m restated).

The Statement of Financial Position for the year ended 30 April 2020 has been restated to correct a prior period adjustment. The effect of the restatement is summarised in the note 2.

**ZELLIS HOLDINGS LIMITED
COMPANY STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 30 APRIL 2021 (CONTINUED)**

The financial statements of Zellis Holdings Limited (company registration number: 10975263) were approved and authorised for issue by the Board of Directors and were signed on its behalf by:



Alan Kinch

Director

29 September 2021

ZELLIS HOLDINGS LIMITED
COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 APRIL 2021

	Share capital (Note 7)	Share premium (Note 7)	Cash flow hedge reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000
As at 1 May 2019	-	189,497	-	(39,316)	150,181
Issue of shares	-	20,000	-	-	20,000
Loss on hedging instrument	-	-	(2,067)	-	(2,067)
Deferred tax asset revaluation (restated)	-	-	-	1,706	1,706
Loss for the year (restated)	-	-	-	(14,901)	(14,901)
At 30 April 2020 (restated)	-	209,497	(2,067)	(52,511)	154,919
Issue of shares	-	40,000	-	-	40,000
Loss for the year	-	-	-	(18,648)	(18,648)
Net gain on cashflow hedges	-	-	746	-	746
At 30 April 2021	-	249,497	(1,321)	(71,159)	177,017

The Statement of Changes in Equity for the year ended 30 April 2020 has been restated to correct a prior period adjustment. The effect of the restatement is summarised in the note 2.

ZELLIS HOLDINGS LIMITED

NOTES TO THE COMPANY FINANCIAL STATEMENT

FOR THE YEAR ENDED 30 APRIL 2021

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 page 1 to 20.

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 40 – 57.

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. Please refer to page 56 for further details.

ZELLIS HOLDINGS LIMITED

NOTES TO THE COMPANY FINANCIAL STATEMENT

FOR THE YEAR ENDED 30 APRIL 2021 (CONTINUED)

2 Restatement of prior year balances

Two prior year restatements have been made to rectify adjustments in the FY20 company financial statements. One prior year adjustment related to an understatement of the deferred tax asset in FY20 by £1.7m and the other related to understatement of the accumulated interest income accrual from intercompany loan to subsidiary of £12.6m.

The effect of restatement on the Statement of Financial Position as at 30 April 2020 was as follows:

£'000	As previously reported	Restatements	As restated
Trade and other receivables	131,668	12,599	144,267
Deferred tax asset	3,038	1,706	4,744
Total assets	531,121	14,305	545,426
Total liabilities	390,507	-	390,507
Accumulated losses	(66,816)	14,305	(52,511)
Total equity	140,614	14,305	154,919
Total equity and liabilities	531,121	14,305	545,426

3 Investments in subsidiaries

	Subsidiary undertakings £'000
Cost:	
At 1 May 2020	391,941
Additions	75,000
At 30 April 2021	<u>466,941</u>
Impairment:	
At 1 May 2020	-
Charge for the year	-
At 30 April 2021	<u>-</u>
Net book value	
At 30 April 2021	<u>466,941</u>

ZELLIS HOLDINGS LIMITED

NOTES TO THE COMPANY FINANCIAL STATEMENT

FOR THE YEAR ENDED 30 APRIL 2021 (CONTINUED)

3 Investments in subsidiaries (continued)

The subsidiary undertakings at 30 April 2021, 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
Held Directly:		
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%
Held Indirectly:		
Mills associates Limited	United Kingdom	100%
Moorepay Limited	United Kingdom	100%
Business Information Management 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%
Cara Information Technology Limited	United Kingdom	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%
Benefit Administration Centre Limited*****	United Kingdom	100%
Benefit Administration Services Limited*****	United Kingdom	100%
PES (Bristol) Limited*****	United Kingdom	100%
Benefit Administration Gateway Limited*****	United Kingdom	100%
Benefex Financial Solutions Limited*****	United Kingdom	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 40. The Directors have considered the value in use of the investments and have concluded that an impairment in investment value is not applicable.

ZELLIS HOLDINGS LIMITED

NOTES TO THE COMPANY FINANCIAL STATEMENT

FOR THE YEAR ENDED 30 APRIL 2021 (CONTINUED)

4 Trade and other receivables

	2021	2020
	£'000	Restated £'000
Amounts owed by group undertakings	81,813	147,953
Less allowance for expected credit losses	(1,140)	(4,845)
Net trade and other receivables	80,673	143,108
Prepayment and other receivables	1,604	1,159
Total trade and other receivables	82,277	144,267

The amounts owed by subsidiary undertakings has been restated to correct a prior period adjustment. The effect of the restatement is summarised in note 2.

5 Trade and other payables

	2021	2020
	£'000	£'000
Trade payables	1,129	1,041
Amounts owed to group undertakings	74,682	57,596
Accruals	8,785	8,372
Other payables	109	806
Total trade and other payables	84,705	67,815

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 (2020: 800) 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 2021 (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
At 1 May 2019	189,497
Premium arising on issue of equity shares	20,000
At 30 April 2020	209,497
Premium arising on issue of equity shares	40,000
At 30 April 2021	249,497

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.a.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 2021 was Bain Capital Europe Fund IV LP.

For further information
please visit [zellis.com](https://www.zellis.com)

[zellis.com](https://www.zellis.com)

