

Company registration number 11645431 (England and Wales)

ZEPHR INC LIMITED
UNAUDITED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 22 AUGUST 2022
PAGES FOR FILING WITH REGISTRAR

ZEPHR INC LIMITED

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ZEPHR INC LIMITED

BALANCE SHEET

AS AT 22 AUGUST 2022

		2022	2021
	Notes	£	£
Fixed assets			
Intangible assets	5	133,583	184,743
Tangible assets	6	106,047	107,610
Investments	7	76	76
		<u>239,706</u>	<u>292,429</u>
Current assets			
Debtors	8	1,245,421	1,069,343
Cash at bank and in hand		2,009,220	3,821,896
		<u>3,254,641</u>	<u>4,891,239</u>
Creditors: amounts falling due within one year	9	<u>(2,316,318)</u>	<u>(1,507,534)</u>
Net current assets		<u>938,323</u>	<u>3,383,705</u>
Total assets less current liabilities		<u>1,178,029</u>	<u>3,676,134</u>
Creditors: amounts falling due after more than one year	10	<u>(5,495,947)</u>	<u>(4,295,565)</u>
Net liabilities		<u>(4,317,918)</u>	<u>(619,431)</u>
Capital and reserves			
Called up share capital	11	2,590	2,589
Share premium account		7,569,332	7,569,265
Profit and loss reserves		<u>(11,889,840)</u>	<u>(8,191,285)</u>
Total equity		<u>(4,317,918)</u>	<u>(619,431)</u>

The directors of the company have elected not to include a copy of the profit and loss account within the financial statements.

For the financial period ended 22 August 2022 the company was entitled to exemption from audit under section 477 of the Companies Act 2006 relating to small companies.

The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of financial statements.

The members have not required the company to obtain an audit of its financial statements for the period in question in accordance with section 476.

These financial statements have been prepared and delivered in accordance with the provisions applicable to companies subject to the small companies regime.

ZEPHR INC LIMITED

BALANCE SHEET (CONTINUED)

AS AT 22 AUGUST 2022

The financial statements were approved by the board of directors and authorised for issue on 21 February 2023 and are signed on its behalf by:

Mr A White
Director

Company Registration No. 11645431

ZEPHR INC LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 22 AUGUST 2022

1 Accounting policies

Company information

Zephr Inc Limited is a private company limited by shares incorporated in England and Wales. The registered office is 2nd Floor Regis House, 45 King William Street, London, United Kingdom, EC4R 9AN. The principal place of business is 48 Hoxton Square, London, N1 6PB.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006 as applicable to companies subject to the small companies regime. The disclosure requirements of section 1A of FRS 102 have been applied other than where additional disclosure is required to show a true and fair view.

The company is taking advantage of the exemption to prepare consolidated financial statements on the basis that they qualify as a small group.

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

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

1.2 Going concern

During the period the company recorded a loss after tax of £3,706,773 (2021: £4,902,027) and net liabilities of £4,317,918 (2021: £619,431) at the end of the period.

Subsequent to the period end, on the 2nd September 2022, the advance subscriptions totalling £4,609,049 were converted to equity, reducing non-current liabilities and bringing the company to a positive net assets position. On the same day, Zuora UK limited purchased the full share capital of the company. Zuora UK Limited is a wholly owned subsidiary of Zuora, Inc., a company incorporated in the state of Delaware, United States, and listed on the New York Stock Exchange.

The directors believe that the company will receive adequate resources from its parent and ultimate parent companies to meet its liabilities as they fall due, and so operate as a going concern for at least twelve months following the date of approval of these financial statements.

1.3 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account any agreed discounts.

The main types of revenue recognised during the period are as follows:

- Monthly SaaS fees and support fees - recognised in the month they were provided, based on the signed contract with the individual customer
- Implementation fees - upfront set-up revenue recognised on a stage of completion basis

ZEPHR INC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 22 AUGUST 2022

1 Accounting policies

(Continued)

1.4 Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of acquisition of unincorporated businesses over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life, which is 5 years.

For the purposes of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment at least 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.

1.5 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Computer equipment	33% straight line
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The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.6 Fixed asset investments

Investment in subsidiaries are accounted for at cost less impairment in the financial statements.

1.7 Impairment of fixed assets

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

1.8 Cash and cash equivalents

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

1.9 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

ZEPHR INC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 22 AUGUST 2022

1 Accounting policies

(Continued)

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, which comprise of investments in subsidiaries are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans and advance subscription agreements are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

ZEPHR INC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 22 AUGUST 2022

1 Accounting policies

(Continued)

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.10 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

1.11 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 profit and loss account 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 company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end 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. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.12 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense.

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

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

1.13 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

ZEPHR INC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 22 AUGUST 2022

1 Accounting policies

(Continued)

1.14 Share-based payments

Equity-settled share-based payments are measured at fair value at the date of grant by reference to the fair value of the equity instruments granted using the Black Scholes model. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the estimate of shares that will eventually vest. A corresponding adjustment is made to equity.

When the terms and conditions of equity-settled share-based payments at the time they were granted are subsequently modified, the fair value of the share-based payment under the original terms and conditions and under the modified terms and conditions are both determined at the date of the modification. Any excess of the modified fair value over the original fair value is recognised over the remaining vesting period in addition to the grant date fair value of the original share-based payment. The share-based payment expense is not adjusted if the modified fair value is less than the original fair value.

Cancellations or settlements (including those resulting from employee redundancies) are treated as an acceleration of vesting and the amount that would have been recognised over the remaining vesting period is recognised immediately.

1.15 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

1.16 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

1.17 Research and development

Expenditure on research is written off against profits in the year in which it is incurred. Development expenditure is capitalised and amortised over its useful life. Tax credits on research and development expenditure are recognised in the profit and loss account in the year to which they relate.

ZEPHR INC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 22 AUGUST 2022

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount 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 where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Carrying value of goodwill

The carrying value of goodwill is determined by amortising the cost over a five year useful life. The carrying value is reviewed annually and amended where necessary to reflect up to date estimates over the carrying value.

3 Directors' remuneration

	2022 £	2021 £
Remuneration paid to directors	134,198	225,860

4 Employees

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

	2022 Number	2021 Number
Total	66	51

ZEPHR INC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 22 AUGUST 2022

5 Intangible fixed assets

	Goodwill £
Cost	
At 1 January 2022 and 22 August 2022	399,000
Amortisation and impairment	
At 1 January 2022	214,258
Amortisation charged for the period	51,159
At 22 August 2022	265,417
Carrying amount	
At 22 August 2022	133,583
At 31 December 2021	184,743

6 Tangible fixed assets

	Leasehold improvements £	Plant and equipment £	Computers £	Total £
Cost				
At 1 January 2022	4,200	4,894	166,362	175,456
Additions	-	4,380	37,585	41,965
Disposals	-	-	(21,034)	(21,034)
At 22 August 2022	4,200	9,274	182,913	196,387
Depreciation and impairment				
At 1 January 2022	1,488	537	65,821	67,846
Depreciation charged in the period	1,433	1,820	38,123	41,376
Eliminated in respect of disposals	-	-	(18,882)	(18,882)
At 22 August 2022	2,921	2,357	85,062	90,340
Carrying amount				
At 22 August 2022	1,279	6,917	97,851	106,047
At 31 December 2021	2,712	4,357	100,541	107,610

7 Fixed asset investments

	2022 £	2021 £
Shares in group undertakings and participating interests	76	76

The investments comprise of wholly owned subsidiary Zephr US Inc, a company registered in Delaware, United States. The company was incorporated on 14 February 2020 with issued shared capital of US\$100. The principal activity of Zephr US Inc is the development and sale of customer journey orchestration SaaS platform for subscription businesses.

ZEPHR INC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 22 AUGUST 2022

8 Debtors

	2022	2021
	£	£
Amounts falling due within one year:		
Trade debtors	440,755	178,052
Corporation tax recoverable	405,843	521,963
Other debtors	398,823	369,328
	<u>1,245,421</u>	<u>1,069,343</u>

9 Creditors: amounts falling due within one year

	2022	2021
	£	£
Trade creditors	208,414	203,319
Taxation and social security	-	190,024
Other creditors	2,107,904	1,114,191
	<u>2,316,318</u>	<u>1,507,534</u>

10 Creditors: amounts falling due after more than one year

	2022	2021
	£	£
Venture debt facility	886,898	1,186,516
Advance subscription agreements	4,609,049	3,109,049
	<u>5,495,947</u>	<u>4,295,565</u>

The venture debt facility is secured by a fixed charge on the company's fixed and current assets.

Advance subscription agreements bear no interest charge and are not required to be repaid in cash. Instead, they will convert to a variable number ordinary shares in the future. Accordingly, they are classified as a liability rather than equity under UK GAAP.

Subsequent to the period end, on the 2nd September 2022, the advance subscriptions totalling £4,609,049 were converted to equity.

11 Called up share capital

	2022	2021
	£	£
Ordinary share capital		
Issued and fully paid		
131,179 Ordinary of 1p each	1,312	1,312
8,261 (2021: 8,356) B Ordinary of 1p each	83	84
95 (2021: 0) C Ordinary of 1p each	1	-
95 (2021: 0) deferred shares of 1p each	1	-
	<u>1,397</u>	<u>1,396</u>

ZEPHR INC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 22 AUGUST 2022

11 Called up share capital (Continued)

	2022	2021
	£	£
Preference share capital		
Issued and fully paid		
58,004 Series Seed Preferred of 1p each	580	580
61,337 Series A Preference Shares of 1p each	613	613
	<u>1,193</u>	<u>1,193</u>
	<u><u>1,193</u></u>	<u><u>1,193</u></u>
Preference shares classified as equity	1,193	1,193
	<u><u>1,193</u></u>	<u><u>1,193</u></u>
Total equity share capital	<u><u>2,590</u></u>	<u><u>2,589</u></u>

During the period 95 B Ordinary shares were converted into deferred shares.

During the period 95 C Ordinary shares were issued at £0.72 per share.

12 Share options

On 18 January 2022, 6,553 share options were granted to employees with a weighted average exercise price of £0.72 per share.

At 22 August 2022 there were 71,947 unexercised options (2021: 69,356). The unexercised options at 22 August 2022 consisted of 60,883 EMI options and 11,064 non-EMI options.

The share options vest over a four year period.

A total expense of £8,219 (2021: £9,284) was recognised in the profit and loss account in respect of these share options.

On 2 September 2022 all 60,883 EMI options were exercised and 9,336 non-EMI options were cancelled in exchange for a "right to receive" proceeds equivalent to the number of options that the option holder held.

13 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, as follows:

	2022	2021
	£	£
Within one year	147,000	244,500
Between two and five years	-	63,000
	<u>147,000</u>	<u>307,500</u>

ZEPHR INC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 22 AUGUST 2022

14 Ultimate controlling party

There is no ultimate holding company or controlling party at the balance sheet date. From 2 September 2022 the ultimate controlling party is Zuora, Inc., a company incorporated in the state of Delaware, United States.

15 Subsequent events

On 2 September 2022, the Company was acquired by Zuora UK Limited for \$44m in cash, plus an earnout consideration of up to \$6m subject to certain financial objectives. Zuora UK Limited is a wholly owned subsidiary of Zuora, Inc., a company incorporated in the state of Delaware, United States, and listed on the New York Stock Exchange.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.