



Company Registration No. 01587537

Zellis UK Limited

Annual Report and Financial Statements.

For the year ended 30 April 2022.



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ZELLIS UK LIMITED COMPANY INFORMATION

Directors

John Petter

Alan Kinch

Secretary

Helen Copestick (resigned 16 August 2021)

Chris Fox (appointed 16 August 2021)

Company number

01587537

Registered office

740 Waterside Drive
Aztec West
Almondsbury
Bristol
BS32 4UF

Auditor

Grant Thornton UK LLP
2 Glass Wharf
Bristol
BS2 0EL

ZELLIS UK LIMITED

COMPANY INFORMATION

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ZELLIS UK LIMITED STRATEGIC REPORT FOR THE YEAR ENDED 30 APRIL 2022

Purpose, vision, strategy & values

Our purpose

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

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

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

Our vision

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

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

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

Our values

Our values & behaviours.

Unstoppable Together

We work together to achieve amazing results

We are inclusive, celebrating differences and respecting others

Always Learning

We build expertise in ourselves and others

We are dynamic, always looking for better ways

Make It Count

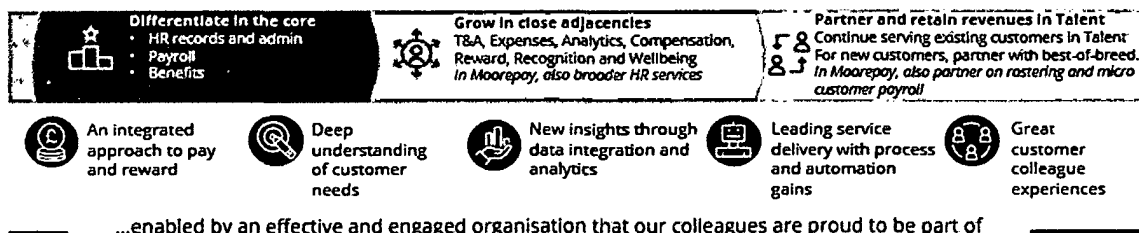
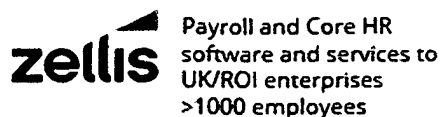
We work with precision and pace

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

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

Purpose, Vision, Strategy & Values (continued)

Our Company Strategy



Our Product Strategy

Market definition	Core market is Payroll and Core HR software and services to UK/ROI enterprises >1000 employees where Zellis has a leadership position and can compete vs. global players
Strategic focus	Focus on our core markets and achieve full potential by closing product gaps and differentiating against customer segments' key purchase criteria Increase product / brand awareness and to support win rate (supported by product improvements) Demonstrate operational cost advantage and increase competitiveness with customers
Additional focus	Expand into close adjacencies (e.g. salary advance, workforce management) and unlock new segments Build Real Time Pay capability
Strategic initiatives	<div> <div>Zellis HCM Cloud</div> <div>Managed Services transformation</div> <div>Faster payroll & Real Time Pay</div> <div>RapidStart implementation</div> <div> ZCS downstream Data analytics and insights </div> <div>Zellis Workforce Management solution</div> </div>

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

Our environmental social governance (ESG) framework

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

We are committed to

Wellbeing for all.

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

Diversity of thought and experiences.

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

Strong communities.

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

for our company, customers and communities.

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

The Directors present their strategic report for the year to 30 April 2022.

Principal activity

Zellis UK Limited is a member of the Zellis Group ('group').

Throughout the year the principal activities of the company were the development and supply of cloud and SaaS based software solutions and the provision of outsourced payroll and HR services, alongside related consultancy and support services to mid-market and large enterprises in the UK.

Business model and strategy

Zellis Group operates a market segment-focused approach through which we go to market following two strategic segments: small & medium-sized business and mid-market. These segments play an increasingly important role in our growth strategy and in our overall go-to-market approach. Zellis UK Limited is primarily focused on the mid-market and large enterprises in the UK.

Customer satisfaction has continued to be a focus area in FY22. We have continued to build on the foundation which was laid over the last four years with a single objective: growth. Customer satisfaction, delivery quality, and innovation will continue to drive our investment focus and our value proposition to the markets in which we operate.

Background to the year

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

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

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

Migrating existing and new customers to Zellis HCM Cloud

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

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

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

Background to the year (continued)

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

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

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

Expanding appeal through partnerships and acquisition

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

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

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

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

Significant appointments and new milestones at the board level

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

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

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

Background to the year (continued)

Significant appointments and new milestones at the board level (continued)

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

Industry awards success

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

In October, Zellis announced it had again won a prestigious awards from the Chartered Institute of Payroll Professionals. For the second year running, Zellis' flagship platform, Zellis HCM Cloud, was recognised as Software product of the year.

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

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

Financial review

The Company was acquired by Zellis Holdings Limited, from the Group headed by Northgate Information Solutions Limited on 31st January 2018.

The majority of the UK business focuses on serving the UK midmarket sector and large local enterprise.

Turnover for the year ended 30 April 2022 was £100.9m (2021: £98.8m). Operating profit, excluding significant separately disclosed items, amortisation of intangibles and depreciation was £36.1m (2021: £29.9m), and the Profit before tax for the financial year was £19.1m (2021: profit £12.2m).

Net assets have increased in the year (2022: £69m; 2021: £37m). Non-current assets of £ 144.2m (2021: £146.0m) include goodwill, Intellectual Property ('IP') value of developed software, IFRS15 contract assets and IFRS16 right-of-use assets recognised in the year. Current liabilities of £ 103.8m (2021: £84m) include a £46.5m (2021: £33.1m) balance payable to other companies in the group. The valuation of the defined benefit pension scheme is a net liability of £ 24.3m (2021: £41.9m).

Zellis Group has over 40+ years' experience of serving UK & Ireland organisations in the public and private sectors and currently has over 1,000 customers. These equate to 5 million employees served and 60 million payslips per year.

Zellis is the market leader in the UK, helping organisations to align their people and talent strategy to their business strategy, as the trusted partner of HR decision makers when it comes to improving HR service delivery, through smarter processes and more efficient technology. Zellis has focussed on delivering additional value to existing customers through new services and modules. This strategic evolution allows Zellis to focus on its core strengths in the UK and Ireland, combining new solutions and enhancements with an impressive heritage and dominant market share.

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

Financial Review (continued)

Zellis' IP remains a key differentiator, as well as the foundation for our HR and Payroll service offerings. In both 2020 and 2021, Zellis picked up the Software product of the year award by the Chartered Institute of Payroll Professionals ('CIPP') UK. This has illustrated continued endorsement of Zellis UK strategy, not just in software and service development but in the overall customer experience. As well as having the strongest payroll offering in the UK and Ireland, Zellis' solutions support the entire employee lifecycle integrating Payroll with Talent, HR, Reporting and Analytics and more with a superior user experience.

Looking forward

Following a solid 12 months of growth, we have outlined a number of priorities for FY23, including:

Growing our Zellis HCM Cloud user base

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

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

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

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

Focus on core markets and achieve full potential

Building on momentum

Zellis has delivered another strong year of growth

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

Focusing on customer success and commercial growth

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

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

Looking Forward (continued)

Focus on core markets and achieve full potential (continued)

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

Partnering for success

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

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

Maintaining a leadership position

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

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

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

Cross-selling Benefits and Recognition

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

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

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

Looking Forward (continued)

Focus on core markets and achieve full potential (continued)

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

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

Delivering value to customers

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

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

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

Looking Forward (continued)

Delivering value to customers (continued)

- **Driving values and digital transformation:** Our consultancy and solutions organisation now consists of more than 100 experts who can work together with customers to drive value and digital transformation beyond implementation, training, and configuration of our products. Our cloud HCM offering has enabled and made available a whole new level of business and data intelligence around our customers most important asset, their people. During FY22 we hired a number of the industry's leading strategists to provide the necessary provenance and credibility to ensure our technological innovation is matched with real world thought leadership.
- Delivering value to our customers always has been, and always will be, an essential element of our strategy and culture. In FY23 we will focus in particular on the following initiatives:
 - **Expanding the value of Zellis HCM Cloud:** As it enters its second year, Zellis will continue to focus on enhancing the value our customers receive from our flagship cloud solution. In addition to new features and functionality, which will include new systems for workforce and leave management, we will be introducing new integrations and connectors to some of the most popular and effective market solutions.

Research and Development

The Company 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 company 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 Company 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 UK LIMITED STRATEGIC REPORT FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)

Section 172(1) statement

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

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

In discharging its section 172(1) duties the Company 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 Company'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 Company) and the key inputs (in what the Company is doing) that delivers this for our stakeholders.

The Company delegates authority for day-to-day management of the Company to executive directors and then engage management teams in setting, approving, and overseeing the execution of the business strategy and related policies. The Company reviews risk and compliance, legal, pensions and health and safety matters at every Board meeting. The Company also reviews other areas over the course of the financial year including the Company'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 Company's activities on the Company's stakeholders (including its workforce, customers, and suppliers) are an important consideration when making relevant decisions. In general, stakeholder engagements take place at the operational and group level which is considered an efficient and effective approach.

The Company reviews information regularly to help it understand the interests and views of the Company'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 Company 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 Company.

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

Section 172(1) statement (Continued)

Suppliers

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

How we engage

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

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

What matters to them

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

What we are doing

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

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

Customers

Our customers are spread across all industry sectors, to whom we provide award-winning payroll and HR solutions and BPaaS.

How we engage

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

What matters to them

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

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

Section 172(1) statement (Continued)

Customers (continued)

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

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

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

What are we doing?

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

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

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

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

Shareholders

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

How we engage

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

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

What matters to them

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

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

Section 172(1) statement (Continued)

Shareholders (continued)

What are we doing?

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

Pension trustees

How we engage

The Company is represented at regular pension trustee meetings by an Executive member. In this meeting the Company shares information on strategy, financial position, and performance as well as any other important information. During the meetings the Company 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 Company 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.

Employees, community and environment

See separate "Our Colleagues", "Our Communities" and "Our Environment" sections below.

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

Our colleagues

Our culture

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

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



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

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

Engagement strategy

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

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

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

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

Our Colleagues (continued)

Growth and development

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

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

Reward and recognition

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

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

Wellbeing for all

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

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

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

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

Our colleagues (continued)

Building a diverse, equitable, and inclusive culture

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

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

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

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

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

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

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

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

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

	2022 Total	2022 Females
Directors and Company Secretary	3	0%
Executive team*	5	40%
Senior leadership team**	33	39%
Colleagues	711	50%
Total	752	49%

*Executive team, see page 25

** Senior leaders reporting into the Executive team

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

Our colleagues (continued)

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

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

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

Our communities

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

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

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

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

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

Our environment

Environment management and regulatory reporting

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

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

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

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

Our environment (continued)

Environment management and regulatory reporting (continued)

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

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

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

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

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

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

The disclosure is presented in Zellis Holdings Limited financial statements for the year ended 30 April 2022.

ZELLIS UK LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)

Governance, risk and compliance

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

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

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

Document Management Framework

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

Financial Crime Prevention Framework

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

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

Governance, risk and compliance (continued)

Data Protection and Data Privacy Framework

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

Information Security Framework

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

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

Business Resilience Framework

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

Partnering and Supply Chain Assurance Programme

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

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

Governance, risk and compliance (continued)

Partnering and Supply Chain Assurance Programme (continued)

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

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

Principal risks and uncertainties

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

All employees are accountable for operating within these policies.

Covid-19 pandemic

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

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

Our response to the pandemic

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

Safeguarding our people

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

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

Principal risks and uncertainties (continued)

Covid-19 pandemic (continued)

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

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

Supporting our customers

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

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

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

Conflict in Ukraine

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

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

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

Inflation and cost-of-living crisis

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

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

Principal risks and uncertainties (continued)

Inflation and cost-of-living crisis (continued)

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

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

Corporate governance

The Role of the Board

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

Board Diversity

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

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

Corporate governance (continued)

Statutory directors' & company secretary's biographies



John Petter
Chief Executive Officer

John is responsible for driving the Zellis's 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 the Company's success.



Alan Kinch
Chief Financial Officer

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



Chris Fox
General Counsel and Company Secretary

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.

Our executive team



Tom Canning
Chief Commercial Officer

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



Caroline Drake
Chief People Officer

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

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

Corporate Governance (continued)

Our executive team (continued)



Abigail Vaughan
Chief Operating Officer

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



David Woodward
Chief Product and Technology Officer

David leads Zellis' award-winning Product and Technology teams, and is focused on developing market-leading, innovative solutions for our customers. David joined Zellis from ADP where he had been leading international Product Development and Product Management. Prior to joining ADP, David held senior leadership roles at SD Worx, Ceridian and MHR. In his role he will guide the next wave of innovation on the award-winning Zellis HCM Cloud platform.



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.

Board Composition

Zellis Topco Limited

The Supervisory Board

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

Membership

- Stuart Gent, Director, Bain Capital, Executive Director
- Christophe Jacobs Van Merlen, Bain Capital, Executive Director
- James Stevens, Bain Capital, Executive Director
- Jacqueline Summons, Independent Non-Executive Director

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

Corporate governance (continued)

Board composition (continued)

Zellis Topco Limited (continued)

The Supervisory Board (continued)

- Charles Megaw, Bain Capital
- John Petter, Zellis Group Chief Executive Officer
- Alan Kinch, Zellis Group Chief Financial Officer
- Chris Fox, Zellis Group General Counsel and Company Secretary

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

Executive and NED Membership

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

Senior Leadership Reporting

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

Zellis Holdings Limited

Board

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

Executive and NED Membership

- John Petter, Group Chief Executive Officer

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

Board composition (continued)

Zellis Holdings Limited (continued)

Board (continued)

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

GRC Executive Sub Committee

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

Executive Membership

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

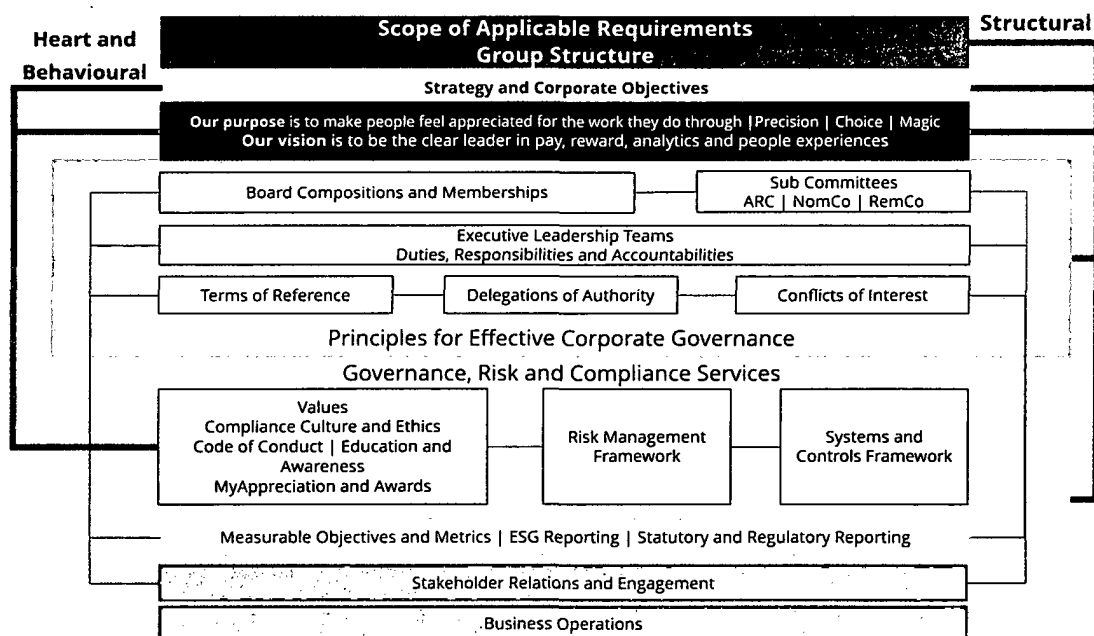
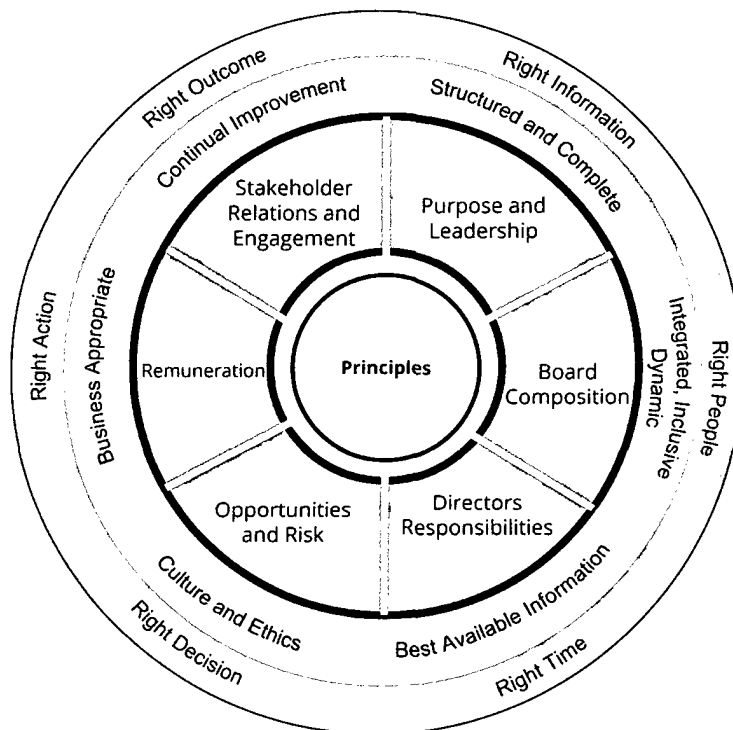
Senior Leadership Membership

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

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

Corporate governance (continued)

Corporate governance framework



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

Corporate governance (continued)

Corporate governance framework (continued)

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

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

Health and safety

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

Principal decisions

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

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

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

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

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

- Enhancing the Product range - through developing a range of payroll and HR software modules built in the Cloud with enhanced capabilities including analytics and which are significantly easier to implement and plug in to.
- BPaaS transformation - developing digital workflows to improve speed and accuracy and to deliver significant automation.
- Cost rationalisation - targeted set of programmes to reduce costs across the business (including third party costs), improve organisational efficiencies and complete property rationalisation.

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

Principal decisions (continued)

Stage 2 – Investing in products, platforms and automation (FY20-21) (continued)

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

Stage 3 – Accelerating Growth (FY22 onward)

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

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

This report was approved by the board of directors on 12 December 2022 and signed on its behalf by:



Alan Kinch

Director

ZELLIS UK LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 APRIL 2022

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

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

Information included in the strategic report

The Directors' Report, together with the Strategic Report on pages 1 to 31, represent the management report for the purpose of compliance with legislation. As permitted by legislation, some of the matters required to be included in the Directors' Report have been considered in the Strategic Report as the Board considers them to be of strategic importance. Specifically, these are:

Subject Matter	Reference
Stakeholders	s172 section in the Strategic Report.

Events after the reporting date

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

Financial risk management objectives and policies

The company's financial assets and liabilities mainly comprise cash, trade payables and receivables and other payables and receivables arising directly from operations.

The main operational risks are:

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company'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 Company does not require collateral in respect of financial assets.

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

Liquidity risk

The Company is being funded by its ultimate parent company and participates in the group's syndicated Senior facility and the Group accounts show an increased profit and liquidity compared to the prior year. The company has received written assurance from its parent company for financial and other support within 12 months of the financial statement date.

ZELLIS UK LIMITED DIRECTORS' REPORT FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)

Financial risk management objectives and policies (continued)

Dividends

The Board reviews the dividend policy in conjunction with a policy of retaining significant funds for future growth. No dividends were declared during the year under review (2021: nil).

Research and development

The research and development performed by the Company is documented within the Strategic report on page 10.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

John Petter

Alan Kinch

Director's and Officer's indemnities

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

Identity of private equity firm

On 30 April 2022, the Company was a wholly owned indirect 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 company'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 Northgate Information Solutions Limited, parented by Northgate Luxembourg GP S.à.r.l., a company who was registered in Luxembourg and who was ultimately controlled at the time by The Goldman Sachs Group, Inc.

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

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

ZELLIS UK LIMITED DIRECTORS' REPORT FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)

Going concern

The Directors have a reasonable expectation that 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 47 of the financial statements.

Donations

The Company made no political donations and incurred no political expenditure during the year.

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 Company'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 company's auditor is aware of that information.

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

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

Approval

This report was approved by the board of directors on 12 December 2022 and signed on its behalf by:



Alan Kinch

Director

ZELLIS UK LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 30 APRIL 2022

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the 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 company and of their profit or loss for that year. In preparing these 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 they have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, subject to any material departures disclosed and explained in the financial statements.
- assess the 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 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 company's transactions and disclose with reasonable accuracy at any time the financial position of the 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 company 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

12 December 2022

ZELLIS UK LIMITED

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 30 APRIL 2022

Independent auditor's report to the members of Zellis UK Limited

Opinion

We have audited the financial statements of Zellis UK Limited (the 'company') for the year ended 30 April 2022, which comprise; income statement, statement of financial position, 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 their preparation is applicable law and UK-adopted international accounting standards. The financial reporting framework that has been applied in their preparation 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 company's affairs as at 30 April 2022 and its result for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements

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 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.

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 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 company to cease to continue as a going concern.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the 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 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 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.

ZELLIS UK LIMITED

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)

Conclusions relating to going concern (continued)

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.

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 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

ZELLIS UK LIMITED INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)

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 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 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.

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;

ZELLIS UK LIMITED INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)

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

- 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 relating to management estimates and entries determined to be large or relating to unusual transactions; and
 - identifying and testing related party transactions.

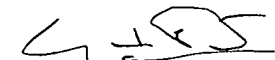
These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from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

- Assessment of the appropriateness of the collective competence and capabilities of the 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.

**ZELLIS UK LIMITED
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)**

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

12 December 2022

ZELLIS UK LIMITED
INCOME STATEMENT
FOR THE YEAR ENDED 30 APRIL 2022

	Note	2022 £'000	2021 Restated £'000
Revenue	4	100,871	98,779
Operating costs	5	(80,372)	(84,939)
Operating profit		20,499	13,840
Operating profit before significant separately disclosed items, amortisation of intangibles and depreciation		36,079	29,872
Amortisation of intangibles	5	(8,269)	(5,268)
Depreciation of tangible assets		(876)	(719)
Depreciation of leased assets		(2,942)	(3,271)
Significant separately disclosed items	6	(3,493)	(6,774)
Operating profit		20,499	13,840
Finance income	10	2,983	4,208
Finance costs	11	(4,373)	(5,876)
Profit before tax		19,109	12,172
Tax credit / (charge)	12	2,052	(1,494)
Profit for the year		21,161	10,678

The Income Statement for the year ended 30 April 2021 has been restated to correct a prior period adjustment. The effect of the restatement is summarised in note 3.

The notes on page 46 to 86 are an integral part of these financial statements. All operations relating to continuing operations.

ZELLIS UK LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 APRIL 2022

	2022	2021
	£'000	£'000
Profit for the year	21,161	10,678
Other comprehensive income:		
Items that will not be reclassified subsequently to profit or loss		
Actuarial gain/(loss) on defined benefit pension scheme	15,248	(786)
Deferred tax arising on the actuarial (loss)/gain recognised in the pension scheme	(3,811)	171
Total items that will not be reclassified to profit or loss	11,437	(615)
Total comprehensive income for the year	32,598	10,063

The notes on page 46 to 86 form an integral part of these financial statements.

ZELLIS UK LIMITED
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 30 APRIL 2022

		2022	2021	2020
	Note	£'000	Restated £'000	Restated £'000
Non-current assets				
Goodwill	13	73,356	73,356	73,356
Other intangible assets	13	21,029	19,473	16,287
Property, plant and equipment	14	2,735	2,489	2,537
Right of use assets	16	8,141	5,451	8,650
Contract assets	4	5,028	9,642	12,645
Investments	15	15,501	15,501	15,501
Deferred tax asset	19	18,374	20,133	21,455
		144,164	146,045	150,431
Current assets				
Trade and other receivables	17	79,082	50,756	25,922
Contract assets	4	7,769	6,338	7,467
Cash and cash equivalents		916	1,555	6,778
		87,767	58,649	40,167
Total assets		231,931	204,694	190,598
Current liabilities				
Trade and other payables	20	63,091	49,048	118,774
Bank overdrafts		2,485	-	-
Lease liabilities	16	2,469	1,627	3,254
Contract liabilities	4	35,452	32,522	29,735
Provisions	21	265	404	596
		103,762	83,601	152,359
Non-current liabilities				
Lease liabilities	16	5,532	4,778	6,352
Contract liabilities	4	28,079	36,754	35,941
Provisions	21	822	746	1,234
Retirement benefit obligations	22	24,258	41,935	42,895
		58,691	84,213	86,422
Total liabilities		162,453	167,814	238,781
Net assets/(liabilities)		69,478	36,880	(48,183)

ZELLIS UK LIMITED
STATEMENT OF FINANCIAL POSITION (CONTINUED)
FOR THE YEAR ENDED 30 APRIL 2022

		2022	2021	2020
	Note	£'000	Restated £'000	Restated £'000
Equity				
Called up share capital	23	95,010	95,010	20,010
Capital contribution		3,361	3,361	3,361
Retained earnings		(28,893)	(61,491)	(71,554)
Total equity		69,478	36,880	(48,183)

The Statement of Financial Position for the years ended 30 April 2021 and 30 April 2020 has been restated to correct a couple of prior period adjustments. The effect of the restatements are summarised in note 3.

The notes on pages 46 to 86 form an integral part of these financial statements.

The financial statements of Zellis UK Limited (company registration number: 01587537) were approved and authorised for issue by the Board of Directors and were signed on its behalf by:

A. R. L.

Alan Kinch

Director

12 December 2022

ZELLIS UK LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 APRIL 2022

	Share capital	Capital contribution	Retained earnings	Total
	£'000	£'000	£'000	£'000
As at 1 May 2020 (restated)	20,010	3,361	(71,554)	(48,183)
Issue of shares	75,000	-	-	75,000
Profit for the year (restated)	-	-	10,678	10,678
Remeasurement of net defined benefit liability	-	-	(786)	(786)
Deferred tax arising on the actuarial loss recognised in the pension scheme	-	-	171	171
At 30 April 2021 (restated)	95,010	3,361	(61,491)	36,880
Profit for the year	-	-	21,161	21,161
Other comprehensive income for the year:				
Remeasurement of net defined benefit liability	-	-	15,248	15,248
Deferred tax arising on the actuarial gain recognised in the pension scheme	-	-	(3,811)	(3,811)
At 30 April 2022	95,010	3,361	(28,893)	69,478

The notes on pages 46 to 86 form an integral part of these financial statements.

ZELLIS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2022

1 General information

Zellis UK Limited is a private company limited by shares incorporated and domiciled in England and Wales. The registered office is 740 Waterside Drive, Aztec West, Almondsbury, Bristol, BS32 4UF. The company was formerly known as NorthgateArinso UK Limited and changed its name to Zellis UK Limited on 21 January 2019.

The principal activities of the Company and the nature of the Company's operations is set out in the strategic report on pages 1 to 31.

2 Accounting policies

Basis of accounting

The financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards.

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 £'000.

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

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to:

- the requirements of IAS 7 Statement of Cash Flows;
- the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
 - paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements in IAS 24 Related Party Disclosures to disclose key management personnel compensation and related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting policies, Changes in Accounting Estimates and Errors to disclose a new IFRS that has been issued but not yet effective; and
- the requirements of paragraph 17 and 18A to disclose key management personnel compensation.
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers.

As the consolidated accounts of Zellis Holdings Limited include the equivalent disclosures, the company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures as a non-financial institution; and

ZELLIS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)

2 Accounting policies (continued)

Basis of accounting (continued)

- the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 Impairment of Assets, provided that equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated.

The company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare consolidated accounts. The financial statements present information about the company as an individual entity and not about its group.

As at 30 April 2022, Zellis UK Limited was a wholly owned subsidiary of Zellis Holdings Limited (formerly Colour Bidco Limited) and the results of Zellis UK Limited are included in the consolidated financial statements of Zellis Holdings Limited which are available from its registered office: 740 Waterside Drive, Aztec West, Almondsbury, Bristol, BS32 4UF.

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic review on page 1-31. In addition, note 24 to the financial statements includes the wider Group's long-term debt position. The Company's financial statements are prepared on a going concern basis for the following reasons:

The Company has made a profit for the year of £21.2m (2021: £10.7m) and generated Operating profit (before significant separately disclosed items, amortisation of intangibles and depreciation) of £36.1m (2021: £29.9m). Significant separately disclosed items include restructuring costs and separation spend of which will not be ongoing in the longer term. The Company has net assets of £69.5m (2021: £36.9m) for the year ended 30 April 2022.

The Directors have considered the projected cash flow of the Company over the period to April 2024. Given that the cash generated by the Company will be used to service external loans of the group (held in other group companies), cash available to the company to meet its obligations is impacted by the liabilities of the wider group. Accordingly, the directors manage the cash flow of the company together with the cash flow of the wider group headed by Zellis Holdings Limited and have prepared forecasts up until April 2024 for the group headed by Zellis Holdings Limited, which indicate the group should be able to operate within its current revolving facility.

Going concern of the company is thus dependent on availability of short-term funding from the group, if needed, and also upon the group companies not seeking repayment of the amounts currently due to the group companies, which at 30 April 2022 amounted to £46.5m (2021: £33.1m).

The parent company, Zellis Holdings Limited, has confirmed that it will provide financial support to the company as necessary for it to continue as a going concern and to settle its liabilities as they fall due for the period of at least twelve months from the date of approval of these financial statements.

ZELLIS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)

2 Accounting policies (continued)

Going concern (continued)

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

Non-GAAP performance measures

The board have presented 'Operating profit before significant separately disclosed items, amortisation of intangibles and depreciation' as an adjusted profit measure. 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 business performance is monitored internally. The adjusted operating profit is not a recognised profit measure under adopted IFRS and may not be directly comparable with 'adjusted' profit 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.

Revenue

The recognition of the company's revenue was in line with the group's policy on revenue recognition, which is as follows:

The company generates revenue from the following types of services:

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

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

1) Identify the contract with a customer;

The Company 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.

ZELLIS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)

2 Accounting policies (continued)

Revenue (continued)

2) Identify all the individual performance obligations within the contract;

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

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

The Company 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 Company'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.

ZELLIS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)

2 Accounting policies (continued)

Revenue (continued)

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.

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

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

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

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

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

ZELLIS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)

2 Accounting policies (continued)

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.

Provision on 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 assets.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company'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 company'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 assets, accrued revenue and contract liabilities that result from the performance of the contract).

ZELLIS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)

2 Accounting policies (continued)

Critical accounting judgements and key sources of estimation uncertainty (continued)

The implementation phase for Payroll and HR Admin services and for Consultancy 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 asset, are capitalised.

The company 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 company recognise revenue accordingly, which is spread over the contract period.

Leases – Estimating the incremental borrowing rate

The company 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 company 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 company '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 company 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).

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 22. Changes to the discount rate, mortality rates and actual return on plan assets may necessitate material adjustments to this liability in the future.

Provisions

Provisions are recognised in the period when it becomes probable that there will be a future outflow of funds resulting from past operations or events which can be reasonably estimated. The timing of recognition requires the application of judgement to existing facts and circumstances, which can be subject to change. Note 21 to the accounts contains information about the assumptions made concerning the companies' provisions.

Recognition of internally generated intangible assets from development

Under IAS38, internally generated intangible assets from the development phase are recognised if certain conditions are met. These conditions include the technical feasibility, intention to complete, the ability to use or sell the asset under development and the demonstration how the asset will generate probable future economic benefits. The cost of a recognised internally

ZELLIS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)

2 Accounting policies (continued)

Critical accounting judgements and key sources of estimation uncertainty (continued)

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.

Impairment of intangible assets, including goodwill

Goodwill and other intangible assets are tested annually for impairment. The impairment tests involve estimation of future cash flows and the selection of a suitable discount rate. These require an estimation of the value-in-use of the cash generating units to which the intangible assets are allocated (note 13).

The recoverable amounts of goodwill are determined from value-in-use calculations which use discounted post-tax 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 company 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% and the

ZELLIS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)

2 Accounting policies (continued)

Critical accounting judgements and key sources of estimation uncertainty (continued)

terminal growth rate is 2.5%. These have remained the same from prior financial year.

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

Expected Credit Losses on Trade Receivables

IFRS 9 introduced an Expected Credit Loss ('ECL') model. This requires an entity to consider historic, current and forward-looking information while assessing trade receivables impairment.

Trade receivables in the company arise from revenue transactions in accordance with IFRS 15 with no existing significant financing arrangement. Therefore, the simplified approach under IFRS 9 is adopted and lifetime ECL is applied.

Based on analysis of actual write offs, a provision matrix is applied for the trade receivables as follows:

Not yet due	0%
0-89 days overdue	5%
90-179 days overdue	10%
180-269 days overdue	20%
270-359 days overdue	20%
Over 360 days overdue	100%

In addition to these principles, we provide for additional expected credit losses on a case-by-case basis where the risk would not fall under these general provision rates. This includes specific Expected Credit Loss provision in light of Covid-19 which is included in significant separately disclosed items in note 6.

Management hold regular reviews concerning debt and collections management and thus we have a clear view of the circumstances that may require additional provision.

Management also review at least annually the provision rates to ensure they are providing coverage of the potential credit risk.

ZELLIS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)

2 Accounting policies (continued)

Development Costs

The amortisation rate for development costs is 5 years, based on the useful life of the assets.

Goodwill

Goodwill is stated at cost less any accumulated impairment losses. Purchased goodwill arising on business combinations in respect of acquisitions before 1 January 1998, when Financial Reporting Standard 10 Goodwill and intangible assets was adopted, was written off to reserves in the year of acquisition. When a subsequent disposal occurs any related goodwill previously written off to reserves is written back through the profit and loss account as part of the profit or loss on disposal.

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on business combinations in respect of acquisitions since 1 January 1998 is capitalised. It is not amortised but is tested annually for impairment. This is not in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 which requires that all goodwill be amortised. The directors consider that this would fail to give a true and fair view of the profit for the year and that the economic measure of performance in any period is properly made by reference only to any impairment that may have arisen. It is not practicable to quantify the effect on the financial statements of this departure.

Intangible assets other than goodwill

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

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.

ZELLIS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)

2 Accounting policies (continued)

Intangible assets other than goodwill (continued)

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.

Amortisation

Amortisation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each reporting date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

Purchased/developed software	5 years
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Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets.

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

Short leasehold improvements	Life of the lease
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Fixtures, fittings and office equipment	2-10 years
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Depreciation methods, useful lives and residual values are reviewed at each reporting date.

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 recognised in the income statement.

Non-current investments

Investments in subsidiary undertakings are stated at cost unless, in the opinion of the directors, there has been impairment to their value in which case they are immediately written down to their estimated recoverable amount.

Impairment of tangible and intangible non-current assets

At each reporting 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.

ZELLIS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)

2 Accounting policies (continued)

Impairment of tangible and intangible non-current assets (continued)

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

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.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or 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 (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Fair value measurement

IFRS 13 establishes a single source of guidance for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The company is exempt under FRS 101 from the disclosure requirements of IFRS 13. There was no impact on the company from the adoption of IFRS 13.

Cash and cash equivalents

Cash and cash equivalents 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.

Financial assets

Financial assets are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets are classified into specified categories. The classification depends on the nature and purpose of the financial assets and is determined at the time of recognition.

Financial assets are initially measured at fair value plus transaction costs, other than those classified as fair value through profit and loss, which are measured at fair value.

ZELLIS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)

2 Accounting policies (continued)

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

Equity instruments

Following the adoption of IAS 32, financial instruments issued by the company are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and
- (b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivation that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Where a financial instrument that contains both equity and financial liability components exists these components are separated and accounted for individually under the above policy. The finance cost is correspondingly recognised in the profit and loss account over the life of the instrument.

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholder's funds are dealt with as appropriate in the reconciliation of movements in shareholder's funds.

Taxation

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

ZELLIS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)

2 Accounting policies (continued)

Current tax

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

Deferred tax

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Provisions

Provisions are recognised when the company has a legal or constructive present obligation as a result of a past event and it is probable that the company 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 end 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 some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of non-current assets.

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.

ZELLIS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)

2 Accounting policies (continued)

Retirement benefits

Defined contribution plans

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

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The company's net obligation in respect of defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) are deducted. The company determines the net interest 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 net defined benefit liability/(asset).

The discount rate is the yield at the reporting date on bonds that have a credit rating of at least AA that have maturity dates approximating the terms of the company's obligations and that are denominated in the currency in which the benefits are expected to be paid.

Remeasurements arising from defined benefit plans comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The company recognises them immediately in other comprehensive income and all other expenses related to defined benefit plans in employee benefit expenses in profit or loss.

The calculation of the defined benefit obligations is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the company, the recognised asset is limited to the present value of benefits recoverable in the form of any future refunds from the plan or reductions in future contributions.

Leases

The company 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.

Zellis UK as a lessee

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

ZELLIS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)

2 Accounting policies (continued)

Leases (continued)

Right-of-use assets

The company 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 company 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, lease liabilities are recognised and 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 company and payments of penalties for terminating the lease, if the lease term reflects the company 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 company 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 UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2022 (CONTINUED)

2 Accounting policies (continued)

Short-term leases and leases of low-value assets

The company 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 of office equipment 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.

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

Foreign exchange

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

ZELLIS UK LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 APRIL 2022****3 Restatement of prior year balances**

Prior year restatements have been made to rectify adjustments in the FY20 and FY21 financial statements. For both FY20 and FY21, adjustments have been made to amend the cumulative amortisation on the assets recorded as 'other intangible assets'. The nature of this adjustment has additionally resulted in a restatement to the deferred tax asset balance. In respect of FY21, further adjustments have been made to correct a misclassification between accrued income and current and non-current contract liabilities.

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
Other intangible assets	6,759	9,528	16,287
Deferred tax asset	23,265	(1,810)	21,455
Total non-current assets	142,713	7,718	150,431
Total assets	182,880	7,718	190,598
Net liabilities	(55,901)	7,718	(48,183)
Retained earnings	(79,272)	7,718	(71,554)
Total equity	(55,901)	7,718	(48,183)

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

£'000	As previously reported	Restatements	As restated
Other intangible assets	5,183	14,290	19,473
Deferred tax asset	22,576	(2,443)	20,133
Total non-current assets	134,198	11,847	146,045
Trade and other receivables	38,621	12,135	50,756
Total current assets	46,514	12,135	58,649
Total assets	180,712	23,982	204,694
Contract liabilities (current)	28,916	3,606	32,522
Total current liabilities	79,995	3,606	83,601
Contract liabilities (non-current)	28,225	8,529	36,754
Total non-current liabilities	75,684	8,529	84,213
Total liabilities	155,679	12,135	167,814
Net assets	25,033	11,847	36,880
Retained earnings	(73,338)	11,847	(61,491)
Total equity	25,033	11,847	36,880

ZELLIS UK LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 APRIL 2022****3 Restatement of prior year balances (continued)**

The effect of restatement on the Income Statement of the year ended 30 April 2021 was as follows:

£'000	As previously reported	Restatements	As restated
Operating costs	(89,702)	4,763	(84,939)
Operating profit	9,077	4,763	13,840
Profit before tax	7,409	4,763	12,172
Tax	(860)	(634)	(1,494)
Profit for the year	6,549	4,129	10,678

4 Revenue

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

	2022	2021
	£'000	£'000
Continuing operations		
Software	53,241	49,664
HR Analytics and Services	5,904	4,180
BPaaS	26,778	28,031
Implementation	9,996	11,619
Other	4,952	5,285
	100,871	98,779

ZELLIS UK LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 APRIL 2022****4 Revenue (continued)**

	2022	2021
	£'000	Restated £'000
Deferred income / costs to contract fulfilment assets & liabilities		
Contract fulfilment assets – current	7,769	6,338
Contract fulfilment assets – non-current	5,028	9,642
Contract liabilities – current	(35,452)	(32,522)
Contract liabilities – non-current	(28,079)	(36,754)
Net contract liabilities	(50,734)	(53,294)

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

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

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

	2022	2021
	£'000	£'000
Revenue recognised in relation to contract liabilities		
Revenue recognised that was included in the contract liability balance at the beginning of the periods	32,522	29,735

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

	2022	2021
	£'000	£'000
Unsatisfied long-term contracts		
Aggregate amount of contracts partially or fully unsatisfied as at 30 April	166,954	180,249

ZELLIS UK LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 APRIL 2022****4 Revenue (continued)**

Management expects that of the transaction price allocated to the unsatisfied contracts as of 30 April 2022 of £167.0m (2021: £180.2m) will be recognised as revenue in the next reporting period. £77.9m, £51.1m, £21.9m, £10.6m and £5.4m will be recognised as revenue in reporting periods ending 30 April 2023, 30 April 2024, 30 April 2025, 30 April 2026 and 30 April 2027 respectively.

	2022	2021
	£'000	£'000

Assets recognised from costs to fulfil a contract

Asset recognised from costs incurred to fulfil contracts at 30 April	12,796	15,980
Amortisation recognised as cost of providing services during the period	6,714	7,085

5 Operating costs

	2022	2021
	£'000	£'000

Operating profit for the year is stated after charging:

Staff costs (see note 9)	48,730	52,880
Amortisation of intangible assets (see note 13)	8,269	5,268
Depreciation of property, plant and equipment (see note 14)	876	719
Depreciation of Leased assets (see note 16)	2,942	3,271
Research and development costs	646	561
Significant separately disclosed items (see note 6)	3,493	6,774
Other operating charges	13,344	12,405
Management charges	2,072	3,061
	80,372	84,939

ZELLIS UK LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 APRIL 2022****6 Significant separately disclosed items**

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

	2022	2021
	£'000	£'000
Severance and restructuring	1,470	2,691
Business transformation and integration	1,990	3,201
Significant events and external circumstances	33	882
	3,493	6,774

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

The costs relevant to Zellis are categorised into three main areas below.

1) Severance and restructuring.

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

2) Business Transformation and integration.

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

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

ZELLIS UK LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 APRIL 2022****6 Significant separately disclosed items (continued)****3) Significant events or external circumstances.**

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

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

7 Auditor's remuneration

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

	2022	2021
	£'000	£'000
Fees payable to the company's auditor		
For audit services		
Audit of the financial statements of the company	<u>75</u>	<u>75</u>

Amounts paid to the company's auditor in respect of services to the company other than audit of these financial statements have not been disclosed as the information is instead disclosed on a consolidated basis in the financial statements of Zellis Holdings Limited.

8 Directors' remuneration

The directors' remuneration in respect of services to the company have not been disclosed as it is not possible to accurately allocate directors' time to each legal entity within the group. As a result, the full disclosure is presented in the consolidated financial statements of the parent entity, Zellis Holdings limited.

ZELLIS UK LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 APRIL 2022****9 Employees**

The average monthly number of employees (including executive directors) employed by the company during the year was:

	2022	2021
	Number	Number
Sales	66	72
Managed services	299	351
Technology support	251	242
Implementation services	95	124
Administration	97	96
	808	885

Their aggregate remuneration comprised:

	2022	2021
	£'000	£'000
Wages and salaries	42,697	43,883
Social security costs	4,326	4,467
Other pension costs	1,707	4,530
	48,730	52,880

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

10 Finance income

	2022	2021
	£'000	£'000

Interest income

Interest receivable from group companies	2,983	4,208
	2,983	4,208

ZELLIS UK LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 APRIL 2022****11 Finance costs**

	2022	2021
	£'000	£'000

Interest on financial liabilities measured at amortised cost

Interest on bank overdrafts and loans	659	450
Interest on finance leases and hire purchase contracts	539	585
Interest payable to group undertakings	1,630	5,085
	<u>2,828</u>	<u>6,120</u>

Interest on other financial liabilities:

Interest on the net defined benefit liability	798	656
Total interest expense	<u>3,626</u>	<u>6,776</u>

Other finance costs:

Unwinding of discount on provisions	75	91
Foreign exchange loss/(gain)	672	(991)
Total finance costs	<u>4,373</u>	<u>5,876</u>

ZELLIS UK LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 APRIL 2022****12 Tax**

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

	2022	2021 (Restated)
	£'000	£'000
Current tax		
Adjustments in respect of prior periods	-	-
Total current tax	-	-
Deferred tax		
Origination and reversal of temporary differences	1,746	1,606
Changes in tax rates	(5,703)	-
Adjustment in respect of prior periods	1,905	(112)
Total deferred tax	(2,052)	1,494
Total tax (credited)/charged	(2,052)	1,494

The tax (credit) / charge for the year can be reconciled to the profit in the income statement as follows:

	2022	2021 (Restated)
	£'000	£'000
Profit before tax	19,109	12,172
Tax at the UK corporation tax rate of 19%	3,631	2,313
Effect of expense not deductible in determining taxable profit	80	120
Income not taxable	0	(51)
Adjustments in respect of previous periods	1,905	(112)
Effect of changes in UK corporation tax rate in relation to brought forward amounts	(5,704)	-
Effect of changes in UK corporation tax rate in relation to current period movements	419	-
Group relief	(2,383)	(776)
Tax (credited)/charged for the year	(2,052)	1,494

The tax note for 2021 has been restated to reflect the impact to tax of the restatements outlined in note 3. The tax impact of the restatement on the 2021 Income Statement is an increase to the tax charge of £634k.

ZELLIS UK LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 APRIL 2022****12 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:

	2022	2021
	£'000	£'000
Deferred tax charge / (credit):		
Actuarial differences recognised as other comprehensive income loss/(gain)	3,811	(171)

13 Intangible fixed assets

	Goodwill	Other intangible Assets	Total
	£'000	£'000	£'000
Cost:			
At 1 May 2020 (restated)	75,138	62,511	137,649
Additions	-	8,455	8,455
At 30 April 2021 (restated)	75,138	70,966	146,104
Additions	-	9,825	9,825
At 30 April 2022	75,138	80,791	155,929
Amortisation:			
At 1 May 2020 (restated)	1,782	46,225	48,007
Charge for the year	-	5,268	5,268
At 30 April 2021 (restated)	1,782	51,493	53,275
Charge for the year	-	8,269	8,269
At 30 April 2022	1,782	59,762	61,544
Net book value:			
At 30 April 2022	73,356	21,029	94,385
At 30 April 2021 (restated)	73,356	19,473	92,829

ZELLIS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 APRIL 2022

13 Intangible fixed assets (continued)

Impairment assessment on goodwill is performed on an annual basis. No indication of impairment was identified with headroom of £253m. 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 rate (10.9%) and terminal growth rate (2.5%) applied was obtained from third party specialists at acquisition.

A sensitivity analysis was also performed which indicated that a combination of significant downturns in business performance will need to occur in order to result in impairment. These include scenarios whereby the company suffers material reduction in forecasted new annual recurring revenue in FY21, further reduction in new managed services business, no indexation is applicable on pricing for 3 years, additional contractual risk and churn, and reduction in initiatives, etc. Management consider each of these scenarios to be highly unlikely based on existing business performance and forecast, and the chance that the combination of them occurring concurrently is extremely remote. In the sensitivity analysis where the assumptions are stretched to accommodate stronger headwinds, the revised headroom is £20.8m.

ZELLIS UK LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 APRIL 2022****14 Property, plant and equipment**

	Leasehold improvements	Fixtures & fittings and office Equipment	Total
	£'000	£'000	£'000
Cost:			
At 1 May 2020	1,001	3,706	4,707
Additions	-	1,016	1,016
Write off	(12)	(345)	(357)
At 30 April 2021	989	4,377	5,366
Additions	59	1,097	1,156
Write off	-	(34)	(34)
At 30 April 2022	1,048	5,440	6,488
Accumulated depreciation and impairment:			
At 1 May 2020	568	1,602	2,170
Charge for the year	100	619	719
Write off	(8)	(4)	(12)
At 30 April 2021	660	2,217	2,877
Charge for the year	85	791	876
At 30 April 2022	745	3,008	3,753
Net book value			
At 30 April 2022	303	2,432	2,735
At 30 April 2021	329	2,160	2,489

ZELLIS UK LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 APRIL 2022****15 Investments**

	2022	2021
	£'000	£'000
Investments in subsidiaries	15,501	15,501

The company has not designated any financial assets that are not classified as held for trading as financial assets at fair value through profit or loss.

Fair value of financial assets carried at amortised cost

Except as detailed below the directors believe that the carrying amounts of financial assets carried at amortised cost in the financial statements approximate to their fair values.

Movements in non-current investments

	Shares in group undertakings £'000
Cost of valuation	
At 1 May 2021 and 30 April 2022	16,562
Impairment	
At 1 May 2021 and 30 April 2022	(1,061)
Carrying amount	
At 30 April 2022	15,501
At 30 April 2021	15,501

ZELLIS UK LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 APRIL 2022****16 Leases**

This note provides information for leases where the company is a lessee. The company has lease contracts for various items of buildings, plant, machinery, vehicles and other equipment used in its operations. The company'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:

	2022	2021
	£'000	£'000
Right-of-use asset		
Building	4,218	4,761
Equipment	3,923	661
Vehicles	0	29
	8,141	5,451
Lease liabilities		
Current	2,469	1,627
Non-current	5,532	4,778
	8,001	6,405

The income statement shows the following amounts relating to leases:

	2022	2021
	£'000	£'000
Depreciation charge of right-of-use asset		
Building	1,068	1,372
Equipment	2,003	1,783
Vehicles	(129)	116
	2,942	3,271
Interest expense	539	585
Total recognised in the profit and loss	3,481	3,856

The total cash outflow for leases was £4,284k (2021 as restated: £3,897k).

Leased asset addition was £5,427k (2021: £73k) in the year.

ZELLIS UK LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 APRIL 2022****17 Trade and other receivables**

	2022	2021
	£'000	£'000
Debt instruments at amortised costs		
Trade receivables	16,984	9,188
Less allowance for expected credit losses	(2,651)	(2,636)
Net trade receivables	14,333	6,552
Accrued income	12,269	13,791
Prepayment and other receivables	5,746	4,762
Amounts due from group undertakings	46,734	25,651
Total trade and other receivables	79,082	50,756

Included within the amounts due from group undertakings is a £1,758k (2021: £1,078k) IFRS 9 expected credit loss on the intercompany receivable balance.

Allowance for expected credit losses from trade receivables can be analysed as follows:

Movement in the allowance for expected credit losses:

	£'000
At 1 May 2020	1,818
Provision for expected credit losses	831
Utilised in period	(13)
At 30 April 2021	2,636
Provision for expected credit losses	21
Utilised in period	(6)
At 30 April 2022	2,651

ZELLIS UK LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 APRIL 2022****18 Subsidiaries**

The company's subsidiary undertakings at 30 April 2022, the nature of whose business is the development and supply of software and related services, and have only ordinary share capital, were:

Name of undertaking	Registered office	Ownership interest (%)
Zellis Dormco Limited	England and Wales	100%
Zellis Information Solutions Company Limited	Republic of Ireland	100%
Zellis Ireland Limited*	Republic of Ireland	100%
Zellis Services Ireland Limited **	Republic of Ireland	100%
Engage Technologies Support Limited **	Republic of Ireland	100%
Engage Technologies Limited **	Republic of Ireland	100%

* Subsidiary of Zellis Information Solutions Company Limited

** Subsidiary of Zellis Ireland Limited

During the year, the dormant company Cara Information Technology Limited was dissolved.

All subsidiaries with a registered office in England and Wales have registered office at 740 Waterside Drive, Aztec West, Almondsbury, Bristol, BS32 4UF, United Kingdom.

All subsidiaries with a registered office in Republic of Ireland have registered office at 26 Pembroke Street upper, Dublin 2, Ireland.

ZELLIS UK LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 APRIL 2022****19 Deferred Tax**

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

	Accelerated Capital allowances £'000	Tax losses £'000	Retirement benefit obligations £'000	Other £'000	Total £'000
At 1 May 2020 (restated)	3,223	9,775	8,457	-	21,455
Adjustments in respect of prior years (restated)	2	(116)	-	226	112
(Charge)/credit to profit or loss (restated)	(1,046)	(219)	(353)	13	(1,605)
Credit to other comprehensive income	-	-	171	-	171
At 30 April 2021 (restated)	2,179	9,440	8,275	239	20,133
Adjustments in respect of prior years	52	(1,339)	-	(618)	(1,905)
(Charge)/credit to profit or loss	(890)	(816)	(608)	568	(1,746)
(Charge)/credit to profit or loss in relation to changes in tax rates	688	2,326	2,516	173	5,703
Credit to other comprehensive income	-	-	(3,811)	-	(3,811)
At 30 April 2022	2,029	9,611	6,372	363	18,374

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

The deferred tax note for 2021 has been restated to reflect the impact to tax of the restatements outlined in note 3. The tax impact of the restatement on the 2021 statement of financial position is a decrease to the overall Deferred Tax asset position by £2,444k.

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

	2022 £'000	2021 £'000
Deferred tax assets	18,374	20,133

ZELLIS UK LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 APRIL 2022****20 Trade and other payables**

	2022	2021
	£'000	£'000
Trade payables	1,919	3,192
Amounts due to group undertakings	46,521	33,130
Accruals	9,499	8,728
Other taxation and social security	5,124	3,358
Other payables	28	640
Total trade and other payables	63,091	49,048

21 Provision for liabilities

	2022	2021
	£'000	£'000
At 1 May	1,150	1,830
Utilisation	(184)	(527)
Transfers	-	(260)
Additions	45	16
Discount unwind	76	91
At 30 April	1,087	1,150
Analysed as:		
Current	265	404
Non-current	822	746
At 30 April	1,087	1,150

The majority of the provision is held for dilapidations with respect to property leases held (make good provisions). The balance relates to potential legal fees on disputes and claims.

ZELLIS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 APRIL 2022

22 Retirement benefit schemes

For details on the related employee benefit expenses see note 9.

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

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

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

Funding

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

ZELLIS UK LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 APRIL 2022****22 Retirement benefit schemes (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 2020	309,806	(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:			
Remeasurement (gain) / loss:			
Financial assumptions	5,056	-	5,056
Demographic	(5,989)	-	(5,989)
Experience adjustment	(2,054)	-	(2,054)
Return on plan assets excluding interest income	-	3,773	3,773
	(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	303,945	(262,010)	41,935

ZELLIS UK LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 APRIL 2022****22 Retirement benefit schemes (continued)**

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

ZELLIS UK LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 APRIL 2022****22 Retirement benefit schemes (continued)****Fair value of plan assets**

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

	2022	2021
	£'000	£'000
Equities	26,877	25,322
LDI Funds	55,434	64,266
Multi-asset credit	42,680	18,345
Private credit	7,953	11,323
Property	28,283	25,240
Asset backed securities	28,005	49,638
Diversified growth funds	24,070	50,657
Cash and current assets	24,970	17,219
	238,272	262,010

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

Defined benefit obligation**Actuarial assumptions**

The principal actuarial assumptions at the balance sheet date were:

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

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

ZELLIS UK LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 APRIL 2022****22 Retirement benefit schemes (continued)****Defined benefit obligation (continued)****Actuarial assumptions (continued)**

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

Sensitivity analysis

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

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

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

23 Share Capital

	2022 £'000	2021 £'000
Authorised, issued and fully paid:		
95,010,000 Ordinary of £1 each (2021: 95,010,000)	95,010	95,010

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company.

ZELLIS UK LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 APRIL 2022****24 Contingent liabilities**

The company has in the normal course of business issued guarantees securing the performance by itself and other group undertakings of certain contracts and undertakings from which no liabilities are expected to arise other than those provided for in these accounts.

The company participates in the group's syndicated banking facility agreement.

The group has syndicated Senior and Second Lien facility agreements with the bank providing £290m of available funding. Of this facility, the group has the following available committed floated rate borrowing activities as at 30 April 2022 in respect of which all conditions precedent had been met at that date:

	2022	2021
	£'000	£'000
Expiring between 2 and 10 years	315,003	297,930

25 Controlling parties

The immediate parent company is Zellis Holdings Limited, a company registered in England and Wales. The ultimate parent company is Zellis Holdco S.à.r.l, a company registered in Luxembourg. The Company is ultimately controlled by Bain Capital Europe Fund IV LP.

The smallest undertaking for which the company is a member and for which group financial statements are prepared is Zellis Holdings 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 2022 was Bain Capital Europe Fund IV LP.

26 Post balance sheet events

There are no material post balance sheet events to report.

**For further information
please visit zellis.com**

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