



SATURDAY



ACGIS2TT

A11

18/11/2023

#115

COMPANIES HOUSE

Company Registration No. 01587537

Zellis UK Limited

Annual Report and Consolidated Financial Statements.

For the year ended 30 April 2023.



zellis.com

ZELLIS UK LIMITED

COMPANY INFORMATION

Directors

John Petter

Alan Kinch

Abigail Vaughan (appointed 28 April 2023)

Secretary

Chris Fox

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 report1

Chief Executive Officer’s Review1

Our Strategic Framework4

Chief Financial Officer’s Review7

 Stakeholders.....9

 Our Colleagues.....13

 Environmental, Social and Governance16

 Risk and Opportunities24

 Corporate governance29

Directors’ report.....38

 Information included in the strategic report.....38

 Events after the reporting date.....38

 Directors.....38

 Director’s and Officer’s indemnities.....39

 Identity of private equity firm.....39

 Statement of compliance with the Guidelines for Disclosure and Transparency in Private Equity39

 Human rights39

 Bribery and corruption40

 Donations40

 Auditor.....40

 Approval.....40

Directors’ responsibilities statement.....41

Independent auditor’s report42

Income Statement47

Statement of comprehensive income48

Statement of financial position.....49

Statement of changes in equity.....51

Notes to the financial statements.....52

ZELLIS UK LIMITED STRATEGIC REPORT FOR THE YEAR ENDED 30 APRIL 2023

Chief Executive Officer's Review

The stage is set for a strong year for Zellis.

"This year marks the beginning of our next five-year plan, where we will build on the momentum of previous years to bring our best-of-breed solutions to more organisations than ever before. An approach which has emphasised listening closely to our customers and delivering against their challenges has put us in a strong position to further expand our leadership position in the market."



Background to the year

Zellis has demonstrated strong performance in FY23, with 12.5% revenue growth taking the business to £113M. These results, achieved against challenging conditions, provide significant momentum for future growth. This progress reflects the continued success of the group's business model, its strategic direction, and the direct results of our investments in people, product, and customer experience.

The Company exhibited strong revenue growth, with margin uplift from implemented strategic initiatives, which is a reflection both of our customers' enthusiasm for our solutions and our own ability to manage the challenges posed by inflation. Zellis has continued to deliver answers to our customers' requirements for advanced, efficient, and effective solutions and services.

This year also marks the successful conclusion of our original five-year plan, set out with the launch of the Zellis brand in 2019. Now, as we look ahead to the next five years, we are well positioned to capitalise on the experience, innovation, and customer relationships we have developed in that time.

Performance and outlook

Commitment to customer focus drives business results

Zellis has achieved another strong year, with 12.5% revenue performance and strong growth in sales bookings. The main engine for this growth has been the popularity of our flagship public cloud-based human capital management (HCM) solution, Zellis HCM Cloud. As of April 2023, over 46% of Zellis customers (212) have purchased Zellis HCM Cloud. A significant number of customers have migrated to the new enhanced tool, and nearly a quarter (43) of current customers on Zellis HCM Cloud are new customers.

One key element of the success of the Zellis HCM Cloud platform has been our commitment to continual improvement. We created a new Customer Help Centre platform to accelerate our customer service responsiveness and have been driving usage of the added-value features of the cloud platform through our customer success teams. Alongside these efforts, we worked to automate and remove friction from elements of the go-live process, and we have steadily introduced new connectors to popular HR software platforms like Cornerstone TalentLink and UKG.

One of the best indications of Zellis' success in delivering against customer needs is the significant upswing in the past twelve months for our Net Promoter Score (NPS), with the largest gains among BPaaS and HCM Cloud customers. Our investment in customer success management headcount was one of the key drivers of this outcome.

ZELLIS UK LIMITED STRATEGIC REPORT FOR THE YEAR ENDED 30 APRIL 2023 (CONTINUED)

Chief Executive Officer's Review (continued)

Performance and outlook (continued)

Commitment to customer focus drives business results (continued)

Part of this can be traced to the uptake of new solutions by our customers. 34% of our BPaaS shared services customers have now adopted our digital portal, which gets strong positive feedback from clients by adding transparency to the payroll process and easing transfer of data between us and our clients.

We have also enhanced our services proposition in response to customer need by adding an Application Management Service (AMS) and BI (Business Intelligence) Consulting Service to our portfolio of offerings. Our ZMS division (BPaaS ("Business Process as a Service") managed services) had a strong year, with new business and cross-sell wins contributing to 8% revenue growth. Our investment in a specialist payroll 'management consulting team' has been very well received by customers as a means of further improving their practices. We saw continued benefits from our digital transformation programme in terms of payroll accuracy and efficiency. Our payroll accuracy level of 99.95% (equates to 0.5 errors per 1,000 payslips) significantly exceeds the industry average of 99.615% (3.85 issues per 1,000 payslips).

In September, Zellis announced the appointment of leading HR and payroll software expert David Woodward as its new Chief Product and Technology Officer (CPTO), joining the Zellis Group Executive Committee. David is one of the most experienced leaders in the HR and payroll industry, with over three decades in the sector, including senior roles at some of the industry's most prominent organisations. Since joining in December 2022, David has assumed leadership of technical and product development, guiding the next wave of innovations for Zellis' solutions.

A rapid response to third-party cyber incident

In late May 2023, Zellis, alongside a large number of organisations, was impacted by the discovery of a zero-day vulnerability in Progress Software's MOVEit Transfer software. Zellis deployed MOVEit Transfer software as a bespoke tool for a small number of our clients, which limited exposure to the incident. No Zellis-owned software was impacted, and thorough investigation confirmed that the majority of our customers were completely unimpacted by the incident, though sadly 8 were affected.

Once we became aware of the vulnerability we took immediate action, disconnecting the server that utilised MOVEit software and engaging internal and external expert security response teams. All customers, impacted and otherwise, were provided with a timely flow of support, reassurance, and information. All services to clients continued without interruption.

Zellis has been working closely with relevant national and international government bodies, including the Information Commissioner's Office (ICO), the Data Protection Commission (DPC), and the National Cyber Security Centre (NCSC).

Looking ahead

Zellis will continue to double down on the proven drivers of growth from the past few years. This means selling Zellis HCM Cloud to new customers as well encouraging existing customers to upgrade to the cloud. We will also be cross selling more customers to our Zellis Managed Services (ZMS) BPaaS Service and rolling out the digital portal to existing BPaaS customers.

ZELLIS UK LIMITED STRATEGIC REPORT FOR THE YEAR ENDED 30 APRIL 2023 (CONTINUED)

Chief Executive Officer's Review (continued)

Performance and outlook (continued)

Looking ahead (continued)

We will continue to innovate so that we stay ahead of our customers' most pressing concerns. This will include the launch of a new, premium, 24-hour, seven-day SLA version of helpdesk support. We see this as being likely to appeal to customers running weekly payrolls or working outside of normal hours.

The next year will see major investment in our payroll product to redesign the payroll process as a real-time exercise, which has potentially transformative benefits for our clients. In addition, we are continuing to invest in enhancing our HR self-service modules. This will involve sunsetting some older modules and rewriting others to create a truly consumer grade experience.

One of the key elements of the HCM cloud strategy has been its open data integration layer, which enables real-time API-based integrations with other software. We will continue to build on this approach by adding new partnerships where we see the most potential to create value for our customers. An early example of this is the launch of the MyView PayNow financial wellbeing app in partnership with Wagestream. This creates, for the first time, a single, integrated access point for a wide range of financial support, including flexible pay, personal savings, budget planning, and benefits eligibility assessments.

The appetite among our customers and prospects to adopt a modern solution remains strong, and we will continue to rise to that challenge.



John Petter

Director

05 October 2023

**ZELLIS UK LIMITED
STRATEGIC REPORT
FOR THE YEAR ENDED 30 APRIL 2023 (CONTINUED)**

Our Strategic Framework

Our Purpose

We are Zellis. The UK and Ireland's leading provider of pay, analytics, and people experiences.

Our purpose is to:

**Power exceptional
employee experiences so
you and your people do better.**

Our Vision

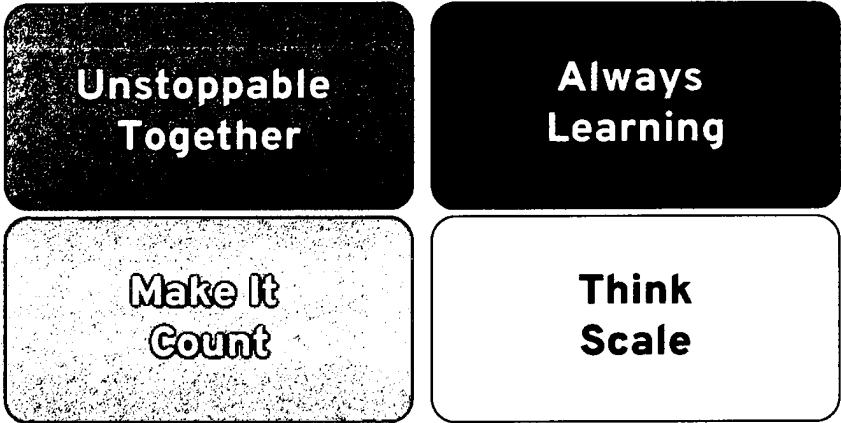
Our vision is to be the clear leader in **pay, analytics, and people experiences**. There is nothing more important to us **than building trusting and beneficial relationships with our customers**, using our size, scale, and breadth of experience to **offer tailored solutions that precisely meet their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

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

**ZELLIS UK LIMITED
STRATEGIC REPORT
FOR THE YEAR ENDED 30 APRIL 2023 (CONTINUED)**

Our Strategic Framework (continued)

Our Values



Our Business Strategy

High growth strategic roadmap building on our proven track record of focussing on a strong core and building on that core to expand available market.

Initiatives to deliver a step change in the strength of the company’s presence as a leader in HR software.

Doubling EBITDAC over the five years from FY22 to FY27, with options to further accelerate this profile through M&A.



**ZELLIS UK LIMITED
STRATEGIC REPORT
FOR THE YEAR ENDED 30 APRIL 2023 (CONTINUED)**

Our Strategic Framework (continued)

Our Strategic Drivers

Bulletproof Core.

Solutions that are cloud-based, secure, robust and proactively compliant 100% of the time.

Intelligent Platform.

A platform customers want to leverage and partners want to build on, setting new standards and meeting ever more needs.

Consumer Grade.

Intuitive employee experiences delivering moments of magic that build great cultures.

Unbreakable Relationships.

Broader, deeper strategic customer partnerships that endure because we focus relentlessly on outcomes.

ZELLIS UK LIMITED STRATEGIC REPORT FOR THE YEAR ENDED 30 APRIL 2023 (CONTINUED)

Chief Financial Officer's Review

"Another strong year of performance for Zellis."

"Our strong financial performance in FY23 reflects the continued progress the Company has made, accelerating revenue growth, and delivering operating leverage. We have delivered double digit revenue growth by delivering cloud-based solutions that deliver value to our customers."



Financial review

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

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

Turnover for the year ended 30 April 2023 was £113.5m (2022: £100.9m). Operating profit, excluding significant separately disclosed items, amortisation of intangibles and depreciation was £44.7m (2022: £36.1m), and the Profit before tax for the financial year was £31.4m (2022: profit £19.1m).

Net assets have increased in the year (2023: £96.5m; 2022: £69.5m). Non-current assets of £144.7m (2022: £144.2m) 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 £111.7m (2022: £103.8m) include a £57.3m (2022: £46.5m) balance payable to other companies in the group. The valuation of the defined benefit pension scheme is a net liability of £ 24.3m (2022: £24.3m).

Zellis is the largest provider of payroll and HR software, and managed services, to UK and Ireland-based companies within the enterprise and public sector payroll segment. With over 50 years' experience and almost 800 employees, we count roughly a third of the FTSE 100 as customers, and pay over three million employees every month. We are also the people behind ResourceLink, now part of Zellis HCM Cloud, which won the Chartered Institute of Payroll Professionals' (CIPP) Payroll Software of the Year Award in 2020 and 2021.

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. We design solutions that keep our customers ahead of change as they navigate the regulatory complexity and workforce uncertainty that exist in today's business landscape.

Zellis is the market leader in the UK, helping organisations to align their people and talent strategy to their business strategy. We are 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 via 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' IP remains a key differentiator, as well as the foundation for our HR and payroll service offerings. As well as having the strongest payroll offering in the UK and Ireland, Zellis' solutions support the entire employee lifecycle, integrating payroll with talent, HR, reporting, analytics, and more – with a superior user experience.

ZELLIS UK LIMITED STRATEGIC REPORT FOR THE YEAR ENDED 30 APRIL 2023 (CONTINUED)

Tax

The effective tax charge for FY23 was £1.1m (FY22 effective tax credit (£2.1m)), resulting in an effective tax rate of 3.4% (FY22: credit (10.7%)). The statutory income tax credit for FY23 was £6.1m (FY22: £3.6m), resulting in a statutory tax rate of 19.5% (FY22: 19%).

The difference between effective and statutory rates in FY23 primarily reflects a combination of impact of group relief and other small, disallowed income and expenditure. The FY23 effective tax rate has increased due to changes in the enacted UK tax rates resulting in a hybrid UK statutory rate of 19.5% for FY23.

Research and Development

The Company is committed to its principal products and will continue to invest in its product roadmap which is focused on building to maximum effect on the momentum developed over the past five years. The product strategy has been developed to provide our customers with a compliant, insightful, and engaging experience through its flagship HR and payroll platforms.

The Group continues to open up commercial opportunities by investing in its flagship product HCM cloud.

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



Alan Kinch

Director

05 October 2023

ZELLIS UK LIMITED STRATEGIC REPORT FOR THE YEAR ENDED 30 APRIL 2023 (CONTINUED)

Stakeholders

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 ("Power exceptional employee experiences so you and your people do better") values (Unstoppable together; Always learning; Make it count; Think Scale) and strategic priorities (an integrated approach to pay and reward; deep understanding of customer needs; new insights through data integration and analytics; leading service delivery with process and automation gains; great customer/colleague experience) we aim to balance those different perspectives. Our strategy is met through our business model focusing on delivering value for our stakeholders. We have outlined how we engage, create value (by focusing on what matters to the Company) and the key inputs (in what the Company is doing) that delivers this for our stakeholders.

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

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

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

ZELLIS UK LIMITED STRATEGIC REPORT FOR THE YEAR ENDED 30 APRIL 2023 (CONTINUED)

Stakeholders (continued)

Suppliers

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

How we engage

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

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

What matters to them?

Our supply base contains a wide range of companies with varying priorities. The effective application of our supplier management approach ensures that we manage them appropriate to the risk and value they present to the business and 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. Zellis UK pay 90% of their invoices within agreed terms. [Payment practice report for ZELLIS UK LIMITED \(check-payment-practices.service.gov.uk\)](#)

What we are doing

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

We are also continuing to work collaboratively with suppliers to ensure they are aligned to our strategic objectives, and we gain access innovations in the fast-changing supply markets which includes establishing shared environmental sustainability initiatives and reporting on sustainability issues.

Customers

Our customers are spread across all industry sectors from mid-market (1,000+ employees).

How we engage

Each customer has regular contact with a relationship manager who will discuss new opportunities on their accounts and give access to our support services team to raise incidents and request advice. We maintain and regularly update an online customer help centre which has streamlined the process for our customers to get quick access to the information and support they required.

For larger customers with more complex service requirements, we hold regular meetings and provide them with timely reports and KPIs on our services and control environments.

ZELLIS UK LIMITED STRATEGIC REPORT FOR THE YEAR ENDED 30 APRIL 2023 (CONTINUED)

Stakeholders (continued)

Customers (continued)

What matters to them?

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

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

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

What are we doing?

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

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

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

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

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.

ZELLIS UK LIMITED STRATEGIC REPORT FOR THE YEAR ENDED 30 APRIL 2023 (CONTINUED)

Stakeholders (continued)

Pension trustees (continued)

What matters to them?

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

What are we doing?

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

Colleagues

What matters to them?

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

We believe that if we focus on doing better for our people, and building a great colleagues experience, we will be best placed to serve the needs of our customers and enhance the communities we operate in.

How we engage / What are we doing?

See separate "Our Colleagues" section.

Community

See separate "Our Community" section in our Environmental, Social and Governance report.

Environment

See separate "Our Environment" section in our Environmental, Social and Governance report.

**ZELLIS UK LIMITED
STRATEGIC REPORT
FOR THE YEAR ENDED 30 APRIL 2023 (CONTINUED)**

Our Colleagues

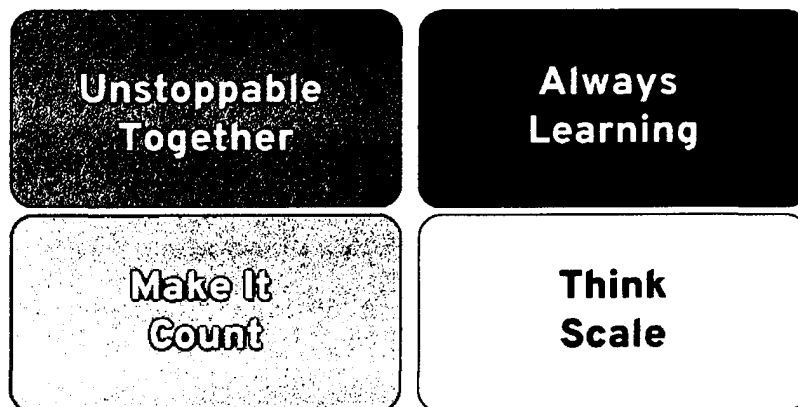
Our culture

**Power exceptional
employee experiences so
you and your people do better.**

As a purpose driven company, we are committed to doing better for our people and for society, and we work hard to create an inclusive, engaging and values-driven culture that people want to join and are proud to be part of.

Since 2019 our three values, created with input from all 2,000+ colleagues across the Group, have underpinned our culture. Looking to the future, we believe evolving our existing values will help us achieve our growth ambition and build a better experience for our colleagues and customers.

Our four evolved values are:



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

We believe that if we focus on *doing better for our people*, and building a great colleagues experience, we will be best placed to serve the needs of our customers and enhance the communities we operate in.

ZELLIS UK LIMITED STRATEGIC REPORT FOR THE YEAR ENDED 30 APRIL 2023 (CONTINUED)

Our Colleagues (continued)

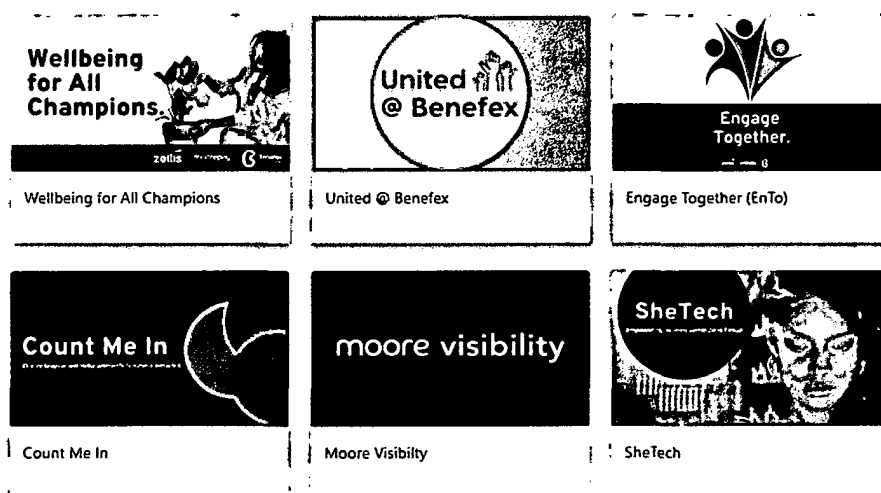
Engagement strategy

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

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

We believe the greatest action comes from our colleagues, and we're committed to promoting representation through the development of colleague-led networks to foster connection, promote awareness and celebrate diversity. Our six colleague-led networks are voluntary groups of colleagues that come together based on their shared identity, experiences, or passions. They span all geographies and business areas, and provide opportunities for support, development, outreach, and networking.

Our six colleague led networks:



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

Growth and development

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

Over the past year across the Group our colleagues have completed 12,417 digital learning modules and 8 colleagues have successfully completed apprenticeships with 51 active apprenticeships taking part in 16,779 hours of 'off the job learning'. 389 colleagues have attended our group-induction, and colleagues have completed over 40,000 hours of learning throughout FY23!

ZELLIS UK LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 30 APRIL 2023 (CONTINUED)

Our Colleagues (continued)

Reward and recognition

We offer a reward and recognition framework that recognises each colleague's individual circumstances, and unique contributions to the company.

- We review pay annually to ensure we are providing fair and equitable pay.
- We are an accredited Real Living Wage employer.
- We offer private medical cover to colleagues, funded by Zellis.
- Our flexible benefits offering gives colleagues choice to select the right benefits for them, whether for peace of mind, such as insurance for them and their family, or to enable lifestyle choices, such as cycle to work and travel benefits as well as range of resources and benefits to support financial wellbeing.
- Our recognition platform MyAppreciation creates an in-the-moment social way for colleagues to recognise their peers anytime, anywhere against our values, and we also celebrate and reward colleagues' achievements through our monthly values-based recognition award programme, with 7,097 recognitions received throughout FY23.

At Zellis we welcome gender pay gap reporting as an effective way for us, along with other organisations, to gain visibility on progress for gender pay parity – an intrinsic part of achieving gender equality.

Our latest report is available at: [ZELLIS UK LIMITED gender pay gap data for 2022-23 reporting year – GOV.UK – GOV.UK \(gender-pay-gap.service.gov.uk\)](https://gov.uk/gender-pay-gap/service/gov.uk)

As of 30 April 2023, the proportion of females was as follows:

	2023 Total	2023 Females
Directors and Company Secretary ^[1]	4	25%
Executive team ^{[1],[2]}	4	25%
Senior leadership team ^[3]	37	41%
Colleagues	754	48%
Total	799	48%

[1] Directors / Executive Team are paid through another Group Company

[2] Executive team as defined on page 30

[3] Senior leaders reporting into the Executive team

**ZELLIS UK LIMITED
STRATEGIC REPORT
FOR THE YEAR ENDED 30 APRIL 2023 (CONTINUED)**

Environmental, Social and Governance

Doing better for our people and society.

At Zellis, we believe it’s our responsibility to make a positive difference to our colleagues, customers, and the communities we operate in, across three areas of influence:

Wellbeing for all.	Diversity of thought and experiences.	Strong Communities.
Make pay and benefits easier to understand. Promote wellbeing through digital resources. Build knowledge and confidence or better financial wellbeing.	Empower organisations to be representative and equitable through data. Advance inclusion and celebrate differences. Champion pay equality and benefits.	Protect our environment for future generations. Nurture high quality employment and workplace experiences. Make charitable giving easy.

And by 2027 our Group ESG ambitions are to:

Support 5 million people with financial and mental wellbeing.	Have truly diverse leadership with 50% women and 20% diverse characteristics . Help more than half our customers to be truly diverse/representative.	Be operationally net carbon zero and achieve B Corp status .
--	---	--

How we are making progress

Our commitment to ESG is core to how we operate as a business. Our ESG framework and ambitions are inclusive of all Zellis Group – Zellis, Moorepay, and Benefex – and covers all geographies. ESG has Board level oversight, and an Executive Team level Steering Committee. Progress is driven by focused working groups that are centred around our priorities.

Our **ESG awards and certifications** provide third-party recognition that we are making real progress to achieve our ESG ambitions and targets, and that we are committed to doing things the right way.

ZELLIS UK LIMITED STRATEGIC REPORT FOR THE YEAR ENDED 30 APRIL 2023 (CONTINUED)

Environmental, Social and Governance (continued)

Doing better for our people and society (continued)

How we are making progress (continued)

EcoVadis is the world's largest and most trusted provider of business sustainability ratings. In 2022 we achieved Bronze medal status and we are on track to achieve Silver in 2023.



The Carbon Disclosure Project (CDP) is a platform used by companies to disclose their environmental management and carbon emissions. In 2022, our first year of disclosure, we achieved a 'C' rating.



Proud signatory of the UN Global Compact demonstrating our commitment to advancing the 17 UN Sustainable Development Goals, building high quality employment experiences, and preserving our environment.



We are an accredited Real Living Wage employer.



Recognised as Top 10 Employer for Women in Tech.



As an honoured partner of Pennies from Heaven we have been awarded a Pennies from Heaven Gold Award and quality mark.



Wellbeing for All

Wellbeing for All is our commitment to supporting our **colleagues', physical, financial, and emotional wellbeing**. Plus, as the UK's leading provider of HR, pay, reward, analytics and employee experiences, our software, services, and solutions touch millions of people so we can maximise our impact and **reach our goal of supporting 5 million people with financial, mental, and physical wellbeing**.

Why is it important?

As work is such a huge part of our lives, receiving the right support in the workplace plays a vital role in overall wellbeing and allows colleagues to thrive at work.

ZELLIS UK LIMITED STRATEGIC REPORT FOR THE YEAR ENDED 30 APRIL 2023 (CONTINUED)

Environmental, Social and Governance (continued)

Doing better for our people and society (continued)

Wellbeing for All (continued)

Wellbeing for Zellis Colleagues

In March 2023 we launched our new **Wellbeing for All hub, which brings together all our wellbeing support** – be it financial, physical, or emotional – into one easy-to-access location, including information on our Employee Assistance Programme (EAP) services in each country, our new Wellbeing for All Champions, or details about the wide range of benefits to choose from.

Wellbeing for Zellis customers

The product teams take responsibility for ensuring our product roadmap supports the company's ambitions to promote wellbeing for our customers' employees.

For example, **Zellis delivers interactive digital payslips**, supporting employee's financial wellbeing by empowering people to better understand their pay and benefits, helping them budget more effectively and build their financial resilience.

This year Zellis is partnering with Wagestream, a registered B Corp, to introduce **MyView PayNow**. This will enable Zellis to offer its customers a simple plug-in to our self-service software, allowing employees to access flexible pay, budgeting and tracking, sidecar saving, and state benefits eligibility-checking. There is compelling evidence to show how this will contribute to the financial wellbeing of employees, as well as contributing to business outcomes by helping our clients fill shift slots, recruit, and retain people.

Diversity of thought and experiences

At Zellis we work hard to create an inclusive and engaging, values-driven culture that people want to join and are proud to be part of. We believe a culture of Diversity, Equity, and Inclusion (DEI) not only benefits our company but supports wellbeing and enables our colleagues to work better because they can be themselves and feel they belong.

A **diverse** workplace is one that acknowledges the benefit of having a range of perspectives in decision making and in which colleagues are representative of the communities the business operates in and the customers it serves.

An **equitable** workplace is one in which all colleagues have equal opportunities and support to succeed and grow, irrespective of their gender, sexual orientation, gender reassignment, race, nationality, religion or belief, age, marital or civil partnership status, pregnancy or maternity, disability, or *any* personal characteristics they may have.

Inclusion means that colleagues' differences are valued and applied to enable everyone to thrive at work. Colleagues feel they belong without having to conform, that their contribution matters and they're able to perform to their full potential, irrespective of their background.

ZELLIS UK LIMITED STRATEGIC REPORT FOR THE YEAR ENDED 30 APRIL 2023 (CONTINUED)

Environmental, Social and Governance (continued)

Doing better for our people and society (continued)

Diversity of thought and experiences (continued)

Why is it important?

We believe we have a unique role to play in supporting organisations to become more diverse and representative in a number of ways:

Zellis' MyView self-service software (MyDiversity Data) is designed to make it easy and secure for employees to declare their diverse characteristics, enabling their employer to build and track evidence-based plans. We have also provided our HCM Cloud customers with a PowerBI dashboard to interpret this data.

- We have invested in comprehensive research to reveal employee points of view, and provide best practice guidance for employers, in collaboration with leading experts and institutions including The Economist Intelligence Unit.
- Enabling organisations to meet current and developing our products to ensure they can meet future pay gap reporting requirements such as gender, disability, ethnicity, and CEO pay gap reporting.
- Championing pay equity and personalised employee benefits that are easily accessible to all.

Supporting Diversity, Equity, and Inclusion through our role as an employer

In 2022 we introduced the ambitious target that **by 2027 we aim to achieve truly diverse leadership with 50% women**. To achieve this ambition, we continue to review our talent pipeline, both from an internal promotion perspective, and also our approach to external recruitment. We are committed to hiring and promoting the best people into leadership roles, and we make pay decisions based on skills, job-related experience, the market value of the job, and performance. We continuously monitor our recruitment process, including advertising, interviewing, and onboarding to ensure that we promote inclusion at every opportunity and attract from the widest talent pools, limiting unconscious bias and barriers to joining.

We provide enhanced training for managers to support them to source and select talent, ensuring balanced shortlists and practical tools and data to support hiring decisions and break down barriers to entering work for people from disadvantaged or underrepresented groups.

We are also proud that delegates on our two main internal talent development programmes, **Making Management Count and Future Leaders, are two thirds women**. Looking ahead at long term career paths and progression, we are passionate about improving employability in the communities we operate, and actively developing our more junior talent with **56% of our apprentices being women**.

This has led to us being recognised as **Top 10 Employer for Women in Tech**.

As a business committed to continuously improving the way we do things – for both our colleagues and our customers – we want to go a step beyond the usual pre-employment diversity monitoring questions, as we recognise that life circumstances, personal identities, and the confidence people have in sharing data changes throughout time.

ZELLIS UK LIMITED STRATEGIC REPORT FOR THE YEAR ENDED 30 APRIL 2023 (CONTINUED)

Environmental, Social and Governance (continued)

Doing better for our people and society (continued)

Diversity of thought and experiences (continued)

Within Zellis we are committed to an evidence-based approach, using our own MyDiversity Data module. Since asking colleagues to declare their diversity data from May 2022, we have been able to begin to track trends, and progress, enabling us to better understand who we are a business, and target resources and support in the most impactful way.

Strong Communities

By working with our colleagues, customers, and suppliers we aim to protect and strengthen the communities we work in, through high-quality employment experiences, environmental stewardship, and supporting charities and community organisations.

Why is it important?

We believe we all have a responsibility to **protect the environment** and do what we can to minimise our carbon impact.

Given what we do as a business, we have the opportunity to **improve the impact of charities and community organisations through payroll giving**, making it more accessible and efficient for people to give to charity and ensuring that charities have a reliable and steady stream of income on which to build and expand their impact.

We are also uniquely positioned to support customers to **provide high-quality employment and workplace experiences** for their employees and encourage more sustainable behaviours through employee benefits.

Progress against our ambitions

One of the ways we are **helping make charitable giving easy** is by partnering with Pennies from Heaven, to give our UK & ROI colleagues, and Zellis customers' the opportunity to donate the pennies – or cents – from their monthly pay directly to charity and this year maximize our impact, Zellis will triple the amount raised in 2023 through match funding.

In recognition of the generosity of our colleagues, with almost 30% of our UK and ROI colleagues signing up in our first year of partnership, we have been awarded a Pennies from Heaven Gold Award and quality mark.

We are on track to **become operationally Net Zero by 2027** and fully Net Carbon Zero, including our whole supply chain by 2050 or sooner.

To achieve this, we are making strides to improve efficiency in our offices and reduce consumption. We have already made the move to renewable energy and continue to make upgrades to facilities and equipment such as lighting to be more energy efficient. We're also procuring green gas – renewable and low carbon alternatives to traditional gas – for our heating systems.

ZELLIS UK LIMITED STRATEGIC REPORT FOR THE YEAR ENDED 30 APRIL 2023 (CONTINUED)

Environmental, Social and Governance (continued)

Doing better for our people and society (continued)

Strong Communities (continued)

EcoVadis is the world's largest and most trusted provider of business sustainability ratings and is used by many of our customers. In 2022 we received bronze medal status and we are on track to achieve silver in 2023.

The **Carbon Disclosure Project (CDP)** is a platform used by companies to disclose their environmental management and carbon emissions. It grades companies from D- to A and we in 2023 achieved a 'C' in our first year of disclosure and are working to improve our rating for 2023.

We've set our sights on **achieving B Corp Status by 2027** to better understand how we can improve as a business for the benefit of our colleagues, customers, and communities. Certified B Corps are companies deemed to meet extremely high standards of social and environmental performance, transparency, and accountability. They harness the power of their business to positively impact all their stakeholders, which means they act responsibly both internally and externally.

Our Environment

Our Commitments

The Group has set environmental objectives aligned to the environmental risk assessment. Our environmental programme targets mitigating environmental aspects and impacts of significance to channel our focus and effort where we can make a difference to all our stakeholders.

Looking forward, Zellis Group continues to work with their external lead assessor in developing our environmental plan with clearly defined objectives and metrics, such as becoming operationally net carbon zero by 2027, to measure our performance and progress in a timeline proportionate for our business.

Progress during the year

Since the last reporting period, we have made good progress against our ESG ambitions. Strengthening our governance, we subscribed to UN Global Compact on 11 April and are working towards becoming B-Corp certified by 2027. We continue to provide voluntary disclosures via CDP, a platform used by companies to disclose their environmental management and carbon emissions and maintain our regulatory duty to comply with the Energy Savings Opportunity Scheme (ESOS), and the Streamlined Energy Carbon Reporting Regulation, (SECR) disclosure which demonstrates compliance with Task Force on Climate-related Financial Disclosures (TCFD).

To effect change we established a dedicated multi-stakeholder group who deliver our environmental programme. The membership includes colleagues from people, property and procurement, finance, and governance, risk, and compliance. Performance reporting flows to a dedicated committee formed of Executive and Senior Leaders and at Board level, including a dedicated company director with appropriate knowledge of environmental management.

Our group risk management practices also incorporate environment management and climate change risk into group risk reports in accordance with our corporate governance and risk management frameworks.

ZELLIS UK LIMITED STRATEGIC REPORT FOR THE YEAR ENDED 30 APRIL 2023 (CONTINUED)

Environmental, Social and Governance (continued)

Our Environment (continued)

How we are reducing our environmental impacts of significance

Our environmental plan is based on a mandatory environmental risk assessment, and we utilise the impact assessment to continually review and inform how to develop our plan, practices, and improve our overall environmental performance. The environmental plan is all encompassing and considers how we finance and resource initiatives to remediate risk impacts proportionate to their significance and benefit to the environment. We have also calculated our contingent budget for offsetting against our residual impacts on the environment. We are focused on reducing our impacts on the environment to reduce our dependency on offsetting.

Reducing the environmental impact of our business

The nature of our business and operating model is not highly impacting on the environment however, we are committed to making improvements to our environmental practices at a corporate, colleague and wider community level within our supply chain and with our customers.

Environmental impact of our offices

Our offices are within tenanted managed buildings, and we have proactively engaged with our landlords to reduce our energy consumption and waste reduction with proactive re-cycling and reuse initiatives.

Activities under our control have included diverting 90% of our electronic waste from landfill to licensed recycling and re-purposing services.

We have improved procurement practices moving towards sustainable procurement. We transitioned to suppliers providing 100% green energy for electricity and changed our data centre providers, of which they are committed to becoming net zero by 2039 and 2050.

Environmental impact of transport

Business travel is our biggest impact on the environment due to the nature of our business and our operating model. We have seen an increase in our emissions following our return to the office post Covid19, although our continued hybrid working model reduces some of this impact as well as improving colleague work and home life balance which is key to our *Wellbeing for all* approach.

Supporting the transition to low-carbon economy

Zellis understands our exposures to transitional change climate risks following the scenario analysis in accordance with our documented processes for environmental risk and business continuity risk assessments which integrate climate change threats.

Environment management and voluntary reporting

We are pleased with the progress made in our voluntary reporting, with our voluntary external EcoVadis assessment seeing an improvement from 38 to 51, resulting in us achieving bronze medal status. It was reported by the external assessors that we achieved a year-on-year performance increase of 13 points, higher than the subscription average of 4.3 points.

In July 2022, we voluntarily disclosed our emissions through the CDP, scoring a grade C (out of A to E), using the feedback to update our environmental risk assessment and enhance our environmental management practices.

ZELLIS UK LIMITED STRATEGIC REPORT FOR THE YEAR ENDED 30 APRIL 2023 (CONTINUED)

Environmental, Social and Governance (continued)

Our Environment (continued)

Environment management and regulatory reporting (continued)

Zellis Group meets the eligibility thresholds for environmental regulatory reporting under the Energy Savings Opportunity Scheme (ESOS) and since April 2022, the Streamlined Energy and Carbon Reporting (SECR). LG Energy Group, appointed on 10 March 2022, continues to deliver our Environmental regulatory assessments under ESOS and SECR.

Energy Consumption and Green House Gas ('GHG') emissions and energy use data for period 1 May 2022 to 30 April 2023

The disclosure is presented in Zellis Holdings Limited financial statements for the year ended 30 April 2023.

Our Colleagues – See separate Colleagues section as well as "Doing Better for People and Our Society" section on Page 16.

Our Customers

We appreciate that our customers are increasingly conscious of the impact of their entire business and supply-chain on the environment and the communities in which they operate. Our ESG strategy is something we recognise as equally important to our customers as it is to our colleagues. Our evidence-based strategy relies on clear, independent accreditations and specific, demonstrable results. We recognise this as an imperative for customers who are looking for clear, reportable information about our progress against our ambitions.

ESG presents a regular section in our regular customer updates and plays an important role in our customer events and roundtables. We celebrate our achievements through our website and social channels and maintain sites where customers can get regular updates on the current state of our strategy.

Our Communities

By working with our colleagues, customers, and suppliers we aim to protect and strengthen the communities we work in, through high-quality employment experiences, environmental stewardship, and supporting charities and community organisations.

We uphold human rights and commit to our anti-modern slavery and human trafficking statement and report on the performance of our action plan to the Home Office on how we contribute to the prevention of associated financial crimes.

Our action plan includes maintaining oversight of our supply chains ensuring alignment with FATF recommendations. We recognise the richness of our payrolling data and how this can be utilised to detect modern slavery, forced and bonded labour. In line with requirements, we ensure our colleagues are trained and aware of the signs of this crime and societal atrocity.

ZELLIS UK LIMITED
STRATEGIC REPORT
FOR THE YEAR ENDED 30 APRIL 2023 (CONTINUED)

Risk and Opportunities

Risk and Opportunities management system



The Group operates a centralised risk management system in accordance with ISO31000 to support the integration of laws and regulations requiring risk assessments, management practices and group risk and opportunities reporting. Their risk-based approaches are firmly embedded from strategic, commercial and sales, to operational levels.

Their ways of working inculcate the core principles of risk management. There are varying levels within the management system which are in place to inform the business on best practices and standardise ways of working. We have a framework in which all our governance documentation, processes, systems, and internal controls are designed to interact across all other management systems.

We maintain policy and minimum requirements integrating them into our systems and controls through documented standard operating procedures. We operate Company activities on several lines of defence with appropriate segregation between the defences for the nature and size of our business. We ensure the 1st line of defence is held to account for taking risk, the 2nd line of defence is independent from the 1st line with segregated duties to maintain compliance oversight on all business activities. The 3rd line of defence assesses the effectiveness of the 1st and 2nd lines and reports on design effectiveness and consistent application of our systems and controls as well as compliance with laws and regulations.

The overall design of the 3 lines of defence helps to integrate risk management practices within our corporate governance framework and all other management systems grouped into our GRC Manual which forms an interactive enterprise document management system.

1 st line of defence	<ul style="list-style-type: none">• Risk owners• Senior managers• Control owners• Operational employees• Support services employees	Responsible and accountable for managing risk in all business operations and support services.
2 nd line of defence	<ul style="list-style-type: none">• Governance• Risk• Compliance• Supplier Assurance	Design and delivery of the GRC programme needed for compliance oversight on the 1 st line.
3 rd line of defence	<ul style="list-style-type: none">• Internal audit	Independent assessment and evaluation of the 1 st and 2 nd lines.
External audit	<ul style="list-style-type: none">• 3rd party certifications programme and voluntary subscriptions	Independent external assessment by certification bodies or voluntary initiatives.
External stakeholders	<ul style="list-style-type: none">• Regulators• Customer audits	Regulatory supervision, intervention, and enforcement. Supplier assurance (where we are the sub-processor).

**ZELLIS UK LIMITED
STRATEGIC REPORT
FOR THE YEAR ENDED 30 APRIL 2023 (CONTINUED)**

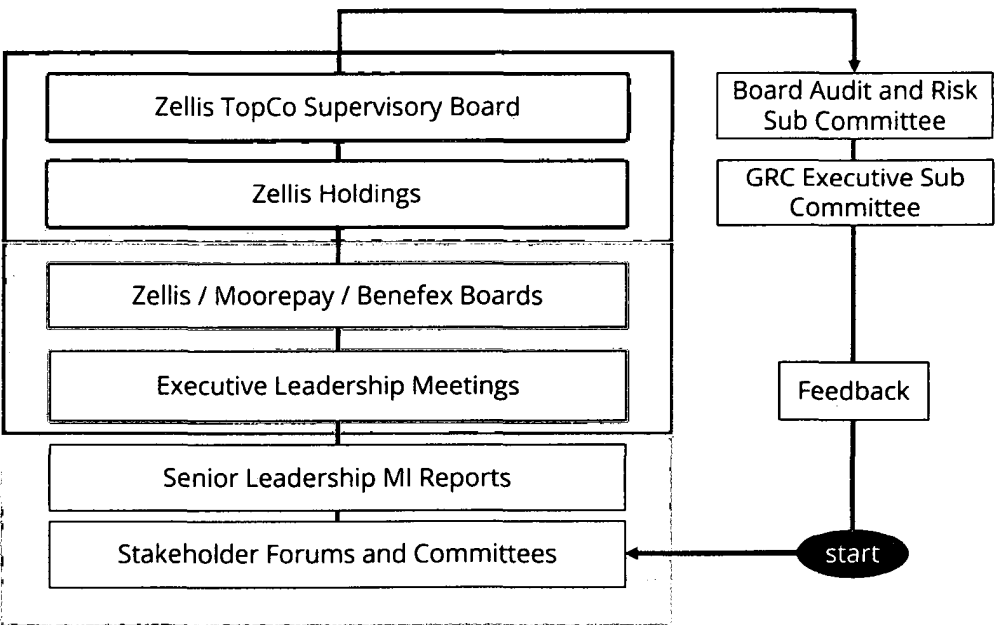
Risk and Opportunities (continued)

Our risk reporting structure

Our group risk reporting integrates with the corporate governance framework ensuring risk and opportunities management remains a matter reserved for the Board. We operate reporting at different levels within the group structure holding Executive and Company Directors accountable for their performance by the Board. The first line of accountability is held at the entity level where risk reports are incorporated into executive business reviews.

The Governance, Risk and Compliance (GRC) Executive Sub-Committee provides the first group reporting level to view aggregate risks and report on the provisions and performance of the overall GRC programme. The ultimate supervisory authority for GRC is the Audit and Risk Committee of Zellis TopCo which meets each quarter. The outcomes of all these meetings are flowed back to the business to ensure continual improvement as well as expediency when implementing remedial actions.

The Group Head of Compliance is the senior leader held responsible and accountable for regulatory compliance and in accordance with all applicable laws, regulations and industry practice and presents the GRC report to the Board.



In parallel to GRC reporting, a sub-division of risk reporting is dedicated to information security. The Chief Information Security Officer is the senior leader responsible for information security and reports on the overall position of our performance ratings, defences, and health of our security systems and controls.

Information security follows the same reporting structure illustrated above ensuring the ultimate supervisory authority receives the information security management system performance reporting with the appropriate accountability.

ZELLIS UK LIMITED STRATEGIC REPORT FOR THE YEAR ENDED 30 APRIL 2023 (CONTINUED)

Risk and Opportunities (continued)

Risk appetite and tolerance thresholds

The Board and the Executive with the support of the Group Head of Compliance reviewed and updated risk appetite and tolerance thresholds for each risk type to ensure they remain appropriate to emerging trends, threats. Periodically adjustments were made in line with the performance of our systems and controls.

Risk appetite and tolerance thresholds for each of the risk classifications (sustainability, financial, compliance and operational) are periodically reviewed and approved at least annually to keep the way we articulate our risk in line with how we leverage risk within the business.

We recognise the business must take risk to support growth but monitor and measure the extent of risk taken in all our decision-making to stay within appetite and tolerance thresholds. Our risk appetite is described as 'hungry, open or averse' and aligns to an industry standard and practices.

Looking forward, we will be reporting on opportunities to enable an enhanced positive outlook following the digitisation of our risk management processes.

Principal risks and uncertainties

The Board has overall responsibility for the Group's approach to assessing risk and understanding the effectiveness of our systems and internal control. Board monitoring of business performance helps provide shareholder and investor confidence with a return that is consistent from a responsible assessment and mitigation of risks.

Our risk management process includes reviewing risks sitting in the following categories:

- 1) Financial
- 2) Sustainability
- 3) Compliance
- 4) Operational

ZELLIS UK LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 30 APRIL 2023

Principal risks relevant to the Company, associated with each of these categories are highlighted in the relevant sections below:

Risk		Mitigation
Financial risk management		
Credit risk	<p>Definition 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.</p> <p>Current risk position Limited risk from the Company's trade and other receivables from customers.</p>	<ul style="list-style-type: none"> • Management has a credit policy in place and the exposure to credit risk is monitored on an on-going basis. Credit evaluations are performed on all customers requiring credit over a certain amount. • The Company does not require collateral in respect of financial assets. • At the reporting date there were no significant concentrations of credit risk.
Liquidity risk	<p>Definition Liquidity risk is the risk that the Company will not be able to meet its financial commitments as they fall due.</p> <p>Current risk position This is managed at the Group level.</p>	<ul style="list-style-type: none"> • The Company is being funded by its ultimate parent company and participates in the group's syndicated Senior facility and the Group accounts show an increased profit and liquidity compared to the prior year. The company has received written assurance from its parent company for financial and other support within 12 months of the financial statement date.
Sustainability risk management		
Corporate governance risk	<p>Definition Corporate governance risks are those which emerge from board composition, the complexity of corporate structures, and the quality of our information flows and mechanisms within the Group.</p> <p>Current risk position No significant risk following implementation of Wates corporate governance principles.</p>	<ul style="list-style-type: none"> • The Group enhanced its corporate governance practices by aligning to Wates corporate governance principles for large private companies. • Continual review and development of corporate governance approach utilising external advisors where appropriate: this delivers standards of compliance in line with best industry practice.
Business continuity risk	<p>Definition Any threat that disrupts the functioning of our business.</p> <p>Current risk position Principal risks to business continuity arise from cyber-security, our supply chain and third parties.</p>	<ul style="list-style-type: none"> • We continue to prioritise the development and improvement of our cyber defences to protect our technology perimeter and customers. • Supply chain risks are mitigated through a cross-functional supplier assurance programme. • The Executive Leadership are fully immersed into our processes for delivering contingency plans utilising the right advice and technical expertise.

ZELLIS UK LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 30 APRIL 2023

Risk		Mitigation
Compliance risk management		
Non-financial reporting risk	<p>Definition Non-standardised performance reporting on operational risk matters against a set of prescribed requirements.</p> <p>Current risk position At the time of this report, all current non-financial reporting requirements were met. (ESOS, SECR, Modern Slavery, Gender Pay Gap Reporting).</p>	<ul style="list-style-type: none"> • Zellis Group operates a centralised GRC programme which monitors, reports and operationalises changes required as a result of new laws and regulations. • We are developing and documenting our processes to improve the overall quality of our non-financial reporting by utilising standards for benchmarking purposes.
Operational risk management		
Information and cyber security and IT risk	<p>Definition The information management and cyber security threats to our business and our customers and suppliers associated with the operation and use of information systems and environments we use in our business.</p> <p>Current risk position We continue to strengthen our information security and information technologies to keep pace with emerging threats. We are proactively improving our data management provisions and IT and security systems and controls to bring exposures within appetite.</p>	<ul style="list-style-type: none"> • We have dedicated information and cyber security teams for all our brands. • The Group is certified to ISO27001, and Cyber Essentials supported by additional certifications by brand. • We continue integrating our data protection and data privacy policies into operations and building robust data flow mapping capabilities across our estate and supply chains. • We have appropriate internal systems and controls for information technology, information security techniques and cyber security.
Third party risk	<p>Definition Unsatisfactory standards of compliance or adverse events in the supply chain that cause disruption to our business and service provision.</p> <p>Current risk position At the time of reporting, we continue to develop our sourcing and supply relationship management practices to enhance our supplier assurance programme.</p>	<ul style="list-style-type: none"> • We have redefined ways of working and moved to sustainable procurement practices. • We are developing supplier relationship management practices to roll out during the next reporting period. • We have an independent supplier assurance programme separate to procurement and supplier relationship management to ensure the reach of the GRC programme extends into the supply chain and meets customer expectations. • We are digitising our supply assurance process to enhance our visibility on data protection, data privacy and security of information through data flow mapping which will also support compliance with modern slavery provisions.

ZELLIS UK LIMITED STRATEGIC REPORT FOR THE YEAR ENDED 30 APRIL 2023

Risk and Opportunities (continued)

Principal risks and uncertainties (continued)

Inflation and cost-of-living crisis

High levels of inflation, and the consequential impact on individuals facing a severe cost-of-living crisis, remain a pressing concern for employers everywhere. These conditions have remained consistent in the medium term, which has fuelled the demand for employers to offer effective, measurable, and long-term solutions to help support the financial, physical, and mental health of their employees.

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

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

Corporate governance

The Role of the Board

The Board is collectively responsible for the long-term success of the company operating within a structured corporate governance framework delivering entrepreneurial leadership within a prudent but effective risk management framework. The Board sets our strategic aims and assesses the adequacy of resources to meet objectives, reviews Executive performance and promoting successful delivery whilst upholding our codes of conduct, values, and standards. The risk management framework enables group risk reporting informing the Board with the right information needed to gain a clear line of sight into the management and performance of the business. Through proactive engagement, the Board constructively challenges the Executive giving them direction on the tone of behavioural compliance and conduct for ethical practices and ways of working defining our culture.

The Board drives value creation without exposure to excessive risk or value destruction, staying compliant with laws, regulations, subscribed codes and fulfilment of the statutory duties of Directors. Their role overall is stewardship and oversight of the Executive to ensure successful delivery of the right outcomes for all stakeholders.

Board Diversity

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

ZELLIS UK LIMITED STRATEGIC REPORT FOR THE YEAR ENDED 30 APRIL 2023

Corporate Governance (continued)

Statutory Directors' & Company Secretary's Biographies



John Petter*
Chief Executive Officer

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



Alan Kinch*
Chief Financial Officer

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



Abigail Vaughan*
Chief Operating Officer

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



Chris Fox*
Group General Counsel and Company Secretary

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

****John Petter, Alan Kinch, Abigail Vaughan and Chris Fox are also part of Our Executive Team.***

ZELLIS UK LIMITED STRATEGIC REPORT FOR THE YEAR ENDED 30 APRIL 2023

Corporate Governance (continued)

Our Executive Team



Tom Canning
Chief Commercial Officer

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



Caroline Drake
Chief People Officer

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



David Woodward
Chief Product and Technology Officer

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



George Dunnett
Chief Product Officer

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

ZELLIS UK LIMITED STRATEGIC REPORT FOR THE YEAR ENDED 30 APRIL 2023

Corporate Governance (continued)

Board Composition

Zellis Topco Limited

The Supervisory Board

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

Membership

- Christophe Jacobs Van Merlen, Bain Capital, Executive Director
- James Stevens, Bain Capital, Executive Director
- Jacqueline Summons, Independent Non-Executive Director
- Charles Megaw, Bain Capital
- John Petter, Zellis Group Chief Executive Officer
- Alan Kinch, Zellis Group Chief Financial Officer

The Audit and Risk Committee

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

Executive and NED Membership

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

ZELLIS UK LIMITED STRATEGIC REPORT FOR THE YEAR ENDED 30 APRIL 2023

Corporate Governance (continued)

Board Composition (continued)

Zellis Topco Limited (continued)

The Audit and Risk Committee (continued)

Senior Leadership Reporting

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

Zellis Holdings Limited

Board

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

Executive and NED Membership

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

GRC Executive Sub Committee

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

ZELLIS UK LIMITED STRATEGIC REPORT FOR THE YEAR ENDED 30 APRIL 2023

Corporate Governance (continued)

Board Composition (continued)

Zellis Holdings Limited (continued)

GRC Executive Sub Committee (continued)

Executive Membership

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

Senior Leadership Membership

- Samantha Wood, Group Head of Compliance and MLRO
- Andrew Codling, Corporate IT Director (previously Ian Clarke, Interim Zellis Chief Information Officer)
- Russ Fray, Zellis Chief Information Security Officer.

Information Security Executive Sub Committee

Zellis Holdings Limited operates an Information Security Sub Committee delivered by the Chief Information Security Officer and meets monthly. Membership comprises of 6 Executive members and includes the Executive Directors of Moorepay and Benefex, plus three Executives of Zellis Group, the Group General Counsel and Company Secretary. The Executive receive the Chief Information Security Officer report on the performance of the information security programme.

Information Security Executive Sub Committee

Executive Membership

- John Petter, Group Chief Executive Officer
- David Woodward, Chief Product and Technology Officer (previously Marko Perisic)
- Abigail Vaughan, Chief Operating Officer
- Chris Fox, Group General Counsel and Company Secretary

Senior Leadership Membership

- Russ Fray, Chief Information Security Officer
- Samantha Wood, Group Head of Compliance
- Dave Gibson, Principal Security Operations Specialist

ZELLIS UK LIMITED

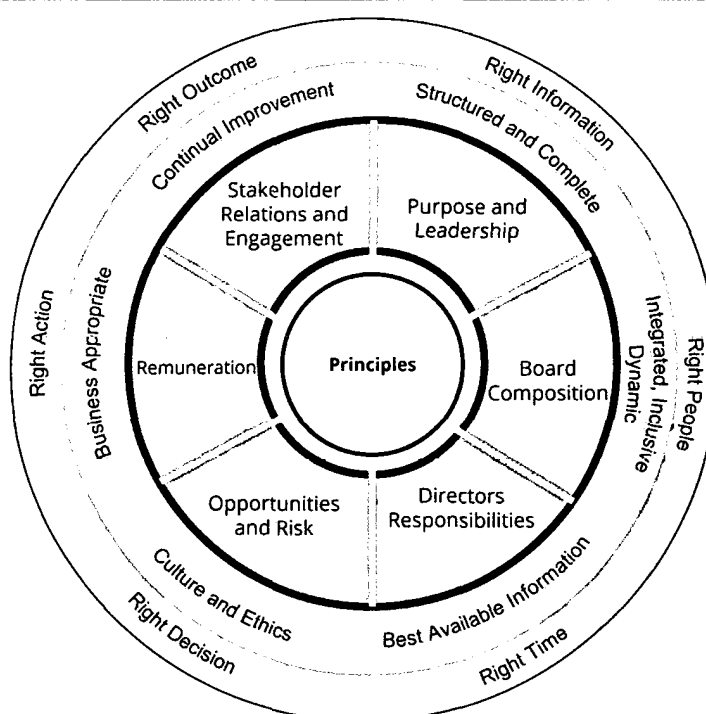
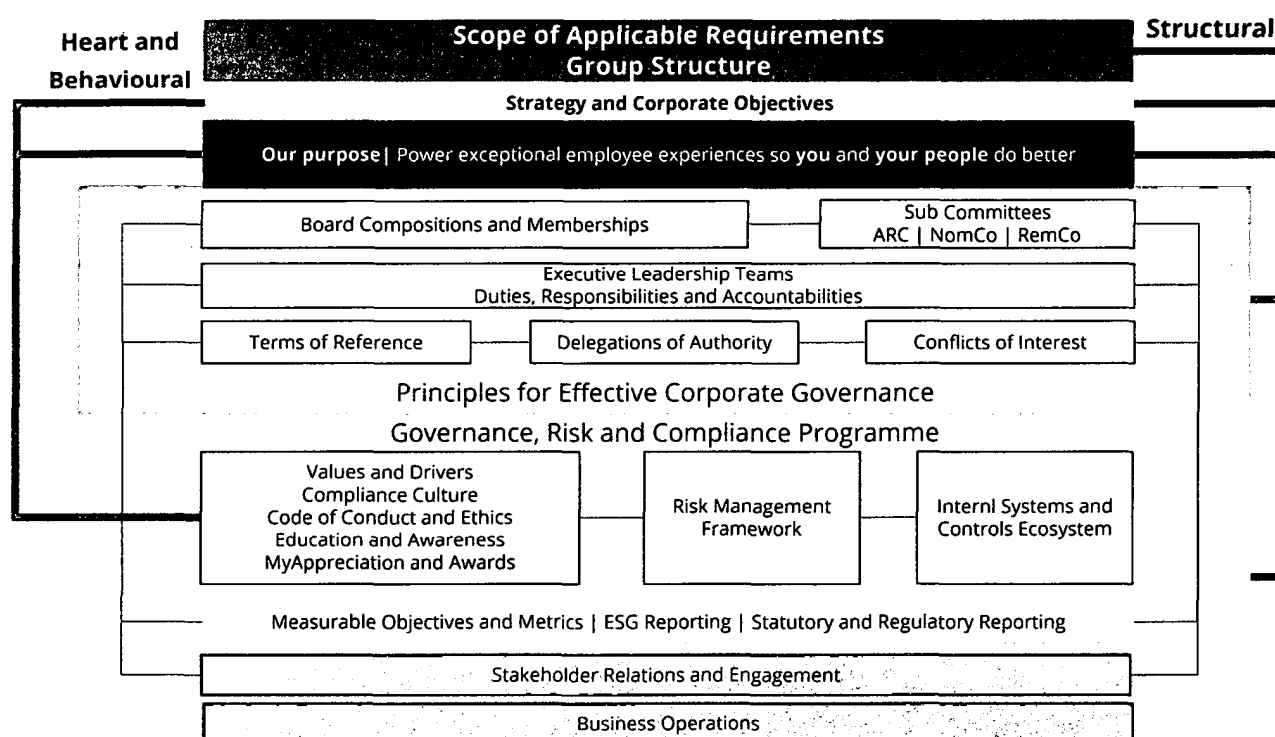
STRATEGIC REPORT

FOR THE YEAR ENDED 30 APRIL 2023

Corporate Governance (continued)

Corporate Governance Framework

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



ZELLIS UK LIMITED STRATEGIC REPORT FOR THE YEAR ENDED 30 APRIL 2023

Corporate Governance (continued)

Corporate Governance Framework (continued)

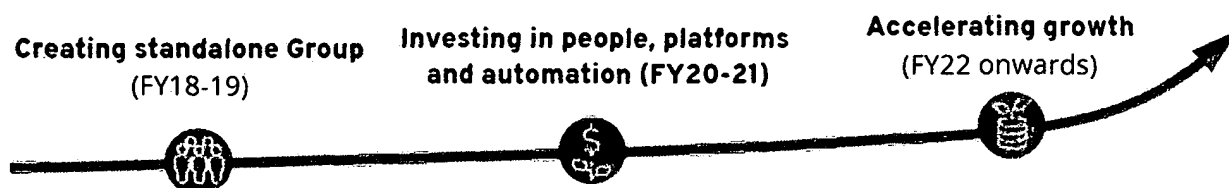
There are two elements to our corporate governance, the mechanisms which are the corporate governance and the risk management frameworks supported at an operational by an enterprise GRC Manual connecting subject matter divided into management systems and frameworks synergised through a set of corporate governance and risk management principles. This synergy helps influence and shape behavioural compliance in line with our code of conduct and ethics. Our governance mechanisms are therefore deliberately and closely connected to the heart of our purpose, our vision, our conscience, our values, and our culture.

Health and safety

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

Principal Decisions

We have built the foundations for sustainable growth.



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

Stage 1 - Creating a standalone Group (FY18-FY19)

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

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

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

- **New leadership – clear strategic roadmap**
 - clear strategic roadmap
 - 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 2023

Corporate Governance (continued)

Principal Decisions (continued)

- **Product investments**
 - 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.
- **Sales force and go-to-market reinvigorated**
 - BPaaS transformation - developing digital workflows to improve speed and accuracy and to deliver significant automation.

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

Stage 3 – Accelerating Growth (FY22 onward).

Focused on investment in “Go to Market” and building of strong suite of competitive products.

Following the launch of Zellis HCM, we have moved into the accelerated growth phase. New Sales Annual Recurring Revenue show high compound annual growth rate % over the past 3 years as a result, and we enter into FY24 with a very healthy pipeline and expect sales to grow significantly again in FY24 with a diversified set of revenue streams.

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

This report was approved by the board of directors on 05 October 2023 and signed on its behalf by:



Alan Kinch

Director

ZELLIS UK LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 APRIL 2023

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 2023.

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

Information included in the strategic report

The Directors' Report, together with the Strategic Report on pages 1 to 37, represent the management report for the purpose of compliance with legislation. As permitted by legislation, some of the matters required to be included in the Directors' Report have been considered in the Strategic Report as the Board considers them to be of strategic importance. Specifically, these are:

Subject Matter	Reference
Financial risk management objectives and policies	Risk Management section in the Strategic Report (page 24).
Stakeholders	s172 section in the Strategic Report.

Events after the reporting date

Details of significant events since the reporting date are contained in note 25 to the Company financial statements.

Research and development

The research and development performed by the Company is documented within the Strategic report on page 8.

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 (2022: nil).

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

Abigail Vaughan (appointed 28 April 2023)

ZELLIS UK LIMITED DIRECTORS' REPORT FOR THE YEAR ENDED 30 APRIL 2023 (CONTINUED)

Director's and Officer's indemnities

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

Identity of private equity firm

On 30 April 2023, 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 2023, the Directors consider the annual report and financial statements to comply with all aspects of the Guidelines for Disclosure and Transparency in Private Equity.

Going concern

The Directors have a reasonable expectation that the 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 53 of the financial statements.

Human rights

Although our group operations are predominantly in the United Kingdom, we recognise that human rights extend to our supply chains and is a global matter. The Group therefore aims to ensure all colleagues are aware of the atrocities faced by people whose human rights are contravened or deprived. Zellis Group has subscribed to UN Global Compact as part of the development of our ESG programme. This includes formalising the incorporation of human rights and ILO conventions in labour laws relevant to our business and our supply chains. In relation to data protection and data privacy we also respect the rights of data subjects be they colleagues within our business, contractors, or customer and supplier employees. The Group commits to complying with all applicable laws and regulations which are operationalised by the People Team policies.

Modern Slavery is a matter reserved for the Board and the statement is reviewed and filed annually as well as being published on our website. Our modern slavery statement outlines our commitments towards how we can contribute in the national and international goals to eradicate such offences. The statement includes reporting on the outcomes of our actions and performance as well as setting objectives and commitments for the next reporting period.

ZELLIS UK LIMITED DIRECTORS' REPORT FOR THE YEAR ENDED 30 APRIL 2023 (CONTINUED)

Bribery and corruption

The Group commits to sustaining standards guided by our Financial Crime Prevention Management System which is supported with behavioural governance through our Group Code of Conduct and Ethics. The management system is all encompassing, incorporating provisions to safeguard against bribery and corruption within all business activities where bribery and corruption could arise. We proactively encourage the right behaviours and conduct to ensure colleagues recognise what a bribe is, how to avoid them and report attempted bribery and corruption. We continually review the legislative and regulatory environment for changes to ensure our training programme and our systems and controls remain adequate.

Donations

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

Auditor

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

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

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

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

Approval

This report was approved by the board of directors on 05 October 2023 and signed on its behalf by:



Alan Kinch

Director

ZELLIS UK LIMITED DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 30 APRIL 2023

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

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

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

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

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



Alan Kinch

Director

05 October 2023

ZELLIS UK LIMITED INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 30 APRIL 2023

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 2023, which comprise income statement, consolidated statement of financial position, consolidated 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 2023 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 interest rate rises, 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.

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.

ZELLIS UK LIMITED

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 30 APRIL 2023 (CONTINUED)

Conclusions relating to going concern (continued)

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.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

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 themselves. 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 2023 (CONTINUED)

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, set out on page 41, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. 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 and discussions with in-house legal. We corroborated the results of our inquiries to board minutes and other supporting documentation;
- 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 legal legislation relating to employment, health & safety, data protection and environmental issues, as those most likely to have a material affect if non-compliance were to occur;
- We communicated relevant laws and potential fraud risks to all engagement team members and remained alert to any indicators of fraud or non-compliance with laws and regulations throughout the audit;
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud may occur. We considered the opportunity and incentives for management to perpetrate fraud, and the potential impact on the financial statements;
- In assessing the potential risks of material misstatement, we obtained an understanding of;
 - the Company's operations, including the nature of its revenue sources and its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in the risks that may result in risks of material misstatement;
 - the Company's key performance indicators and their propensity to influence efforts made by management to manage earnings;

ZELLIS UK LIMITED

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 30 APRIL 2023 (CONTINUED)

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

- the Company's control environment including the finance system and controls which includes controls over journal postings, that the group has established to address risks identified, or that otherwise prevent, deter and detect fraud, and how senior management monitor the finance system and controls;
- where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. Our audit procedures involved journal entry testing and undertaking substantive procedures within revenue.
- In addition, we completed audit procedures to conclude on the compliance of disclosures within the annual report and financial statements with applicable financial reporting requirements.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it;
- Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's;
 - understanding of, and practical experience with, audit engagements of a similar nature and complexity through appropriate training and participation;
 - 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.

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

**ZELLIS UK LIMITED
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 30 APRIL 2023 (CONTINUED)**

Use of our report

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



Tim Lincoln

Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants

Bristol

05 October 2023

ZELLIS UK LIMITED
INCOME STATEMENT
FOR THE YEAR ENDED 30 APRIL 2023

Income statement	Note	2023	2022
		£'000	£'000
Revenue	3	113,489	100,871
Operating costs	4	(82,074)	(80,372)
Operating profit		31,415	20,499
Operating profit before significant separately disclosed items, amortisation of intangibles and depreciation		44,728	36,079
Amortisation of intangibles	12	(8,333)	(8,269)
Depreciation of tangible assets		(1,229)	(876)
Depreciation of leased assets		(2,828)	(2,942)
Significant separately disclosed items	5	(923)	(3,493)
Operating profit		31,415	20,499
Finance income	9	4,843	2,983
Finance costs	10	(4,811)	(4,373)
Profit before tax		31,447	19,109
Tax credit / (charge)	11	(1,072)	2,052
Profit for the year		30,375	21,161

The notes on pages 52 to 88 are an integral part of these financial statements. All operations relating to continuing operations.

ZELLIS UK LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 APRIL 2023

	2023	2022
	£'000	£'000
Profit for the year	30,375	21,161
Other comprehensive income:		
Items that will not be reclassified subsequently to profit or loss		
Remeasurement of net defined benefit liability	(4,502)	15,248
Deferred tax arising on the actuarial (loss)/gain recognised in the pension scheme	1,126	(3,811)
Total items that will not be reclassified to profit or loss	(3,376)	11,437
Total comprehensive income for the year	26,999	32,598

The notes on pages 52 to 88 form an integral part of these financial statements.

ZELLIS UK LIMITED
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 30 APRIL 2023

		2023	2022
	Note	£'000	£'000
Non-current assets			
Goodwill	12	73,356	73,356
Other intangible assets	12	23,033	21,029
Property, plant and equipment	13	2,869	2,735
Right of use assets	15	6,210	8,141
Contract assets	3	3,898	5,028
Investments	14	15,501	15,501
Deferred tax asset	17	19,809	18,374
		144,676	144,164
Current assets			
Trade and other receivables	16	106,290	79,082
Contract assets	3	8,479	7,769
Current tax receivables		26	-
Cash and cash equivalents		5,475	916
		120,270	87,767
Total assets		264,946	231,931
Current liabilities			
Trade and other payables	18	76,094	63,091
Bank overdrafts		-	2,485
Lease liabilities	15	2,450	2,469
Contract liabilities	3	32,218	35,452
Provisions	19	928	265
		111,690	103,762
Non-current liabilities			
Lease liabilities	15	2,925	5,532
Contract liabilities	3	26,632	28,079
Provisions	19	1,541	822
Deferred tax liability	17	1,383	-
Retirement benefit obligations	20	24,298	24,258
		56,779	58,691
Total liabilities		168,469	162,453
Net assets		96,477	69,478

ZELLIS UK LIMITED
STATEMENT OF FINANCIAL POSITION (CONTINUED)
FOR THE YEAR ENDED 30 APRIL 2023

	Note	2023 £'000	2022 £'000
Equity			
Called up share capital	21	95,010	95,010
Capital contribution		3,361	3,361
Retained earnings		(1,894)	(28,893)
Total equity		96,477	69,478

The notes on pages 52 to 88 form an integral part of these financial statements.

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



Alan Kinch

Director

05 October 2023

ZELLIS UK LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 APRIL 2023

	Share capital	Capital contribution	Retained earnings	Total
	£'000	£'000	£'000	£'000
As at 1 May 2021	95,010	3,361	(61,491)	36,880
Profit for the year	-	-	21,161	21,161
Other comprehensive income for the year:				
Remeasurement of net defined benefit liability	-	-	15,248	15,248
Deferred tax arising on the actuarial gain recognised in the pension scheme	-	-	(3,811)	(3,811)
At 30 April 2022	95,010	3,361	(28,893)	69,478
Profit for the year	-	-	30,375	30,375
Other comprehensive income for the year:				
Remeasurement of net defined benefit liability	-	-	(4,502)	(4,502)
Deferred tax arising on the actuarial gain recognised in the pension scheme	-	-	1,126	1,126
At 30 April 2023	95,010	3,361	(1,894)	96,477

The notes on pages 52 to 88 form an integral part of these financial statements.

ZELLIS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2023

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 37.

2 Accounting policies

Basis of accounting

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

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £'000.

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

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

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

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

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

ZELLIS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2023 (CONTINUED)

2 Accounting policies (continued)

Basis of accounting (continued)

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

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

As at 30 April 2023, 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 1-37. In addition, note 22 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 £30.4m (2022: £21.2m) and generated Operating profit (before significant separately disclosed items, amortisation of intangibles and depreciation) of £44.7m (2022: £36.1m). 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 £96.5m (2022: £69.5m) for the year ended 30 April 2023.

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

Going concern of the company is thus dependent on availability of short-term funding from the group, if needed, and also upon the group companies not seeking repayment of the amounts currently due to the group companies, which at 30 April 2023 amounted to £57.3m (2022: £46.5m).

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.

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

ZELLIS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2023 (CONTINUED)

2 Accounting policies (continued)

Non-GAAP performance measures

The board have presented 'Operating profit before significant separately disclosed items, amortisation of intangibles and depreciation' as an adjusted profit measure. They believe that this measure provides additional useful information for the shareholders on the underlying performance of the business. These measures are consistent with how business performance is monitored internally. The adjusted operating profit is not a recognised profit measure under adopted IFRS and may not be directly comparable with 'adjusted' profit measures used by other companies. The adjustments made to operating losses have the effect of excluding significant separately disclosed items. These are predominantly transformational in nature outside normal business as usual ('BAU') activities and distort the understanding of the underlying performance for the year and comparability between periods.

Revenue

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

The company generates revenue from the following types of services:

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

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

1) Identify the contract with a customer;

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

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

ZELLIS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2023 (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 Company'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 2023 (CONTINUED)

2 Accounting policies (continued)

Revenue (continued)

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

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

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

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

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

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

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

If a customer makes payment (or the Company 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 Company 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 2023 (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 2023 (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.

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

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

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.

ZELLIS UK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2023 (CONTINUED)

2 Accounting policies (continued)

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

Expected Credit Losses on Trade Receivables

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

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

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

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

In addition to these principles, we provide for additional expected credit losses on a case-by-case basis where the risk would not fall under these general provision rates.

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

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

Development Costs

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

ZELLIS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2023 (CONTINUED)

2 Accounting policies (continued)

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 2023 (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 2023 (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 2023 (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 2023 (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 2023 (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 2023 (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	2-15 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 2023 (CONTINUED)

2 Accounting policies (continued)

Short-term leases and leases of low-value assets

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

Finance costs

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

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

Foreign exchange

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

ZELLIS UK LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 APRIL 2023****3 Revenue**

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

	2023	2022
	£'000	£'000
Continuing operations		
Core Software	66,113	55,253
Other Software	3,775	4,192
Total Software	69,888	59,445
BPaaS	28,978	26,778
Transactional	5,808	4,652
Implementation	8,815	9,996
	113,489	100,871

	2023	2022
	£'000	£'000
Deferred income / costs to contract fulfilment assets & liabilities		
Contract fulfilment assets – current	8,479	7,769
Contract fulfilment assets – non-current	3,898	5,028
Contract liabilities – current	(32,218)	(35,452)
Contract liabilities – non-current	(26,632)	(28,079)
Net contract liabilities	(46,473)	(50,734)

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.

ZELLIS UK LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 30 APRIL 2023****3 Revenue (continued)**

	2023	2022
	£'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	35,452	32,522
--	--------	--------

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

	2023	2022
	£'000	£'000

Unsatisfied long-term contracts

Aggregate amount of contracts partially or fully unsatisfied as at 30 April	223,063	166,954
---	---------	---------

Management expects that of the transaction price allocated to the unsatisfied contracts as of 30 April 2023 that £223.1m (2022: £167.0m) will be recognised as revenue in the next reporting periods. £73.6m, £54.0m, £45.3m and £27.4m will be recognised as revenue in reporting periods ending 30 April 2024, 30 April 2025, 30 April 2026 and 30 April 2027 respectively; with £22.7m recognised in reporting periods thereafter.

	2023	2022
	£'000	£'000

Assets recognised from costs to fulfil a contract

Asset recognised from costs incurred to fulfil contracts at 30 April	12,377	12,796
Amortisation recognised as cost of providing services during the period	5,980	6,714

ZELLIS UK LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 30 APRIL 2023****4 Operating costs**

	2023	2022
	£'000	£'000
Operating profit for the year is stated after charging:		
Staff costs (see note 8)	50,342	48,730
Amortisation of intangible assets (see note 12)	8,333	8,269
Depreciation of property, plant and equipment (see note 13)	1,229	876
Depreciation of Leased assets (see note 15)	2,828	2,942
Research and development costs	733	646
Significant separately disclosed items (see note 5)	923	3,493
IT Costs	9,032	8,675
Other operating charges	6,099	4,669
Management charges	2,555	2,072
	82,074	80,372

5 Significant separately disclosed items

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

	2023	2022
	£'000	£'000
Severance and restructuring	(195)	1,470
Business transformation and integration	1,352	1,990
Significant events and external circumstances	(234)	33
	923	3,493

Following the acquisition of the business by Bain Capital in January 2018, major transformations took place leading to material costs. Whilst the majority of these have now been completed a small number migrated into subsequent phases that continued to generated costs during the year. 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. Subsequently other significant events have occurred which again are not reflective of underlying trading. Therefore, they are separately identified and reported which enables the shareholders and management to better understand the performance for the year and comparability between periods. They have been categorised into four main areas below.

1) Severance and restructuring.

During the year a release was able to be made against restructuring provisions carried forward from prior periods.

ZELLIS UK LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 APRIL 2023

5 Significant separately disclosed items (continued)

2) Business Transformation and integration.

A number of business transformational projects initiated in prior years continued into FY23 and entered their next phases. At the heart of these projects is a focus on customer experience. During FY23 spend related to activity including:

- A programme to digitalise workflows for our BPAAS customer through end-to-end customer journeys leveraging automation and robotics;
- A transformational project to improve customer experience through reduced implementation times;
- A further project to transform our customer IT function to include automation of HCM deployments and improvements to our monitoring capabilities.

3) Significant events or external circumstances.

In the light of the COVID-19 pandemic a specific bad debt provision had been created in 2020 to account for the potential credit losses predicted. During the course of FY23, the remaining provision was released in full.

Conversely, as an additional expense, we paid a one-off lump sum to eligible colleagues in recognition of the impact of the cost-of-living crisis.

6 Auditor's remuneration

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

	2023	2022
	£'000	£'000
Fees payable to the company's auditor		
For audit services		
Audit of the financial statements of the company	<u>96</u>	<u>75</u>

7 Directors' remuneration

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

ZELLIS UK LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 APRIL 2023

8 Employees

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

	2023 Number	2022 Number
Sales and Marketing	75	67
BPaaS	259	289
Product Support	133	138
Implementation Services	96	97
Technology Support and Product Development	148	144
Administration	68	62
	779	797

Their aggregate remuneration comprised:

	2023 £'000	2022 £'000
Wages and salaries	42,111	42,697
Social security costs	4,902	4,326
Other pension costs	3,329	1,707
	50,342	48,730

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

9 Finance income

	2023 £'000	2022 £'000
--	---------------	---------------

Interest income

Interest receivable from group companies	4,843	2,983
	4,843	2,983

ZELLIS UK LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 30 APRIL 2023****10 Finance costs**

	2023	2022
	£'000	£'000

Interest on financial liabilities measured at amortised cost

Interest on bank overdrafts and loans	270	659
Interest on finance leases and hire purchase contracts	434	539
Interest payable to group undertakings	2,642	1,630
	3,346	2,828

Interest on other financial liabilities:

Interest on the net defined benefit liability	685	798
Total interest expense	4,031	3,626

Other finance costs:

Unwinding of discount on provisions	(137)	75
Foreign exchange loss	917	672
Total finance costs	4,811	4,373

ZELLIS UK LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 30 APRIL 2023****11 Tax**

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

	2023	2022
	£'000	£'000
Current tax		
Adjustments in respect of prior periods	-	-
Total current tax	-	-
Deferred tax		
Origination and reversal of temporary differences	1,033	1,746
Changes in tax rates	-	(5,703)
Adjustment in respect of prior periods	39	1,905
Total deferred tax	1,072	(2,052)
Total tax (credited)/charged	1,072	(2,052)

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

	2023	2022
	£'000	£'000
Profit before tax	31,447	19,109
Tax at the UK corporation tax rate of 19.5% (2022: 19%)	6,132	3,631
Effect of expense not deductible in determining taxable profit	(671)	80
Income not taxable	-	-
Adjustments in respect of previous periods	39	1,905
Effect of changes in UK corporation tax rate in relation to brought forward amounts	-	(5,704)
Effect of changes in UK corporation tax rate in relation to current period movements	227	419
Group relief	(4,655)	(2,383)
Tax (credited)/charged for the year	1,072	(2,052)

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

	2023	2022
	£'000	£'000
Deferred tax charge / (credit):		
Actuarial differences recognised as other comprehensive income loss/(gain)	(1,125)	3,811

ZELLIS UK LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 30 APRIL 2023****12 Intangible fixed assets**

	Goodwill	Other Intangible Assets	Total
	£'000	£'000	£'000
Cost:			
At 1 May 2021	75,138	70,966	146,104
Additions	-	9,825	9,825
At 30 April 2022	75,138	80,791	155,929
Additions	-	10,359	10,359
Transfers	-	(385)	(385)
Write offs	-	(175)	(175)
At 30 April 2023	75,138	90,590	165,728
Amortisation:			
At 1 May 2021	1,782	51,493	53,275
Charge for the year	-	8,269	8,269
At 30 April 2022	1,782	59,762	61,544
Charge for the year	-	8,333	8,333
Transfers	-	(363)	(173)
Write offs	-	(175)	(365)
At 30 April 2023	1,782	67,557	69,339
Net book value:			
At 30 April 2023	73,356	23,033	96,389
At 30 April 2022	73,356	21,029	94,385

Impairment assessment on goodwill is performed on an annual basis. No indication of impairment was identified with headroom of £501.6m. The assessment applies a discounted cashflow model with financial forecasts from the Group's 5-year plan, with the next twelve months being taken from the most recent budget signed off by the board. The pre-tax discount rate (10.9%) and terminal growth rate (2.5%) applied was obtained from third party specialists at acquisition.

ZELLIS UK LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 30 APRIL 2023****13 Property, plant and equipment**

	Leasehold improvements	Fixtures & fittings and office Equipment	Total
	£'000	£'000	£'000
Cost:			
At 1 May 2021	989	4,377	5,366
Additions	59	1,097	1,156
Write off	-	(34)	(34)
At 30 April 2022	1,048	5,440	6,488
Additions	18	1,232	1,250
Transfers	-	139	139
Write off	(2)	(538)	(540)
At 30 April 2023	1,064	6,273	7,337
Accumulated depreciation and impairment:			
At 1 May 2021	660	2,217	2,877
Charge for the year	85	791	876
At 30 April 2022	745	3,008	3,753
Charge for the year	78	1,151	1,229
Write offs	(7)	(507)	(514)
At 30 April 2023	816	3,652	4,468
Net book value			
At 30 April 2023	248	2,621	2,869
At 30 April 2022	303	2,432	2,735

ZELLIS UK LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 30 APRIL 2023****14 Investments**

	2023	2022
	£'000	£'000
Investments in subsidiaries	15,501	15,501

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

Fair value of financial assets carried at amortised cost

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

Movements in non-current investments

	Shares in group undertakings £'000
Cost of valuation	
At 1 May 2022 and 30 April 2023	16,562
Impairment	
At 1 May 2022 and 30 April 2023	(1,061)
Carrying amount	
At 30 April 2023	15,501
At 30 April 2022	15,501

The company's subsidiary undertakings at 30 April 2023, the nature of whose business is the development and supply of software and related services, and have only ordinary share capital, were:

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

* Subsidiary of Zellis Information Solutions Company Limited

** Subsidiary of Zellis Ireland Limited

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 2023****15 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:

	2023	2022
	£'000	£'000
Right-of-use assets		
Building	3,939	4,218
Equipment	2,271	3,923
Vehicles	0	0
	6,210	8,141
Lease liabilities		
Current	2,450	2,469
Non-current	2,925	5,532
	5,375	8,001

The income statement shows the following amounts relating to leases:

	2023	2022
	£'000	£'000
Depreciation charge of right-of-use asset		
Building	870	1,068
Equipment	1,958	2,003
Vehicles	-	(129)
	2,828	2,942
Interest expense	434	539
Total recognised in the profit and loss	3,262	3,481

The total cash outflow for leases was £3,360k (2022: £4,284k).

Leased asset additions were £351k (2022: £5,427k) in the year.

ZELLIS UK LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 30 APRIL 2023****16 Trade and other receivables**

	2023	2022
	£'000	£'000
Debt instruments at amortised costs		
Trade receivables	21,654	16,984
Less allowance for expected credit losses	(321)	(892)
Less receivables paid under factoring	(4,358)	(916)
Net trade receivables	16,975	15,176
Accrued income	7,960	12,269
Prepayment and other receivables	7,275	6,662
Amounts due from group undertakings	74,080	46,734
Less allowance for expected credit losses	-	(1,759)
Total trade and other receivables	106,290	79,082

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

Movement in the allowance for expected credit losses:

	£'000
At 1 May 2021	2,636
Provision for expected credit losses	21
Utilised in period	(6)
At 30 April 2022	2,651
Provision for expected credit losses	(346)
Reversal of provision for expected credit losses on group undertakings	(1,759)
Utilised in period	(225)
At 30 April 2023	321

ZELLIS UK LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 30 APRIL 2023****17 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	Deferred development costs	Tax losses	Retirement benefit obligations	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 May 2021 (restated)	2,179	-	9,440	8,275	239	20,133
Adjustments in respect of prior years (restated)	52	-	(1,339)	-	(618)	(1,905)
(Charge)/credit to profit or loss (restated)	(890)	-	(816)	(608)	568	(1,746)
(Charge)/credit to profit or loss in relation to changes in tax rates	688	-	2,326	2,516	173	5,703
Credit to other comprehensive income	-	-	-	(3,811)	-	(3,811)
At 30 April 2022	2,029	-	9,611	6,372	362	18,374
Reclassification	2,099	(2,099)	-	-	-	-
Adjustments in respect of prior years	(94)	-	220	(308)	141	(41)
(Charge)/credit to profit or loss	(841)	718	-	(1,115)	205	(1,033)
Credit to other comprehensive income	-	-	-	1,126	-	1,126
At 30 April 2023	3,193	(1,381)	9,831	6,075	708	18,426

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:

	2023	2022
	£'000	£'000
Deferred tax assets	19,809	18,374
Deferred tax liabilities	(1,382)	-
	18,427	18,374

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

As at 30th April 2023, the company has unused tax losses of £39.32m (2022: £39.32m) available for offset against future profits. A deferred tax asset has been recognised in respect of these losses.

ZELLIS UK LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 30 APRIL 2023****18 Trade and other payables**

	2023	2022
	£'000	£'000
Trade payables	2,730	1,919
Amounts due to group undertakings – payable on demand	57,344	46,521
Accruals	9,293	9,499
Other taxation and social security	6,007	5,124
Other payables	720	28
Total trade and other payables	76,094	63,091

19 Provision for liabilities

	2023	2022
	£'000	£'000
At 1 May	1,087	1,150
Utilisation	(61)	(184)
Additions	1,304	45
Discount unwind	139	76
At 30 April	2,469	1,087
Analysed as:		
Current	928	265
Non-current	1,541	822
At 30 April	2,469	1,087

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

ZELLIS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 APRIL 2023

20 Retirement benefit schemes

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

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

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

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

Funding

Both plans are funded by the Group's subsidiaries. Over the next year, the Group will pay estimated contributions of £6.7m 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 2023****20 Retirement benefit schemes (continued)****Movements in the net defined benefit liability**

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

	Defined benefit obligation	Fair value of plan assets	Asset ceiling	Net defined benefit liability
	£'000	£'000	£'000	£'000
At 1 May 2021	303,945	(262,009)	-	41,936
Included in income statement				
Current service cost	779	536	-	1,315
Past service cost	-	-	-	-
Interest expense	5,975	(5,177)	-	798
	6,754	(4,641)	-	2,113
Included in statement of comprehensive income:				
Financial assumptions	(44,823)	-	-	(44,823)
Demographic	(6,426)	-	-	(6,426)
Experience adjustment	3,167	-	-	3,167
Change in asset ceiling	-	-	10,274	10,274
Return on plan assets excluding interest income	-	22,561	-	22,561
	(48,082)	22,561	10,274	(15,247)
Other				
Contribution paid by the employer	-	(4,544)	-	(4,544)
Benefits paid	(10,361)	10,361	-	-
	(10,361)	5,817	-	(4,544)
Net book value At 30 April 2022	252,256	(238,272)	10,274	24,258

ZELLIS UK LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 30 APRIL 2023****20 Retirement benefit schemes (continued)**

	Defined benefit obligation £'000	Fair value of plan assets £'000	Asset ceiling £'000	Net defined benefit liability £'000
At 1 May 2022	252,256	(238,272)	10,274	24,258
Included in income statement				
Current service cost	360	764	-	1,124
Interest expense	7,948	(7,592)	329	685
	8,308	(6,828)	329	1,809
Included in statement of comprehensive income:				
Financial assumptions	(65,309)	-	-	(65,309)
Demographic	(2,045)	-	-	(2,045)
Experience adjustment	5,499	-	-	5,499
Change in asset ceiling	-	-	(9,776)	(9,776)
Return on plan assets excluding interest income	-	76,133	-	76,133
	(61,855)	76,133	(9,776)	4,502
Other				
Contribution paid by the employer	-	(6,271)	-	(6,271)
Benefits paid	(7,805)	7,805	-	-
	(7,805)	1,534	-	(6,271)
Net book value At 30 April 2023	190,904	(167,433)	827	24,298

ZELLIS UK LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 30 APRIL 2023****20 Retirement benefit schemes(continued)****Fair value of plan assets**

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

	2023	2022
	£'000	£'000
Equities	20,322	26,877
LDI Funds	66,183	55,434
Multi-asset credit	26,011	42,680
Private credit	6,020	7,953
Property	15,889	28,283
Asset backed securities	-	28,005
Diversified growth funds	-	24,070
Corporate bonds	13,291	-
Cash and current assets	19,930	24,970
	167,646	238,272

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:

	2023		2022	
	Northgate HR scheme	Rebus scheme	Northgate HR scheme	Rebus scheme
	pa	pa	pa	pa
Discount rate	4.9%	4.9%	3.2%	3.2%
Future salary increases	1.0%	1.0%	1.0%	1.0%
Retail price inflation	3.2%	3.3%	3.6%	3.7%
Consumer price inflation	2.6%	2.7%	2.9%	3.1%
Future pension increases (2.5% LPI)	2.0%	1.9%	2.3%	2.2%
Future pension increases (5%LPI)	3.0%	2.6%	3.4%	3.0%

The weighted average duration of the expected benefit payments is about 13 years for the Northgate Scheme and 15 years for the Rebus Scheme. The current longevities underlying the values of the defined benefit obligation at the reporting date were as follows:

ZELLIS UK LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 30 APRIL 2023****20 Retirement benefit schemes (continued)****Defined benefit obligation (continued)****Actuarial assumptions (continued)**

	Northgate HR scheme pa	Rebus scheme pa
Life expectancy at age 65 now		
Males	21.5	21.5
Females	24.1	24.1
Life expectancy at age 65 in 20 years		
Males	22.4	22.4
Females	25.2	25.2

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)	(2,519)	2,572
Inflation and related future pension growth (0.1% movement)	1,044	(1,043)
Future salary growth (0.1% movement)	0	(134)
Life expectancy (1 year movement)	6,009	(6,049)

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

21 Share Capital

	2023	2022
	£'000	£'000

Authorised, issued and fully paid:

95,010,000 Ordinary shares of £1 each (2022: 95,010,000) 95,010 95,010

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

ZELLIS UK LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 30 APRIL 2023****22 Contingent liabilities**

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

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

The group has syndicated Senior and Second Lien facility agreements with the bank providing £290m of available funding. Of this facility, the group has the following available committed floating rate borrowing activities as at 30 April 2023 in respect of which all conditions precedent had been met at that date:

	2023	2022
	£'000	£'000
Expiring between 1 and 10 years	335,259	315,003

23 Related party disclosures

A full list of subsidiary undertakings is included in note 14 on page 77. The next most senior parent undertaking preparing consolidated financial statements is Zellis Holdings Limited. The Group and Company have taken the exemption to not disclose transactions between wholly owned subsidiaries.

On an annual basis the Company undertakes a full review of related party relationships with companies controlled by Bain Capital. During the year, the Company provided HR, payroll and benefit related services with a value of £364k to customers and received services with a value of less than £1k with suppliers, that are controlled by Bain Capital.

24 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 2023 was Bain Capital Europe Fund IV LP.

ZELLIS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 APRIL 2023

25 Non-adjusting post balance sheet events

Cyber Incident:

1) Nature of the event:

In late May 2023, Zellis, alongside countless international organisations, was impacted by the discovery of a zero-day vulnerability in Progress Software's MOVEit Transfer software. Zellis deployed MOVEit Transfer software as a bespoke tool for a small number of clients, which limited exposure to the incident. No Zellis-owned software was impacted, and thorough investigation confirmed that the majority of our customers were completely unimpacted by the incident.

Once we became aware of the vulnerability we took immediate action, disconnecting the server that utilised MOVEit software and engaging internal and external expert security response teams. All customers, impacted and otherwise, were provided with a steady flow of support, reassurance, and information. All services to clients continued without interruption.

Zellis has been working closely with relevant national and international government bodies, including the Information Commissioner's Office (ICO), the Data Protection Commission (DPC), and the National Cyber Security Centre (NCSC), and will continue to update its customers with the best possible guidance as the full investigation into the Progress Software vulnerability continues.

2) Estimate of the financial impact:

Management conclude that they don't expect this incident to have any significant impact on the trading results and that the majority of the costs that have been incurred/will be incurred will be recoverable via insurance policies in place. Therefore, the impact to the ongoing operating results of the Company has been assessed as immaterial.

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

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", there is a small white triangle pointing upwards and to the right. The logo is set against a black triangular background that points towards the bottom right corner of the page.

zellis