

Company Registration No. 10975623

# Zellis Holdings Limited

**Annual Report and Consolidated Financial Statements.**

**For the year ended 30 April 2023.**

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# **ZELLIS HOLDINGS LIMITED**

## **Company information**



moorepay  
A Zellis Company



### **Directors**

John Petter

Alan Kinch

William Stevens

### **Secretary**

Chris Fox

### **Company number**

10975623

### **Registered office**

740 Waterside Drive

Aztec West

Almondsbury

Bristol

BS32 4UF

### **Auditor**

Grant Thornton UK LLP

2 Glass Wharf

Bristol

BS2 0EL

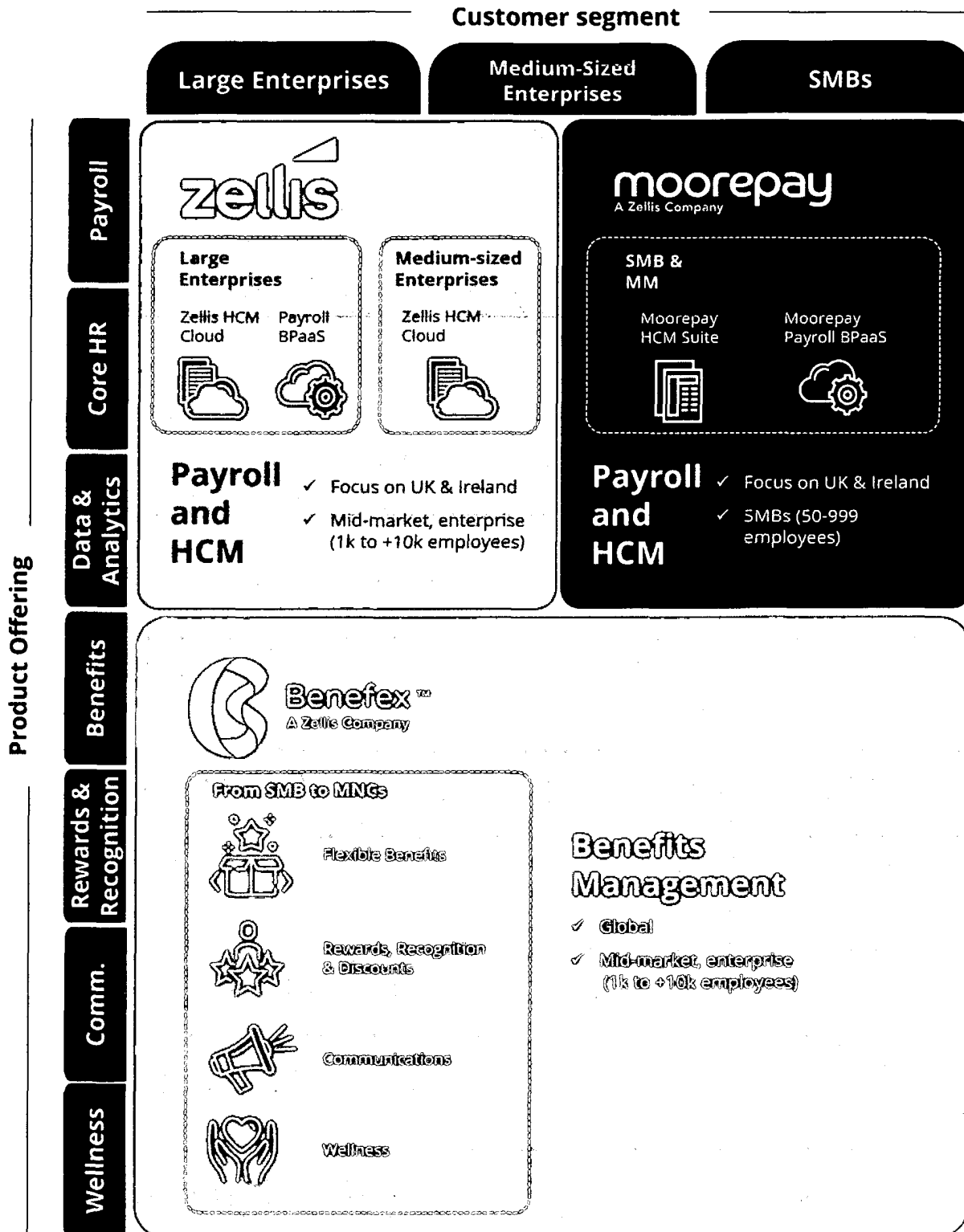
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**ZELLIS HOLDINGS LIMITED**  
**STRATEGIC REPORT**  
**FOR THE YEAR ENDED 30 APRIL 2023**

# Zellis Group at a glance

## Introduction to the Group



## **Zellis Group at a glance (continued)**

### **Financial Highlights**

**Reported Revenue**

**£201.4m**

**FY22: £175.4m**

**Revenue Growth**

**14.8%**

**FY22: 9.8%**

(Refer to page 17 for details)

**Organic Revenue**

**£198.1m**

**FY22: £174.4m**

(Refer to page 17 for details)

**Organic Revenue Growth**

**13.6%**

**FY22: 9.7%**

(Refer to page 17 for details)

**Software Revenue**

**£117.0m**

**FY22: £96.0m**

(Refer to Note 4 for details)

**Software Revenue Growth**

**21.9%**

**FY22: 12.3%**

(Note 4 and based on FY21 Software Revenue of £85.5m)

**GRR**

**(Total retained Revenue)**

**FY22-FY23**

**95.9%**

**FY21-FY22: 95.7%**

**NRR**

**(Net retained revenue)**

**FY22-FY23**

**111.1%**

**FY21-FY22: 102.9%**

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

## **Zellis Group at a glance (continued)**

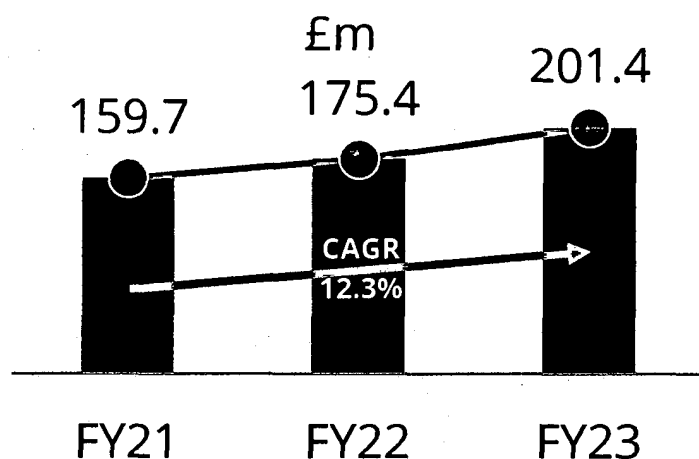
### **Financial Highlights (continued)**

<b>Management EBITDA</b>	<b>Management EBITDA Margin %</b>	<b>Management EBITDA Growth</b>
<b>£69.2m</b>	<b>34.4%</b>	<b>20.6%</b>
<b>FY22: £57.4m</b>	<b>FY22: 32.7%</b>	<b>FY22: 19.3%</b>
(Refer to page 15 for details)	Management EBITDA as % of Reported Revenue (see page 15 for details)	
<b>Management EBITDAC</b>	<b>Management EBITDAC Margin %</b>	<b>Management EBITDAC Growth</b>
<b>£53.0m</b>	<b>26.3%</b>	<b>23.0%</b>
<b>FY22: £43.1m</b>	<b>FY22: 24.6%</b>	<b>FY22: 19.1%</b>
(Refer to page 15 for details)	Management EBITDAC as % of Reported Revenue (see page 15 for details)	
<b>Operating profit</b>	<b>Operating profit Margin %</b>	
<b>£20.4m</b>	<b>10.1%</b>	
<b>FY22: £10.1m</b>	<b>FY22: 5.8%</b>	
(Refer to page 60 for details)	Operating Profit as % of Revenue (see page 60 for details)	
<b>Net cash from operating activities</b>		
<b>£61.7m</b>		
<b>FY22: £49.9m</b>		
(Before changes in working capital and provisions)		

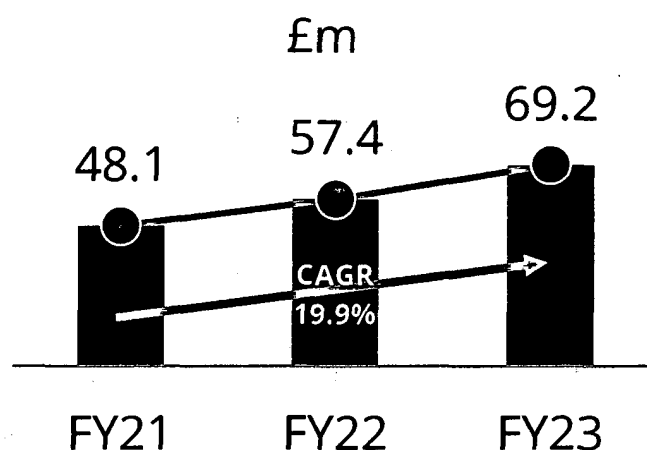
## **Zellis Group at a glance (continued)**

### **Group financial performance**

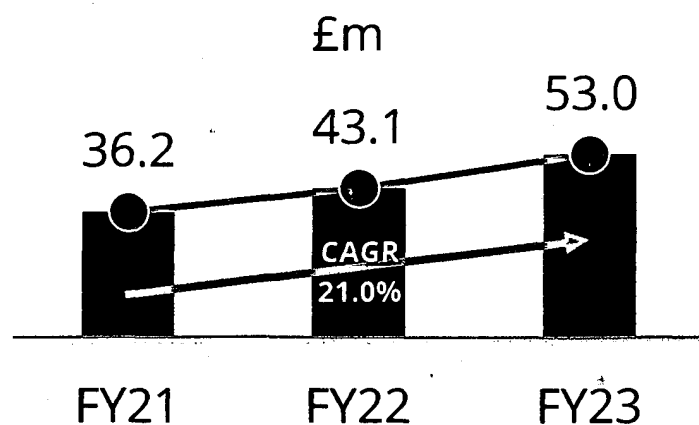
**Reported Revenue**



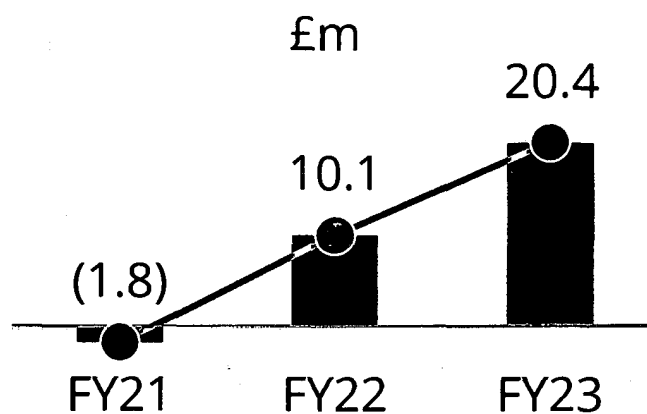
**Management EBITDA**



**Management EBITDAC**

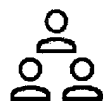


**Operating profit / (loss)**



## **Zellis Group at a glance (continued)**

### **Zellis Group in numbers**



**5,000+**

Zellis & Moorepay  
customers in the UK and  
Ireland



**1 in 6**

UK working population paid  
or rewarded by the Group



**>5m**

employees paid or  
rewarded every month



**46.6%**

of Zellis' customers have  
purchased HCM cloud



**>80**

international locations served  
by Benefex



**4,800**

customers of Moorepay



**67%**

of Zellis' customers have  
five+ years' tenure



**1.4m**

employee users of Benefex  
products



**£1bn**

paid monthly through  
Moorepay



**2,434**

colleagues across the  
Group



**61m**

payslips processed every year



**£30bn**

paid through our BPaaS  
each year



## **Zellis Group at a glance (continued)**

### **Our Locations**

Our geographic reach provides us with access to diverse talent and close proximity to our customers.



**10**

**locations in the UK, Ireland & India**

- Zellis
- Moorepay
- Benefex
- Shared facilities



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

## **Chief Executive Officer's Review**

***The stage is set for a strong year for the Zellis Group.***

*"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**

The Zellis Group has demonstrated strong performance in FY23, with 14.8% revenue growth taking the business to £201M and £53M EBITDAC. 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.

All three group businesses 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. The Zellis Group 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 by business unit**

#### **Zellis – Commitment to customer focus drives business results**

Zellis has achieved another strong year, with 11% revenue performance (page 16) 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.

Part of this can be traced to 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.

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

## **Chief Executive Officer's Review (continued)**

### **Performance and outlook by business unit (continued)**

#### **Zellis – Commitment to customer focus drives business results (continued)**

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).

#### **Zellis – 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.

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.

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

## **Chief Executive Officer's Review (continued)**

### **Performance and outlook by business unit (continued)**

#### **Zellis - Looking ahead (continued)**

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.

#### **Moorepay - Focus on Next Generation cloud platform continues to drive performance**

Moorepay enjoyed a strong year of revenue growth, with a 17% growth overall (page 16). The main driver of this success has been the uptake of our cloud-based Next Generation Payroll & HR software platform (known as Next Gen), which introduces enhanced payroll and HR functionality. In November, this platform won the coveted 'Payroll and HR Software Product' award, from Reward Strategy. 892 customers have adopted Next Gen, representing 45% of all employees serviced by Moorepay, leaving ample commercial opportunity in the rest of the customer base.

The Moorepay HR advice services also had a strong year in 2023, with high customer satisfaction (measured by the Net Promoter Score) driving a good return to high single digital revenue growth.

Following Benefex's acquisition of the Gateway and Wrkit platforms, we have already successfully integrated these propositions into the Moorepay Next Generation platform. These new propositions allow us to provide flexible, yet affordable, benefits and discounts to the SMB market which will contribute to the financial wellness of their employees working in this sector.

To further expand our offering, Moorepay announced the acquisition of Natural HR earlier this year, a Birmingham-based all-in-one, feature-rich, HR software provider. The acquisition has made Moorepay one of the only suppliers in the SMB market to offer payroll, HR, and benefits through one single interface.

#### **Moorepay - Looking ahead**

We will continue to extend the benefits of the Next Gen platform to existing customers, as well as using its competitive feature-set to win new business too. We are also looking forward to the launch of Next Gen into the Republic of Ireland, where we think there is a significant opportunity for the Moorepay proposition to cut through.

We are already progressing the integration of the Natural HR and Moorepay Next Gen platforms. This work is being done in several stages, with the end result being a seamless and fully integrated experience.

#### **Benefex - Focus on global employee experience drives growth**

Benefex has excelled in FY23, with 26% revenue growth year on year (page 16), driven by strong new business sales. This performance emerged mostly due to an increase in global benefits deals and collaborative sales teams cross-selling our OneHub employee experience platform and associated products to Zellis' customers. We have also driven strong cross-sell results from our recently acquired discount and well-being platform, Wrkit.

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

## **Chief Executive Officer's Review (continued)**

### **Performance and outlook by business unit (continued)**

#### **Benefex – Focus on global employee experience drives growth (continued)**

The launch of Benefex Home, a personalised benefits and engagement experience saw customers on the pilot programme report high levels of satisfaction with the product. This was also true with our new conversational support chat experience, which employs natural language technology in multiple languages, enabling Benefex to support global benefits rollouts in over 80 countries worldwide. A large proportion of Benefex new business growth now comes from international companies seeking to deliver an enhanced and consistent employee experience of benefits globally.

Another technology milestone was achieved this year, with Benefex's entire customer base successfully migrated to Google Cloud Platform (GCP), which enables them to enjoy the scalability and assurance of the public cloud.

We have also enhanced the Benefex leadership team, appointing Karen O'Neill as Chief People Officer, to support global expansion of its OneHub technology platform. Karen will focus enabling the continued rapid expansion of the Benefex business globally. She joins from Meta, where she led an international people operations function and focused on scaling culture, people programmes, and processes across a distributed workforce.

Finally, we were proud to celebrate being recognised as one of the Sunday Times "Best Places to Work 2023" and being highly commended as one of the "Best Places to Work for Disabled Employees." These awards are an internationally recognised celebration of Britain's top employers.

#### **Benefex – looking ahead**

The year ahead will see us reapplying the success-model that drove Benefex's rapid growth in FY23.

We will continue to roll out the personalised employee experience 'Home' version of our One-Hub product, following a very positive reception from customers so far. In addition, we will launch an Android and Apple mobile app version of the software, which will further enhance employee engagement amongst Benefex customers. Lastly, we will use our new 'parameterised benefits' technology to ensure rapid and automated deployments and benefit renewals.

These developments, along with building our presence in key locations (including a new service centre in the Philippines), will allow us to better enable customer success in diverse geographies and time zones, underpinning the acceleration of the global business revenue growth.

*John Petter*

John Petter

Director

18 August 2023

## **Our Strategic Framework**

### **Our Purpose**

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

We are three distinct businesses – Zellis, Moorepay, & Benefex – and there is power as a group.

Our purpose is to:

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

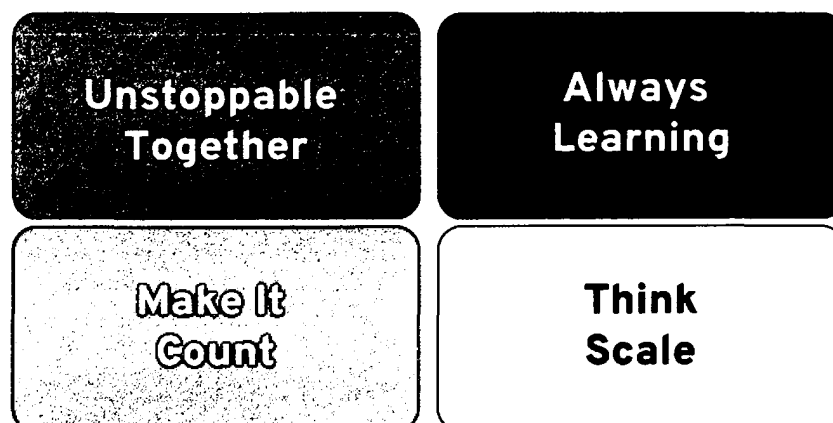
### **Our Vision**

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

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

## Our 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 the Revenue and EBITDAC** over the five years from FY22 to FY27, with options to further accelerate this profile through M&A.



## 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.

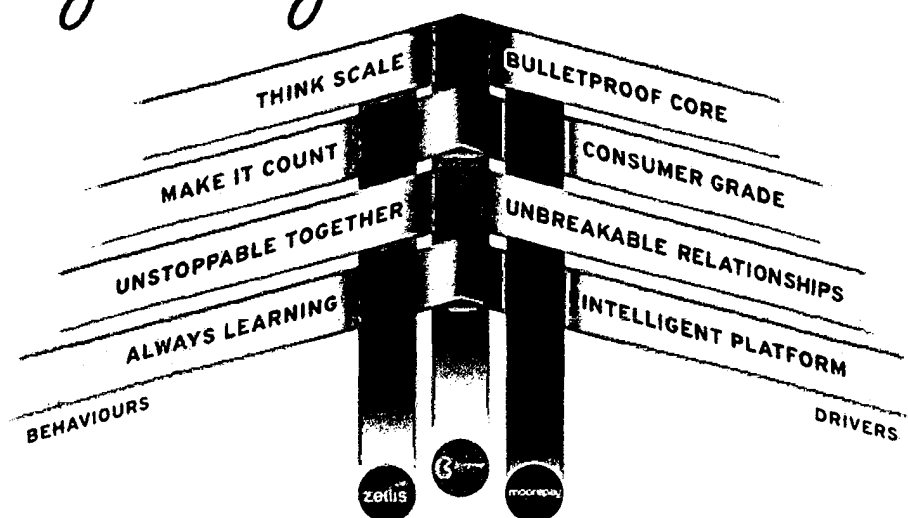
Intuitive employee experiences delivering moments of magic that build great cultures.

#### Unbreakable Relationships.

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

### Bringing it all together

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





## **Our Strategic Framework (continued)**

### **Our Group Framework**

#### **Zellis Group.**

We are Zellis Group. The clear market leader in payroll and HR solutions for the UK & Ireland.



Payroll and HCM for  
medium to large-sized  
enterprises



Payroll and HCM for SMBs



Benefits management for  
SMBs to MNCs

### **Our Group Strategy**

**As a Group we will build on the core into fast growing adjacencies.**

Each Business Unit has a modular, cloud-based offering and highly differentiated value proposition to win the markets they play in:



Most **sophisticated and configurable** best-of-breed payroll solution in UK&I, able to address very **complex payroll and HCM issues**.

**Fastest response** to regulatory changes and fully compliant **across all British and Irish jurisdictions**.

**Market-leading integration capabilities** with other HCM modules & software.



Offer **full HCM suite**, targeted towards SMB customers and ability to **outsource entire payroll**.

**High speed & ease of deployment.**

Intuitive and **easy to use UI/UX**.



**Configurable platform** with a wide **range of modules**, allowing customers to fully tailor their benefits offering.

Intuitive and **easy to use UI/UX**.

International reporting and analytics capability.

**All supported by a modular, cloud-based architecture.**

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

## Chief Financial Officer's Review

***"Another strong year of performance for the Zellis Group."***

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



### Financial review

The principal activity of the Group is to provide technology solutions and services for human resources management. The results for the year to 30 April 2023 are set out in the consolidated income statement on page 60. Zellis Group closed the year with revenues of £201,351k (2022: £175,350k) and operating profit excluding significant separately disclosed items, amortisation of acquired intangibles and fair value adjustments of £54,463k (2022: £43,436k). After significant separately disclosed items of £6,018k (2022: £6,944k), amortisation of acquired intangibles of £27,586k (2022: £26,401k) and fair value adjustments of £498k (2022: nil), the Group reported an operating profit of £20,361k (2022: £10,091k).

### Management EBITDA

Operating profit is reconciled to Management EBITDA/EBITDAC as follows:

	2023	2022
	£m	£m
<b>Operating profit</b>	<b>20.4</b>	<b>10.1</b>
Depreciation	5.2	5.0
Amortisation	35.2	34.8
<b>Reported EBITDA</b>	<b>60.8</b>	<b>49.9</b>
Add back employee costs capitalised	(16.2)	(14.3)
<b>Reported EBITDAC</b>	<b>44.6</b>	<b>35.6</b>
Capita non-novated Revenue (see page 17)	-	(0.5)
Significant separately disclosed items (Note 6)	6.0	6.9
Management fee	1.6	1.6
Defined benefit pension scheme costs and adjustments	0.6	0.0
Fair value adjustment on deferred consideration	0.5	-
Forex differences and other non-trading adjustments	(0.3)	(0.5)
<b>Management EBITDA</b>	<b>69.2</b>	<b>57.4</b>
Add back employee costs capitalised	(16.2)	(14.3)
<b>Management EBITDAC</b>	<b>53.0</b>	<b>43.1</b>

Net financing costs are at £40,793k (2022: £32,256k) and the loss on ordinary activities before tax is £20,427k (2022: £22,165k).

# ZELLIS HOLDINGS LIMITED

## STRATEGIC REPORT

### FOR THE YEAR ENDED 30 APRIL 2023 (CONTINUED)

#### Chief Financial Officer's Review (continued)

##### Financial review (continued)

##### Management EBITDA (continued)

Significant separately disclosed items related to costs which the group has incurred as a result of activities in relation to completion of the carve out from the previous parent company (2023: £115k; 2022: £1,785k), acquisition and financing costs (2023: £3,919k; 2022: £2,562k), business transformation activities to drive return on investment (2023: £2,053k; 2022: £2,235k), and other material events or external circumstances (2023: (£69k); 2022: £362k). The classification of these costs as significant separately disclosed items has been performed on the basis that there is an expectation for these to have material financial impact that are not part of the normal trading activities or are part of a transformation programme which has a material impact on the financial statements (note 6).

##### Key performance indicators

Apart from the KPIs disclosed in the Financial Highlights, the Group also focus on other key performance indicators, specifically on revenue growth (14.8%), Operating profit before significant separately disclosed items, amortisation of acquired intangibles and fair value adjustments of £54.5m (2022: £43.4m) and Operating profit margin before significant separately disclosed items, amortisation of acquired intangibles and fair value adjustments of 27% (2022: 25%). In addition, Net Promoter Scores ('NPS') from our customers and employees are also crucial for the group. We conduct NPS surveys with customers every quarter and with employees twice a year.

##### Business unit performance

For internal reporting purposes, the Group is split into three "Business Units", namely Zellis, Moorepay and Benefex. Performance by Business Unit by each key management metric is presented below.

	Zellis	Moorepay	Benefex	Central*	TOTAL
	£m	£m	£m	£m	£m
<b>2023</b>					
Management Revenue	124.4	32.4	44.3	-	<b>201.1</b>
Management EBITDA	62.3	9.5	12.5	(15.1)	<b>69.2</b>
Management EBITDAC	52.1	7.3	9.0	(15.4)	<b>53.0</b>
<b>2022</b>					
Management Revenue	112.4	27.8	35.2	-	<b>175.4</b>
Management EBITDA	55.5	8.7	7.8	(14.6)	<b>57.4</b>
Management EBITDAC	46.8	6.8	5.2	(15.7)	<b>43.1</b>

\*central Group costs

# ZELLIS HOLDINGS LIMITED

## STRATEGIC REPORT

### FOR THE YEAR ENDED 30 APRIL 2023 (CONTINUED)

#### Chief Financial Officer's Review (continued)

##### Financial review (continued)

Management Revenue is reconciled to Reported Revenue as follows:

	2023 £m	2022 £m
<b>Reported Revenue</b>	<b>201.4</b>	<b>175.4</b>
Capita non-novated Revenue (see below)	-	(0.5)
FBS cell revenue reclassification from Direct Costs	(0.2)	(0.4)
Wrkit Elimination	-	0.2
FX translation to BUD FX Rates	(0.1)	0.7
<b>Management Revenue</b>	<b>201.1</b>	<b>175.4</b>

##### Underlying and organic revenue reconciliations

	2023 £m	2022 £m
<b>Reported Revenue</b>	<b>201.4</b>	<b>175.4</b>
<i>Year-on-year Growth (%)</i>	<i>14.8%</i>	<i>9.8%</i>
Non-recurring items:		
- Capita non-novated customers	-	(0.5)
<b>Underlying Revenue</b>	<b>201.4</b>	<b>174.9</b>
<i>Year-on-year Growth (%)</i>	<i>15.2%</i>	<i>10.0%</i>
In-period acquisitions		
- NHR	(0.4)	-
- Wrkit	(2.9)	(0.5)
<b>Organic Revenue</b>	<b>198.1</b>	<b>174.4</b>
<i>Year-on-year Growth (%)</i>	<i>13.6%</i>	<i>9.7%</i>

##### Tax

The effective tax credit for FY23 was £5.3m (FY22: £5.0m), resulting in an effective tax rate of 26% (FY22: 22.5%). The statutory income tax credit for FY23 was £4.0m (FY22: £4.2m), 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 disallowed interest under the UK Corporate Interest Restriction, other small, disallowed income and expenditure and the impact of a deferred tax rate of 25%. 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.

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

**Chief Financial Officer's Review (continued)**

**Financial review (continued)**

**Financial Position**

On 30 April 2023, the Group had cash balances of £19.4m (2022: £9.0m) and bank loans of £346.9m (2022: £321.5m). See Note 24 for further details.

The key terms of the Group's borrowing facilities are summarised as follows as of 30 April 2023:

£'m	Facility	Maturity	Drawn 2022*	RCF	PIK	Fees & Non-Cash Adj.	Drawn 2023
Senior	270.0	Jan-25	281.3		7.8		289.1
Second Lien	20.0	Jan-26	23.3		2.5		25.8
Original Revolving Facility	-	-	8.0	(8.0)			-
Revolving Facility Tranche 1	31.5	Oct-24	-	3.1			3.1
Revolving Facility Tranche 2	8.5	Jan-24	-	4.9			4.9
Capitalised Fees & Non-Cash Adjustments**			8.9			15.1	24.0
<b>TOTAL</b>	<b>330.0</b>		<b>321.5</b>	<b>0.0</b>	<b>10.3</b>	<b>15.1</b>	<b>346.9</b>
Less: Second Lien, Capitalised Borrowing Costs & Non-cash adjustments			(32.2)				(49.8)
Less: Cash			(9.0)				(19.4)
<b>Consolidated Senior Net Debt</b>			<b>280.3</b>				<b>277.7</b>

\*2022 includes June/December 2021 interest PIK.

\*\*Amortisation, Accrued Interest and IFRS9 adjustment

Interest Charge Breakdown (Bps)	As of April 2023		Until Feb 2023	As of Feb 2023	
	Senior	2 <sup>nd</sup> Lien	Original RCF	RCF Tranche 1	RCF Tranche 2
Floating Rate	SONIA	SONIA	SONIA	SONIA	SONIA
Cash Margin	475-525	850	325-425	425	325-425
PIK Margin	550	925	N/A	N/A	N/A
- Cash Portion	275	-	N/A	N/A	N/A
- PIK Portion	275	925	N/A	N/A	N/A
Credit Adjustment Spread	24	2.31	2.3	2.3	2.3

# **ZELLIS HOLDINGS LIMITED**

## **STRATEGIC REPORT**

### **FOR THE YEAR ENDED 30 APRIL 2023 (CONTINUED)**

#### **Chief Financial Officer's Review (continued)**

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

##### **Financial Position (continued)**

1. The floating element on the Second Lien Term Loan is subject to a 1.00% floor and the floating element on the Senior and RCF are subject to a 0.0% floor.
2. The Cash Margin Ratchet varies from 475 – 525 bps on the Term Loan and 325 – 425 bps on the original RCF. This ratchet is based on the Consolidated Senior Secured Net Debt Leverage Ratio. (Consolidated Senior Secured Net Debt / LTM EBITDA).
3. As of February 2023, the RCF was restructured and partially extended to October 2024. Initially, £31.5m (Tranche 1) was extended with £8.5m (Tranche 2) due to expire in January 2024. In July 2023 it was agreed that a further £4m (Tranche 3) of funding would be made available from January 2024 to August 2024. Tranches 1 & 3 are not subject to the terms of the original RCF agreement, and the margin is fixed at 425bps.
4. As of November 20, a Payment in Kind ("PIK") arrangement was put in place across both Senior and the 2<sup>nd</sup> Lien debt. When opting to PIK, the margin is fixed at 5.5% (50% Cash and 50% PIK) and 9.25% (100% PIK) respectively. PIK is not an option for the RCF.
5. As of January 2022, both facilities were restated as the debt's variable element was transitioned from LIBOR to SONIA. This also added a forward-looking Credit Adjustment Spread which ensured the fair conversion of existing contracts when transitioning between the two rates.

The current financial arrangements include a leverage covenant which requires that the leverage (the ratio of the Consolidated Senior Secured Net Debt to Last Twelve Months EBITDA) does not exceed 9.05. At year end the leverage was substantially below this level at 4.0x (2022: 4.9x).

##### **Research and Development**

The Group 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 products including HCM cloud, Moorepay NextGen and Benefex Onehub.

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

A. R. L.

Alan Kinch

Director

18 August 2023

# **ZELLIS HOLDINGS 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 Group has regard to the factors set out above. We acknowledge that every decision we make will not necessarily result in a positive outcome for all of our stakeholders and the board frequently has to make difficult decisions based on competing priorities. By considering the Group's purpose ("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 Group) and the key inputs (in what the Group is doing) that delivers this for our stakeholders.

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

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

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

# **ZELLIS HOLDINGS 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 \(check-payment-practices.service.gov.uk\)](https://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 group.

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) in Zellis to SMEs (50-1,000 employees) in Moorepay, to whom we provide award-winning payroll and HR solutions and BPaaS. Through Benefex, augmented by the capabilities gained via the acquisition of Wrkit, we also provide employee benefits, recognition, and communications solutions.

#### *How we engage*

Each customer has regular contract 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 HOLDINGS 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.

Our Benefits and Recognition customers expect us to deliver exceptional employee experiences with intuitive technology which is fully integrated with their HR systems and can offer real-time data insights and reporting.

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

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

We take a partnership approach with all of our customers, but especially our 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.

##### **Lenders**

We have two levels of debt (main term loan and second lien), and they are managed by agents on behalf of a number of banks that form the syndicate for our borrowings.

###### *How we engage*

Information undertakings form part of our agreements with the lenders. This information is provided on a monthly and quarterly basis. If the lenders have any queries, this is communicated to us via the agents, and we respond as soon as it is practicable. In addition, we also have quarterly CFO calls with the lenders within the syndicate.

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

## **Stakeholders (continued)**

### **Lenders (continued)**

#### *What matters to them?*

That we are adhering to the terms of the agreement and that there are no cash flow or other issues impacting the business.

#### *What are we doing?*

We complete the appropriate tests as per the lender agreements and monitor on an ongoing basis. We also regularly review our performance as a business.

### **Shareholders**

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

#### *How we engage*

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

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

#### *What matters to them?*

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

#### *What are we doing?*

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

### **Pension trustees**

#### *How we engage*

The Group is represented at regular pension trustee meetings by an Executive member. In this meeting the Group shares information on strategy, financial position, and performance as well as any other important information. During the meetings the Group openly engages with the trustees and their advisors on investment and risk management strategies undertaken by the fund.

#### *What matters to them?*

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

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

## **Stakeholders (continued)**

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

*What are we doing?*

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

### **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.

## **Our Colleagues**

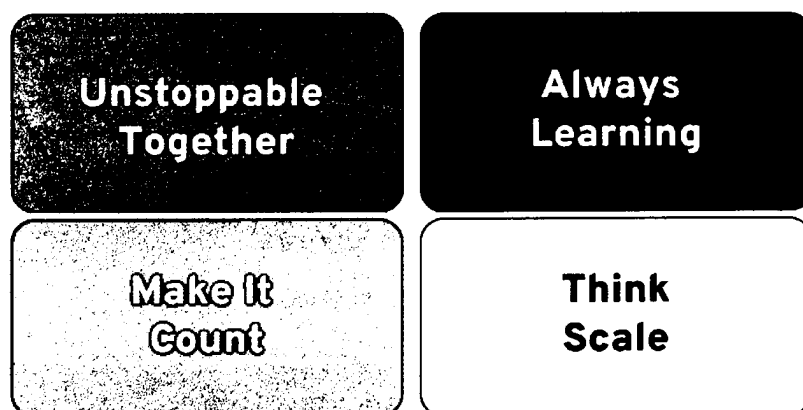
### **Our culture**

**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, 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 HOLDINGS 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 Group 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 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 HOLDINGS 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 group.

- We review pay annual 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 Group.
- 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 Group 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	4	0%
Executive team*	7	29%
Senior leadership team**	63	35%
Colleagues	2,349	50%
<b>Total</b>	<b>2,423</b>	<b>50%</b>

\*Executive team, see page 43

\*\* Senior leaders reporting into the Executive team

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

## Environmental, Social and Governance

### Doing better for our people and society.

At Zellis Group, 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.
<p>Make pay and benefits easier to understand.</p> <p>Promote wellbeing through digital resources.</p> <p>Build knowledge and confidence or better financial wellbeing.</p>	<p>Empower organisations to be representative and equitable through data.</p> <p>Advance inclusion and celebrate differences.</p> <p>Champion pay equality and benefits.</p>	<p>Protect our environment for future generations.</p> <p>Nurture high quality employment and workplace experiences.</p> <p>Make charitable giving easy.</p>

And by 2027 our ESG ambitions are to:

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

#### 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 HOLDINGS 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.*



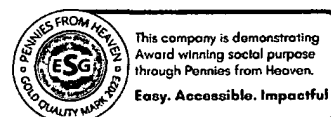
*We are an accredited Real Living Wage employer.*



*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 HOLDINGS 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 Group 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 Group customers

The product teams within all three businesses take responsibility for ensuring our product roadmap supports the group's ambitions to promote wellbeing for our customers' employees.

**Benefex plays a leading role through thought leadership**, with the Chief Innovation Officer, Gethin Nadin, being a highly respected industry expert on wellbeing. His latest book, *A Work In Progress: Unlocking Wellbeing to Create More Sustainable and Resilient Organisations* launched earlier this year to industry acclaim. Benefex's One-Hub platform is designed to engage employees with their employer's benefits and other wellbeing offerings to enhance the overall experience of employment.

But all parts of our business contribute to our wellbeing ambitions. 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 Group 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.

# ZELLIS HOLDINGS 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)

**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.

##### Why is it important?

Through our customers, we pay or reward 1 in 6 people in the UK and Ireland, and **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,

# ZELLIS HOLDINGS 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)

as we recognise that life circumstances, personal identities, and the confidence people have in sharing data changes throughout time.

Within Zellis Group 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 Group customers' the opportunity to donate the pennies – or cents – from their monthly pay directly to charity and this year maximize our impact, Zellis Group 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 HOLDINGS 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 our 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 HOLDINGS 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 Group 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 HOLDINGS 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

Our performance is reflective of the changes during the reporting period following our return to offices post Covid19. This has seen our fuel emissions, as well as gas consumption at the single location where gas is used, increase. Looking forward, we shall be furthering the reach of our environmental reporting to include all scope 3 emissions in the next reporting period.

	Energy Consumption (MWh)		GHG Emissions (tCO <sub>2</sub> e)	
	2023	2022 (restated*)	2023	2022 (restated*)
Combustion of natural gas	522.77	117.04	95.43	21.44
<b>Scope 1 Total</b>	<b>522.77</b>	<b>117.04</b>	<b>95.43</b>	<b>21.44</b>
Generation of purchased electricity	913.26	1,104.57	304.38	310.13
<b>Scope 2 Total</b>	<b>913.26</b>	<b>1,104.57</b>	<b>304.38</b>	<b>310.13</b>
Combustion of fuel in colleague vehicles and transportation provided by the company	1,775.48	436.23	442.18	107.68
<b>Scope 3 Total</b>	<b>1,775.48</b>	<b>436.23</b>	<b>442.18</b>	<b>107.68</b>
<b>Grand Total</b>	<b>3,211.51</b>	<b>1,657.84</b>	<b>841.99</b>	<b>439.25</b>
<i>Intensity per £100,000 of Turnover</i>	1.59	0.95	0.42	0.25

\*restated to include emissions from Indian operations due to the voluntary expansion of SECR reporting beyond minimum compliance.

##### Conversion Factors

All conversion factors and fuel properties used in this disclosure have been taken from the 2022 "UK Government Greenhouse Gas Conversion Factors for Company Reporting" published by the Department for Business, Energy & Industrial Strategy (BEIS) and the Department for Environment, Food & Rural Affairs (DEFRA). All greenhouse gas emissions have been expressed in terms of their carbon dioxide equivalence.

# **ZELLIS HOLDINGS LIMITED**

## **STRATEGIC REPORT**

### **FOR THE YEAR ENDED 30 APRIL 2023 (CONTINUED)**

#### **Environmental, Social and Governance (continued)**

##### **Our Environment (continued)**

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

###### ***Utilities***

Where possible, energy consumption is expressed in megawatt-hours and has been taken from suppliers' invoices. Where this was not available the consumption has been estimated based on floor area using a kWh/m<sup>2</sup>. Location was based on kgCO<sub>2</sub>e/kWh conversion factors for the average UK grid supply have been used to calculate greenhouse gas emissions from electricity and natural gas consumption.

###### ***Transport***

Colleagues driving personal or leased vehicles are reimbursed through mileage claims. The kWh/km and kgCO<sub>2</sub>e/km conversion factors from the category "Cars (by size): Average Car & Unknown Fuel" have been used to calculate greenhouse gas emissions and underlying energy use.

A separate average conversion factor was used for business mileage in India which was 0.170824.

###### ***Other Fuels & Emissions***

Maintenance records did not contain any instances of refrigerant leaks during the reference period. No other fugitive emissions have been identified.

**Our Colleagues** – See separate Colleagues section as well as "Doing Better for People and Our Society" section on Page 28.

##### **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.

# ZELLIS HOLDINGS LIMITED

## STRATEGIC REPORT

### FOR THE YEAR ENDED 30 APRIL 2023 (CONTINUED)

## Environmental, Social and Governance (continued)

### Our Environment (continued)

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.

## 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. Our risk-based approaches are firmly embedded from strategic, commercial and sales, to operational levels.

Our 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 Group activities on several lines of defence with appropriate segregation between the defences for the nature and size of our business. We ensure the 1<sup>st</sup> line of defence is held to account for taking risk, the 2<sup>nd</sup> line of defence is independent from the 1<sup>st</sup> line with segregated duties to maintain compliance oversight on all business activities. The 3<sup>rd</sup> line of defence assesses the effectiveness of the 1<sup>st</sup> and 2<sup>nd</sup> 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.

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



# ZELLIS HOLDINGS LIMITED

## STRATEGIC REPORT

### FOR THE YEAR ENDED 30 APRIL 2023 (CONTINUED)

## Risk and Opportunities (continued)

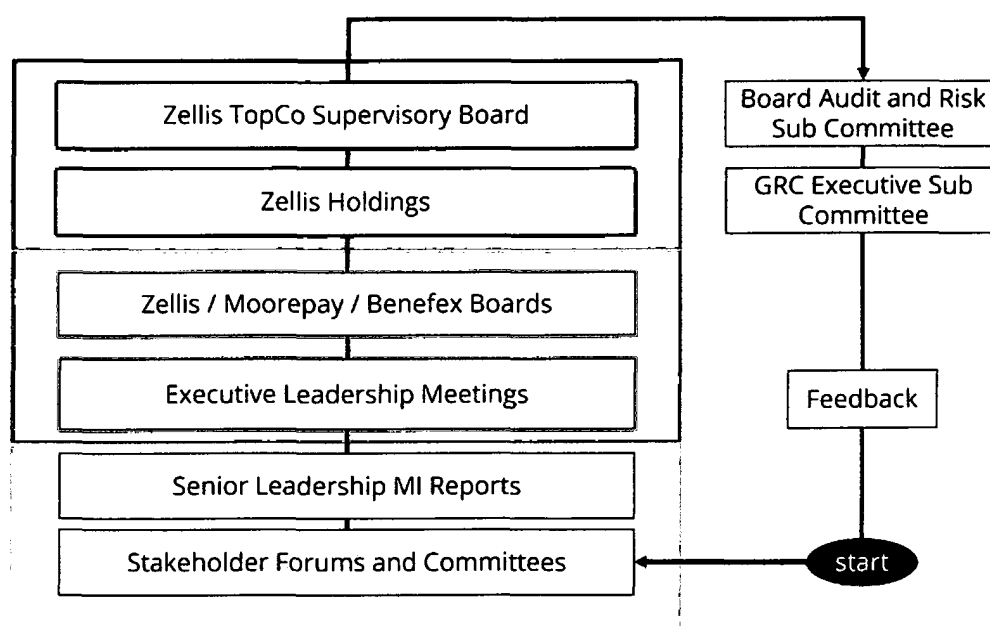
### Our risk reporting structure

framework and all other management systems grouped into our GRC Manual which forms an interactive enterprise document management system.

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 HOLDINGS 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      | 3) Compliance  |
| 2) Sustainability | 4) Operational |

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

Risk		Mitigation
<b>Financial risk management</b>		
<b>Credit risk</b>	<p><b>Definition</b> Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.</p> <p><b>Current risk position</b> Limited risk from the Group's trade and other receivables from customers.</p>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• The Group does not require collateral in respect of financial assets.</li> <li>• At the reporting date there were no significant concentrations of credit risk.</li> </ul>
<b>Liquidity risk</b>	<p><b>Definition</b> Liquidity risk is the risk that the Group will not be able to meet its financial commitments as they fall due.</p> <p><b>Current risk position</b> The Group's objective is to ensure that adequate facilities are available through use of bank loans and finance leases.</p>	<ul style="list-style-type: none"> <li>• The Group manages liquidity risk through regular cash flow forecasting and monitoring of cash flows, management review and regular review of working capital and costs. The Group regularly monitors its available headroom under its borrowing facilities. The RCF is due to renew in Oct-24, Senior Debt in Jan-25, and Second Lien in Jan-26. The formal exercise to refinance the term loan will commence in Autumn 2023.</li> </ul>

# ZELLIS HOLDINGS LIMITED

## STRATEGIC REPORT

### FOR THE YEAR ENDED 30 APRIL 2023 (CONTINUED)

#### Risk and Opportunities (continued)

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

Risk		Mitigation
<b>Financial risk management (continued)</b>		
<b>Interest rate risk</b>	<p><b>Definition</b></p> <p>Interest rate risk is the risk of increased net financing costs due to increases in market interest rates. The Group finances its operations and acquisitions through a mixture of retained profits, bank borrowings and equity.</p> <p><b>Current risk position</b></p> <p>The Group's main interest rate risk comes from its bank borrowings, which the Group borrows principally in Sterling.</p>	<ul style="list-style-type: none"> <li>The Group has an interest rate cap in place for half of the Senior Debt until Dec 23 to mitigate the risk of increasing interest rates.</li> </ul>
<b>Sustainability risk management</b>		
<b>Corporate governance risk</b>	<p><b>Definition</b></p> <p>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><b>Current risk position</b></p> <p>No significant risk following implementation of Wates corporate governance principles.</p>	<ul style="list-style-type: none"> <li>The Group enhanced its corporate governance practices by aligning to Wates corporate governance principles for large private companies.</li> <li>Continual review and development of corporate governance approach utilising external advisors where appropriate: this delivers standards of compliance in line with best industry practice.</li> </ul>
<b>Business continuity risk</b>	<p><b>Definition</b></p> <p>Any threat that disrupts the functioning of our business.</p> <p><b>Current risk position</b></p> <p>Principal risks to business continuity arise from cyber-security, our supply chain and third parties.</p>	<ul style="list-style-type: none"> <li>We continue to prioritise the development and improvement of our cyber defences to protect our technology perimeter and customers.</li> <li>Supply chain risks are mitigated through a cross-functional supplier assurance programme.</li> <li>The Executive Leadership are fully immersed into our processes for delivering contingency plans utilising the right advice and technical expertise.</li> </ul>
<b>Compliance risk management</b>		
<b>Non-financial reporting risk</b>	<p><b>Definition</b></p> <p>Non-standardised performance reporting on operational risk matters against a set of prescribed requirements.</p> <p><b>Current risk position</b></p> <p>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"> <li>Zellis Group operates a centralised GRC programme which monitors, reports and operationalises changes required as a result of new laws and regulations.</li> <li>We are developing and documenting our processes to improve the overall quality of our non-financial reporting by utilising standards for benchmarking purposes.</li> </ul>

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

**Risk and Opportunities (continued)**

**Principal risks and uncertainties (continued)**

Risk	Mitigation
<b>Compliance risk management (continued)</b>	
<b>Statutory and regulatory risk</b>	<p><b>Definition</b>  The threats emerging from laws and regulations that rely on penalties and sanctions to enforce operational compliance by businesses.</p> <p><b>Current risk position</b>  Risks can arise from requirements associated with compliance with additional regulatory controls (e.g., FCA requirements regarding relevant Group entities).</p> <ul style="list-style-type: none"> <li>• Implementation of Wates has enhanced our corporate governance processes to meet FCA regulatory requirements.</li> <li>• The GRC programme includes product governance workflows to monitor the external environment and incorporate appropriate regulatory and compliance design requirements into our products.</li> <li>• We maintain a live register of requirements to inform our governance collateral and the design of our systems and controls.</li> </ul>
<b>Operational risk management</b>	
<b>Information and cyber security and IT risk</b>	<p><b>Definition</b>  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><b>Current risk position</b>  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"> <li>• We have dedicated information and cyber security teams for all our brands.</li> <li>• The Group is certified to ISO27001, and Cyber Essentials supported by additional certifications by brand.</li> <li>• 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.</li> <li>• We have appropriate internal systems and controls for information technology, information security techniques and cyber security.</li> </ul>
<b>Third party risk</b>	<p><b>Definition</b>  Unsatisfactory standards of compliance or adverse events in the supply chain that cause disruption to our business and service provision.</p> <p><b>Current risk position</b>  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"> <li>• We have redefined ways of working and moved to sustainable procurement practices.</li> <li>• We are developing supplier relationship management practices to roll out during the next reporting period.</li> <li>• 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.</li> <li>• 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.</li> </ul>

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

## **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 and Moorepay.

## **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 Group 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 HOLDINGS LIMITED**

## **STRATEGIC REPORT**

### **FOR THE YEAR ENDED 30 APRIL 2023 (CONTINUED)**

#### **Corporate Governance (continued)**

##### **Statutory Directors' & Company Secretary's Biographies**



**William "James" Stevens**

**Managing Director – Bain Capital & Non-Exec Director – Zellis Group**

James joined Bain Capital Private Equity in 2014. He is a Principal in the Technology Financial and Business Services Vertical and a member of the European Private Equity team. Prior to joining Bain Capital Private Equity, James worked as a consultant at Bain & Company in London and Sydney across a number of sectors including Private Equity, consumer products and mining. Prior to this, Mr. Stevens worked in renewable energy across Asia.



**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.



**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, and Chris Fox are also part of Our Executive Team.***

# **ZELLIS HOLDINGS LIMITED**

## **STRATEGIC REPORT**

### **FOR THE YEAR ENDED 30 APRIL 2023 (CONTINUED)**

#### **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.



**Abigail Vaughan**  
**Chief Operating Officer**

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



**David Woodward**  
**Chief Product and Technology Officer**

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



**George Dunnett**  
**Chief Product Officer**

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



**Anthony Vollmer**  
**Managing Director, Moorepay**

Anthony joined Moorepay as MD in February 2019 and is responsible for the overall service we provide to our Moorepay customers, the wellbeing of our colleagues and the performance of the business.

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

## **Corporate Governance (continued)**

### **Our Executive Team (continued)**



**Matt Macri-Waller**  
**Founder and CEO, Benefex**

Matt is a global thought leader in the employee experience space, specialising in how technology can help bridge the gap between companies and its employees. He is the Founder and CEO of Benefex, the award-winning global employee experience provider.

## **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.



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

## **Corporate Governance (continued)**

### **Board Composition (continued)**

#### **Zellis Topco Limited (continued)**

#### ***The Audit and Risk Committee (continued)***

##### **Executive and NED Membership**

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

##### **Senior Leadership Reporting**

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

### **Zellis Holdings Limited**

#### ***Board***

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

##### **Executive and NED Membership**

- John Petter, Group Chief Executive Officer
- 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 HOLDINGS LIMITED STRATEGIC REPORT FOR THE YEAR ENDED 30 APRIL 2023 (CONTINUED)**

## **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 HOLDINGS LIMITED

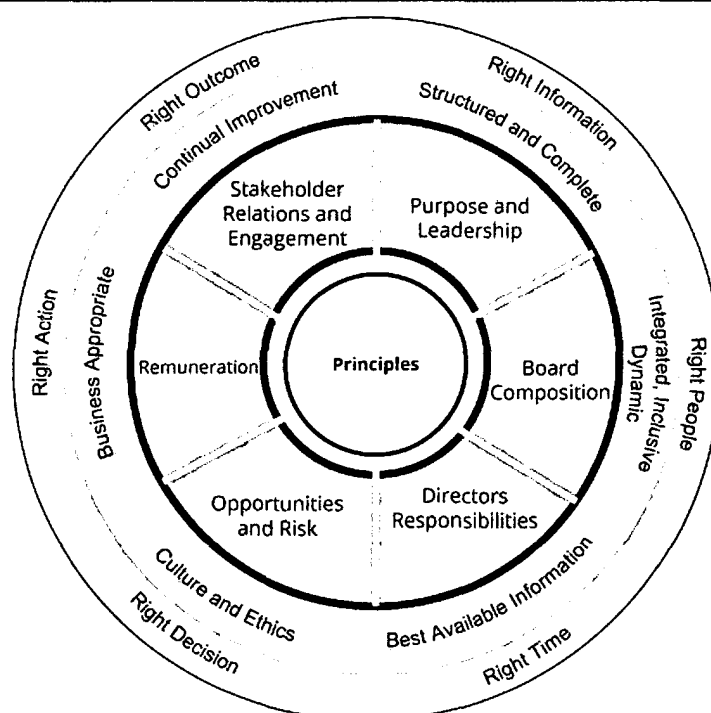
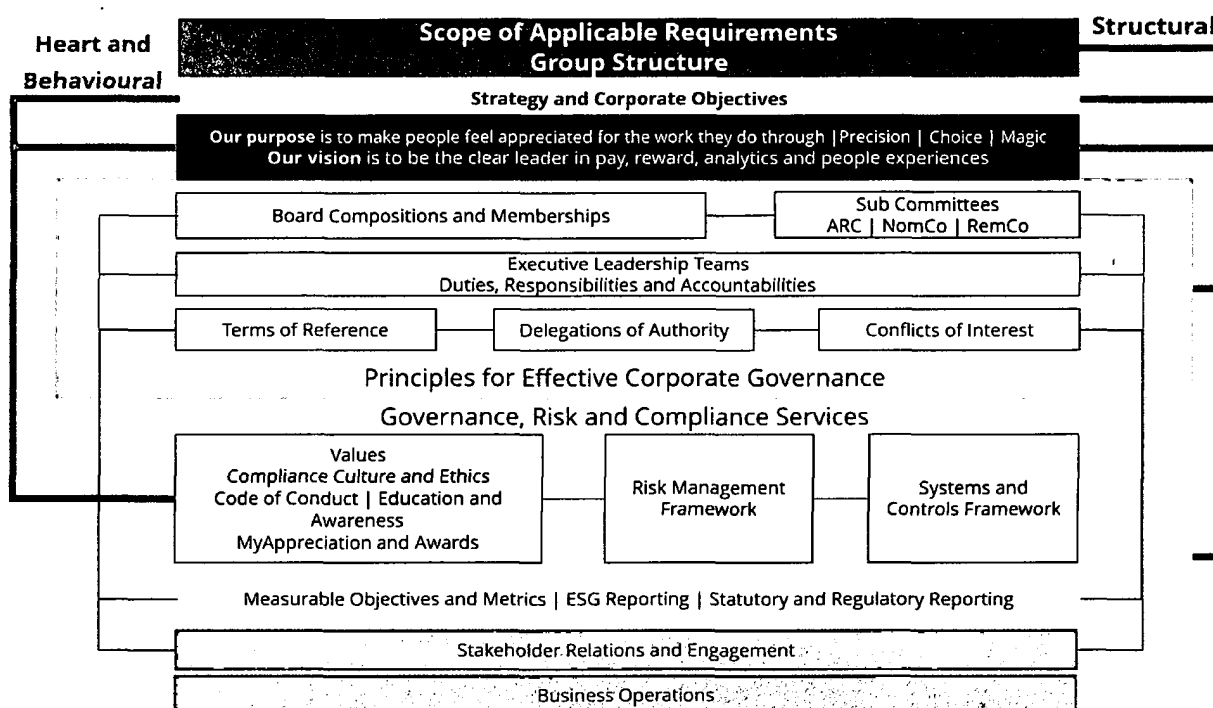
## STRATEGIC REPORT

### FOR THE YEAR ENDED 30 APRIL 2023 (CONTINUED)

#### 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 HOLDINGS LIMITED STRATEGIC REPORT FOR THE YEAR ENDED 30 APRIL 2023 (CONTINUED)**

## **Corporate Governance (continued)**

### **Corporate Governance Framework (continued)**

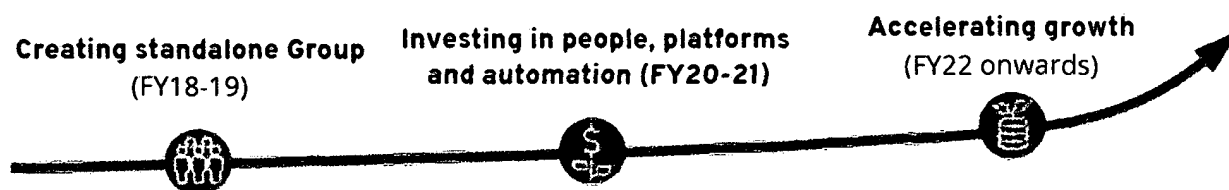
There are two elements to our corporate governance, the mechanisms which are the corporate governance and the risk management frameworks supported at an operational by an enterprise GRC Manual connecting subject matter divided into management systems and frameworks synergised through a set of corporate 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 Group 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 HOLDINGS LIMITED**

## **STRATEGIC REPORT**

### **FOR THE YEAR ENDED 30 APRIL 2023 (CONTINUED)**

#### **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.
  - Moorepay growth – Developed and now launching a new SMB Payroll & HR Software suite (cloud based), including additional Faster Payments, Analytics and Benefits modules; plus, mobile app and APIs/connectors. In addition to core SMB market, now successfully targeting larger SMB customer segment (up to 1,000 employees).
- **Sales force and go-to-market reinvigorated**
  - BPaaS transformation – developing digital workflows to improve speed and accuracy and to deliver significant automation.
  - By diversifying its employee experience technology product range and leveraging its global experience and footprint, Benefex will reinforce the current strong organic growth trajectory. The Accelerate programme will significantly enhance the customer platform experience by improving both the simplicity and end-to-end time of product implementation projects and renewal cycles.
- **Four strategic acquisitions completed**
  - Benefex
  - Capita platform & customers
  - Wrkit
  - Natural HR

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

##### **Stage 3 – Accelerating Growth (FY22 onward).**

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

Following the launch of Zellis HCM, Moorepay NextGen, Benefex International, Home and the acquisition of Wrkit, as referenced in the ‘Background to the Year’ section, we have moved into the accelerated growth phase. New Sales Annual Recurring Revenue show high compound annual growth rate % over the past 3 years as a result, and we enter into 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 18 August 2023 and signed on its behalf by:

A. R. L.

Alan Kinch

Director

18 August 2023

# **ZELLIS HOLDINGS LIMITED**

## **DIRECTORS' REPORT**

### **FOR THE YEAR ENDED 30 APRIL 2023**

The Directors present their annual report on the affairs of the Group together with the financial statements and auditor's report for the year to 30 April 2023.

In accordance with s414I (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 50, 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:

<b>Subject Matter</b>	<b>Reference</b>
Financial risk management objectives and policies	Risk Management section in the Strategic Report (page 37).
Greenhouse gas emissions, energy consumption and energy-efficiency action	Our Environment section in the Strategic Report (page 33).
Stakeholders	s172 section in the Strategic Report (page 20).

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

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

### **Dividends**

No dividends were declared during the year under review (2022: nil).

### **Research and development**

The research and development performed by the Group is documented within the Strategic report on page 19.

### **Directors**

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

John Petter

Alan Kinch

William Stevens

### **Director's and Officer's indemnities**

The Group 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.

# **ZELLIS HOLDINGS LIMITED DIRECTORS' REPORT FOR THE YEAR ENDED 30 APRIL 2023 (CONTINUED)**

## **Identity of private equity firm**

On 30 April 2023, The Group was a wholly owned subsidiary of Zellis TopCo Limited which is wholly owned by Bain Capital Europe Fund IV LP. Bain Capital was established in 1984 and is one of the world's leading multi-asset alternative investment firms. Most of Bain Capital Private Equity's Managing Directors and team members have worked as strategy consultants advising companies across a wide range of industries. From this heritage, the firm has built upon the experience and ability of our professionals to assess a Group's potential, develop powerful strategies, and implement transformational change in partnership with great management teams.

Bain Capital made its investment in the Group on 31 January 2018 through one of its twelve global private equity funds, namely its Europe Fund IV. Prior to the acquisition, the Group was part of Northgate Information Solutions Limited, parented by Northgate Luxembourg GP S.à.r.l., a company who was registered in Luxembourg and who was ultimately controlled at the time by The Goldman Sachs Group, Inc.

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

For the year ended 30 April 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 Group and the company have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements as detailed in note 2 on page 67 of the financial statements.

Details of the future developments of the Group are explained on page 7 in the strategic report.

## **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 HOLDINGS 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.

#### **Auditor**

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

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

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

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

#### **Approval**

This report was approved by the board of directors on 18 August 2023 and signed on its behalf by:

A. Z 

Alan Kinch

Director

18 August 2023



# **ZELLIS HOLDINGS 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 group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they have elected to prepare the group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and applicable law and have elected to prepare the parent company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

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

- select suitable accounting policies and then apply them consistently.
- make judgements and estimates that are reasonable, relevant, reliable, and prudent.
- for the group financial statements, state whether they have been prepared in accordance with UK-adopted 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 group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations or have no realistic alternative but to do so.

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

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



Alan Kinch

Director

18 August 2023

# **ZELLIS HOLDINGS LIMITED**

## **INDEPENDENT AUDITOR'S REPORT**

### **FOR THE YEAR ENDED 30 APRIL 2023**

#### **Independent auditor's report to the members of Zellis Holdings Limited**

##### **Opinion**

We have audited the financial statements of Zellis Holdings Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 April 2023, which comprise consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cashflow, company statement of financial position, company statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 April 2023 and of the group's loss and the parent company's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

##### **Separate opinion in relation to International Financial Reporting Standards (IFRSs) as issued by the IASB**

As explained in note 2 to the group financial statements, the group in addition to applying international accounting standards in conformity with the requirements of the Companies Act, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the group financial statements give a true and fair view of the consolidated financial position of the group as at 30 April 2023 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRSs as issued by the IASB.

##### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our

# **ZELLIS HOLDINGS LIMITED**

## **INDEPENDENT AUDITOR'S REPORT**

### **FOR THE YEAR ENDED 30 APRIL 2023 (CONTINUED)**

#### **Basis for opinion (continued)**

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 group's and the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the group or the parent company to cease to continue as a going concern.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the group's and the parent company's business model including effects arising from macro-economic uncertainties such as 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 group's and the parent 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.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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.

# **ZELLIS HOLDINGS LIMITED**

## **INDEPENDENT AUDITOR'S REPORT**

### **FOR THE YEAR ENDED 30 APRIL 2023 (CONTINUED)**

#### **Opinions on other matters prescribed by the Companies Act 2006**

*In our opinion, based on the work undertaken in the course of the audit:*

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

#### **Matter on which we are required to report under the Companies Act 2006**

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

#### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

#### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 54, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

#### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

# **ZELLIS HOLDINGS LIMITED**

## **INDEPENDENT AUDITOR'S REPORT**

### **FOR THE YEAR ENDED 30 APRIL 2023 (CONTINUED)**

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

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 Group and Parent 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 Group and Parent 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 Group's and Parent 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 Group's and Parent Company's operations, including the nature of its revenue sources and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in the risks that may result in risks of material misstatement;
  - the Group's and Parent Company's key performance indicators and their propensity to influence efforts made by management to manage earnings;
  - the Group's and Parent 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 perform 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

# **ZELLIS HOLDINGS LIMITED**

## **INDEPENDENT AUDITOR'S REPORT**

### **FOR THE YEAR ENDED 30 APRIL 2023 (CONTINUED)**

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

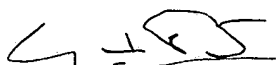
further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it;

- 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 Group and Parent Company operates; and
  - understanding of the legal and regulatory requirements specific to the Group and Parent Company.
- We did not identify any material matters relating to non-compliance with laws and regulations or relating to fraud.
- For components at which audit procedures were performed, 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

#### **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

**18 August 2023**

**ZELLIS HOLDINGS LIMITED**  
**CONSOLIDATED INCOME STATEMENT**  
**FOR THE YEAR ENDED 30 APRIL 2023**

	Note	2023	2022
		£'000	Restated £'000
Revenue	4	201,351	175,350
Operating costs	5	(180,990)	(165,259)
<b>Operating profit</b>		<b>20,361</b>	<b>10,091</b>
Operating profit before significant separately disclosed items, amortisation of acquired intangibles and fair value adjustments			
		54,463	43,436
Amortisation of acquired intangibles	5	(27,586)	(26,401)
Significant separately disclosed items	6	(6,018)	(6,944)
Fair value adjustments		(498)	-
<b>Operating profit</b>		<b>20,361</b>	<b>10,091</b>
Interest Income		5	0
Finance costs	9	(40,793)	(32,256)
<b>Loss before tax</b>		<b>(20,427)</b>	<b>(22,165)</b>
Tax credit	10	5,327	4,977
<b>Loss for the period</b>		<b>(15,100)</b>	<b>(17,188)</b>
<b>Attributable to:</b>			
Owners of the Company		(15,100)	(17,188)
		<b>(15,100)</b>	<b>(17,188)</b>

The Income Statement for the year ended 30 April 2022 has been restated to correct a couple of prior period adjustments. The effects of the restatements are summarised in note 3.

The notes on pages 67 to 117 are an integral part of these consolidated financial statements. All operations relating to continuing operations.

**ZELLIS HOLDINGS LIMITED**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 APRIL 2023**

	2023	2022
	£'000	Restated £'000
<b>Loss for the period</b>	(15,100)	(17,188)
<b>Items that will not be reclassified subsequently to profit or loss</b>		
Remeasurement of net defined benefit liability	(4,502)	15,247
Deferred tax arising on the actuarial (loss) / gain recognised in the pension scheme	1,126	(3,812)
	<b>(3,376)</b>	<b>11,435</b>
<b>Items that may be reclassified subsequently to profit or loss:</b>		
Exchange differences on translation of foreign operations	(1,255)	2,467
Net gain on cashflow hedges	1,880	1,782
<b>Total other comprehensive income for the period net of tax</b>	<b>(2,751)</b>	<b>15,684</b>
<b>Total comprehensive loss for the period</b>	<b>(17,851)</b>	<b>(1,504)</b>
Total comprehensive loss attributable to: Owners of the Company	<b>(17,851)</b>	<b>(1,504)</b>



**ZELLIS HOLDINGS LIMITED**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**FOR THE YEAR ENDED 30 APRIL 2023**

		2023	2022	2021
			Restated	Restated
	Note	£'000	£'000	£'000
<b>Non-current assets</b>				
Goodwill	11	369,715	363,126	357,734
Intangible assets	11	103,452	118,037	134,493
Property, plant, and equipment	12	3,901	3,452	3,523
Right of use assets	13	9,576	10,798	8,760
Contract fulfilment assets	4	9,374	8,771	13,366
Deferred tax asset	16	32,980	28,604	27,144
Other financial assets	25	-	1,248	-
		<b>528,998</b>	<b>534,036</b>	<b>545,020</b>
<b>Current assets</b>				
Trade and other receivables	14	62,112	60,394	47,967
Contract fulfilment assets	4	12,962	10,886	8,294
Corporation tax repayable		441	-	523
Cash and cash equivalents	15	19,379	9,004	9,331
Other current financial assets	25	2,706	135	-
		<b>97,600</b>	<b>80,419</b>	<b>66,115</b>
<b>Total assets</b>		<b>626,598</b>	<b>614,455</b>	<b>611,135</b>
<b>Current liabilities</b>				
Borrowings	24	17,553	14,633	9,686
Lease liabilities	13	3,173	3,097	2,362
Provisions	19	1,962	1,048	476
Current tax liabilities		-	1,038	321
Trade and other payables	17	35,224	31,291	30,290
Other current financial liabilities	25	-	-	1,320
Contract liabilities	4	56,895	55,237	47,550
		<b>114,807</b>	<b>106,344</b>	<b>92,005</b>
<b>Net current liabilities</b>		<b>17,207</b>	<b>25,925</b>	<b>25,890</b>
<b>Non-current liabilities</b>				
Borrowings	24	329,379	306,852	290,067
Lease liabilities	13	5,881	8,151	7,863
Retirement benefit obligations	18	24,298	24,258	41,936
Provisions	19	5,315	2,381	1,047
Deferred tax liabilities	16	18,890	20,356	20,910
Contract liabilities	4	31,400	31,634	41,324
		<b>415,163</b>	<b>393,632</b>	<b>403,147</b>
<b>Total liabilities</b>		<b>529,970</b>	<b>499,976</b>	<b>495,152</b>
<b>Net assets</b>		<b>96,628</b>	<b>114,479</b>	<b>115,983</b>

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

	Note	2023	2022	2021
			Restated	Restated
		£'000	£'000	£'000
<b>Equity</b>				
Share capital	20	0	0	0
Share premium	21	249,497	249,497	249,497
Cash flow hedge reserve		2,341	461	(1,321)
Retained earnings		(155,210)	(135,479)	(132,193)
<b>Total equity</b>		<b>96,628</b>	<b>114,479</b>	<b>115,983</b>

The Consolidated Statement of Financial Position for the years ended 30 April 2022 and 30 April 2021 has been restated to correct a couple of prior period adjustments. The effects of the restatements are summarised in note 3

The notes on pages 67 to 117 are an integral part of these consolidated financial statements.

The financial statements of Zellis Holdings Limited (company registration number: 10975623) were approved and authorised for issue by the Board of Directors and were signed on its behalf by:

A. R. L.

Alan Kinch

Director

18 August 2023

**ZELLIS HOLDINGS LIMITED**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 APRIL 2023**

	Share capital (Note 20)	Share premium (Note 21)	Cost of Cashflow Hedge	Cash flow hedge reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>As at 1 May 2021 (reported)</b>	<b>0</b>	<b>249,497</b>	<b>0</b>	<b>(1,321)</b>	<b>(126,051)</b>	<b>122,125</b>
Prior year adjustment (note 3)	-	-	-	-	(6,142)	(6,142)
<b>As at 1 May 2021 (restated)</b>	<b>0</b>	<b>249,497</b>	<b>0</b>	<b>(1,321)</b>	<b>(132,193)</b>	<b>115,983</b>
Loss for the year	-	-	-	-	(17,188)	(17,188)
Other comprehensive income for the year:						
Remeasurement of net defined benefit liability	-	-	-	-	15,247	15,247
Deferred tax arising on the actuarial loss recognised in the pension scheme	-	-	-	-	(3,812)	(3,812)
Exchange differences on translation of foreign operations	-	-	-	-	2,467	2,467
Net gain on cashflow hedges	-	-	(436)	2,218	-	1,782
<b>At 30 April 2022 (restated)</b>	<b>0</b>	<b>249,497</b>	<b>(436)</b>	<b>897</b>	<b>(135,479)</b>	<b>114,479</b>
Loss for the year	-	-	-	-	(15,100)	(15,100)
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
Exchange differences on translation of foreign operations	-	-	-	-	(1,255)	(1,255)
Net gain on cashflow hedges	-	-	127	1,753	-	1,880
<b>At 30 April 2023</b>	<b>0</b>	<b>249,497</b>	<b>(309)</b>	<b>2,650</b>	<b>(155,210)</b>	<b>96,628</b>

**ZELLIS HOLDINGS LIMITED**  
**CONSOLIDATED STATEMENT OF CASH FLOW**  
**FOR THE YEAR ENDED 30 APRIL 2023**

	2023	2022
	£'000	Restated £'000
<b>Cash flows from operating activities</b>		
Loss for the year	(15,100)	(17,188)
Adjustments for:		
Amortisation of acquired intangibles	27,586	26,401
Tax credit	(5,327)	(4,977)
Amortisation of other intangibles	7,591	8,415
Depreciation	5,242	4,970
Net financing costs	40,793	32,256
Tax refunded	904	46
<b>Net cash from operating activities before changes in working capital and provisions</b>	<b>61,689</b>	<b>49,923</b>
Change in contract fulfilment assets, trade, and other receivables	(9,820)	(18,738)
Change in contract liabilities, trade, and other payables	4,492	4,257
Change in provisions and employee benefits	(5,872)	(2,217)
<b>Net cash from operating activities</b>	<b>50,489</b>	<b>33,225</b>
<b>Investing activities</b>		
Acquisition of intangible assets	(15,989)	(14,467)
Business acquisition	(4,450)	(6,177)
Purchases of property, plant, and equipment	(1,737)	(1,225)
<b>Net cash used in investing activities</b>	<b>(22,176)</b>	<b>(21,869)</b>
<b>Financing activities</b>		
Lease payments	(4,818)	(5,381)
Interest paid	(12,994)	(10,302)
Bank loans repaid	(126)	-
New bank loans raised	-	4,000
<b>Net cash used in financing activities</b>	<b>(17,938)</b>	<b>(11,683)</b>
Net increase/(decrease) in cash and cash equivalents	10,375	(327)
Cash and cash equivalents at beginning of period	9,004	9,331
<b>Cash and cash equivalents at end of period</b>	<b>19,379</b>	<b>9,004</b>

**ZELLIS HOLDINGS LIMITED**  
**CONSOLIDATED STATEMENT OF CASH FLOW**  
**FOR THE YEAR ENDED 30 APRIL 2023 (CONTINUED)**

**Reconciliation of liabilities arising from financing activities:**

£'000	Long-term borrowings	Short-term borrowings	Lease liabilities	Total
<b>As at 1 May 2021</b>	<b>294,777</b>	<b>4,000</b>	<b>10,225</b>	<b>309,002</b>
Cash-flows:				
- Repayment	-	-	(5,470)	(5,470)
	-	4,000	-	4,000
Non-cash:				
- Addition	9,791	-	5,675	15,466
- Accretion of lease interest	-	-	818	818
<b>As at 30 April 2022</b>	<b>304,568</b>	<b>8,000</b>	<b>11,248</b>	<b>323,816</b>
Cash-flows:				
- Repayment	-	(126)	(4,818)	(4,944)
- Proceeds	-	126	-	126
Non-cash:				
- Addition	10,339	-	1,829	12,168
- Accretion of lease interest	-	-	795	795
<b>As at 30 April 2023</b>	<b>314,907</b>	<b>8,000</b>	<b>9,054</b>	<b>331,961</b>

# **ZELLIS HOLDINGS LIMITED**

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

### **FOR THE YEAR ENDED 30 APRIL 2023**

#### **1 General information**

Zellis Holdings Limited ("the Company") is a private company limited by shares incorporated and domiciled in the United Kingdom under the Companies Act 2006 and is registered in England and Wales under the registration number 10975623. The company was incorporated on 21 September 2017. The address of the Company's registered office is 740 Waterside Drive, Aztec West, Almondsbury, Bristol, BS32 4UF.

The principal activities of the Company and its subsidiaries (together, "the Group") and the nature of the Group's operations is set out in the strategic report on pages 1 to 50.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates. Foreign operations are included in accordance with the policies set out in note 2.

#### **2 Accounting policies**

##### **Basis of accounting**

The financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

The financial statements have been prepared on the historical cost basis with the exception of the net assets acquired on business combinations and derivative financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

The principal accounting policies adopted are set out below.

##### **Going concern**

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 1 to 50. In addition, note 25 to the financial statements include the Group's exposures to interest and liquidity risk.

Notwithstanding the net current liabilities of £17.2m (2022: £25.9m), the financial statements have been prepared on a going concern basis for the following reasons:

The group has made an operating profit for the year of £20.4m (2022: £10.1m) and generated operating profit before significant separately disclosed items, amortisation of acquired intangibles and fair value adjustments of £54.5m (2022: £43.4m). The significant separately disclosed items have been reducing year on year (2023: £6.0m; 2022: £6.9m; 2021: £9.4m; 2020 £14.0m) and are expected to decrease continuously going forward. The negative impact on operating loss of these one-off/non-cash items is further highlighted by the positive net cash generated from operating activities of £50.5m (2022: £33.2m). The impact of macro-economic headwinds to the group has been discussed in the Strategic Report on pages 1 to 50.

# **ZELLIS HOLDINGS LIMITED**

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

### **FOR THE YEAR ENDED 30 APRIL 2023 (CONTINUED)**

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

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

The Directors have undertaken a comprehensive going concern review over the twelve-month period to 31 August 2024, considering the forecast cash flows of the Group and the liquidity headroom available over the corresponding period, taking into account the Group's principal risks and uncertainties. The Group has modelled various forecasts in its assessment of going concern which have been considered by the Directors, along with a likelihood assessment of these forecasts, being:

- a base case, which reflects the Directors' current expectations of future trading
- severe but plausible downside forecasts, based on reasonable sensitivities on key cashflow items; and
- a reverse stress test analysis setting out what would be required to break covenant requirements.

This review of forecasts indicates that the Group should be able to trade and operate within its current revolving credit facility ("RCF") and settle its liabilities as they fall due and have the ability to maintain compliance with debt covenants for the foreseeable future.

The up to date forecast cashflow indicates closing liquidity of £68.9m as of 31 August 2024 with significant headroom over covenant leverage ratio. In addition, a series of mitigating actions identified could be put in place to further reduce the risk to Going Concern should they be required.

The current £40m RCF facility is available until 31<sup>st</sup> January 2024, with £35.5m successfully extended until 30<sup>th</sup> October 2024. The £270m senior facility is due to renew on 31<sup>st</sup> January 2025.

### Board Assessment

Under the base case projections, the group expects demand to remain robust for Payroll and HR software and services which are business critical to our customers. This has been supported by recent performance with the Group delivering very strong results growing revenues and Management EBITDAC by £26.0m and £9.9m respectively. The Group continues to build momentum after delivering strong results in FY22. The Group is generating cash which has 1.8 interest cover and has headroom to cater for sensitivities in relation to increased interest charges. There is also significant headroom under the severe but plausible downside forecast.

Recent inflationary pressures have been mitigated through a combination of cost pass through clauses in our customer agreements, price increases and negotiating of pricing on our support agreements as well as managing the cost base across the business.

Headroom on the leverage covenant is very significant specifically 4.0 (vs. covenant target of 9.05) in April 24.

The board have the continuing support of their investors and lenders. This has been demonstrated through additional capital injections from Bain Capital (£40m in FY21 and £20m in FY20) to support the Group's growth plans, including a number of strategic acquisitions including Wrkit and Natural HR. The lenders have also supported the Group with an agreement to roll up a proportion of the Term interest (£19.1m on the Senior Debt up to the end of FY23), and the extension of the RCF to October 2024.

# **ZELLIS HOLDINGS LIMITED**

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

### **FOR THE YEAR ENDED 30 APRIL 2023 (CONTINUED)**

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

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

As part of their going concern considerations, the board have made direct enquiries to its shareholders, current lenders and have assessed different financing structures and options. The formal exercise to refinance the term loan will commence in Autumn 2023.

The board have considered whether the terms of the current facility which expire in January 2025 constitutes a material uncertainty and have concluded they do not on the basis of the assessment of ability to refinance the term loan in 2025 which has been conducted. The board have assessed that achieving refinancing is highly likely. In addition, the forecasts reviewed as part of the going concern process indicate that the Group does not require the RCF post the renewal date.

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

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

The board have presented 'Management EBITDA' and 'Management EBITDAC' as adjusted profit measures in the Strategic report. They believe that these measures provide additional useful information for the shareholders on the underlying performance of the business. These measures are consistent with how the business performance is monitored internally and is in line with the debt covenant compliance calculations. Management EBITDA is not a recognised performance measure under adopted IFRS and may not be directly comparable with measures used by other companies. The adjustments made to operating profits / losses have the effect of excluding significant separately disclosed items. These are predominantly transformational in nature outside normal business as usual ('BAU') activities and distort the understanding of the underlying performance for the year and comparability between periods.

##### **Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) for the year ended 30 April 2023. Control is achieved when the Company:

- has the power over the investee;
- is exposed, or has rights, to variable return from its involvement with the investee; and
- has the ability to use its power to affects its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.



# **ZELLIS HOLDINGS LIMITED**

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

### **FOR THE YEAR ENDED 30 APRIL 2023 (CONTINUED)**

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

### **Basis of consolidation (continued)**

The Company considers all relevant facts and circumstances

- in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:
- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses, and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, the gain or loss on disposal recognised in profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e., reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 Financial Instruments, when applicable, the costs on initial recognition of an investment in an associate or a joint venture.

# **ZELLIS HOLDINGS LIMITED**

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

### **FOR THE YEAR ENDED 30 APRIL 2023 (CONTINUED)**

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

### **Business combinations**

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired, and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

When a business combination is achieved in stages, the Group's previously held interests in the acquired entity is remeasured to its acquisition date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

### **Intangible assets**

#### **Goodwill**

Goodwill is initially recognised and measured as set out in the Business Combinations section above.

# **ZELLIS HOLDINGS LIMITED**

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

### **FOR THE YEAR ENDED 30 APRIL 2023 (CONTINUED)**

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

### **Intangible assets (continued)**

#### **Goodwill (continued)**

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired.

If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

#### **Other intangible assets excluding goodwill**

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

New intangibles recognised under IFRS 3 relating to customer contracts and relationships, existing technologies and trade names are amortised straight-line over a useful economic life of 3 – 8 years.

Amounts capitalised under purchased software are amortised straight-line over 3 years.

#### **Research and development expenditure**

Expenditure on research activities is recognised as an expense in the year in which it is incurred.

An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if all of the following conditions have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial, and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the year in which it is incurred. These internally generated assets are amortised straight-line over 5 years.

# **ZELLIS HOLDINGS LIMITED**

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

### **FOR THE YEAR ENDED 30 APRIL 2023 (CONTINUED)**

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

### **Research and development expenditure (continued)**

#### **Subsequent measurement**

Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

#### **Impairment excluding deferred tax assets**

The carrying amounts of the Group's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. If the recoverable amount of an asset (cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount but so that the increased carrying amount does not exceed the carrying amount that would have been determined, had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in estimates used to determine the recoverable amount.

#### **Revenue**

The Group generates revenue from the following types of services:

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

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

#### **1. Identify the contract with a customer;**

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

# **ZELLIS HOLDINGS LIMITED**

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

### **FOR THE YEAR ENDED 30 APRIL 2023 (CONTINUED)**

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

### **Revenue (continued)**

#### **1. Identify the contract with a customer (continued);**

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

#### **2. Identify all the individual performance obligations within the contract;**

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

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

The Group also enters into contracts with customers for installation, customisation, maintenance or other technical services or consultancy on third party software. Each promise under these contracts is a separate performance obligation and revenue is recognised for such contracts on time and material basis. Timing of payments tends to be similar to timing of revenue.

Where the separate obligations are not defined, then unless deemed to be material, the contract will be treated as one performance obligation.

#### **3. Determine the transaction price;**

The transaction price for the contract is determined as the sum of fixed consideration, other variable items, less an estimate of volume discounts if any. Other variable items such as higher/lower employee numbers for PEPM charge (per employee per month amount charged to customer), credits for service level, third party penalties or inflationary increases are taken in the month they are received or incurred. Termination fees are taken at a point in time when the termination is complete.

There are no financing components, non-cash considerations or any considerations payable to the customer within the Group's customer contracts.

#### **4. Allocate the price to the performance obligations;**

Our contracts include a quoted price for many different elements within the contracts.

The Group's process for pricing elements within the contracts is generally based on either the standalone selling price of specific service offerings or is based on an estimate of the price of those services, and therefore the contractual prices are indicative of the standalone selling prices.

#### **5. Recognise revenue as the performance obligations are fulfilled.**

**Implementation:** As software/service implementation activity does not deliver a performance obligation to the customer, all customer payments/receivables and corresponding internal operational costs related to implementations are deferred to the Statement of financial position until delivery. The release of deferred implementation revenue and costs will be recognised on a straight-line basis over the life of

# **ZELLIS HOLDINGS LIMITED**

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

### **FOR THE YEAR ENDED 30 APRIL 2023 (CONTINUED)**

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

### **Revenue (continued)**

#### **5. Recognise revenue as the performance obligations are fulfilled (continued).**

The contract (from delivery). The adjusted monthly revenue from the provision of services will be recognised each month that we provide the service for a performance obligation.

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

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

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

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

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

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

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

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

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

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

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

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

#### **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

# **ZELLIS HOLDINGS LIMITED**

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

### **FOR THE YEAR ENDED 30 APRIL 2023 (CONTINUED)**

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

### **Costs on contracts with customers (continued)**

- 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. Contract asset balances are reviewed on a monthly basis in order to assess their recoverability. Any balances that are deemed unrecoverable are written off.

### **Provisions**

#### **Contract Losses**

A provision for contract losses is recognised on onerous contracts that are expected to make net losses for the remainder of the contract term, after taking into consideration impairment of contract fulfilment assets.

### **Financial instruments**

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI) and fair value through profit or loss.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

### **Derivative financial instruments and hedge accounting**

#### **Initial recognition and subsequent measurement**

The Group uses derivative financial instruments, such as interest rate caps to hedge its interest rate risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment;
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction;
- Hedges of a net investment in a foreign operation.

# **ZELLIS HOLDINGS LIMITED**

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

### **FOR THE YEAR ENDED 30 APRIL 2023 (CONTINUED)**

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

### **Derivative financial instruments and hedge accounting (continued)**

#### **Initial recognition and subsequent measurement (continued)**

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item. Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

#### **Cash flow hedges**

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

We have considered the hedge accounting requirements of IAS 39 and IFRS 9 in respect of the IBOR reform. The borrowing and cash flow hedge, the latter matures on 31 December 2023, are both designated using SONIA therefore there is no current impact on the hedge accounting.

#### **Loans and receivables**

Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

An interest PIK option was granted for the senior and second lien loans from November 2020. As a result, the carrying values of the loans as at 30 April 2023 has been recalculated as the present value of the established future contractual cash flows discounted at the loans' original effective interest rates. The changes in carrying value have been recognised in the Income Statement.

The group has a non-recourse factoring agreement in place. The Factor bears the credit default risk of the approved receivables. Zellis continues to service and collect payments into a designated account which is automatically swept to the Factor daily. The trade receivable is derecognised in its entirety as soon as they are transferred to the Factor.



# **ZELLIS HOLDINGS LIMITED**

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

### **FOR THE YEAR ENDED 30 APRIL 2023 (CONTINUED)**

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

### **Financial liabilities and equity**

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

### **Equity instruments**

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised as the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue, or cancellation of the Company's own equity instruments.

### **Bank borrowings**

Interest-bearing bank loans and overdrafts are initially recorded at fair value, which is the proceeds received, net of direct issue costs. Subsequent to initial recognition, interest-bearing bank loans and overdrafts are stated net of issue costs, which are amortised over the period of the debt.

Finance charges are accounted for on an accruals basis to the income statement using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

### **Share capital**

#### **Ordinary shares**

Incremental costs directly attributable to issue of ordinary shares are recognised as a deduction from equity.

### **Property, plant, and equipment**

Property, plant, and equipment are stated at cost less accumulated depreciation and impairment losses. Depreciation is recognised so as to write off the cost of assets over their useful lives, using the straight-line method, on the following bases:

Fixtures, fittings, and office equipment:	2 – 15 years
Leasehold improvements:	Life of the lease

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or scrapping of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

# **ZELLIS HOLDINGS LIMITED**

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

### **FOR THE YEAR ENDED 30 APRIL 2023 (CONTINUED)**

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

### **Cash and cash equivalents**

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

### **Leases**

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

### **Group as a lessee**

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

### **Right-of-use assets**

The group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Building	2 – 15 years
Equipment	1 – 3 years
Motor vehicles	1 – 3 years
Other	1 – 3 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment.

### **Lease liabilities**

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

# **ZELLIS HOLDINGS LIMITED**

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

### **FOR THE YEAR ENDED 30 APRIL 2023 (CONTINUED)**

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

### **Leases (continued)**

#### **Lease liabilities (continued)**

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

#### **Leases – Estimating the incremental borrowing rate**

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

#### **Short-term leases and leases of low-value assets**

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

### **Finance costs**

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

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

### **Taxation**

The tax expense represents the sum of the tax currently payable and deferred tax.

#### **Current tax**

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's

# **ZELLIS HOLDINGS LIMITED**

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

### **FOR THE YEAR ENDED 30 APRIL 2023 (CONTINUED)**

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

### **Taxation (continued)**

#### **Current tax (continued)**

liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

A provision is recognised for those matters for which the tax determination is uncertain, but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Company supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

#### **Deferred tax**

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the reporting date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

# **ZELLIS HOLDINGS LIMITED**

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

### **FOR THE YEAR ENDED 30 APRIL 2023 (CONTINUED)**

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

### **Taxation (continued)**

#### **Deferred tax (continued)**

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

#### **Impairment of non-financial assets**

Impairment exists when the carrying value of an asset or cash generating unit ('CGU') exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis. A cash-generating unit is the smallest group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a Discounted Cash Flow ('DCF') model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognised by the Group.

The recoverable amounts of the CGUs are determined from value-in-use calculations which use discounted cash flows from approved budgets and five-year forecasts and extrapolated cash flows for the periods beyond these using estimated long-term growth rates.

The key assumptions are:

- Long term average growth rates are used to extrapolate cash flows. Growth rates are determined with reference to internal approved budgets and forecasts;
- Discount rates are specific to the CGU and reflect the individual nature and specific risks relating to the market in which it operates;
- Gross margins are based on past performance and management's expectations of market development. No improvements to margins beyond periods covered by approved budgets and forecasts have been assumed.

The Directors are required to review the goodwill at least annually for impairment of the carrying value as compared to the recoverable amount. The pre-tax discount rates used are 10.9% (Zellis), 10.8% (Moorepay) and 21.9% (Benefex), with terminal growth rates of 2.5% (Zellis and Moorepay) and 2% (Benefex). These have remained unchanged from the prior financial year.

The surplus headroom above the carrying value of goodwill at 30 April 2023 was satisfactory, such that there was no impairment to recognise against any of the CGUs.

# **ZELLIS HOLDINGS LIMITED**

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

### **FOR THE YEAR ENDED 30 APRIL 2023 (CONTINUED)**

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

### **Retirement benefit costs**

The Group operates various defined contribution pension schemes. The assets of the schemes are held separately from those of the Group in independently administered funds. The amounts charged to the income statement represent the contributions payable to the schemes in respect of the accounting period.

The Group also operates two defined benefit pension schemes. The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of the future benefit that employees have earned in the current and prior periods, discounting that amount, and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of the economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments.

Net interest expense and other expenses related to the defined benefit plans are recognised in the profit and loss. When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

### **Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received if the entity settles the obligation, and the amount of the receivable can be measured reliably.

# **ZELLIS HOLDINGS LIMITED**

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

### **FOR THE YEAR ENDED 30 APRIL 2023 (CONTINUED)**

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

### **Critical accounting judgements**

In the application of the Group's accounting policies, which are described above, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following sets out the key assumptions concerning the future and key sources of estimation and uncertainty at the reporting date that may cause material adjustment to the carrying amounts of assets or liabilities within the next financial year.

### **Revenue recognition**

The measurement of revenue and resulting profit recognition – due to the size and complexity of some of the Group's contracts – requires significant judgements to be applied, including the measurement and timing of revenue recognition and the recognition of related statement of financial position items (such as contract fulfilment assets, accrued revenue and contract liabilities that result from the performance of the contract).

The implementation phase for Payroll and HR Admin services takes between zero to 18 months, during which time the related performance obligation is not being delivered to the customer. Under the contracts, Zellis is entitled to bill the customer during the implementation phase and hence contract liabilities are created. Correspondingly, costs incurred during this phase are assessed and, where they create a contract fulfilment asset, are capitalised.

For the majority of its contracts, the group considers the services provided to the customers including the initial implementation, subsequent licencing and/or managed payroll, to be a combined single performance obligation. This is because these elements are not distinct and are interdependent. As a result, the group recognise revenue accordingly, which is spread over the contract period (from delivery). Where separate performance obligations have been identified, the revenue recognition for each deliverable is assessed and recognised independently.

# **ZELLIS HOLDINGS LIMITED**

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

### **FOR THE YEAR ENDED 30 APRIL 2023 (CONTINUED)**

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

### **Critical accounting judgements (continued)**

#### **Recognition of internally generated intangible assets from development**

Under IFRS, internally generated intangible assets from the development phase are recognised if certain conditions are met. These conditions include the technical feasibility, intention to complete, the ability to use or sell the asset under development and the demonstration of how the asset will generate probable future economic benefits. The cost of a recognised internally generated intangible asset comprises all directly attributable cost necessary to make the asset capable of being used as intended by management. In contrast, all expenditures arising from the research phase are expensed as incurred.

We believe that the determination whether internally generated intangible assets from development are to be recognised as intangible assets requires significant judgement, particularly in the following areas:

- The determination whether activities should be considered research activities or development activities;
- The determination whether the conditions for recognising an intangible asset are met requires assumptions about future market conditions, customer demand and other developments;
- The term 'technical feasibility' is not defined in IFRS, and therefore the determination whether completing an asset is technically feasible requires a company-specific and necessary judgemental approach;
- The determination of the future ability to use or sell the intangible asset arising from the development and the determination of probability of future benefits from sale or use, and
- The determination whether a cost is directly or indirectly attributable to an intangible asset and whether a cost is necessary for completing a development.

### **Key sources of estimation uncertainty**

#### **Pensions**

Details of the principal actuarial assumptions used in calculating the recognised liability for the defined benefit plans are given in note 18. Changes to the discount rate, mortality rates, fair value and actual return on plan assets may necessitate material adjustments to this liability in the future.

#### **Fair value measurement on a business combination**

The measurement of fair values on a business combination requires the recognition and measurement of the identifiable assets, liabilities, and contingent liabilities. The key judgements involved are the identification and valuation of intangible assets which require the estimation of future cash flows and the selection of a suitable discount rate.

#### **Fair value measurement on acquisition of subsidiary**

Management applies judgement in accounting for acquisitions, including identifying assets arising from the application of IFRS 3 Business combinations, undertaking purchase price allocation exercises to allocate value between assets acquired, including the allocation between intangible assets and goodwill, and where relevant valuing contingent consideration. Key judgements are made in respect of discount rates, growth rates, royalty rates and the estimated life of intangibles. See note 27 for further detail.



# ZELLIS HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 APRIL 2023 (CONTINUED)

#### 3 Restatement of prior year balances

A prior year restatement has been made to correct the recognition of deferred tax on losses arising due to two corrections in the FY22 and FY21 consolidated financial statements. The first was a correction to the value of Corporate Interest Restriction (CIR) amounts carried forward, which directly interacts with losses carried forward; a further correction was made for additional group losses utilised as a result of a corrective adjustment to amortisation in the prior period accounts.

The effect of restatement on the Consolidated Statement of Financial Position as at 30 April 2022 was as follows:

£'000	As previously reported	Restatements	As restated
Deferred tax asset	38,399	(9,795)	28,604
<b>Total non-current assets</b>	<b>543,831</b>	<b>(9,795)</b>	<b>534,036</b>
Retained earnings	(124,931)	(10,548)	(135,479)
<b>Total equity</b>	<b>125,027</b>	<b>(10,548)</b>	<b>114,479</b>

The effect of restatement on the Consolidated Income Statement as at 30 April 2022 was as follows:

£'000	As previously reported	Restatements	As restated
Tax credit	9,388	(4,411)	4,977
<b>Loss for the period</b>	<b>(12,777)</b>	<b>(4,411)</b>	<b>(17,188)</b>

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

£'000	As previously reported	Restatements	As restated
Deferred tax asset	33,079	(5,935)	27,144
<b>Total non-current assets</b>	<b>550,955</b>	<b>(5,935)</b>	<b>545,020</b>
Retained earnings	(126,051)	(6,142)	(132,193)
<b>Total equity</b>	<b>122,125</b>	<b>(6,142)</b>	<b>115,983</b>

# ZELLIS HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 APRIL 2023 (CONTINUED)

#### 4 Revenue

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

	2023	2022
	£'000	£'000
<b>Continuing operations</b>		
Core Software	112,623	90,888
Other Software	4,419	5,139
<b>Total Software</b>	<b>117,042</b>	<b>96,027</b>
Transactional	18,376	16,125
BPaaS	49,653	46,121
Implementation	16,280	17,077
	<b>201,351</b>	<b>175,350</b>

	2023	2022
	£'000	£'000
<b>Deferred income / costs to contract fulfilment assets &amp; liabilities</b>		
Contract fulfilment assets – current	12,962	10,886
Contract fulfilment assets – non-current	9,374	8,771
Contract liabilities – current	(56,895)	(55,237)
Contract liabilities – non-current	(31,400)	(31,634)
<b>Net contract liabilities</b>	<b>(65,959)</b>	<b>(67,214)</b>

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

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

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

	2023	2022
	£'000	£'000
<b>Revenue recognised in relation to contract liabilities</b>		
Revenue recognised that was included in the contract liability balance at the beginning of the year	55,237	47,550

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

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

**4 Revenue (continued)**

	2023	2022
	£'000	£'000

**Unsatisfied long-term contracts**

Aggregate amount of contracts partially or fully unsatisfied as at 30 April	329,773	265,831
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Management expects that of the transaction price allocated to the unsatisfied contracts as of 30 April 2023 that £329.8m (2022: £265.8m) will be recognised as revenue in the next reporting periods. £123.1m, £78.9m, £63.0m and £35.9m will be recognised as revenue in reporting periods ending 30 April 2024, 30 April 2025, 30 April 2026, and 30 April 2027 respectively; with £28.9m in reporting periods thereafter.

	2023	2022
	£'000	£'000
<b>Assets recognised from costs to fulfil a contract</b>		
Asset recognised from costs incurred to fulfil contracts at 30 April	22,336	19,657
Amortisation recognised as cost of providing services during the period	9,305	10,420

**5 Operating costs**

	2023	2022
	£'000	£'000
Depreciation of property, plant, and equipment	2,016	1,642
Depreciation of right of use assets	3,226	3,328
Amortisation of acquired intangibles	27,586	26,401
Amortisation of other intangibles	7,591	8,415
Staff costs (see note 8)	107,459	94,108
Significant separately disclosed items (see note 6)	6,018	6,944
Management fees	1,672	1,601
Professional fees	6,130	3,412
IT costs	16,271	15,581
Property costs	2,890	2,860
Capitalised employee and related costs	(16,192)	(14,333)
Other operating costs	16,323	15,300
	<b>180,990</b>	<b>165,259</b>

# ZELLIS HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 APRIL 2023 (CONTINUED)

#### 6 Significant separately disclosed items

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

	2023	2022
	£'000	£'000
Severance and restructuring	115	1,785
Strategy and Acquisition	3,919	2,562
Business transformation and integration	2,053	2,235
Significant events and external circumstances	(69)	362
	<b>6,018</b>	<b>6,944</b>

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, additional acquisitions and strategic activity has taken place 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.

Following the acquisition by Bain Capital, the business undertook a major strategic review, engaged third party specialists, and instigated a restructuring of the business. This included changes in personnel, rebranding, and the introduction of new business processes. In the year ended 30 April 2023, costs were limited to a single restructuring event within the Benefex business.

##### 2) Strategy and Acquisition.

Acquisition costs were incurred in the year relating to the ongoing integration of Wrkit, acquired in January 2022. Then in March 2023, Moorepay acquired Natural HR, a prominent provider of feature-rich, cloud-based HR software for SMBs and their expertise and technology enables the group to deliver even more exceptional employee experiences. In relation to this latest acquisition, a number of costs have been incurred including due diligence and legal costs and these have been recognised as SSDIs.

Additionally, the Group engaged external consultancy services to provide a Group-wide strategy review as requested by the shareholders. Due to the infrequent and non-recurring nature of such costs they have been included within this category.

##### 3) 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:

# ZELLIS HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 APRIL 2023 (CONTINUED)

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

- 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.

#### 4) Significant events or external circumstances.

In the light of the COVID-19 pandemic a specific bad debt provision had been created in 2020 to account for the potential credit losses predicted and against the same backdrop an incremental holiday pay accrual was recognised. During the course of FY23, further releases were made against these provisions.

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.

#### 7 Auditor's remuneration

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

	2023 £'000	2022 £'000
Fees payable to the company's auditor and their associates for the audit of the company's annual accounts	85	84
Fees payable to the company's auditor and their associates for other services to the group		
- The audit of the company's subsidiaries	255	239
- The audit of the company's subsidiaries payable to the auditor's associates	37	-
<b>Total audit fees</b>	<b>377</b>	<b>323</b>
Other services (loan covenants review)	10	10
Other services payable to the auditor's associates (earnout review)	13	-
<b>Total non-audit fees</b>	<b>23</b>	<b>10</b>

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

**8 Staff costs**

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

	2023	2022
	Number	Number
Sales and Marketing	206	178
BPaaS	982	974
Product Support	501	472
Implementation services	289	265
Technology Support and Product Development	114	106
Administration	208	165
	<b>2,300</b>	<b>2,160</b>

Their aggregate remuneration comprised:

	2023	2022
	£'000	£'000
Wages and salaries	91,964	82,165
Social security costs	10,166	8,584
Other pension costs	5,329	3,359
	<b>107,459</b>	<b>94,108</b>

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

Directors' emoluments:

	2023	2022
	£'000	£'000
Directors' emoluments	1,511	1,395
	<b>1,511</b>	<b>1,395</b>

The emoluments relate to two directors paid by the Group. The aggregate emoluments of the highest paid director were £862k (2022: £775k).

Total short-term employee benefits paid during the year in the form of bonuses were £760k. During the year, no directors accrued benefits under the money purchase scheme.

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

**9 Finance costs**

	2023	2022
	£'000	£'000
Interest on bank overdrafts and loans	27,524	21,728
Amortisation of issue costs on bank loans	12,514	7,089
Unwind of dilapidation provision	(168)	76
Net pension finance expense	685	798
Interest on obligations under leases	795	869
Foreign exchange (gain) / loss	(557)	1,696
	<b>40,793</b>	<b>32,256</b>

**10 Tax**

The tax charged to the income statement is as follows:

	2023	2022 (restated)
	£'000	£'000
<b>Corporation tax:</b>		
Current period	-	-
Overseas tax charge	602	1,380
Adjustment in respect of prior year	(208)	(44)
	<b>394</b>	<b>1,336</b>

	2023	2022 (restated)
	£'000	£'000
<b>Deferred tax (note 16):</b>		
Origination and reversal of temporary differences	(4,988)	(4,203)
Adjustment in respect of prior year	(733)	73
Effect of changes in tax rates (note 16)	-	(2,183)
	<b>(5,721)</b>	<b>(6,313)</b>
<b>Tax credit on Income Statement</b>	<b>(5,327)</b>	<b>(4,977)</b>

The statutory rate of corporation tax applied to reported profit is 19.5%.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. There are no material overseas charges such that there is no disclosure as to the amounts.

The tax credit for the year can be reconciled to the loss in the income statement as follows:

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

**10 Tax (continued)**

	2023 [ ]	2022 (restated) [ ]
	£'000	£'000
Loss before tax on continuing operations	(20,427)	(22,165)
Tax at the UK corporation tax rate of 19.5% (19% - 2022)	(3,983)	(4,211)
Effect of revaluing deferred tax brought forward at future enacted tax rate	-	(1,987)
Effect of tax rate changes on deferred tax charge/credit in relation to current period movements	(64)	(1,390)
Tax effect of expenses that are not deductible in determining taxable profit (net of reversal)	(929)	725
Tax effect of income not taxable in determining taxable profit	(224)	(100)
Tax adjustments in relation to prior periods	(941)	29
Corporate interest restriction	898	1,982
Effect of overseas tax rates	(84)	(25)
<b>Tax credit for the year</b>	<b>(5,327)</b>	<b>(4,977)</b>

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
<b>Deferred tax charge / (credit):</b>		
<b>Items that will not be reclassified subsequently to profit or loss:</b>		
Remeasurement of net defined benefit liability	(1,126)	3,812



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

**11 Intangible assets and goodwill**

	Goodwill	Purchased software	Customer relationships	Existing technology	Trade name	Development costs	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost:</b>							
At 1 May 2021	357,734	3,310	124,351	62,625	8,093	33,017	589,130
Acquired through business combinations	5,392	-	2,061	1,768	64	-	9,285
Additions	-	44	-	-	-	14,423	14,467
Write offs	-	-	-	-	-	-	-
<b>At 30 April 2022</b>	<b>363,126</b>	<b>3,353</b>	<b>126,412</b>	<b>64,394</b>	<b>8,157</b>	<b>47,440</b>	<b>612,882</b>
Acquired through business combinations	6,589	-	1,013	3,620	-	-	11,222
Additions	-	38	-	-	-	15,951	15,989
Write offs	-	(558)	(7)	-	-	(34)	(599)
<b>At 30 April 2023</b>	<b>369,715</b>	<b>2,833</b>	<b>127,418</b>	<b>68,014</b>	<b>8,157</b>	<b>63,357</b>	<b>639,494</b>
<b>Amortisation:</b>							
At 1 May 2021	-	(2,716)	(48,987)	(28,685)	(3,650)	(12,865)	(96,903)
Charge for the year	-	(238)	(17,123)	(8,223)	(1,056)	(8,176)	(34,816)
<b>At 30 April 2022</b>	<b>-</b>	<b>(2,954)</b>	<b>(66,110)</b>	<b>(36,908)</b>	<b>(4,706)</b>	<b>(21,041)</b>	<b>(131,719)</b>
Disposals	-	529	-	-	-	40	569
Charge for the year	-	(113)	(16,829)	(9,594)	(1,163)	(7,478)	(35,177)
<b>At 30 April 2023</b>	<b>-</b>	<b>(2,538)</b>	<b>(82,939)</b>	<b>(46,502)</b>	<b>(5,869)</b>	<b>(28,479)</b>	<b>(166,327)</b>
<b>Net book value:</b>							
At 30 April 2023	<b>369,715</b>	<b>295</b>	<b>44,479</b>	<b>21,512</b>	<b>2,288</b>	<b>34,878</b>	<b>473,167</b>
At 30 April 2022	<b>363,126</b>	<b>399</b>	<b>60,302</b>	<b>27,486</b>	<b>3,451</b>	<b>26,399</b>	<b>481,163</b>

Acquired intangibles are trade and assets acquired during the acquisition, they include customer contracts and relationships, existing technologies, and trade names.

Impairment assessment on goodwill is performed on an annual basis. Goodwill for each Cash Generating Unit ('CGU') is £316.3m (Zellis), £27.0m (Moorepay) and £26.4m (Benefex) respectively. No indication of impairment was identified. The assessment applies a discounted cashflow model with financial forecasts to a four-year forecast for the Group, with the first year as per the current budget agreed by the Board. The pre-tax discount rates (10.9% for Zellis, 10.8% for Moorepay, and 21.9% for Benefex) and terminal growth rates (2.5% for Zellis and Moorepay, 2% for Benefex) applied for each CGU (Zellis, Moorepay and Benefex) are obtained from third party specialists at acquisition and are unchanged from FY22.

Headroom is £220.6m (Zellis), £152.4m (Moorepay) and £52.7m (Benefex) respectively. The compounded annual growth rates of Zellis, Moorepay and Benefex CGUs' EBITDAs from FY24 to FY27 in this four-year forecast are 15%, 23% and 34% respectively. In the sensitivity analysis where the revenue and EBITDA growth assumptions are stretched to accommodate stronger headwinds, the revised headroom is £16.5m (Zellis), £58.7m (Moorepay) and £7.1m (Benefex) respectively.

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

**12 Property, plant, and equipment**

	Leasehold improvements	Fixtures & fittings and computer Equipment	Total
	£'000	£'000	£'000
<b>Cost:</b>			
<b>As at 1 May 2021</b>	<b>2,014</b>	<b>6,533</b>	<b>8,547</b>
Additions	59	1,545	1,604
Write offs	-	(34)	(34)
<b>As at 30 April 2022</b>	<b>2,073</b>	<b>8,044</b>	<b>10,117</b>
Additions	60	1,786	1,846
Transfers	-	139	139
Write offs	(722)	(27)	(749)
<b>As at 30 April 2023</b>	<b>1,411</b>	<b>9,942</b>	<b>11,353</b>
<b>Depreciation:</b>			
<b>As at 1 May 2021</b>	<b>(1,243)</b>	<b>(3,780)</b>	<b>(5,023)</b>
Charge for the year	(185)	(1,457)	(1,642)
Write offs	-	-	-
<b>As at 30 April 2022</b>	<b>(1,428)</b>	<b>(5,237)</b>	<b>(6,665)</b>
Charge for the year	(574)	(1,442)	(2,016)
Write offs	1,229	-	1,229
<b>As at 30 April 2023</b>	<b>(773)</b>	<b>(6,679)</b>	<b>(7,452)</b>
<b>Net book value</b>			
As at 30 April 2023	<b>638</b>	<b>3,263</b>	<b>3,901</b>
As at 30 April 2022	<b>645</b>	<b>2,807</b>	<b>3,452</b>

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

**13 Leases**

This note provides information for leases where the group is a lessee. The Group has lease contracts for various items of buildings, plant, machinery, vehicles, and other equipment used in its operations. The Group's obligations under its leases are secured by the lessor's title to the leased assets. The statement of financial position shows the following amounts relating to leases:

£'000	Building	Vehicles	Equipment	Total
<b>As at 1 May 2021</b>	<b>8,047</b>	<b>28</b>	<b>685</b>	<b>8,760</b>
Additions	633	-	4,902	5,535
Write offs	(141)	(28)	-	(169)
Depreciation	(1,323)	-	(2,005)	(3,328)
<b>As at 30 April 2022</b>	<b>7,216</b>	<b>-</b>	<b>3,582</b>	<b>10,798</b>
Additions	2,325	-	185	2,510
Write offs	(67)	-	(439)	(506)
Depreciation	(1,268)	-	(1,958)	(3,226)
<b>As at 30 April 2023</b>	<b>8,206</b>	<b>-</b>	<b>1,370</b>	<b>9,576</b>

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

	2023	2022
	£'000	£'000
<b>At 1 May 2022</b>	<b>11,248</b>	<b>10,225</b>
Additions	1,829	5,535
Accretion of interest	795	869
Payments	(4,818)	(5,381)
<b>At 30 April 2023</b>	<b>9,054</b>	<b>11,248</b>
Current	3,173	3,097
Non-current	5,881	8,151
<b>At 30 April 2023</b>	<b>9,054</b>	<b>11,248</b>

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

**13 Leases (continued)**

The following are the amounts recognised in profit or loss:

	2023	2022
	£'000	£'000
<b>Depreciation charge of right-of-use asset (Note 5)</b>		
Building	1,268	1,323
Equipment	1,958	2,005
	<b>3,226</b>	<b>3,328</b>
Interest expense	783	869
<b>Total recognised in the profit and loss</b>	<b>4,009</b>	<b>4,197</b>

The total cash outflow for leases was £4,818k (2022: £5,381k). Lease addition for the year was £1,458k (2022: £5,535k).

**14 Trade and other receivables**

	2023	2022
	£'000	£'000
<b>Debt instruments at amortised costs</b>		
Trade receivables	40,009	32,129
Less allowance for expected credit losses	(1,227)	(1,894)
Less receivables paid under factoring	(4,358)	(916)
<b>Net trade receivables</b>	<b>34,424</b>	<b>29,319</b>
Accrued income	11,278	16,229
Prepayment and other receivables	16,410	14,846
<b>Total trade and other receivables</b>	<b>62,112</b>	<b>60,394</b>

**Movement in the allowance for expected credit losses:**

	£'000
<b>At 1 May 2021</b>	<b>2,854</b>
Reduction in the provision for expected credit losses	(889)
Utilised in period	(71)
<b>At 30 April 2022</b>	<b>1,894</b>
Reduction in the provision for expected credit losses	(501)
Utilised in period	(166)
<b>At 30 April 2023</b>	<b>1,227</b>

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

**15 Cash and cash equivalents**

	2023	2022
	£'000	£'000
Cash at bank and in hand	19,379	9,004

The fair value of cash and cash equivalents which corresponds to its carrying value is £19,379k (2022: £9,004k).

The variation in cash and cash equivalents recorded during the year is reported in the consolidated statement of cash flow.

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

**16 Deferred tax**

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

	Accelerated Tax depreciation	Deferred development costs	Other	Retirement Benefit obligations	Tax losses	Total
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 May 2021 (restated)	3,435	(20,910)	1,551	8,017	14,141	6,234
Adjustment in respect of prior years	44	(751)	34	36	563	(74)
(Credit) / charge to profit or loss	(927)	6,685	(57)	(608)	(696)	4,397
Credit) / charge to profit or loss in relation to changes in tax rates	1,089	(5,224)	233	2,516	3,374	1,988
Credit to other comprehensive income	-	-	-	(3,812)	-	(3,812)
Amounts arising on acquisition of business	-	-	(485)	-	-	(485)
Reclassification between categories	(1,177)	(156)	(39)	225	1,147	-
<b>At 30 April 2022 (restated)</b>	<b>2,464</b>	<b>(20,356)</b>	<b>1,237</b>	<b>6,374</b>	<b>18,529</b>	<b>8,248</b>
Adjustment in respect of prior years	2,125	(3,818)	1,318	(304)	1,412	733
(Credit) / charge to profit or loss	(940)	6,289	279	(1,115)	475	4,988
Credit to other comprehensive income	-	-	-	1,126	-	1,126
Amounts arising on acquisition of business	-	(1,005)	-	-	-	(1,005)
<b>At 30 April 2023</b>	<b>3,649</b>	<b>(18,890)</b>	<b>2,834</b>	<b>6,081</b>	<b>20,416</b>	<b>14,090</b>

# ZELLIS HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 APRIL 2023 (CONTINUED)

#### 16 Deferred tax (continued)

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

	2023	2022 (restated)
	£'000	£'000
Deferred tax liabilities	(18,890)	(20,356)
Deferred tax assets	32,980	28,604
	<b>14,090</b>	<b>8,248</b>

Deferred tax liabilities have been recognised on intangible assets arising on acquired businesses and also on timing differences generated by Research and Development Expenditure Credit (RDEC) qualifying intangibles. The deferred tax liability is reduced each year as annual amortisation of the intangibles is recognised.

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 30<sup>th</sup> April 2023, the group has unused tax losses of £77.60m (2022 (restated): tax losses of £76.03m) available for offset against future profits. A deferred tax asset has been recognised in respect of these losses.

As at 30<sup>th</sup> April 2023 the group has deductible temporary differences of £12.96m (2022 (restated): £9.33m) that have not been recognised as a deferred tax asset.

#### 17 Trade and other payables

	2023	2022
	£'000	£'000
Trade payables	5,502	3,535
Loans from group undertakings	234	473
Other payables	874	3,145
Accruals	17,685	14,201
Other taxes and social security costs	10,929	9,937
<b>Total trade and other payables</b>	<b>35,224</b>	<b>31,291</b>

Trade and other payables are valued at amortised cost. The directors consider that the carrying amount of trade payables approximates to their fair value.

Loan from group undertakings is repayable on demand subject to agreement by the borrower and lender but no later than 31 January 2025 and carries an interest of 8% per annum.

# **ZELLIS HOLDINGS LIMITED**

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

### **FOR THE YEAR ENDED 30 APRIL 2023 (CONTINUED)**

#### **18 Employee benefits**

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

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

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

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 HOLDINGS LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 APRIL 2023 (CONTINUED)**

**18 Employee benefits (continued)**

**Movements in the net defined benefit liability**

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

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

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

**18 Employee benefits (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
<b>Included in income statement</b>				
Current service cost	360	764	-	1,124
Interest expense	7,948	(7,592)	329	685
	<b>8,308</b>	<b>(6,828)</b>	<b>329</b>	<b>1,809</b>
<b>Included in statement of comprehensive income:</b>				
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
	<b>(61,855)</b>	<b>76,133</b>	<b>(9,776)</b>	<b>4,502</b>
<b>Other</b>				
Contribution paid by the employer	-	(6,271)	-	(6,271)
Benefits paid	(7,805)	7,805	-	-
	<b>(7,805)</b>	<b>1,534</b>	<b>-</b>	<b>(6,271)</b>
<b>Net book value At 30 April 2023</b>	<b>190,904</b>	<b>(167,433)</b>	<b>827</b>	<b>24,298</b>

# ZELLIS HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 APRIL 2023 (CONTINUED)

#### 18 Employee benefits (continued)

##### Fair value of plan assets

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

	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
	<b>167,646</b>	<b>238,272</b>

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
	pā	pā	pā	pā
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 HOLDINGS LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 APRIL 2023 (CONTINUED)**

**18 Employee benefits (continued)**

**Defined benefit obligation (continued)**

**Actuarial assumptions (continued)**

	Northgate HR scheme pa	Rebus scheme pa
<b>Life expectancy at age 65 now</b>		
Males	21.5	21.5
Females	24.1	24.1
<b>Life expectancy at age 65 in 20 years</b>		
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.

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

**19 Provisions**

	2023	2022
	£'000	£'000
<b>At 1 May 2022</b>	<b>3,429</b>	<b>1,525</b>
Additions	3,825	2,005
Utilisation	(145)	(187)
Discount unwind	168	86
<b>At 30 April 2023</b>	<b>7,277</b>	<b>3,429</b>
Analysed as:		
Current	1,962	1,048
Non-current	5,315	2,381
<b>At 30 April 2023</b>	<b>7,277</b>	<b>3,429</b>

The opening provision relates to legal fees on disputes, claims provision, dilapidation provisions and a provision for contingent consideration relating to the 2022 acquisition of Wrkit. During the year, an additional provision was created for the contingent consideration relating to the Natural HR acquisition (see note 27) in addition to a number of new commercial provisions.

**20 Share capital**

	2023	2022
	£	£
<b>Authorised, issued, and fully paid:</b>		
900 ordinary shares of £0.01 each (2022: 900)	9	9

The Company has one class of ordinary shares which carry no right to fixed income.

Date	Shares issued	Amount paid £
21 September 2017	100	1
31 January 2018	100	176,718,604
14 September 2018	200	12,778,364
21 June 2019	100	9,800,000
25 July 2019	100	2,700,000
14 August 2019	100	7,300,000
29 August 2019	100	200,000
26 November 2020	100	40,000,000

# ZELLIS HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 APRIL 2023 (CONTINUED)

#### 21 Share premium

	£'000
At 1 May 2022	249,497
Premium arising on issue of equity shares	-
At 30 April 2023	<u>249,497</u>

#### 22 Commitments and contingencies

The Group and its subsidiaries are contingently liable with respect to lawsuits and other matters that arise in the normal course of business. The Group has assessed any potential liability and have provided for these where appropriate, and the potential liability will continue to be monitored.

#### 23 Related party disclosures

Management fees and related expenses amounting to £1,617k (2022: £1,650k) were charged to the Group by Bain Capital, nothing was outstanding as at 30 April 2023 (2022: nil).

The total remuneration of key management personnel (deemed to be the executive team alongside the directors and company secretary), remunerated through Zellis Holdings for the year, is shown below:

	2023 £'000	2022 £'000
Key management personnel	4,086	3,666
Company contributions to money purchase pension schemes	13	7
	<u>4,099</u>	<u>3,673</u>

This includes directors' emoluments disclosed in note 8 to these accounts. A further three key management personnel are remunerated through other Group entities.

A full list of subsidiary and associated undertakings is included in note 2 to the Company accounts on page 122. The next most senior parent undertaking preparing consolidated financial statements is Zellis Topco Limited. The Group and Company have taken the exemption to not disclose transactions between wholly owned subsidiaries.

As at the year-end, there is £338k (2022: £580k) recognised in trade and other receivables, whereby the group has made loans to shareholders. These loans are interest bearing and repayable on the earlier of exit or ten years.

On an annual basis the Group undertakes a full review of related party relationships with companies controlled by Bain Capital. During the year, the Group provided HR, payroll and benefit related services with a value of £382k to customers and received services with a value of less than £1k with suppliers, that are controlled by Bain Capital.

# ZELLIS HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 APRIL 2023 (CONTINUED)

#### 24 Borrowings

	2023	2022
	£'000	£'000
<b>Secured borrowing at amortised cost</b>		
Bank loans	346,932	321,485
Lease liabilities (see note 13)	9,054	11,248
<b>Total borrowings</b>	<b>355,986</b>	<b>332,733</b>
Amount due for settlement within 12 months	20,727	17,730
Amount due for settlement after 12 months	335,259	315,003

The other principal features of the group's borrowings are as follows:

- I. The group has three principal bank loans:
  - a. a loan of £270 million with a repayment date of 31 January 2025. The loan is secured by a fixed and floating charge over the assets of Zellis Holdings Limited and its material subsidiaries. The loan carries a variable rate of SONIA (with a 0% floor) plus a Credit Adjustment Spread of 0.24% plus a margin ranging between 4.75 – 5.25% depending on the Senior Secured Net Leverage Ratio.
  - b. a revolving credit facility of £40 million of which £8 million was drawn down at year end, £31.5m (Tranche 1) and £8.5m (Tranche 2) are due to expire in October 2024 and January 2024 respectively. The facility is secured by a fixed and floating charge over the assets of Zellis Holdings Limited and its material subsidiaries. In June 2023 it was agreed that a further £4m (Tranche 3) of funding would be made available from January 2024 to August 2024. Tranche 2 carries a variable interest rate of SONIA (with a 0% floor) plus a Credit Adjustment Spread of 0.023% plus a margin ranging between 3.25% - 4.25% determined by the Senior Secured Net Leverage Ratio, Tranches 1 & 3 have a margin fixed at 4.25%.
  - c. a loan of £20m with a repayment date of 31 January 2026. The loan is secured by a fixed and floating charge over the assets of Zellis Holdings Limited and its material subsidiaries. The loan carries a variable rate of SONIA (with a 1% floor) plus a Credit Adjustment Spread of 0.0231% plus a margin of 8.5%.
- II. In November 2020, an interest PIK arrangement was agreed with lenders on the £270m senior loan facility for 3 years during which Zellis have the option to reduce the cash interest payments to SONIA plus a Credit Adjustment Spread + 2.75% with the remaining 2.5% plus 0.25% margin settled via PIK. A similar option was agreed for the £20m second lien where the loan interest margin plus Credit Adjustment Spread + 0.75% can be chosen to be settled via PIK until maturity.
- III. The facilities contain certain financial covenants which have been met.
- IV. The bank loans of £346,932k include the principal of £270,000k and second lien of £20,000k; drawn RCF of £8m, capitalised interest of £24,906k and non-cash adjustments of £24,026k net of capitalised borrowing costs (see page 13). All borrowings are denominated in UK Pounds.
- V. Lease liabilities inclusive of IFRS 16 lease liabilities are secured by the assets leased. The borrowings are a mix of variable and fixed interest rate debt with repayment periods not exceeding ten years.

# **ZELLIS HOLDINGS LIMITED**

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

### **FOR THE YEAR ENDED 30 APRIL 2023 (CONTINUED)**

#### **24 Borrowings (continued)**

- VI. On 31<sup>st</sup> December 2021 lending facilities were transitioned from LIBOR to SONIA. This transition was from a forward-looking LIBOR rate to a backward-looking SONIA rate (five-day look-back period), meaning the interest expense is not known until the end of the period. SONIA is an overnight rate risk free rate whereas LIBOR includes a bank credit-risk component. Existing contracts that were transitioned from LIBOR to SONIA have a Credit Adjustment Spread element to account for this difference. Zellis chose a forward-looking Credit Adjustment Spread as this represented the lower interest expense.

The weighted average interest rates paid during the year for the bank loans were 8.4%.

#### **25 Financial instruments**

The Group's financial assets and liabilities mainly comprise bank borrowings, cash, liquid resources, and various items, such as trade and other receivables and trade and other payables that arise directly from operations.

The main financial market risks arising from the Group's operations are credit risk, interest rate risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

##### **a) Interest rate risk**

Interest rate risk is the risk of increased net financing costs due to increases in market interest rates. The Group finances its operations and acquisitions through a mixture of retained profits, bank borrowings and equity; the Group's main interest rate risk therefore comes from its bank borrowings, which the Group borrows principally in Sterling.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Management is of the view that the key interest rate risk is the variability of SONIA on both the term loans and the RCF.

The Group is exposed to certain risks relating to its ongoing business operations. The primary risks managed using derivative instruments are interest rate risk.

The Company is partially funded using floating rate GBP loans that expose the Company to potential variability in interest rates. The Company's risk management strategy is to protect the Company against adverse fluctuations in interest rates utilising pay fixed, receive float interest rate swaps, and interest rate caps to reduce its exposure to variability in cash flows on the Company's floating-rate debt to the extent that it is practicable and cost effective to do so. During FY22 the Company's interest rate swap matured and was replaced with an interest rate cap that remains in place at FY23.

##### **Interest Rate Cap**

GBP	£140,150,000.00
Strike rate	1.75%



# ZELLIS HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 APRIL 2023 (CONTINUED)

#### 25 Financial instruments (continued)

##### a) Interest rate risk (continued)

##### Hedging activities and derivatives (interest rate cap 2023; interest rate cap 2022)

	2023 £'000	2022 £'000
<b>Interest rate derivatives</b>		
Other financial Assets		
- Current	2,706	135
- Non-current	-	1,248
<b>Total</b>	<b>2,706</b>	<b>1,383</b>

The Group is exposed to certain risks relating to its ongoing business operations. The primary risks managed using derivative instruments are interest rate risk.

The Company expects that for all designated hedge relationships, changes in value of both the Hedging Instrument and the Hedged Transaction will offset and systematically move in opposite directions given the critical terms of the Hedging Instrument and the Hedged Transactions are closely aligned. The Company performs periodic qualitative prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and the hedging instrument.

The potential sources of hedge ineffectiveness are as follows:

1. Movements in the Company's and hedging counterparty's credit spread that would result in movements in fair value of the Hedging Instrument that would not be reflected in the movements in the value of the Hedged Transactions.
2. The possibility of changes to the critical terms (e.g., reset dates, index mismatches, payment dates) of the Hedged Transactions due to a refinancing or debt renegotiation such that they no longer match those of the Hedging Instrument. The Company would reflect such mismatch when modelling the hypothetical derivative and this could be a potential source of hedge ineffectiveness.

Each hedging instrument is designated in a 1:1 hedge ratio against an equivalent notional amount of hedged item. Should an insufficient amount of hedged item be available the hedging instrument will be designated or proportionally designated as appropriate.

Fair value estimates of derivatives are based on relevant market information and information about the financial instruments which are subjective in nature. The fair value of these financial instruments is estimated by discounting the future cash flows to net present values using appropriate market rates prevailing at the reporting date.

The key inputs for the valuation of interest rate caps are forward curves for GBP SONIA and market volatility.

Derivative valuations are adjusted to reflect the impact of both counterparty credit risk and the Company's non-performance risk as required by IFRS 13.

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

**25 Financial instruments (continued)**

**a) Interest rate risk (continued)**

Economic relationship as per IFRS 9 para. B6.4.4 explains that the requirement that an economic relationship exists means that the hedging instrument and the hedged item have values that generally move in the opposite direction because of the same risk, which is the hedged risk. Hence, there must be an expectation that the value of the hedging instrument and the value of the hedged item will systematically change in response to movements in either the same underlying or underlyings that are economically related in such a way that they respond in a similar way to the risk that is being hedged. Whilst sources of ineffectiveness do exist in the hedging relationship (as further described below), the changes in value of both the hedging instrument and the hedged item are expected to offset and move in opposite directions given that such changes are based on the same underlying risk, being GBP SONIA.

£000's	Derivative assets	Derivative liabilities	Change in F.V. in period (hedging instrument)	Change in F.V. in period (hedged item)
Interest rate swap/cap	3,691	-	2,525	2,526
	<b>3,691</b>	<b>-</b>	<b>2,525</b>	<b>2,526</b>

Interest rate derivatives £'000	Cost of Hedging Reserve	Cash flow Hedge Reserve	Total Hedge Reserve
Opening balances – 30 April 2022	436	(897)	(461)
Add: change in fair value of hedging instrument recognised in OCI	-	(2,955)	(2,955)
Add: costs of hedging deferred and recognised in OCI in respect of the time value of options	430	-	430
Less: reclassified from OCI to profit or loss in respect of the time value of options	(557)	-	(557)
Less: reclassified from OCI to profit or loss from the cash flow hedge reserve	-	1,202	1,202
<b>Closing balances – 30 April 2023</b>	<b>309</b>	<b>(2,650)</b>	<b>(2,341)</b>
Hedge ineffectiveness recognised			474

On 31<sup>st</sup> December 2021, Management took the decision to fix for two years using an interest rate cap. This was due to the uncertainty in the macro-economic environment leading to a volatile SONIA forward curve. At the time, the curve was forecast to retract after two years. Management made the decision to hedge £140.2m (50%) of the Senior Debt, (down from £210m), and switch to a cap due to the premiums payable at the time and the two-year cap representing the best value compared with the more expensive swap options.

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

**25 Financial instruments (continued)**

**b) Liquidity risk**

Liquidity risk is the risk that the Group will not be able to meet its financial commitments as they fall due.

The Group's objective is to ensure that adequate facilities are available through use of bank loans and finance leases. The Group manages liquidity risk through regular cash flow forecasting and monitoring of cash flows, management review and regular review of working capital and costs.

The Group regularly monitors its available headroom under its borrowing facilities. At 30 April 2023, £32m (2022: £32.5m) of undrawn facilities and £19.4m (2022: £9.0m) of cash were available.

In respect of the Group's financial liabilities including estimated interest where applicable, the table below includes details (at the balance sheet date) of the periods in which they mature.

	<1 year	1-2 years	2-3 years	3-4 years	4-5 years	>5 years	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
30 April 2023							
Lease liability and estimated interest	3,173	2,143	1,951	971	258	558	9,054
Revolving credit facility	8,000	-	-	-	-	-	8,000
Term loan and estimated interest	19,763	322,483	36,101	-	-	-	378,347
Trade and other payables	35,224	-	-	-	-	-	35,224
	<b>66,160</b>	<b>324,626</b>	<b>38,052</b>	<b>971</b>	<b>258</b>	<b>558</b>	<b>430,625</b>

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

# ZELLIS HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 APRIL 2023 (CONTINUED)

#### 25 Financial instruments (continued)

##### c) Fair values of financial assets and financial liabilities

The table below analyses financial instruments, into a fair value hierarchy based on the valuation technique used to determine fair value.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Carrying amount	Fair value
	£'000	£'000
Interest rate cap (level 2)	3,691	3,691
Contingent consideration (level 3)	4,063	4,063
	<b>7,754</b>	<b>7,754</b>

Estimation of fair values except as detailed in the table above, the directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate to their fair values.

##### d) Capital management

The Group's objectives when managing capital (bank borrowings) are to safeguard the Group's ability to continue as a going concern, support the growth of the business and to maintain an optimal capital structure to reduce the cost of borrowing. The Group finances its operations through a combination of equity (£249.5m) and bank borrowings (£347m).

##### e) Credit risk

The Group provides for expected credit losses on debt using a provision matrix based on historical default rates for the segments based on geographical location and market sector.

Entity/Aging	Not yet due	0-89 days overdue	90-179 days overdue	180-269 days overdue	270-359 days overdue	>360 days overdue
Zellis UK	0%	5%	10%	20%	20%	100%
Zellis Ireland	0%	5%	10%	20%	20%	100%
Moorepay	1%	10%	65%	100%	100%	100%
Pro IV	0%	0%	0%	0%	0%	100%
Benefex	1%	5%	10%	20%	20%	100%
Wrkit	1%	1%	25%	50%	75%	100%

# ZELLIS HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 APRIL 2023 (CONTINUED)

#### 25 Financial instruments (continued)

##### e) Credit risk (continued)

The trade receivables and accrued income as at 30 April 2023 have been analysed as follows:

	Not yet due	0-89 days overdue	90-179 days overdue	180-269 days overdue	270-359 days overdue	>360 days overdue	Total
Trade receivables	26,235	11,839	868	657	131	279	40,009
Accrued income	11,278						11,278
<b>Total</b>	<b>37,513</b>	<b>11,839</b>	<b>868</b>	<b>657</b>	<b>131</b>	<b>279</b>	<b>51,287</b>

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

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

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

##### f) Factoring

The group has a non-recourse factoring agreement in place. As at 30 Apr 2023, the amount representing the group's continuing involvement is £4.6m (2022: £1.3m), being the amount that is factored and due to be collected from customers. There is no exposure to the group on the approved receivables because of the non-recourse arrangement in place as well as the insurance placed by the factor on the customer balances. £94k (2022: £85k) of factoring commission has been charged for the year.

The £4.6m can be analysed as follows:

£'000	Not yet due	0-89 days overdue	>90 days overdue	Total
Factored amount to be collected	2,100	2,155	339	4,594

# **ZELLIS HOLDINGS LIMITED**

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

### **FOR THE YEAR ENDED 30 APRIL 2023 (CONTINUED)**

#### **26 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 Group has been assessed as immaterial.

# ZELLIS HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 APRIL 2023 (CONTINUED)

#### 27 Acquisition

On 8 March 2023, Moorepay Limited (a wholly owned subsidiary of Zellis Holdings Limited) acquired 100% of the equity in Natural HR, an all-in-one feature-rich HR software and Payroll system. Consideration was £7.6m, of which £5.7m was paid in cash with a further £1.9m of estimated contingent consideration, payable on 14<sup>th</sup> April 2025.

The acquisition has brought together Moorepay's strengths in payroll software, managed payroll services and HR advice and consultancy, with Natural HR's strength in HR software. It significantly accelerated Moorepay's strategy to provide a fully integrated and modular suite of payroll and HR software that's easy to use, easy to access and easy to trust, powering exceptional employee experiences for SMBs.

Included with the Group's results for the period are revenues of £0.4m and a loss before tax of £0.3m (excluding acquired intangible amortization). The impact of the acquisition on the consolidated balance sheet was:

	Fair Value £'000
Tangible Assets	
- Other Tangible Assets	462
Intangible Assets	
- Customer Relationships	1,030
- Software	3,620
Cash and cash equivalents	417
Trade and other receivables	717
Trade and other payables	(4,140)
Loan	(126)
Non-current liabilities	
- Deferred Tax	(1,005)
<b>Fair value of identifiable assets and liabilities acquired:</b>	<b>975</b>

#### Consideration transferred

£'000	Consideration
Cash	5,689
Contingent Consideration	1,875
<b>Total Consideration</b>	<b>7,564</b>

The Group has agreed to pay the selling shareholders an additional consideration based upon the financial performance of calendar year 2024. The Group has estimated this consideration as at 30<sup>th</sup> April 2023 and included a provision of £1.9m which represents its fair value at the date of acquisition (see note 19).

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

**27 Acquisition (continued)**

**Goodwill**

<b>£'000</b>	<b>Goodwill</b>
Total Consideration	7,564
Fair value of identifiable assets	(975)
<b>Goodwill</b>	<b>6,589</b>

The goodwill is attributable mainly to the skills and technical talent of Natural HR Limited work force and the synergies expected to be achieved from integrating the company into the Group's existing employment benefits offering business. None of the goodwill recognised is expected to be deductible for tax purposes.

**Acquisition Related Costs**

The Group incurred acquisition-related costs of £0.5m including legal fees and due diligence costs. These costs have been included in operating costs as 'significant separately disclosed items' (see note 6).



**ZELLIS HOLDINGS LIMITED**  
**COMPANY STATEMENT OF FINANCIAL POSITION**  
**FOR THE YEAR ENDED 30 APRIL 2023**

		2023	2022
	Note	£'000	Restated £'000
<b>Non-current assets</b>			
Investments in subsidiaries	2	479,518	479,518
Other financial Assets		-	1,248
		<b>479,518</b>	<b>480,766</b>
<b>Current assets</b>			
Trade and other receivables	4	48,890	29,541
Cash and cash equivalents		1,459	535
Deferred tax asset		8,292	7,854
		<b>58,641</b>	<b>37,930</b>
<b>Total assets</b>		<b>538,159</b>	<b>518,696</b>
<b>Current liabilities</b>			
Trade and other payables	5	78,297	46,080
Borrowings	6	17,553	14,633
Total current liabilities		95,850	60,713
<b>Net current liabilities</b>		<b>(37,209)</b>	<b>(22,783)</b>
<b>Non-current liabilities</b>			
Borrowings	6	329,379	306,852
Total non-current liabilities		329,379	306,852
<b>Total liabilities</b>		<b>425,229</b>	<b>367,565</b>
<b>Net assets</b>		<b>112,930</b>	<b>151,131</b>
<b>Equity</b>			
Share capital	7	0	0
Share premium	7	249,497	249,497
Cashflow hedge reserve		2,341	461
Retained earnings		(138,908)	(98,827)
<b>Equity attributable to owners of the Company</b>		<b>112,930</b>	<b>151,131</b>

As permitted by section 408 of the Companies Act 2006, the income statement of the company has not been presented in the financial statements. The loss for the financial year was £40.1m (2022: £26.0m).

The Statement of Financial Position for the year ended 30 April 2022 has been restated to correct a prior period adjustment. The effect of this restatement is summarised in note 3

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

The financial statements of Zellis Holdings Limited (company registration number: 10975623) were approved and authorised for issue by the Board of Directors and were signed on its behalf by:

A. R. L.

Alan Kinch

Director

18 August 2023

**ZELLIS HOLDINGS LIMITED**  
**COMPANY STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 APRIL 2023**

	Share capital (Note 7) £'000	Share premium (Note 7) £'000	Cash flow hedge reserve £'000	Retained earnings £'000	Total £'000
<b>As at 1 May 2021 (reported)</b>	-	249,497	(1,321)	(69,424)	178,752
Prior year adjustment (note 3)	-	-	-	(3,427)	(3,427)
<b>As at 1 May 2021 (restated)</b>	-	249,497	(1,321)	(72,851)	175,325
Loss for the year	-	-	-	(25,976)	(25,976)
Net gain on cashflow hedges	-	-	1,782	-	1,782
<b>At 30 April 2022 (restated)</b>	-	249,497	461	(98,827)	151,131
Loss for the year	-	-	-	(40,081)	(40,081)
Net gain on cashflow hedges	-	-	1,880	-	1,880
<b>At 30 April 2023</b>	-	249,497	2,341	(138,908)	112,930

# **ZELLIS HOLDINGS LIMITED**

## **NOTES TO THE COMPANY FINANCIAL STATEMENT**

### **FOR THE YEAR ENDED 30 APRIL 2023**

#### **1 Accounting policies Basis of preparation**

Zellis Holdings Limited (the "Company") is a private company limited by shares incorporated and domiciled in the United Kingdom under the Companies Act and is registered in England and Wales. The address of the Company's registered office is 740 Waterside Drive, Aztec West, Almondsbury, Bristol, BS32 4UF.

The nature of Zellis Holdings Limited's operations and its principal activities are set out in the strategic report on pages 1 to 50.

The Company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the FRC. Accordingly, these financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework'.

In preparing these financial statements, the Company applies the recognition, measurement, and disclosure requirements of international accounting standards in conformity with the Companies Act 2006 but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

Under section s408 of the Companies Act 2006 the company is exempt from the requirement to present its own profit and loss account.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- Cash Flow Statement and related notes;
- Business Combinations;
- Financial instruments;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs; and
- Disclosures in respect of the compensation of Key Management Personnel. The accounting policies are consistent with those given on pages 67 – 85.

Fees payable to the group's auditor and their associates for non-audit services to the company are not required to be disclosed because the consolidated financial statements are required to disclose such fees on a consolidated basis.

The Company has eight employees; two of which are Directors and the other six are members of the Executive team of the Zellis Group.

#### **Investments in subsidiaries**

Investments in subsidiaries are accounted for at cost less, where appropriate, provisions for impairment.

#### **Critical accounting judgements and key sources of estimation uncertainty**

The only critical accounting judgements and key sources of estimation uncertainty relates to the impairment assessment for the non-financial assets generated through business combinations and subsidiary acquisitions. Please refer to page 84 for further details.

# ZELLIS HOLDINGS LIMITED

## NOTES TO THE COMPANY FINANCIAL STATEMENT

### FOR THE YEAR ENDED 30 APRIL 2023 (CONTINUED)

## 2 Investments in subsidiaries

	Subsidiary undertakings £'000
<b>Cost:</b>	
At 1 May 2022 (restated)	479,518
Additions	-
At 30 April 2023	479,518
<b>Impairment:</b>	
At 1 May 2022	-
Charge for the year	-
At 30 April 2023	-
<b>Net book value</b>	
At 30 April 2023	479,518

The subsidiary undertakings at 30 April 2023, the nature of whose business is the sale of computer solutions and services (except as noted) and the ordinary share capital, of all of which are wholly owned and consolidated were:

Entity	Country of incorporation	% shareholding
<b>Held Directly:</b>		
Zellis India Holdco Limited	United Kingdom	100%
Zellis UK Limited	United Kingdom	100%
Moorepay Group Limited	United Kingdom	100%
Benefex Holdings Limited*****	United Kingdom	100%
Colour Bidco (US) Inc***	United States	100%
Zellis HR India Private Limited**	India	99.99%
<b>Held Indirectly:</b>		
Moorepay Limited	United Kingdom	100%
Jamy Investments limited	United Kingdom	100%
Moorepay Compliance Limited	United Kingdom	100%
Zellis Information Solutions Company*	Ireland	100%
Zellis Ireland Limited*	Ireland	100%
Engage Technologies Limited*	Ireland	100%
Engage Technologies Support Limited*	Ireland	100%
Zellis Services Ireland Limited*	Ireland	100%
Moorepay Ireland Limited*	Ireland	100%
Zellis Dormco Limited	United Kingdom	100%
PRO-IV Technology LLC****	United States	100%
Benefex Limited*****	United Kingdom	100%

# ZELLIS HOLDINGS LIMITED

## NOTES TO THE COMPANY FINANCIAL STATEMENT

### FOR THE YEAR ENDED 30 APRIL 2023 (CONTINUED)

## 2 Investments in subsidiaries (continued)

Entity	Country of incorporation	% shareholding
<b>Held Indirectly (Continued):</b>		
PES (Bristol) Limited*****	United Kingdom	100%
Benefit Administration Centre Limited*****	United Kingdom	100%
Benefex Financial Solutions Limited*****	United Kingdom	100%
Wrkit Limited*	Ireland	100%
Affinity Financial Network Limited*	Ireland	100%
Affinity Financial Network UK Limited*****	United Kingdom	100%
Natural HR Limited	United Kingdom	100%
BFX Incorporated***	United States	100%

\*The registered office for these companies is 26 Pembroke Street upper, Dublin 2, Ireland

\*\*The registered office for this company is 4<sup>th</sup> floor Kakkanad, Kochi 682042, Kerala, India. This company is 0.01% owned by Zellis India Holdco Limited

\*\*\* The registered office for these companies is 4001 Kennett Pike, Suite 302, Wilmington, New Castle, Delaware, 19807

\*\*\*\*The registered office for these companies is 251 Little Falls Drive, Wilmington, New Castle DE 19808

\*\*\*\*\* The registered office for these companies is Mountbatten House, Grosvenor Square, Southampton, Hampshire, SO15 2JU

Companies incorporated in the United Kingdom have the same registered address as Zellis Holdings Limited, shown on page 67. The Directors have considered the value in use of the investments and have concluded that an impairment in investment value is not applicable.

## 3 Restatement of prior year balances

Prior year restatements have been made to correct the recognition of deferred tax on losses arising due to two corrections in the FY22 and FY21 consolidated financial statements. The first was a correction to the value of Corporate Interest Restriction (CIR) amounts carried forward, which directly interacts with losses carried forward; and a further correction was made for a material difference in the losses group relieved to other group entities. A restatement has also been made to reflect a reclassification of an investment balance from trade and other receivables for purchase consideration adjustment at acquisition. This should have been treated as part of the cost of the investment in Zellis UK back in 2019.

The effect of restatement on the Consolidated Statement of Financial Position as at 30 April 2022 was as follows:

£'000	As previously reported	Restatements	As restated
Investment	466,941	12,577	479,518
Trade and other receivables	42,118	(12,577)	29,541
Deferred tax asset	13,846	(5,992)	7,854
<b>Total assets</b>	<b>524,688</b>	<b>(5,992)</b>	<b>518,696</b>
Retained earnings	(92,835)	(5,992)	(98,827)
<b>Total equity</b>	<b>157,123</b>	<b>(5,992)</b>	<b>151,131</b>

**ZELLIS HOLDINGS LIMITED**  
**NOTES TO THE COMPANY FINANCIAL STATEMENT**  
**FOR THE YEAR ENDED 30 APRIL 2023 (CONTINUED)**

**3 Restatement of prior year balances (continued)**

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

£'000	As previously reported	Restatements	As restated
Deferred tax asset	8,421	(3,427)	4,994
<b>Total assets</b>	<b>558,133</b>	<b>(3,427)</b>	<b>554,706</b>

**4 Trade and other receivables**

	2023	2022
	£'000	Restated £'000
Amounts owed by group undertakings	46,381	29,536
Less allowance for expected credit losses	(1,180)	(1,395)
<b>Net trade and other receivables</b>	<b>45,201</b>	<b>28,141</b>
Prepayment and other receivables	3,689	1,400
<b>Total trade and other receivables</b>	<b>48,890</b>	<b>29,541</b>

**5 Trade and other payables**

	2023	2022
	£'000	£'000
Trade payables	420	136
Amounts owed to group undertakings	74,723	43,110
Accruals	3,064	2,542
Other payables	90	292
<b>Total trade and other payables</b>	<b>78,297</b>	<b>46,080</b>

**6 Borrowings**

The details of the loans are disclosed within note 24 of the consolidated financial statements and should be regarded as an integral part of the financial statements.

# ZELLIS HOLDINGS LIMITED

## NOTES TO THE COMPANY FINANCIAL STATEMENT

### FOR THE YEAR ENDED 30 APRIL 2023 (CONTINUED)

#### 7 Share capital

	Number	£
Authorised, issued, and fully paid:		
900 Ordinary (2022: 900) shares of £0.01 each	900	9

The Company has one class of ordinary shares which carry no right to fixed income.

Date	Shares issued	Amount paid
21 September 2017	100	1
31 January 2018	100	176,718,604
14 September 2018	200	12,778,364
21 June 2019	100	9,800,000
25 July 2019	100	2,700,000
14 August 2019	100	7,300,000
29 August 2019	100	200,000
26 November 2020	100	40,000,000

#### Share premium

	£'000
<b>At 1 May 2021</b>	<b>249,497</b>
Premium arising on issue of equity shares	-
<b>At 30 April 2022</b>	<b>249,497</b>
Premium arising on issue of equity shares	-
<b>At 30 April 2023</b>	<b>249,497</b>

#### 8 Ultimate controlling party

Zellis Midco Limited is the parent company of Zellis Holdings limited.

The smallest undertaking for which the company is a member and for which group financial statements are prepared is Zellis Topco Limited.

The largest undertaking for which the company is a member and for which group financial statements are prepared is Zellis Holdco S.à.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.



