



Company Registration No. 01587537

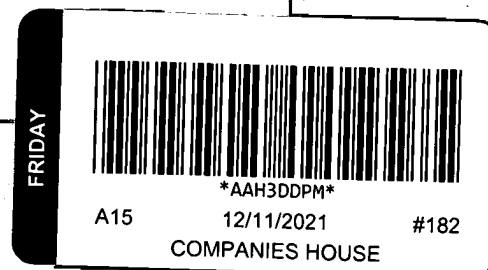
# Zellis UK Limited

**Annual Report and Financial Statements.**

**For the year ended 30 April 2021.**



**zellis.com**



## **ZELLIS UK LIMITED COMPANY INFORMATION**

### **Directors**

John Petter

Alan Kinch

### **Secretary**

Elizabeth Leppard (resigned 19 April 2021)

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

Chris Fox (appointed 16 August 2021)

### **Company number**

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**

**Contents**

Strategic Report..... 1

Directors’ report..... 17

Directors’ responsibilities statement..... 22

Independent auditor’s report..... 23

Income statement ..... 27

Statement of comprehensive income ..... 28

Statement of financial position ..... 29

Statement of changes in equity ..... 31

Notes to the financial statements..... 32

# ZELLIS UK LIMITED

## STRATEGIC REPORT

### FOR THE YEAR ENDED 30 APRIL 2021

## Mission, vision, strategy & values

### Our mission

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

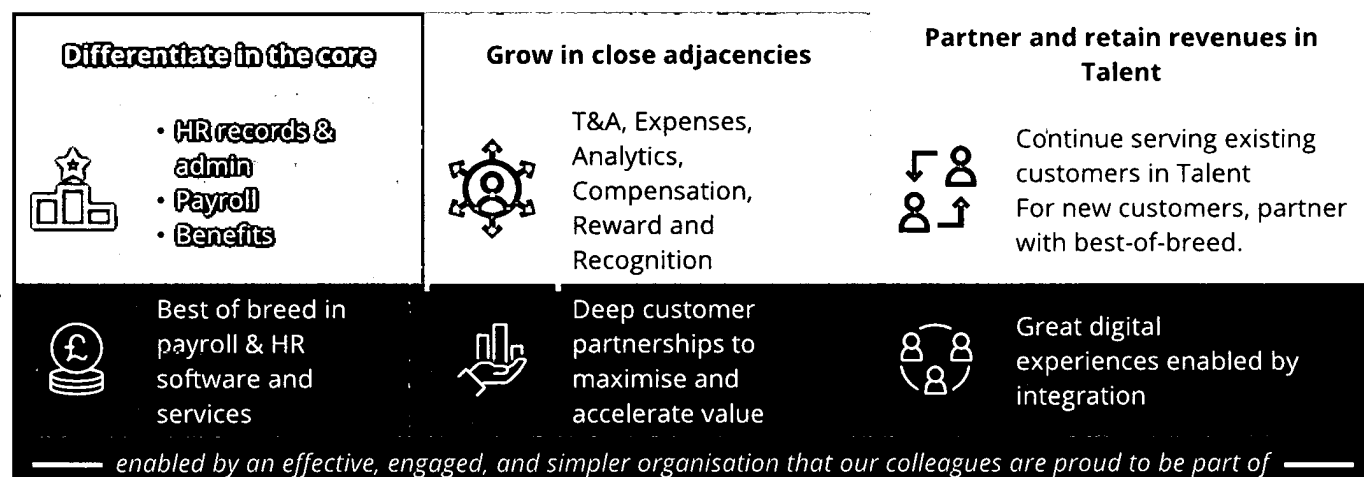
We're always building on our heritage as **the leading provider of software and services for the UK**, driving **new innovations** that help customers meet and **exceed their business objectives**.

### Our vision

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

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

### Our strategy



# **ZELLIS UK LIMITED STRATEGIC REPORT FOR THE YEAR ENDED 30 APRIL 2021 (CONTINUED)**

## **Our values**



### **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.

The Directors present their strategic report for the year to 30 April 2021.

## **Principal activity**

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

Throughout the year the principal activities of the company were the provision of outsourced payroll and HR services, the development and supply of IT solutions & software, and the provision of related consultancy and support services for Human Resources departments.

## **Business Model and Strategy**

Zellis 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 in the UK including large local enterprises.

Customer satisfaction has continued to be a focus area in FY21. For the year ahead we want to build on the foundation which was laid in the last three 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**

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

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

### **Injection of new equity from Bain Capital**

We were pleased to receive backing from our major shareholder, Bain Capital, who injected £40m of new equity which has been pushed down into Zellis UK. This, along with the capitalisation of a £35m loan receivable balance from the Company's parent, has significantly enhanced the Company's statement of financial position and gives us options surrounding potential opportunities to accelerate inorganic and organic growth.

## **ZELLIS UK LIMITED STRATEGIC REPORT FOR THE YEAR ENDED 30 APRIL 2021 (CONTINUED)**

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

#### **Full launch of Zellis HCM Cloud**

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

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

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

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

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

#### **Development of Zellis Portal for Managed Services**

Over the past year, our Managed Services division has embarked on a transformation programme to revolutionise its payroll service delivery, as well as how customers access key information and insights. A critical element of this programme has been the development of a modern, data-driven, and secure customer collaboration portal, underpinned by the Zellis HCM Cloud platform.

The portal acts as an "open kitchen" into Zellis Managed Services; customers can drop data to be instantly verified and processed, access intelligent payroll reports for verification and approval, benefit from complete transparency around the checks being completed by the Zellis team and see a countdown to the closure for each and every payroll. The portal also facilitates automated payroll processing and reconciliation, moving away from a manual approach and delivering an exceptional customer experience.

#### **Industry awards success**

In FY21, Zellis achieved a total of seven award nominations for its payroll and HR solutions, as well as three award nominations for its response to the COVID-19 crisis.

In October 2020, we were delighted to win the prize for 'Software Product of the Year' at the CIPP Annual Excellence Awards, and the following month received 'Highly Commended' for 'In-Country Payroll Provider of the Year' at the Global Payroll Association Awards.

#### **Financial review**

The 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.

## **ZELLIS UK LIMITED STRATEGIC REPORT FOR THE YEAR ENDED 30 APRIL 2021 (CONTINUED)**

### **Financial review (continued)**

Turnover for the year ended 30 April 2021 was £98.8m (2020: £98.3m). Operating profit, excluding significant separately disclosed items, amortisation of intangibles and depreciation was £29.9m (2020: £33.5m), and the Profit before tax for the financial year was £7.4m (2020: loss £1.5m).

Net assets have increased in the year (2021: £25m; 2020: Net liabilities £55.9m). Non-current assets of £130.9m (2020: £142.7m) 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 £80m (2020: £152.3m) include a £33.1m (2020: £90.0m) balance payable to other companies in the group. The valuation of the defined benefit pension scheme is a net liability of £41.9m (2020: £42.9m).

Zellis has over 40+ years' experience of serving UK & Ireland organisations in the public and private sectors and currently has over 1,000 customers. These include 29 out of the FTSE 100 companies and equates 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's IP remains a key differentiator, as well as the foundation for our HR and Payroll service offerings. In October 2020, Zellis picked up the Software product of the year award for the ResourceLink product by the Chartered Institute of Payroll Professionals ('CIPP') UK for the third year running. This was an 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, Resource Link covers 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 FY22, including:

#### **Growing our Zellis HCM Cloud user base**

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

At the same time, we are targeting strong growth in number of net new Zellis HCM Cloud customers as more organisations look for alternative, forward-looking solutions. We believe that Zellis HCM Cloud is a next-generation product – one that addresses three the 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.

## **ZELLIS UK LIMITED STRATEGIC REPORT FOR THE YEAR ENDED 30 APRIL 2021 (CONTINUED)**

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

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.

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

### **Driving innovation with Agile Payroll**

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

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

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

### **Expanding our network of Zellis Marketplace partners**

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

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

## **ZELLIS UK LIMITED STRATEGIC REPORT FOR THE YEAR ENDED 30 APRIL 2021 (CONTINUED)**

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

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

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

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

In FY22, we will focus on cross selling Benefex solutions to our Zellis HCM Cloud customers in order to help them realise these additional benefits.

#### **Delivering value to customers**

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

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

#### **Research and Development**

The 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.

# **ZELLIS UK LIMITED STRATEGIC REPORT FOR THE YEAR ENDED 30 APRIL 2021 (CONTINUED)**

## **Looking Forward (continued)**

### **Research and Development (continued)**

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.

### **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 compliance controls and risk management procedures, which themselves include the security and controls around customer and internal data. The Board has established on-going processes for identifying, evaluating, and managing the significant risks faced by the Company.

All employees are accountable for operating within these policies.

### **Covid-19 pandemic**

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

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

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

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

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

### **Safeguarding our people**

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

## **ZELLIS UK LIMITED STRATEGIC REPORT FOR THE YEAR ENDED 30 APRIL 2021 (CONTINUED)**

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

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

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

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

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

#### **Supporting our customers**

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

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

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

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

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

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

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

#### **Impact of Brexit**

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

## **ZELLIS UK LIMITED STRATEGIC REPORT FOR THE YEAR ENDED 30 APRIL 2021 (CONTINUED)**

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

#### **Impact of Brexit (continued)**

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

The Company's main risk relating to Brexit is surrounding its customer base, more specifically the ability of customers to continue to trade and settle their liabilities as and when due. The Company hasn't experienced, nor does not currently foresee any material adverse impact on day-to-day operations due to the domestic nature of our UK business and customer needs. Additionally, we have low numbers of UK and EU colleagues based outside their home countries. Where this is the case, the risk has been mitigated due to protections put in place by the UK and certain EU governments to enable such citizens to continue to reside and work outside their home countries.

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

#### **Cyber Security**

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

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

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

Anti-money laundering, and financial crime prevention is of paramount importance to preventing the abuse of our products and core services, making sure the integrity of outsourced payrolling, HR services

## **ZELLIS UK LIMITED STRATEGIC REPORT FOR THE YEAR ENDED 30 APRIL 2021 (CONTINUED)**

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

#### **Cyber Security (continued)**

and employment benefits are safeguarded to ensure we remain at the leading edge of high quality, secure products and services. For the first time we see the UK national risk assessment call out outsourced payroll services as a high risk. Zellis has proactively responded and scrutinised the adequacy of our control's framework. We continually update our risk assessment to ensure the robustness of our internal control system and challenge our practices to test our acumen on control design effectiveness.

We rely on a partnering strategy to increase our value proposition, as such the combination of information security, anti-money laundering and financial crime prevention is applied throughout our supply chain management practices. We expect our supply chains to adhere to our standards and codes of practice in all subject matter, acknowledging international recommendations and guidance applicable to our business for all applicable risk exposures.

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

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

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

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

In discharging its section 172(1) duties the 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.

## **ZELLIS UK LIMITED STRATEGIC REPORT FOR THE YEAR ENDED 30 APRIL 2021 (CONTINUED)**

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

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.

### **Suppliers**

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

#### *How we engage*

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

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

#### *What matters to them*

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

#### *What we are doing*

We have a supplier assurance approach that ensures our supply base continues to adhere to the highest security, compliance, and ethical standards throughout the relationship with the group.

We are also continuing to work collaboratively with suppliers to improve standards and access innovations in the fast-changing supply markets.

We are also continuing to work collaboratively with suppliers to improve standards and access innovations in the fast-changing supply markets.

## **ZELLIS UK LIMITED STRATEGIC REPORT FOR THE YEAR ENDED 30 APRIL 2021 (CONTINUED)**

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

#### **Customers**

Our customers are primarily mid-market (500+ employees) to whom we provide award-winning payroll and HR solutions and managed services.

#### *How we engage*

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

#### *What matters to them*

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

Our Zellis Managed Services customers expect us to deliver above and beyond traditional outsourcing. They expect us to not only deliver payroll and HR services accurately, securely, and on-time, but also to deliver additional value through process optimisation, cost reduction, business continuity planning, business intelligence and reporting.

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

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

#### *What are we doing?*

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

We take a partnership approach with all of our customers, but especially our managed services clients. We strive to act as an extension of our customers' payroll and HR teams, adopting a mindset of continuous improvement that allows us to add value above and beyond alternative providers.

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

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

## **ZELLIS UK LIMITED STRATEGIC REPORT FOR THE YEAR ENDED 30 APRIL 2021 (CONTINUED)**

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

#### **Employees**

##### *How we engage*

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

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

##### *What matters to them*

Our employees expect us to provide a safe and healthy working environment that provides job security, recognition of achievements, opportunities for personal development and progression, underpinned by a culture where all colleagues feel they can participate and play an active part. We believe that if we focus on the colleague experience, underpinned by a diverse and inclusive culture, then we'll be better placed to serve the needs of our customers.

##### *What are we doing*

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

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

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

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

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

We have prioritised colleagues' wellbeing through the creation of our 'Working Well' mental health and wellbeing network, the introduction of accredited Mental Health First Aiders, and the launch of a mental health & wellbeing hub containing resources, learning and support for our colleagues and their families.

## **ZELLIS UK LIMITED STRATEGIC REPORT FOR THE YEAR ENDED 30 APRIL 2021 (CONTINUED)**

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

#### **Employees (continued)**

This is in addition to our enhanced employee benefits offerings, which includes access to an Employee Assistance Programme.

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

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

#### **Shareholders**

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

##### *How we engage*

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

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

##### *What matters to them*

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

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

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

#### **Pension trustees**

##### *How we engage*

The 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.

## **ZELLIS UK LIMITED STRATEGIC REPORT FOR THE YEAR ENDED 30 APRIL 2021 (CONTINUED)**

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

#### **Pension trustees (continued)**

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

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

#### **Community and environment**

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

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

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

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

### **Principal Decisions**

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

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

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

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

## **ZELLIS UK LIMITED STRATEGIC REPORT FOR THE YEAR ENDED 30 APRIL 2021 (CONTINUED)**

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

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

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

### **Board Composition**

The largest group undertaking for which the company is a member that is managed by the board is Zellis Topco Limited. Board meetings for Zellis Topco Limited are held monthly throughout the year and comprise of at least 3 senior executive employees of Zellis and at least 2 directors (who are also employees of Bain Capital; our majority shareholder) alongside other executives and Bain Capital representatives as required.

### **Gender diversity**

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

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

	2021 Total	2021 Females
Directors	2	0%
Senior management*	8	25%
Employees	885	50%

\*Executive team including CEO & CFO

### **Health and safety**

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

This report was approved by the board of directors on 3 November 2021 and signed on its behalf by:



Alan Kinch

Director

## **ZELLIS UK LIMITED DIRECTORS' REPORT FOR THE YEAR ENDED 30 APRIL 2021**

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 2021.

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

### **Events after the reporting date**

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

### **Stakeholders**

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

### **Financial risk management objectives and policies**

The 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 Group's trade and other receivables from customers.

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

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

#### **Liquidity risk**

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

#### **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 (2020: nil).

#### **Research and development**

The research and development performed by the Group is documented within the Strategic report on page 6.

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

### **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 indemnities**

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

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

On 30 April 2021, the 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 2021, the Directors consider the annual report and financial statements to comply with all aspects of the Guidelines for Disclosure and Transparency in Private Equity.

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

### **Our Board of Directors**

#### **The role of the Board**

The Board is collectively responsible for the long-term success of the company operating within a structured corporate governance framework and provides entrepreneurial leadership within a prudent and effective risk management framework. The Board sets our strategic aims and they meet monthly to assess the adequacy of resources needed to meet objectives and review management performance to ensure successful delivery whilst upholding our codes of conduct, values and standards in a sustainable manner. The risk management framework supports a risk-based approach so that the Board can make high quality decisions based on a clear line of sight into the business. Through proactive engagement, the Board constructively challenges management and gives management direction to ensure performance culture drives value creation without exposure to excessive risk or value destruction, staying compliant with laws, regulations, subscribed codes and fulfilment of the statutory duties of Directors.

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

#### **Directors' Biographies**



**John Petter**  
**Chief Executive Officer**

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



**Alan Kinch**  
**Chief Financial Officer**

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

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

### **Our Executive Team**



**Marko Perisic**

**Chief Technology and Product Officer**

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



**Caroline Drake**

**Chief People Officer**

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



**Abigail Vaughan**

**Chief Operating Officer**

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



**George Dunnett**

**Chief Product Officer**

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



**Tom Canning**

**Chief Commercial Officer**

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



**Chris Fox**

**General Counsel**

Chris heads up the Legal and compliance function of Zellis. 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. Prior to that Chris was Senior Legal Counsel at Vodafone.

## **ZELLIS UK LIMITED DIRECTORS' REPORT FOR THE YEAR ENDED 30 APRIL 2021 (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 34 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.

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

The disclosure is presented in Zellis Holdings Limited financial statements for the year ended 30 Apr 2021.

### **Approval**

This report was approved by the board of directors on 3 November 2021 and signed on its behalf by:



Alan Kinch

Director

## **ZELLIS UK LIMITED**

### **DIRECTORS' RESPONSIBILITIES STATEMENT**

### **FOR THE YEAR ENDED 30 APRIL 2021**

The directors are responsible for preparing the Strategic Report, the Directors' Report and the 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;
- state whether applicable UK accounting standards have been followed, 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

3 November 2021

# **ZELLIS UK LIMITED**

## **INDEPENDENT AUDITOR'S REPORT**

### **FOR THE YEAR ENDED 30 APRIL 2021**

#### **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 2021, which comprise; Income statement, Statement of comprehensive income, 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 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 2021 and of its profit 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 of the Companies Act 2006.

##### **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 2021 (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 2021 (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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

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

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

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

- We obtained an understanding of how the Company is complying with significant legal and regulatory frameworks through inquiries of management;
- The Company is subject to many laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements. We identified international accounting standards and Companies Act 2006, along with legislation relating to employment, health & safety, data protection and environmental issues, as those most likely to have a material effect if non-compliance were to occur;
- We communicated relevant laws and potential fraud risks to all engagement team members and remained alert to any indicators of fraud or non-compliance with laws and regulations throughout the audit;
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur. We considered the opportunity and incentives for management to perpetrate fraud, and the potential impact on the financial statements;

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

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

- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - the Company's operations, including the nature of its revenue sources, products, and services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement;
  - the Company's control environment;
  - the Company's relevant controls over areas of significant risks; and
  - the Company's business processes in respect of classes of transactions that are significant to the financial statements.
- Audit procedures performed by the engagement team included:
  - identifying the significant risk of fraud within revenue recognition and undertaking substantive testing to obtain sufficient and appropriate audit evidence;
  - testing manual journal entries, in particular journal entries relating to management estimates and entries determined to be large or relating to unusual transactions; and
  - identifying and testing related party transactions.
- Assessment of the appropriateness of the collective competence and capabilities of the engagement team included:
  - consideration of the engagement team's understanding of, and practical experience with, audit engagements of a similar nature and complexity;
  - appropriate training, knowledge of the industry in which the Company operates; and
  - understanding of the legal and regulatory requirements specific to the Company.
- We did not identify any material matters relating to non-compliance with laws and regulations or relating to fraud.

### **Use of our report**

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



**Tim Lincoln**

Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants

Bristol

3 November 2021

**ZELLIS UK LIMITED**  
**INCOME STATEMENT**  
**FOR THE YEAR ENDED 30 APRIL 2021**

	Note	2021 £'000	2020 (restated) £'000
Revenue	4	98,779	98,388
Operating costs	5	(89,702)	(91,316)
<b>Operating Profit</b>		<b>9,077</b>	<b>7,072</b>
Operating profit before significant separately disclosed items and amortisation of acquired intangibles		29,872	33,516
Amortisation of acquired intangibles	5	(10,031)	(9,632)
Depreciation of tangible assets		(719)	(870)
Depreciation of leased assets		(3,271)	(4,685)
Significant separately disclosed items	6	(6,774)	(11,257)
<b>Operating profit</b>		<b>9,077</b>	<b>7,072</b>
Finance Income	10	4,208	1,147
Other investment income	10	-	1
Finance costs	11	(5,876)	(9,758)
<b>Profit/(loss) before tax</b>		<b>7,409</b>	<b>(1,538)</b>
Tax	12	(860)	1,886
<b>Profit for the year</b>		<b>6,549</b>	<b>348</b>

The notes on page 33 to 72 are an integral part of these consolidated financial statements. All operations relating to continuing operations.

The income statement for the year ended 30 April 2020 has been restated to correct a prior period adjustment. The effect of the restatement is summarised in the note 3.

**ZELLIS UK LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 APRIL 2021**

	2021	2020 (restated)
	£'000	£'000
<b>Profit for the year</b>	6,549	348
<b>Other comprehensive income:</b>		
<b>Items that will not be reclassified subsequently to profit or loss</b>		
Actuarial (loss)/gain on defined benefit pension scheme	(786)	6,635
Deferred tax arising on the actuarial gain/(loss) recognised in the pension scheme	171	(775)
<b>Total items that will not be reclassified to profit or loss</b>	<b>(615)</b>	<b>5,860</b>
<b>Total comprehensive income for the year</b>	<b>5,934</b>	<b>6,208</b>

The notes on page 33 to 72 form an integral part of these consolidated financial statements.

The statement of comprehensive income for the year ended 30 April 2020 has been restated to correct a prior period adjustment. The effect of the restatement is summarised in note 3.

**ZELLIS UK LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**FOR THE YEAR ENDED 30 APRIL 2021**

		2021	2020	2019
	Note	(£'000)	(restated) (£'000)	(restated) (£'000)
<b>Non-current assets</b>				
Goodwill	13	73,356	73,356	73,356
Other intangible assets	13	5,183	6,759	10,713
Property, plant and equipment	14	2,489	2,537	2,926
Right of use assets	16	5,451	8,650	12,059
Contract assets	4	9,642	12,645	13,636
Investments	15	15,501	15,501	15,501
Deferred tax asset	19	22,576	23,265	22,154
		<b>134,198</b>	<b>142,713</b>	<b>150,345</b>
<b>Current assets</b>				
Trade and other receivables	17	38,621	25,922	28,560
Contract Assets	4	6,338	7,467	5,929
Cash and cash equivalents		1,555	6,778	2,984
		<b>46,514</b>	<b>40,167</b>	<b>37,473</b>
<b>Total assets</b>		<b>180,712</b>	<b>182,880</b>	<b>187,818</b>
<b>Current liabilities</b>				
Trade and other payables	20	49,048	118,774	114,149
Lease liabilities	16	1,627	3,254	4,246
Contract liabilities	4	28,916	29,735	27,937
Provisions	21	404	596	1,472
		<b>79,995</b>	<b>152,359</b>	<b>147,804</b>
<b>Non-current liabilities</b>				
Lease liabilities	16	4,778	6,352	9,105
Contract Liabilities	4	28,225	35,941	40,129
Provisions	21	746	1,234	-
Retirement benefit obligations	22	41,935	42,895	52,890
		<b>75,684</b>	<b>86,422</b>	<b>102,124</b>
<b>Total liabilities</b>		<b>155,679</b>	<b>238,781</b>	<b>249,928</b>
<b>Net assets/(liabilities)</b>		<b>25,033</b>	<b>(55,901)</b>	<b>(62,110)</b>

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

	Note	2021 £'000	2020 (restated) £'000	2019 (restated) £'000
<b>Equity</b>				
Called up share capital	23	95,010	20,010	20,010
Capital contribution		3,361	3,361	3,361
Retained earnings		(73,338)	(79,272)	(85,481)
<b>Total equity</b>		<b>25,033</b>	<b>(55,901)</b>	<b>(62,110)</b>

The notes on pages 33 to 72 form an integral part of these financial statements.

The statement of financial position for the year ended 30 April 2020 and year ended 30 April 2019 have been restated to correct a prior period adjustment. The effect of the restatement is summarised in note 3.

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

3 November 2021

**ZELLIS UK LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 APRIL 2021**

	Share capital	Capital contribution	Retained earnings	Total
	£'000	£'000	£'000	£'000
<b>As at 1 May 2019 (restated)</b>	<b>20,010</b>	<b>3,361</b>	<b>(85,481)</b>	<b>(62,110)</b>
Profit for the year (restated)	-	-	348	348
Actuarial gain on defined benefit pension schemes	-	-	6,635	6,635
Deferred tax charges arising on the pension actuarial gain	-	-	(775)	(775)
<b>At 30 April 2020 (restated)</b>	<b>20,010</b>	<b>3,361</b>	<b>(79,272)</b>	<b>(55,901)</b>
Issue of shares	75,000			75,000
Profit for the year	-	-	6,549	6,549
Other comprehensive income for the year:				
Remeasurement of net defined benefit liability	-	-	(786)	(786)
Deferred tax arising on the actuarial gain recognised in the pension scheme	-	-	171	171
<b>At 30 April 2021</b>	<b>95,010</b>	<b>3,361</b>	<b>(73,338)</b>	<b>25,033</b>

The notes on pages 33 to 72 form an integral part of these financial statements.

The statement of changes in equity for the year ended 30 April 2020 and year ended 30 April 2019 have been restated to correct a prior period adjustment. The effect of the restatement is summarised in note 3.

# **ZELLIS UK LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 30 APRIL 2021**

#### **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 16.

#### **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:

- the requirements of paragraphs 45(b) and 46 to 52 of IFRS 2 Share Based Payments in respect of group settled share-based payments

## **ZELLIS UK LIMITED**

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

### **FOR THE YEAR ENDED 30 APRIL 2021 (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; and
- disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures as a non-financial institution.

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 2021, 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 1-10. 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 £6.5m (2020: £0.3m) and generated Operating profit (before significant restructuring, one-off items, property provisions, amortisation of intangibles and depreciation of tangible fixed assets) of £29.9m (2020: £33.5m). 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 £25m (2020: net liabilities of £55.9m) for the year ended 30 April 2021.

The Directors have considered the projected cash flow of the Company for a period of twelve-month from the date of approval of these financial statements. 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 for the twelve-month period from the date of approval of these financial statements 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 2021 amounted to £33.1m (2020: £90.0m).

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 2021 (CONTINUED)**

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

### **Going concern (continued)**

Consequently, the directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for a period of at least twelve months from the date of signing of these financial statements. Therefore, these accounts have been prepared on a going concern basis.

### **Non-GAAP performance measures**

The board have presented 'Operating profit before significant separately disclosed items, amortisation of intangibles and depreciation of tangible fixed assets' 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;
- Provision of business processes as a service ('BPaaS');
- Customer solutions;
- Background checking.

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 2021 (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 2021 (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.

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

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

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

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

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

## **ZELLIS UK LIMITED**

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

### **FOR THE YEAR ENDED 30 APRIL 2021 (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 2021 (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 2021 (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%, 5-year

# **ZELLIS UK LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 30 APRIL 2021 (CONTINUED)**

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

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

forecasts and terminal growth rate of 2.5%. These have remained the same from prior financial year.

The surplus headroom above the carrying value of goodwill at 30 April 2021 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%

Additional ECL has been provided for in light of Covid-19. For debtor balances arising from customers in the industries most affected by the pandemic listed below, 50% of the outstanding balances have been provided for, and the incremental provision is recorded as exceptional.

- Leisure
- Travel
- Retail & Wholesale (non-essential)
- Automotive & Transport

# **ZELLIS UK LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 30 APRIL 2021 (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 2021 (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
------------------------------	---------

### **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
------------------------------	-------------------

Fixtures, fittings and office equipment	2-10 years
---	------------

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 2021 (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 2021 (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 2021 (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 2021 (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 2021 (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 2021 (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

### FOR THE YEAR ENDED 30 APRIL 2021

### 3 Restatement of prior year balances

A prior year restatement has been made to rectify adjustments in the FY20 company financial statements. This related to understatement of the accumulated interest expense accrual from an intercompany loan to parent of £12.5m.

The effect of restatement on the Statement of Financial Position as at 30 April 2019 was as follows:

£'000	As previously reported	Restatements	As restated
Deferred Tax asset	19,730	2,424	22,154
<b>Total Assets</b>	<b>181,198</b>	<b>2,424</b>	<b>183,622</b>
Trade and other payables	107,454	6,695	114,149
<b>Total liabilities</b>	<b>243,233</b>	<b>6,695</b>	<b>249,928</b>
Accumulated losses	(81,210)	(4,271)	(85,481)
<b>Total equity</b>	<b>(57,839)</b>	<b>(4,271)</b>	<b>(62,110)</b>

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
Deferred Tax asset	21,583	1,682	23,265
<b>Total Assets</b>	<b>141,031</b>	<b>1,682</b>	<b>142,713</b>
Trade and other payables	106,232	12,542	118,774
<b>Total liabilities</b>	<b>226,239</b>	<b>12,542</b>	<b>238,781</b>
Accumulated losses	(68,412)	(10,860)	(79,272)
<b>Total equity</b>	<b>(45,041)</b>	<b>(10,860)</b>	<b>(55,901)</b>

The effect of the restatement on the income statement for the year 30 April 2020 was as follows:

£'000	As previously reported	Restatements	As restated
Revenue	98,388	-	98,388
Operating costs	(91,316)	-	(91,316)
<b>Operating profit</b>	<b>7,072</b>	<b>-</b>	<b>7,072</b>
<b>Operating profit before separately disclosed items, amortisation of intangibles and depreciation of tangible fixed assets</b>	<b>33,516</b>	<b>-</b>	<b>33,516</b>
Amortisation of acquired intangibles	(9,632)	-	(9,632)
Other expenses	(16,812)	-	(16,812)
<b>Operating profit</b>	<b>7,072</b>	<b>-</b>	<b>7,072</b>
Finance Income	1,148	-	1,148
Finance costs	(3,910)	(5,848)	(9,758)
Tax	2,628	(742)	1,886
<b>Profit for the year</b>	<b>6,938</b>	<b>(6,590)</b>	<b>348</b>

# ZELLIS UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 APRIL 2021

#### 4 Revenue

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

	2021	2020
	£'000	£'000

##### Continuing operations

SaaS and BPaaS	87,905	87,811
Customer Solutions, Background Checking and Other	10,874	10,577
	<b>98,779</b>	<b>93,388</b>

2021	2020
£'000	£'000

##### Deferred income / costs to contract assets & liabilities

Contract fulfilment assets – current	6,338	7,467
Contract fulfilment assets – non-current	9,642	12,645
Contract liabilities – current	(28,916)	(29,735)
Contract liabilities – non-current	(28,225)	(35,941)
<b>Net contract liabilities</b>	<b>(41,161)</b>	<b>(45,564)</b>

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

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

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

	2021	2020
	£'000	£'000

##### Revenue recognised in relation to contract liabilities

Revenue recognised that was included in the contract liability balance at the beginning of the periods	29,735	27,938
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No revenue has been recognised from performance obligations satisfied in previous periods.

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

**4 Revenue (continued)**

	2021	2020
	£'000	£'000

**Unsatisfied long-term contracts**

Aggregate amount of contracts partially or fully unsatisfied as at 30 April	180,249	208,000
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Management expects that of the transaction price allocated to the unsatisfied contracts as of 30 April 2021 of £180.2m (2020: £208.0m) will be recognised as revenue in the next reporting period. £75.5m, £54.7m, £33.2m, £11.7m and £4.9m will be recognised as revenue in reporting periods ending 30 April 2022, 30 April 2023, 30 April 2024, 30 April 2025 and 30 April 2026 respectively.

	2021	2020
	£'000	£'000

**Assets recognised from costs to fulfil a contract**

Asset recognised from costs incurred to fulfil contracts at 30 April	15,980	20,010
Amortisation recognised as cost of providing services during the period	7,085	6,648

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

**5 Operating costs**

	2021	2020
	£'000	£'000
<b>Operating profit for the year is stated after charging:</b>		
Staff costs (see note 9)	52,880	51,617
Amortisation of intangible assets	10,031	9,632
Depreciation of property, plant and equipment	719	870
Depreciation of Leased assets	3,271	4,685
Research and development costs	561	1,814
Significant separately disclosed items (see note 6)	6,774	11,257
Other operating charges	12,405	6,305
Management charges	3,061	4,136
	<b>87,092</b>	<b>91,316</b>

**6 Significant separately disclosed items**

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

	2021	2020
	£'000	£'000
Severance and restructuring	2,691	913
Business transformation and integration	3,201	8,495
Significant events and external circumstances	882	1,849
	<b>6,774</b>	<b>11,257</b>

Following the acquisition of the group by Bain Capital in February 2018, major transformations took place leading to material costs. These costs do not reflect the underlying trading results and are predominantly a result of the acquisition by Bain Capital because they would not have been incurred had the acquisition not taken place. Therefore, they are separately identified and reported which enables the shareholders and management to better understand the performance for the year and comparability between periods.

## **ZELLIS UK LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

### **FOR THE YEAR ENDED 30 APRIL 2021**

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

The costs relevant to the company 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 2021 the main costs related to restructuring/redundancies costs in order to continue to optimise our structure post acquisition. We have also exited 5 office locations including our head office at Hemel Hempstead. As a result, our head office has been moved to Bristol which involved the change of registered address for majority of the legal entities. A number of colleagues based on these office locations were also made redundant.

##### **2) Business Transformation and integration.**

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

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

##### **3) Significant events or external circumstances.**

Following unprecedented changes in global landscape, we have made a specific bad debt provision against the potential credit losses predicted in light of the Covid-19 pandemic as well as incremental holiday pay accrual. In addition, we have ensured our properties are Covid-19 secure including PPEs, extra signs, hand sanitation stations, rearrangements of fixture & fittings, etc.

# **ZELLIS UK LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

### **FOR THE YEAR ENDED 30 APRIL 2021**

#### **7 Auditor's remuneration**

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

	2021	2020
	£'000	£'000

#### **Fees payable to the company's auditor**

##### **For audit services**

Audit of the financial statements of the company	<b>75</b>	<b>73</b>
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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.

#### **9 Employees**

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

	2021	2020
	Number	Number
Sales	72	64
Managed services	351	393
Technology support	242	266
Implementation services	124	150
Administration	96	90
	<b>885</b>	<b>963</b>

Their aggregate remuneration comprised:

	2021	2020
	£'000	£'000
Wages and salaries	43,883	44,315
Social security costs	4,467	4,315
Other pension costs	4,530	3,987
	<b>52,880</b>	<b>52,617</b>

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

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

**10 Finance income**

	2021	2020
	£'000	£'000

**Interest income**

Interest on bank deposits	-	1
Interest receivable from group companies	4,208	1,147
	<b>4,208</b>	<b>1,148</b>

**11 Finance costs**

	2021	2020
	£'000	(restated) £'000

**Interest on financial liabilities measured at amortised cost**

Interest on bank overdrafts and loans	450	558
Interest on finance leases and hire purchase contracts	585	724
Interest payable to group undertakings	5,085	6,766
	<b>6,120</b>	<b>8,048</b>

**Interest on other financial liabilities:**

Interest on the net defined benefit liability	656	1,248
<b>Total interest expense</b>	<b>6,776</b>	<b>9,296</b>

**Other finance costs:**

Unwinding of discount on provisions	91	72
Foreign exchange (gain)/loss	(991)	390
<b>Total finance costs</b>	<b>5,876</b>	<b>9,758</b>

Finance cost for the comparative period has been restated to correct a prior period adjustment. The effect of the restatement is summarised in note 3.

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

**12 Tax**

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

	2021	2020 (restated)
	£'000	£'000
<b>Current tax</b>		
Adjustments in respect of prior periods	-	-
<b>Total current tax</b>	-	-
<b>Deferred tax</b>		
Origination and reversal of temporary differences	972	769
Changes in tax rates	-	(2,000)
Adjustment in respect of prior periods	(112)	(655)
<b>Total deferred tax</b>	<b>860</b>	<b>(1,886)</b>
<b>Total tax (credited)/charged</b>	<b>860</b>	<b>(1,886)</b>

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

	2021	2020 (restated)
	£'000	£'000
Profit/(loss) before tax	7,409	(1,538)
Tax at the UK corporation tax rate of 19%	1,408	(292)
Effect of expense not deductible in determining taxable profit	120	(50)
Income not taxable	(51)	-
Adjustments in respect of previous periods	(112)	456
Effect of changes in UK corporation tax rate	-	-
Group relief	(505)	(2,000)
<b>Tax (credited)/charged for the year</b>	<b>860</b>	<b>(1,886)</b>

The tax credited has been restated to correct a prior period adjustment. The effect of the restatement is summarised in note 3.

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

**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:

	2021	2020
	£'000	£'000

**Deferred tax (credit)/charge:**

Actuarial differences recognised as other comprehensive income (gain)/loss	(171)	775
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Reductions in the UK corporation tax rate from 20% to 19% (effective from 1 April 2018) were substantively enacted on 26 October 2015.

**13 Intangible fixed assets**

	Goodwill	Other intangible Assets	Total
	£'000	£'000	£'000
<b>Cost:</b>			
At 1 May 2019	75,138	59,261	134,399
Additions	-	8,254	8,254
Write off	-	(249)	(249)
Transfers	-	(4,755)	(4,755)
<b>At 30 April 2020</b>	<b>75,138</b>	<b>62,511</b>	<b>137,649</b>
Additions	-	8,455	8,455
<b>At 30 April 2021</b>	<b>75,138</b>	<b>70,966</b>	<b>146,104</b>
<b>Amortisation:</b>			
At 1 May 2019	1,782	48,548	50,330
Charge for the year	-	9,632	9,632
Transfers	-	(2,428)	(2,428)
<b>At 30 April 2020</b>	<b>1,782</b>	<b>55,752</b>	<b>57,534</b>
Charge for the year	-	10,031	10,031
<b>At 30 April 2021</b>	<b>1,782</b>	<b>65,783</b>	<b>67,565</b>
<b>Net book value:</b>			
At 30 April 2021	<b>73,356</b>	<b>5,183</b>	<b>78,539</b>
At 30 April 2020	<b>73,356</b>	<b>6,759</b>	<b>80,115</b>

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

**13 Intangible fixed assets (continued)**

Impairment assessment on goodwill is performed on an annual basis. No indication of impairment was identified with headroom of £200m. 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 £14.0m.

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

**14 Property, plant and equipment**

	Leasehold improvements	Fixtures & fittings and office Equipment	Total
	£'000	£'000	£'000
<b>Cost:</b>			
At 1 May 2019	999	4,060	5,059
Additions	2	646	648
Write off	-	(1,000)	(1,000)
<b>At 30 April 2020</b>	<b>1,001</b>	<b>3,706</b>	<b>4,707</b>
Additions	-	1,016	1,016
Write off	(12)	(345)	(357)
<b>At 30 April 2021</b>	<b>989</b>	<b>4,377</b>	<b>5,366</b>
<b>Accumulated depreciation and impairment:</b>			
At 1 May 2019	468	1,665	2,133
Charge for the year	100	770	870
Write off	-	(833)	(833)
<b>At 30 April 2020</b>	<b>568</b>	<b>1,602</b>	<b>2,170</b>
Charge for the year	100	619	719
Write off	(8)	(4)	(12)
<b>At 30 April 2021</b>	<b>660</b>	<b>2,216</b>	<b>2,877</b>
<b>Net book value</b>			
At 30 April 2021	<b>329</b>	<b>2,160</b>	<b>2,489</b>
At 30 April 2020	<b>433</b>	<b>2,104</b>	<b>2,537</b>

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

**15 Investment**

	2021	2020
	£'000	£'000
Investments in subsidiaries	<u>15,501</u>	<u>15,501</u>

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
<b>Cost of valuation</b>	
At 1 May 2020	<u>16,562</u>
At 30 April 2021	<u>16,562</u>
<b>Impairment</b>	
At 1 May 2020	<u>(1,061)</u>
At 30 April 2021	<u>(1,061)</u>
<b>Carrying amount</b>	
At 30 April 2021	<u>15,501</u>
At 30 April 2020	<u>15,501</u>

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

**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:

	2021 £'000	2020 £'000
<b>Right-of-use asset</b>		
Building	4,761	6,110
Equipment	661	2,394
Vehicles	29	146
	<b>5,451</b>	<b>8,650</b>
<b>Lease liabilities</b>		
Current	1,627	3,254
Non-current	4,778	6,352
	<b>6,405</b>	<b>9,606</b>

The income statement shows the following amounts relating to leases:

	2021 £'000	2020 £'000
<b>Depreciation charge of right-of-use asset</b>		
Building	1,372	1,468
Equipment	1,783	3,100
Vehicles	116	117
	<b>3,271</b>	<b>4,685</b>
Interest expense	585	724
<b>Total recognised in the profit and loss</b>	<b>3,856</b>	<b>5,409</b>

The total cash outflow for leases was £1,992k (2020: £5,884k).

The company had non-cash transfer of right of use assets from intangible fixed assets of £0 (2020: £343k) and property, plant and equipment of nil (2020: nil). Leased asset addition was £73k (2020: £933k) in the year.

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

**17 Trade and other receivables**

	2021	2020
	£'000	£'000
<b>Debt instruments at amortised costs</b>		
Trade receivables	9,188	10,999
Less allowance for expected credit losses	(2,636)	(1,818)
<b>Net trade receivables</b>	<b>6,552</b>	<b>9,181</b>
Accrued income	1,656	1,655
Prepayment and other receivables	4,762	3,359
Amounts due from group undertakings	25,651	11,728
<b>Total trade and other receivables</b>	<b>38,621</b>	<b>25,922</b>

Included within the amounts due from group undertakings is a £1,078k (2020: £447k) 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
<b>At 1 May 2019</b>	526
Provision for expected credit losses	1,371
Utilised in period	(79)
<b>At 30 April 2020</b>	<b>1,818</b>
Provision for expected credit losses	831
Utilised in period	(13)
<b>At 30 April 2021</b>	<b>2,636</b>

# **ZELLIS UK LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

### **FOR THE YEAR ENDED 30 APRIL 2021**

#### **18 Subsidiaries**

The company's subsidiary undertakings at 30 April 2021, the nature of whose business is the development and supply of software and related services, and have only ordinary share capital, were:

<b>Name of undertaking</b>	<b>Registered office</b>	<b>Ownership interest (%)</b>
Zellis Dormco Limited	England and Wales	100%
Zellis Information Solutions Company Limited	Republic of Ireland	100%
Zellis Ireland Limited*	Republic of Ireland	100%
Cara Information Technology Limited **	England and Wales	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

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 2021**

**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 2019 (restated)	3,737	8,863	9,434	120	22,154
(Charge)/credit to profit or loss	(34)	2,242	(202)	(120)	1,886
Debit to other comprehensive income	-	-	(775)	-	(775)
<b>At 30 April 2020 (restated)</b>	<b>3,703</b>	<b>11,105</b>	<b>8,457</b>	<b>-</b>	<b>23,265</b>
Adjustments in respect of prior years	2	(116)	-	226	112
(Charge)/credit to profit or loss	(631)	-	(353)	12	(972)
Credit to other comprehensive income	-	-	171	-	171
<b>At 30 April 2021</b>	<b>3,074</b>	<b>10,989</b>	<b>8,275</b>	<b>238</b>	<b>22,576</b>

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:

	2021 £'000	2020 £'000
Deferred tax assets	22,576	23,265

The amount of deferred tax asset for both the periods ended 30 April 2020 & 2019 have been restated to correct a prior period adjustment. The effect of the restatement is summarised in note 3.

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

**20 Trade and other payables**

	2021	2020 (restated)
	£'000	£'000
Trade payables	3,192	3,238
Amounts due to group undertakings	33,130	102,586
Accruals	8,728	6,248
Other taxation and social security	3,358	6,229
Other payables	640	471
<b>Total trade and other payables</b>	<b>49,048</b>	<b>118,772</b>

The amounts owed to group undertakings has been restated to correct a prior period adjustment. The effect of the restatement is summarised in note 3.

**21 Provision for liabilities**

	2021	2020
	£'000	£'000
At 1 May	1,830	1,472
Utilisation	(527)	(113)
Transfers	(260)	-
Additions	16	397
Discount unwind	91	74
<b>At 30 April</b>	<b>1,150</b>	<b>1,830</b>
Analysed as:		
Current	404	200
Non-current	746	1,630
<b>At 30 April</b>	<b>1,150</b>	<b>1,830</b>

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

## **ZELLIS UK LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

### **FOR THE YEAR ENDED 30 APRIL 2021**

#### **22 Retirement benefit schemes**

##### **Defined contribution schemes**

The company participates in a defined contribution scheme. The assets of the scheme are held separately from those of the company in an independently administered fund.

The total costs charged to income in respect of defined contribution plans is £2.1m (2020: £1.3m).

##### **Defined benefit scheme**

The company operates two defined benefit schemes, the Northgate HR Pension Scheme and the Rebus Group Pension Scheme, both of which are closed to new employees. The information disclosed below is in respect of the whole of the plans for which the company is either the sponsoring employer or has been allocated a share of cost under an agreed group policy throughout the periods shown.

Benefits are related to salary close to retirement or leaving service (if earlier) and also to years of pensionable service. Assets are held in separate, trustee administered funds. Employer contributions to the schemes are determined on the basis of regular valuations undertaken by independent, qualified actuaries. As the schemes are closed to new entrants for pension accrual, under the method used to calculate pension costs in accordance with IAS 19, the cost as a percentage of covered pensionable payroll will tend to increase as the average age of the membership increases.

These defined benefit plans expose the company 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 £5m (2020: £1.5m) 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 2021****22 Retirement benefit schemes (continued)****Movements in the net defined benefit liability**

	Defined benefit obligation £'000	Fair value of plan assets £'000	Net defined benefit liability £'000
<b>At 30 April 2019</b>	<b>286,852</b>	<b>(233,962)</b>	<b>52,890</b>
Acquired through business combinations			
<b>Included in income statement</b>			
Current service cost	854	418	1,272
Interest expense / (income)	7,076	(5,828)	1,248
	<b>7,930</b>	<b>(5,410)</b>	<b>2,520</b>
<b>Included in statement of comprehensive income:</b>			
Financial assumptions	24,794	-	24,794
Demographic	3,324	-	3,324
Experience adjustment	(5,407)	-	(5,407)
Return on plan assets excluding interest income	-	(29,345)	(29,345)
	<b>22,711</b>	<b>(29,345)</b>	<b>(6,634)</b>
<b>Other</b>			
Contribution paid by the employer	-	(5,881)	(5,881)
Benefits paid	(7,686)	7,686	-
	<b>(7,686)</b>	<b>1,805</b>	<b>(5,881)</b>
<b>Net book value At 30 April 2020</b>	<b>309,807</b>	<b>(266,912)</b>	<b>42,895</b>

**ZELLIS UK LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 30 APRIL 2021****22 Retirement benefit schemes (continued)**

	Defined benefit obligation	Fair value of plan assets	Net defined benefit liability
	£'000	£'000	£'000
At 1 May 2020	309,807	(266,912)	42,895
<b>Included in income statement</b>			
Current service cost	965	734	1,699
Past service cost	222	-	222
Interest expense	4,885	(4,229)	656
	<b>6,072</b>	<b>(3,495)</b>	<b>2,577</b>
<b>Included in statement of comprehensive income:</b>			
Financial assumptions	5,056	-	5,056
Demographic	(5,989)	-	(5,989)
Experience adjustment	(2,054)	-	(2,054)
Return on plan assets excluding interest income	-	3,773	3,773
	<b>(2,987)</b>	<b>3,773</b>	<b>786</b>
<b>Other</b>			
Contribution paid by the employer	-	(4,322)	(4,322)
Benefits paid	(8,946)	8,946	-
	<b>(8,946)</b>	<b>4,624</b>	<b>(4,322)</b>
<b>Net book value At 30 April 2021</b>	<b>303,946</b>	<b>(262,010)</b>	<b>41,935</b>

**Fair value of plan assets**

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

	2021	2020
	£'000	£'000
Equities	25,231	18,120
LDI Funds	64,266	81,070
Multi-asset credit	18,345	14,487
Private credit	11,323	15,421
Property	25,240	24,152
Asset backed securities	49,638	47,637
Diversified growth funds	50,657	44,494
Cash and current assets	17,219	21,531
	<b>262,009</b>	<b>266,912</b>

**ZELLIS UK LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 30 APRIL 2021****22 Retirement benefit schemes (continued)**

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 pa	Rebus scheme pa
Discount rate	2.0%	1.6%
Future salary increases	1.0%	1.0%
Retail price inflation	3.2%	3.3%
Consumer price inflation	2.5%	2.7%
Future pension increases (2.5% LPI)	2.2%	2.0%
Future pension increases (5%LPI)	3.1%	2.6%

The weighted average durations of the expected benefit payments is about 17 years for the Northgate Scheme and 19 years for the Rebus Scheme. The current longevities underlying the values of the defined benefit obligation at the reporting date were as follows.

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

**ZELLIS UK LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 30 APRIL 2021****22 Retirement benefit schemes (continued)****Sensitivity analysis**

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

	£'000 Increase	£'000 Decrease
Discount rate (0.1% movement)	(5,372)	5,512
Inflation and related future pension growth (0.1% movement)	2,500	(2,487)
Future salary growth (0.1% movement)	-	(376)
Life expectancy (1 year movement)	<u>12,386</u>	<u>(12,259)</u>

**23 Share Capital**

	2021 £'000	2020 £'000
<b>Authorised, issued and fully paid:</b>		
95,010,000 Ordinary of £1 each (2020: 20,010,000)	95,010	20,010

On the 16 December 2020, 75,000,000 ordinary shares were issued at a nominal value of £1 each.

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.

**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 facility agreements with the bank providing £280m of available funding. Of this facility, the group has the following available committed floated rate borrowing activities as at 30 April 2021 in respect of which all conditions precedent had been met at that date:

	2021 £'000	2020 £'000
Expiring between 2 and 10 years	<u>297,930</u>	<u>290,068</u>

## **ZELLIS UK LIMITED**

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

#### **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 2021 was Bain Capital Europe Fund IV LP.

#### **26 Post balance sheet events**

There is no material post balance sheet event to report.

**For further information  
please visit [zellis.com](http://zellis.com)**

**[zellis.com](http://zellis.com)**

The Zellis logo is located in the bottom right corner of the page. It features the word "zellis" in a white, lowercase, sans-serif font. Above the letter "i" is a small white triangle pointing upwards and to the right. The logo is set against a solid black background that forms a diagonal shape in the bottom right corner of the page.

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