Company Registration No. 10975623

Zellis Holdings Limited

Annual Report and Consolidated Financial Statements

For the year to 30 April 2020

ZELLIS HOLDINGS LIMITED
COMPANY INFORMATION

Directors	Jakob Brevinge
	John Petter
	Alan Kinch (appointed on 29 June 2019)
	Nicholas Wain (resigned on 28 June 2019)
Secretary	Elizabeth Leppard (appointed on 13 December 2019)
Company number	10975623
Registered office	Peoplebuilding 2 Peoplebuilding Estate Maylands Avenue Hemel Hempstead HP2 4NW
Auditor	Ernst & Young LLP 1 More London Place London SE1 2AF

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Financial Highlights

Revenue

£152.4m

FY19: £141.8m

Pro forma trading EBITDA

£49.1m

FY19: £48.1m

(Refer to reconciliation from Operating loss to pro forma trading EBITDA in page 2 of the Strategic Report)

Significant separately disclosed items

£14.0m

FY19: £31.1m

(Refer to note 5 for details)

Net cash from operating activities

£33.0m

FY19: £9.3m

(Before changes in working capital and provisions.)

The Directors present their strategic report on the affairs of Zellis Holdings Limited ("the Group") for the year to 30 April 2020.

Business 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 2020 are set out in the consolidated income statement on page 18. Zellis Holdings closed the year with revenues of £152,407k (2019: £141,762k) and operating profit excluding significant separately disclosed items and amortisation of acquired intangibles of £33,639k (2019: £34,014k). After significant separately disclosed items of £14,033k (2019: £31,083k) and amortisation of acquired intangibles of £24,966k (2019: £25,009k), the Group reported an operating loss of £5,360k (2019: loss £22,078k). This is reconciled to the pro forma trading EBITDA as follows:

	2020	**2019**
	£m	**£m**
Operating loss	**(5.4)**	**(22.1)**
Non-cash adjustments		
Depreciation	6.7	5.1
Amortisation	30.1	27.7
IFRS 9 ECL against intercompany debtors	0.4	-
Non-trading adjustments		
Significant separately disclosed items (Note 5)	14.0	31.1
Benefex adjustments	-	1.0
Management fee from Bain Capital	1.5	1.9
Define benefit pension scheme costs and adjustments	1.4	2.7
Foreign exchange differences* and other non-trading adjustments	0.4	0.7
Pro forma trading EBITDA	**49.1**	**48.1**

*the difference in forex rates used between management accounts and financial reporting, in line with debt covenant compliance calculations.

Net financing costs are at £27,058k (2019: £23,284k) and the loss on ordinary activities before tax is £32,418k (2019: £45,362k).

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 NGA UK and Ireland business from the previous parent company (2020: £2.0m; 2019: £1.6m), acquisition and financing costs (2020: -£0.3m; 2019: £2.2m), business transformation activities to drive return on investment (2020: £9.6m; 2019: 23.6m), and other material events or external circumstances (2020: £2.6m; 2019: £3.7m). 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 5).

Apart from the KPIs disclosed in the Financial Highlights, the Group also focus on other key performance indicators, specifically on revenue growth (7.5%), Operating profit before significant separately disclosed items and amortisation of acquired intangibles of £33.6m (2019: £34.0m) and Operating profit margin before significant separately disclosed items and amortisation of acquired intangibles 22% (2019: 24%). In addition, Net Promotor Score ('NPS') from our customers and employees are also crucial for the group. We conduct NPS surveys with customer as well as employees twice a year. Recent surveys on customers and employees both saw steady improvements.

Principal risks and uncertainties

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

All employees are accountable for operating within these policies.

Covid-19 pandemic

The regional outbreak of Coronavirus (COVID-19) in China in January 2020 quickly evolved into a global pandemic which has unique characteristics compared to anything we have seen in our lifetimes. This has resulted in significant impacts on social and economic factors around the world with long lasting adverse impacts ahead. The Zellis Group operates across the UK and Ireland and has operations in Kochi, India which saw lockdowns. There have been resulting changes in business and consumer behaviour which has impacted many businesses. However, given the nature of Zellis's business we are relatively well positioned to address these challenges. Zellis provides business critical services to our customers and the nature of the revenues is such that a high proportion of revenues are recurring and committed (with circa 80% of revenues being recurring). As keyworkers we were required to continue operations during the pandemic to ensure that the businesses we support could continue to operate.

Our response to the pandemic

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

Safeguarding our People

Safeguarding our people has been a major priority through the pandemic to ensure a safe working environment for all Zellis colleagues. We quickly took steps to enable colleagues to work from home wherever possible including the provision of additional devices, increased software security and the provision of 4G dongles where secure fixed line connections could not be achieved. By working quickly, we put all the necessary steps in place to ensure 100% of our colleagues could work from home.

In addition to enabling remote working, measures taken have included increased spacing between workstations, provision of appropriate protective equipment, staggered shifts and breaks, enhanced cleaning processes and contingency planning.

Supporting our Customers

Through the actions taken, we continue to provide services to customers through the pandemic with no interruptions. This enabled the employees of our customers to continue to get paid throughout the period.

Many of our customers have been impacted during the pandemic. Governments have taken unprecedented steps to protect public health, the economy and jobs. This has led to a rapid evolution of legislation in the UK and Ireland. Zellis colleagues have been working around the clock to ensure we could support our customers through these changes with software updates including:

Principal risks and uncertainties (Continued)

- Multiple changes and clarifications to the Job Retention Scheme;
- Changes to Statutory Sick Pay and Social Welfare Payments;
- Changes to the Republic of Ireland Employer Covid-19 Refund Scheme.

We have witnessed a significant improvement in our NPS score over the Covid-19 pandemic. We know that NPS scores are often linked to situational context and that providing excellent responses to customer issues in their time of need often drives improvement in the NPS score. Alongside our product and customer improvement program, we have consistently and proactively engaged with customers throughout the Covid-19 pandemic ensuring that they not only had the right information to deal with the significant and varied adjustments to legislation but also incorporated specific functionality, for example the Job Retention Scheme, into our software to support customers through this difficult time.

We have also provided webinars and released regular communications to help our customers keep abreast of the evolving situation throughout the pandemic. In addition, amongst a number of services we provided to customers facing business continuity challenges, we provided extra support to those most affected to ensure they can continue to pay their employees. Our benefit division also offered complementary recognition software to ease the move from working in office to home.

Managing the business risks created by Covid-19

The Covid-19 pandemic has impacted most businesses in some way. It clearly brings new and heightened risks to many businesses. We have been working hard to mitigate the risks created by the outbreak. The risks which are actively being managed include:

- Impact on Sales. With customers focused on business continuity some sales discussions were delayed. The impact on sales has not been material on the Group with overall order book sales broadly in line with the prior period for both Q4 FY20 and Q1 FY21.

- Implementation work for past sales being delayed resulting in lower revenue (as recognised from go live). We have the capability to fully deploy solutions remotely so wherever possible this has been done. Despite this, we have seen 20 projects (out of c.80 ongoing at any given time) being postponed / paused as a result of the customer project teams being otherwise engaged. Approximately half of these were delayed for less than three months and have since recommenced at the date of this report.

- Customers go into bankruptcy / administration / delay payments. As a result of Covid-19 we have new heightened credit control procedures. We have seen a delay in some customers paying outstanding invoices in business segments which have been most severely impacted by Covid-19. In addition, we have seen some customers go into administration. The expected losses from this have been provided in the accounts. Although it is difficult to accurately estimate the actual impact due to the considerable uncertainties, our new credit control processes have been more successful than expected. The actual bad debt losses through this have been £91k up to the end of July 2020 and we have provided £1.8m against potential future losses (total bad debt provision is £2.8m).

- General economic factors. The economy has been impacted as a result of the pandemic and the full effects are yet to be seen. Lower rates of employment and uncertainty could reduce spending on Enterprise grade software services, including payroll and HR records as well as Benefits and Recognition. We therefore acted quickly to reduce costs, optimise cash flow, protect liquidity and, where necessary, change how we operate. These actions are budgeted to achieve a cost reduction (net of the cost of implementation) of approximately £1.5m for the new financial year, compared to the previous fourth quarters' run-rate. We applied a significant reduction in all discretionary overheads. We also have focused on ensuring working capital is managed effectively, while maintaining productive relationships with customers and suppliers.

Principal risks and uncertainties (Continued)

- We limited capital investments to essential projects and R&D only. The Executive Team also agreed to reductions in salaries ranging from 20-30% for a 2-month period, from 1 April 2020. Across the Zellis business, activities have significantly increased during the pandemic. However, there have been some areas of the business in which activities have significantly reduced or stopped. Therefore, a small percentage of our workforce have been furloughed, with the support from the UK Government's Coronavirus Job Retention Scheme. In addition, we have utilised the UK government's fiscal support measures on VAT and deferred the quarterly payments due in May 2020 to March 2021. The impact of this on the financial statements as at the end of April 2020, was the deferral of £1m of payments of VAT. We are conscious that significant uncertainties remain with the potential of a second wave out-break combined with further macro-economic impacts and pressure on our customer base that are more susceptible (e.g. hospitality, travel and retail businesses). Therefore, we are committed to maintain the prudent approach on suppressing discretionary costs and focus on cashflow.

Trading in Q1, from 1 May 2020 to 31 July 2020, has reflected the resilience of our business model and the critical nature of the products and services offered. During this period the Group has delivered revenue growth of 3% and Pro Forma Trading EBITDA growth of 4% despite the challenge from the pandemic. This performance is in line with the reset plan for the year.

Cash & liquidity was £20.4m at the end of the financial year, £12.9m higher than the prior year.

Impact of Brexit

The UK membership of European Union was terminated on 31 January 2020, followed by a period of transition arrangements due to end on 31 December 2020. There is uncertainty associated with the trade relationship between the UK and the rest of the world and at the approval date, the lack of clarity remains and was exacerbated by the Covid-19 pandemic. We have considered, as part of our broad risk management, the potential impact of Brexit on our ability to service our clients when the transition ends at the end of 2020. The group's contracts, cashflows and finances are denominated predominantly in sterling thus the exposure to foreign exchange rate shifts is limited. Our services are mainly oriented around people and technology and the group's suppliers are predominantly based in the UK, therefore the impact on supply chain is also considered minimal. There is some indirect exposure to downshifts in the UK employment levels given we are a payroll and HR service provider and our software is used by organisations to pay UK based employees.

The group's main risk relating to Brexit is surrounding its customer base, more specifically the ability of customers to continue to trade and settle their liabilities as and when due. The Group does not currently foresee any material adverse impact on day-to-day operations due to the domestic nature of our UK business and customer needs. Additionally, we have low numbers of UK and EU colleagues based outside their home countries. Where this is the case, the risk has been mitigated due to protections put in place by the UK and certain EU governments to enable such citizens to continue to reside and work outside their home countries. The management team is continuing to monitor the Brexit developments and will continue to look at ways to mitigate any risks as they arise.

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;

Section 172(1) Statement (Continued)

- impact of the company's operations on the community and environment;
- desirability of the company maintaining a reputation for high standards of business conduct; and
- need to act fairly as between members of the company.

In discharging its section 172(1) duties the Company has regard to the factors set out above. We acknowledge that every decision we make will not necessarily result in a positive outcome for all of our stakeholders and the board frequently has to make difficult decisions based on competing priorities. By considering the company's purpose ("Making people feel appreciated for the work they do"), values (Unstoppable together; Always learning; Make it count) and strategic priorities (An integrated approach to pay and reward; deep understanding of customer needs; new insights through data integration and analytics; leading service delivery with process and automation gains; great customer/colleague experience) we aim to balance those different perspectives. Our strategy is met through our business model focusing on delivering value for our stakeholders. We have outlined how we engage, create value (by focusing on what matters to the company) and the key inputs (in what the company is doing) that delivers this for our stakeholders.

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

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

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

Suppliers

Our suppliers range from those who provide contractor services, IT infrastructure, professional services, property and telecommunications.

How we engage

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

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

Section 172(1) Statement (Continued)

What matters to them

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

What we are doing

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

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

Customers

Our customers are spread across all industry sectors from mid-market (500+ employees) to SMEs (50-500 employees) to whom we provide HR and payroll related technology and outsourced services. We also provide benefits services and technology platforms.

How we engage

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

What matters to them

Our technology customers need a stable and easy to use system with rich functionality that provides them with accurate and timely legislative information for them to run payroll.

Our managed services customers expect us to accurately produce the payroll on time in a well-controlled way in line with GDPR requirements.

Our ResourceLink consultancy customers look to us for the provision of seamless implementation as well as IT & process recommendations.

Our background checks customers expect us to provide them with tailored services to cater for their specific needs and enable them to hire with confidence.

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

What are we doing

We focus on technology and innovation to improve our product offering by regularly reviewing product roadmaps to ensure we are prioritising the right updates that are aligned with our customers' needs. For example, we are using Microsoft Azure platform to build a Human Capital Management (HCM) Cloud solution for our core HR customers.

Updates on legislation and user interface are also provided to our customers on a timely basis. For example, a recent module update addressed the requirements of furloughing staff due to Covid-19.

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

Section 172(1) Statement (Continued)

Employees

How we engage

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

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

What matters to them

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

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

What are we doing

At Zellis we want every colleague to thrive and feel fulfilled at work. We encourage all colleagues to learn and grow through various learning and development channels (including the internal Learning Portal) and support career growth through internal career paths.

All colleagues are able to stand for, elect, and be represented by members of our employee representative forum, who regularly engage with our Executive Team to ensure colleagues are able to shape and have a say in business change.

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

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

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

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

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.

Section 172(1) Statement (Continued)

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 regular catch up calls with the lenders within the syndicate.

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 company executives. Bain Capital are a global private equity firm, founded in 1981, with $100 billion in assets under management.

How we engage

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

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

What matters to them

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

What are we doing

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

Pension trustees

How we engage

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

What matters to them

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

Section 172(1) Statement (Continued)

What are we doing

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

Community and environment

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

Our code of conduct has also laid out guidance on how we conduct our business to respect the communities and protect the environment. For example, we have promoted paperless payslips to reduce paper wastage and carbon impact from associated distributions, and we updated our IT equipment to be more environmentally friendly.

Human rights are not a material issue for the company.

Principal Decisions

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

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

The next stage of the journey is to invest in transformation programmes which drive a return on investment. These include:

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

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

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

Board Composition

Board meetings for Zellis Topco Ltd are held monthly throughout the year and comprise of at least 3 senior executive employees of Zellis and at least 2 directors (who are also employees of Bain Capital; our majority shareholder) alongside other executives and Bain Capital representatives as required.

The board for Zellis Holdings Limited is comprised of 3 directors, of which Jakob Brevinge is appointed by and represents Bain Capital.

Gender diversity

The group maintains an equal opportunities policy and believes that everyone, irrespective of their gender, sexual orientation, race, nationality, religious belief, disability or any personal characteristics, should be given equal opportunities for progression and reward. We have adhered to the government's disclosure requirements on gender pay gap and our latest report is available at https://gender-pay-gap.service.gov.uk/Employer/HVVDDpQi/2019.

As at 30 Apr 2020, the proportion of females was as follows:

	2020 Total	2020 Females
Directors	3	0%
Senior management	9	33%
Employees	2,187	48%

Health and safety

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

Future developments and research and developments

The Group is committed to its principal products and will continue to invest in its product roadmap. The product strategy has been developed to provide our customers with a compliant, insightful and engaging experience through its flagship HR and payroll platforms.

In 2020 the Group has released enhancements that meet required legislative changes in the UK and Ireland, as well as enhancements that drive further efficiencies and engagement for employees, managers, HR administrators and senior decision makers. We have also deployed enhancements to enable our customers to process payroll for the legislative changes related to Covid-19.

This report was approved by the board of directors on 27 November 2020 and signed on its behalf by:

A. R. K

Alan Kinch

Director

ZELLIS HOLDINGS LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 APRIL 2020

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 2020.

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

Events after the reporting date

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

Employees

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

Financial risk management objectives and policies

The Group's activities expose it to a number of financial risks including credit risk, interest rate risk and liquidity risk. The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provide written principles on the use of financial derivatives to manage these risks. The Group does not use derivative financial instruments for speculative purposes.

Credit risk

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 and arises principally from the Group's trade and other receivables from customers.

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

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 and the Group has an interest rate swap in place, to assist with the risk of increasing interest rates.

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.

Dividends

The Board reviews the dividend policy in conjunction with a policy of retaining significant funds for future growth. No dividends were declared during the year under review (2019: nil).

Research and development

The research and development performed by the Group is documented within the Strategic report on page 11.

Directors

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

Jakob Brevinge

John Petter

Alan Kinch (appointed on 29 June 2019)

Nicholas Wain (resigned on 28 June 2019)

Director's indemnities

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

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 25 of the financial statements.

Details of the future developments of the Group are explained on page 11 in the strategic report.

Donations

No donations were made to any political party in the year.

Auditor

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

- so far as the Director is aware, there is no relevant audit information of which the 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 company's auditor is aware of that information.

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

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

Green House Gas ('GHG') emissions and energy use data for period 1 May 2019 to 30 April 2020

The disclosure is presented in Zellis Topco Limited financial statements for the year ended 30 Apr 2020.

Approval

This report was approved by the board of directors on 27 November 2020 and signed on its behalf by:

A. R. L

Alan Kinch

Director

ZELLIS HOLDINGS LIMITED
DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 30 APRIL 2020

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 Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) 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 IFRSs as adopted by the EU;
- for the parent company financial statements, state whether applicable UK accounting standards have been followed, 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

27 November 2020

INDEPENDENT AUDITORS' 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 2020 which comprise Consolidated income statement, Consolidated statement of comprehensive income, the Consolidated and Parent company statement of financial position, Consolidated statement of cash flows, the Consolidated and Parent company statement of changes in equity and the related consolidated notes 1 to 26 and company notes 1 to 7, 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 Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the group's and of the parent company's affairs as at 30 April 2020 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance in with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the group and 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 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.

Emphasis of matter – effects of Covid-19

We draw attention to Notes 2 and 10 to the financial statements which describe the impact of Covid-19 on the business and the uncertainties over future customer demand which impact the key assumptions used in the goodwill and intangible asset impairment test. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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 14, 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council’s website at https://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.

Ernst & Young LLP

Christine Chua (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

London

27 November 2020

ZELLIS HOLDINGS LIMITED
CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 30 APRIL 2020

	Note	2020	2019
		£'000	**£'000**
Revenue	3	152,407	141,762
Operating costs	4	(157,767)	(163,840)
Operating loss		**(5,360)**	**(22,078)**
Operating profit before significant separately disclosed items and amortisation of acquired intangibles		33,639	34,014
Amortisation of acquired intangibles	4	(24,966)	(25,009)
Significant separately disclosed items	5	(14,033)	(31,083)
Operating loss		**(5,360)**	**(22,078)**
Finance costs	8	(27,058)	(23,284)
Loss before tax		(32,418)	(45,362)
Tax	9	6,575	1,402
Loss for the period		**(25,843)**	**(43,960)**
Attributable to:			
Owners of the Company		(25,843)	(43,960)
		(25,843)	**(43,960)**

The notes on page 24 to 62 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 2020

	2020	2019
	£'000	**£'000**
Loss for the period	(25,843)	(43,960)
Items that will not be reclassified subsequently to profit or loss		
Remeasurement of net defined benefit liability	6,635	(11,330)
Deferred tax arising on the actuarial gain/(loss) recognised in the pension scheme	(775)	1,926
	5,860	**(9,404)**
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	(212)	31
Net (loss) / gain on cashflow hedges	(2,384)	317
Total other comprehensive income / (loss) for the period net of tax	3,264	(9,056)
Total comprehensive loss for the period	**(22,579)**	**(53,016)**
Total comprehensive loss attributable to: Owners of the Company	**(22,579)**	**(53,016)**

ZELLIS HOLDINGS LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 APRIL 2020

	Note	2020 £'000	2019 £'000
Non-current assets			
Goodwill	10	357,734	358,452
Intangible assets	10	150,655	169,404
Property, plant and equipment	11	3,643	3,444
Right of use assets	12	11,931	14,933
Contract assets	3	15,010	14,475
Deferred tax asset	15	26,949	21,999
		565,922	**582,707**
Current assets			
Trade and other receivables	13	31,225	34,797
Contract Assets	3	8,879	7,151
Other current financial assets	25	-	322
Corporation tax repayable		623	1,527
Cash and cash equivalents	14	20,427	7,525
		61,154	51,322
Total assets		**627,076**	**634,029**
Current liabilities			
Borrowings	24	40,000	39,000
Lease liabilities	12	3,973	4,984
Provisions	19	636	-
Current tax liabilities		306	255
Trade and other payables	16	35,928	45,530
Other current financial liabilities		579	-
Contract liabilities	3 & 17	40,995	31,531
		122,417	121,300
Net current liabilities		**61,263**	**69,978**
Non-current liabilities			
Borrowings	24	280,625	268,308
Lease liabilities	12	9,443	11,419
Retirement benefit obligations	18	42,894	52,889
Provisions	19	1,494	1,648
Deferred tax liabilities	15	24,603	24,877
Other non-current financial liabilities		1,488	-
Contract Liabilities	3 & 17	41,790	48,326
		402,337	407,467
Total liabilities		**524,754**	**528,767**
Net assets		**102,322**	**105,262**

ZELLIS HOLDINGS LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 30 APRIL 2020

	Note	2020 £'000	2019 £'000
Equity			
Share capital	20	-	-
Share premium	21	209,497	189,497
Cash flow hedge reserve		(2,067)	317
Retained earnings		(105,108)	(84,552)
Total equity		**102,322**	**105,262**

The notes on pages 24 to 62 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:

Alan Kinch

Director

27 November 2020

ZELLIS HOLDINGS LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 APRIL 2020

	Share capital (Note 20) £'000	Share premium (Note 21) £'000	Cash flow hedge reserve £'000	Retained earnings £'000	Total £'000
As at 1 May 2018	**-**	**176,719**	**-**	**3,726**	**180,445**
Issue of shares	-	12,778	-	-	12,778
Change in accounting policy	-	-	-	(34,945)	(34,945)
Loss for the year	-	-	-	(43,960)	(43,960)
Other comprehensive income for the year:					
Remeasurement of net defined benefit liability	-	-	-	(11,330)	(11,330)
Deferred tax arising on the actuarial loss recognised in the pension scheme	-	-	-	1,926	1,926
Exchange differences on translation of foreign operations	-	-	-	31	31
Net gain on cashflow hedges	-	-	317	-	317
At 30 April 2019	**-**	**189,497**	**317**	**(84,552)**	**105,262**
Loss for the year	-	-	-	(25,843)	(25,843)
Changes in accounting policy*	-	-	-	(361)	(361)
Issue of shares	-	20,000	-	-	20,000
Other comprehensive income for the year:					
Remeasurement of net defined benefit liability	-	-	-	6,635	6,635
Deferred tax arising on the actuarial gain recognised in the pension scheme	-	-	-	(775)	(775)
Exchange differences on translation of foreign operations	-	-	-	(212)	(212)
Net loss on cashflow hedges	-	-	(2,384)	-	(2,384)
At 30 April 2020	**-**	**209,497**	**(2,067)**	**(105,108)**	**102,322**

*This relates to correction of an error on IFRS 15 transition.

ZELLIS HOLDINGS LIMITED
CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 30 APRIL 2020

	2020	2019
	£'000	**£'000**
Cash flows from operating activities		
Loss for the year	(25,843)	(43,960)
Adjustments for:		
Amortisation of acquired intangibles	24,966	25,009
Tax credit	(6,575)	(1,402)
Amortisation of other intangibles	5,172	2,647
Depreciation	6,736	5,169
Net financing costs	27,058	23,284
Tax refunded / (paid)	1,531	(1,410)
Net cash from operating activities before changes in working capital and provisions	33,045	9,337
Change in contract assets, trade and other receivables	1,631	397
Change in contract liabilities, trade and other payables	(7,534)	(3,730)
Change in provisions and employee benefits	(4,588)	(6,122)
Net cash from / (used in) operating activities	22,554	(118)
Investing activities		
Acquisition of subsidiary net of cash acquired	-	(20,943)
Acquisition of intangible assets	(11,389)	(12,001)
Purchases of property, plant and equipment	(1,465)	(463)
Net cash used in investing activities	(12,854)	(33,407)
Financing activities		
Loan arrangement fees	(900)	(1,065)
Lease payments	(6,930)	(7,468)
Interest paid	(19,968)	(13,180)
Proceeds on issue of shares	20,000	12,778
New bank loans raised	11,000	45,000
Net cash from financing activities	3,202	36,065
Net increase in cash and cash equivalents	12,902	2,540
Cash and cash equivalents at beginning of period	7,525	4,985
Cash and cash equivalents at end of period	**20,427**	**7,525**

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 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 Peoplebuilding 2, Peoplebuilding Estate, Marylands Avenue, Hemel Hempstead, HP2 4NW.

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 11.

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 IFRSs adopted by the European Union "Adopted IFRS".

The financial statements have been prepared on the historical cost basis with the exception of the net assets acquired on business combinations. 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.

2. Accounting policies (continued)

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 page 1 to 11. In addition, note 24 to the financial statements include the Group's exposures to interest and liquidity risk.

Notwithstanding the net current liabilities of £61.3m (2019: £70.0m), the financial statements have been prepared on a going concern basis for the following reasons: The group has made an operating loss for the year of £5.4m (2019: loss of £22.1m) and generated operating profit before significant separately disclosed items and amortisation of acquired intangibles of £33.6m (2019: £34.0m). The significant separately disclosed items have been reducing year on year (2020: £14.0m; 2019: £31.1m) and is expected to decrease continuously going forward. The impact of Covid-19 to the group has been discussed in the Strategic Report on page 3 to 5. While the group has demonstrated resilience against the economic headwind, the directors have also adopted further measures to strengthen our liquidity and financial position by agreeing additional capital injection of £40m from Bain Capital, interest settled via Payment In Kind ('PIK') for 3 years on the £270m senior loan and until maturity for £20m second lien loan, and updated pension deficit contribution schedule. With these additional measures in place, the Group has sufficient funds to trade and settle its liabilities as they fall due and have the ability to maintain compliance with debt covenants for at least twelve months from the date of the approval of these financial statements, even in severe but plausible stress testing scenarios.

As a result, the directors have a reasonable expectation that the company has adequate resources to continue as going concern for a period of at least twelve months from the date of signing of these financial statements. Therefore, these accounts have been prepared on a going concern basis.

Non-GAAP performance measures

The board have presented 'Proforma Trading EBITDA' as an adjusted profit measure. They believe that this measure provides additional useful information for the shareholders on the underlying performance of the business. These measures are consistent with how the business performance is monitored internally and is in line with the debt covenant compliance calculations. The proforma trading 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 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 2020. 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.

When the Company has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances

2. Accounting policies (continued)

Basis of consolidation (continued)

- 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 IAS 39 Financial Instruments: Recognition and Measurement, when applicable, the costs on initial recognition of an investment in an associate or a joint venture.

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.

2. Accounting policies (continued)

Business combinations (continued)

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.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognised in profit or loss.

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.

2. Accounting policies (continued)

Intangible assets

Goodwill

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

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 the 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 5 - 8 years.

Amounts capitalised under purchased software are amortised straight-line over 5 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.

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.

2. Accounting policies (continued)

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 post-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:

- Payroll and HR setup and services;
- Consulting services;
- Sale of licenses;
- Benefits and recognition software and brokering services;
- Background checking.

Payments and receivables related to implementation prior to go live of HR and administration services are deferred to the Statement of financial position along with associated cost until go live, as the implementation service does not deliver a performance obligation to the customer. Implementation is not a performance obligation, nor are any operations cost incurred prior to go live. The release of deferred implementation revenue and costs will be recognised on a straight line basis over the life of the contract. The adjusted monthly revenue from the provision of services will be recognised each month that we provide the service for a performance obligation.

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.

The sale of a read only licence is recognised at contract date, as the performance obligation is met on 'delivery' of the licence.

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

- Identify the contract with a customer;
- Identify all the individual performance obligations within the contract;
- Determine the transaction price;
- Allocate the price to the performance obligations;

2. Accounting policies (continued)

Revenue (continued)

- Recognise revenue as the performance obligations are fulfilled.

If a customer pays, or the Group has an unconditional right to receive consideration before the performance obligation is completed, then the revenue is not recognised and contract liability is recognised.

If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, the revenue is recognised and accrued income recorded.

There may be separate performance obligations within a single customer contract. Where the obligations are defined, these will be dealt with as a separate go live instance, and the transaction price will be apportioned appropriately. Where the separate obligations are not defined, then unless deemed to be material, the contract will be treated as one performance obligation.

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.

For the sales of third-party license, a net commission is recognised at the point in time where benefits of ownership transfer to our customer.

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

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

Costs on contracts with customers

An asset is recognised for incremental costs to obtain a contract, where the Group expects to recover the costs.

An asset is recognised for costs to fulfil contracts if the following criteria are met:

- the costs are directly related to a contract;
- the costs generate or enhance the Group’s resources used in satisfying performance obligations in the future; and
- the costs are expected to be recovered.

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

The asset is amortised over the period that the benefit will be transferred to the customer. Assets are assessed for impairment.

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 assets.

2. Accounting policies (continued)

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.

After initial recognition, the deferred gain or loss will be released to profit or loss such that it reaches a value of zero at the time when the entire contract can be valued using active market quotes or verifiable objective market information. The group will release the day 1 gain or loss in a reasonable fashion based on the facts and circumstances (e.g. using either straight-line or non-linear amortisation depending on the type of financial instrument).

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts, interest rate swaps and forward commodity contracts, to hedge its foreign currency risks, interest rate risks and commodity price risks, respectively. 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 or the foreign currency risk in an unrecognised firm commitment
- Hedges of a net investment in a foreign operation

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.

2. Accounting policies (continued)

Derivative financial instruments and hedge accounting (continued)

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:

Fair value hedges

The change in the fair value of a hedging instrument is recognised in the statement of profit or loss as other expense. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in the statement of profit or loss as other expense.

For fair value hedges relating to items carried at amortised cost, any adjustment to carrying value is amortised through profit or loss over the remaining term of the hedge using the EIR method. The EIR amortisation may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

If the hedged item is derecognised, the unamortised fair value is recognised immediately in profit or loss.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss.

The Group designates only the spot element of forward contracts as a hedging instrument. The forward element is recognised in OCI and accumulated in a separate component of equity under cost of hedging reserve.

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.

The Group uses forward currency contracts as hedges of its exposure to foreign currency risk in forecast transactions and firm commitments, as well as forward commodity contracts for its exposure to volatility in the commodity prices. The ineffective portion relating to foreign currency contracts is recognised as other expense and the ineffective portion relating to commodity contracts is recognised in other operating income or expenses. Refer to note 25 for more details.

2. Accounting policies (continued)

Loans and receivables

Trade receivables and unquoted loans are classified as '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.

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 at its entirety as soon as they are transferred to the Factor.

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 and share options are recognised as a deduction from equity.

Property, plant and equipment

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

Fixtures, fittings and office equipment	2-10 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.

2. Accounting policies (continued)

Property, plant and equipment (continued)

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 scrappage of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

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 – 10 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.

2. Accounting policies (continued)

Leases (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.

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.

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 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.

2. Accounting policies (continued)

Taxation (continued)

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.

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.

Current tax and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

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.

Property provisions

A property provision is recognised when the expected benefits to be derived from the property are lower than the unavoidable cost of meeting the contractual obligations on that property.

2. Accounting policies (continued)

Critical accounting judgements and key sources of estimation uncertainty

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.

Critical judgements

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 assets, accrued revenue and contract liabilities that result from the performance of the contract).

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

The 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.

2. Accounting policies (continued)

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

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).

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.

Provisions

Provisions are recognised in the period when it becomes probable that there will be a future outflow of funds resulting from past operations or events which can be reasonably estimated. The timing of recognition requires the application of judgement to existing facts and circumstances, which can be subject to change. Note 19 to the accounts contain information about the assumptions made concerning the Group's provisions.

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.

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.

2. Accounting policies (continued)

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

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

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

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. 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 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 post-tax cash flows from approved budgets and five-year forecasts and extrapolated cash flows for the periods beyond these using estimated long-term growth rates.

The key assumptions are:

- Long term average growth rates are used to extrapolate cash flows. Growth rates are determined with reference to internal approved budgets and forecasts;
- Discount rates are specific to the 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 rate used is 10.6% (Zellis and Moorepay) and 21.5% (Benefex), 5 year forecasts and terminal growth rate of 2.5% (Zellis and Moorepay) and 2% (Benefex). These have remained the same from prior financial year.

The surplus headroom above the carrying value of goodwill at 30 April 2020 was satisfactory.

3. Revenue

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

	2020	2019
	£'000	£'000
Continuing operations		
Licence, support and payroll services (UK)	152,407	141,762

	2020	2019
	£'000	£'000
Deferred income / costs to contract assets & liabilities		
Contract assets – current	8,879	7,151
Contract assets – non-current	15,010	14,475
Contract liabilities – current	(40,995)	(31,531)
Contract liabilities – non-current	(41,790)	(48,326)
Net contract liabilities	**(58,896)**	**(58,231)**

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

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

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

	2020	2019
	£'000	£'000
Revenue recognised in relation to contract liabilities		
Revenue recognised that was included in the contract liability balance at the beginning of the year	31,531	29,646

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

	2020	2019
	£'000	£'000
Unsatisfied long-term contracts		
Aggregate amount of contracts partially or fully unsatisfied as at 30 April	263,064	242,865

Management expects that of the transaction price allocated to the unsatisfied contracts as of 30 April 2020 of £263.1m (2019: £242.9m) will be recognised as revenue in the next reporting periods. £106m, £74m, £49m, £26m and £8.1m will be recognised as revenue in reporting periods ending 30 April 2021, 30 April 2022, 30 April 2023, 30 April 2024 and 30 April 2025 respectively.

3. Revenue (continued)

	2020	2019
Assets recognised from costs to fulfil a contract	**£'000**	**£'000**
Asset recognised from costs incurred to fulfil contracts at 30 April	23,890	21,625
Amortisation recognised as cost of providing services during the period	8,241	5,624

Performance obligations

A performance obligation is deemed the goods or services that we have agreed within the customer contract and are deemed fulfilled when the customer can utilise those goods or services. This is where the technology can be utilised for its intended purpose (project go live) or when the service has been completed (running an outsource payroll).

There may be separate performance obligations within a single customer contract. Where the obligations are defined, these will be dealt with as a separate go live instance, and the transaction price will be apportioned appropriately. Where the separate obligations are not defined, then unless deemed to be material the contract will be treated as one performance obligation.

4. Operating costs

	2020	2019
	£'000	**£'000**
Depreciation of property, plant and equipment	1,267	958
Depreciation of right of use assets	5,469	4,211
Amortisation of acquired intangibles	24,966	25,009
Amortisation of other intangibles	5,172	2,647
Staff costs (see note 7)	89,043	73,521
Significant separately disclosed items (see note 5)	14,033	31,083

Prior year staff costs reported did not include £10m staff cost in Benefex which was categorised in 'other operating expenses' incorrectly. See note 7 for further information.

5. Significant separately disclosed items

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

	2020	2019
	£'000	**£'000**
Severance and restructuring	2,048	1,563
Acquisition and refinancing	(258)	2,211
Business transformation and integration	9,626	23,630
Significant events and external circumstances	2,617	3,679
	14,033	**31,083**

Following the acquisition of the business by Bain Capital in February 2018, major transformations took place leading to material costs.

5. Significant separately disclosed items (continued)

This included the initial carve out of the NGA UK & Ireland business from the previous parent company, the implementation of new tools, systems and management structure to drive return on investment, and acquisition of a subsidiary (Benefex). In addition, the business also incurred costs from material one-off external events (IFRS transition and Covid-19). These costs do not reflect the underlying trading results, and are predominantly a result of the acquisition by Bain Capital because they would not have been incurred had the acquisition not taken place. Therefore, they are separately identified and reported which enables the shareholders and management to better understand the performance for the year and comparability between periods.

They have been categorised into 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 has included some changes in personnel including putting in place a new Senior Management team and the central functions required to run the business as a separate group of entities. There were also costs in relation to redundancies.

The business undertook a major update of its IT infrastructure following the carve out from its former parent company which included the implementation of a new ERP system, CRM and case management system.

The business also rebranded the Enterprise Payroll and HR business from 'NGA UK' to 'Zellis' which was successfully launched in February 2019 with some carry over of activities and costs into the year ended 30 April 2020.

In addition, the group undertook some one-off activities to set up business processes to ensure the business was compliant as a separate group of entities. This included advisory and adaption of compliance procedures and the setting up of transfer pricing policies and procedures.

2) Acquisition and financing. Acquisition costs were incurred following the acquisition by Bain Capital, including significant re-financing of debt and new management share structure. In September 2018, the group further acquired the Benefex business that enabled us to offer an integrated approach to pay and reward.

3) Business Transformation and integration. Following the carve out from the previous parent, the group has initiated a number of transformation projects to improve efficiency, enhance systems, rebrand ResourceLink, drive growth and reduce costs. This includes a major programme to improve customer experience (including customer remediation) while reducing manual input by implementing digital workflows in our managed services business to achieve automated processes and improve first time accuracy.

Data security is crucial to the company as we handle a large amount of sensitive personal data via payroll & HR services. As we were no longer covered by the NGA's data security regime, we performed comprehensive security reviews and set up new security processes and frameworks, that will ensure we have a best in class system to support our customers as we enhance our product portfolio.

As a result of efficiency driven transformations, we have undergone wider restructure which led to retention of key business units and redundancies of roles that are no longer required.

As part of the overarching business review and execution of the strategic plan, a review of the commercial and pricing position of the business was undertaken. This led to the implementation of new policies and procedures which required dedicated programme resource.

The group's offices are located in 16 locations across the UK, Republic of Ireland and India. The business is undertaking a review of the property portfolio and a property rationalisation programme to reduce the number of properties while improving working environments for employees.

5. Significant separately disclosed items (continued)

In the year ended April 2020, the property rationalisation programme began which resulted in the relocation of one office. Post balance sheet date, we have exited three office locations. Further changes to the property portfolio are anticipated over the next two years.

Internal IT systems and support also underwent redesign and implementation, whereby payroll costs for specific personnel dedicated to the implementation were also included alongside external consultancy support as required.

4) Significant events or external circumstances. In the prior year, we implemented the new accounting standards IFRS 9, IFRS 15 and IFRS 16, which led to significant projects requiring external and dedicated internal support. These costs were one off and are not recurring. This year, following unprecedented changes in global landscape, we have made a specific bad debt provision against the potential credit losses predicted in light of the Covid-19 pandemic.

6. Auditor's remuneration

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

	2020 £'000	2019 £'000
Fees payable to the company's auditor and their associates for the audit of the company's annual accounts	80	60
Fees payable to the company's auditor and their associates for other services to the group		
- The audit of the company's subsidiaries	306	245
Total audit fees	**386**	**305**
Other services	10	409
Total non-audit fees	**10**	**409**

7. Staff costs

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

	2020 Number	2019 Number
Sales	203	193
Managed services	1117	876
Technology support	344	376
Implementation services	322	172
Administration	201	100
	2,187	**1,717**

Their aggregate remuneration comprised:

	2020 £'000	2019 £'000
Wages and salaries	76,632	61,517
Social security costs	7,059	6,015
Other pension costs	5,352	5,989
	89,043	**73,521**

In the prior year, £10m of staff costs from Benefex were included in other operating expenses, therefore not reflected in the prior year balances above. These equivalent expenses are now classified in the right categories above in FY20.

7. Staff costs (continued)

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

Directors' emoluments

	2020 £'000	2019 £'000
Directors' emoluments	849	1,213
Company contributions to money purchase pensions plans	37	54
	886	**1,267**

The aggregate emoluments of the highest paid director were £350k (2019: £585k) including £15k (2019: £11k) paid into a money purchase pension plan. During the year, two directors accrued benefits under the money purchase scheme.

8. Finance costs

	2020 £'000	2019 £'000
Interest on bank overdrafts and loans	21,230	19,257
Amortisation of issue costs on bank loans	3,218	1,437
Unwind of provision	77	158
Net pension finance expense	1,248	1,052
Interest on obligations under leases	1,013	1,174
Foreign exchange loss	272	206
	27,058	**23,284**

9. Tax

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

	2020 £'000	2019 £'000
Corporation tax:		
Current period	6	63
Overseas tax charge	427	1,503
Adjustment in respect of prior year	(1,010)	118
	(577)	**1,684**
Deferred tax (note 15)		
Origination and reversal of temporary differences	(5,358)	(4,707)
Adjustment in respect of prior year	(1,331)	1,276
Effect of changes in tax rates	691	345
	(6,575)	**(1,402)**

The standard rate of corporation tax applied to reported profit is 19%.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

9. Tax (continued)

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

	2020	2019
	£'000	£'000
Loss before tax on continuing operations	(32,418)	(45,362)
Tax at the UK corporation tax rate of 19%	(6,160)	(8,619)
Effect of change in local corporation tax rate		-
Tax effect of expenses that are not deductible in determining taxable profit (net of reversal)	(682)	636
Tax effect of income not taxable in determining taxable profit	(195)	(8)
Losses	-	1,035
Adjustments in respect of previous periods	(2,341)	1,394
Effect of changes in tax rate	691	345
Depreciation on assets not qualifying for tax allowances	69	68
Corporate interest restriction	2,218	3,311
Deferred tax acquired on new acquisition	-	19
Effect of overseas tax rates	(175)	417
Tax credit for the year	**(6,575)**	**(1,402)**

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

	2020	2019
	£'000	£'000
Deferred tax charge/ (credit):		
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of net defined benefit liability	775	(1,926)

10. Intangible assets and goodwill

	Goodwill	Purchased software	Acquired intangibles	Development costs	Total
	£'000	£'000	£'000	£'000	£'000
Cost:					
At 1 May 2018	335,441	3,000	178,502	1,749	518,692
Acquired through business combinations	-	-	12,428	-	12,428
Additions	23,011	3,196	-	8,804	35,011
Transfers to right to use assets	-	(3,821)	-	-	(3,821)
At 30 April 2019	**358,452**	**2,375**	**190,930**	**10,553**	**562,310**
Additions	-	992	-	10,397	11,389
Write offs	(718)	-	-	-	(718)
At 30 April 2020	**357,734**	**3,367**	**190,930**	**20,950**	**572,981**
Amortisation:					
At 1 May 2018	-	(1,925)	(5,950)	(44)	(7,919)
Charge for the year	-	(930)	(25,009)	(1,717)	(27,656)
Transfers to right of use assets	-	1,121	-	-	1,121
At 30 April 2019	**-**	**(1,734)**	**(30,959)**	**(1,761)**	**(34,454)**
Charge for the year	-	(802)	(24,966)	(4,370)	(30,138)
At 30 April 2020	**-**	**(2,536)**	**(55,925)**	**(6,131)**	**(64,592)**
Net book value:					
At 30 April 2020	357,734	831	135,005	14,819	508,389
At 30 April 2019	358,452	641	159,971	8,792	527,856

Impairment assessment on goodwill and intangible assets is performed on an annual basis. No indication of impairment was identified.

The assessment applies a discounted cashflow model with financial forecasts from the group's 5-year plan which embedded the impact from Covid-19 pandemic and was agreed with the Board. The pre-tax discount rates (10.6% for Zellis and Moorepay, 21.5% for Benefex) and terminal growth rates (2.5% for Zellis and Moorepay, 2% for Benefex) applied for each CGU are obtained from third party specialists at acquisition.

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

11. Property, plant and equipment

	Leasehold improvements	Fixtures & fittings and computer Equipment	Total
	£'000	**£'000**	**£'000**
Cost:			
At 1 May 2018	1,702	7,536	9,238
Acquired through business combinations	-	1,122	1,122
Additions	-	463	463
Transfers	-	(4,657)	(4,657)
At 30 April 2019	**1,702**	**4,464**	**6,166**
Additions	308	1,326	1,634
Write offs	-	(168)	(168)
At 30 April 2020	**2,010**	**5,622**	**7,632**
Depreciation:			
At 1 May 2018	(759)	(4,108)	(4,867)
Acquired through business combinations	-	(870)	(870)
Charge for the year	(135)	(823)	(958)
Transfers	-	3,973	3,973
At 30 April 2019	**(894)**	**(1,828)**	**(2,722)**
Charge for the year	(190)	(1,245)	(1,435)
Write offs	-	168	168
At 30 April 2020	**(1,084)**	**(2,905)**	**(3,989)**
Net book value			
At 30 April 2020	926	2,717	3,643
At 30 April 2019	808	2,636	3,444

12. 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:

	2020	2019
	£'000	£'000
Right-of-use asset		
Building	9,384	10,248
Equipment	2,393	4,407
Vehicles	146	262
Other	8	16
	11,931	**14,933**
Lease liabilities maturity analysis		
Current	3,973	4,984
Non-current	9,443	11,419
	13,416	**16,403**

The income statement shows the following amounts relating to leases:

	2020	2019
	£'000	£'000
Depreciation charge of right-of-use asset (Note 4)		
Building	2,097	2,146
Equipment	3,248	1,948
Vehicles	117	117
Other	7	-
	5,469	**4,211**
Interest expense	1,013	1,199
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in operating expenses)	9	10
Expense relating to variable lease payments not included in lease liabilities (included in administrative expenses)	132	48
Total recognised in the profit and loss	**6,623**	**5,468**

The total cash outflow for leases was £6,972k (2019: £7,468k). Lease addition for the year was £2,468k (2019: £1,213k).

13. Trade and other receivables

	2020 £'000	2019 £'000
Debt instruments at amortised costs		
Trade receivables	23,229	24,514
Less allowance for expected credit losses	(2,761)	(703)
Net trade receivables	20,468	23,811
Accrued income	2,612	3,982
Prepayment and other receivables	8,145	8,564
Total trade and other receivables	**31,225**	**36,357**

Movement in the allowance for expected credit losses:

	£'000
At 1 May 2018	382
Provision for expected credit losses	875
Utilised in period	(554)
At 30 April 2019	**703**
Provision for expected credit losses	2,264
Utilised in period	(206)
At 30 April 2020	**2,761**

14. Cash and cash equivalents

	2020 £'000	2019 £'000
Cash at bank and in hand	20,427	7,525

The fair value of cash and cash equivalents which corresponds to its carrying value is £20,427k (2019: £7,525k).

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

15. 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 2018	4,823	(27,276)	621	7,567	1,766	(12,499)
Adoption of accounting policy	-	-	-	-	6,570	6,570
Acquisition of subsidiary	-	(1,852)	-	-	-	(1,852)
Adjustment in respect of prior years	(338)	-	(75)	-	(860)	(1,273)
Charge/(credit) to profit or loss	(832)	4,251	(448)	-	1,279	4,250
Credit to other comprehensive income	-	-	-	1,926	-	1,926
At 30 April 2019	**3,653**	**(24,877)**	**98**	**9,493**	**8,755**	**(2,878)**
Adjustment in respect of prior years	912	(811)	600	(445)	1,076	1,332
Charge/(credit) to profit or loss	(413)	1,287	158	(69)	3,704	4,667
Debit to other comprehensive income	-	(202)	202	(775)	-	(775)
At 30 April 2020	**4,152**	**(24,603)**	**1,058**	**8,204**	**13,535**	**2,346**

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:

	2020	2019
	£'000	£'000
Deferred tax liabilities	(24,603)	(24,877)
Deferred tax assets	26,949	21,999
	2,346	**(2,878)**

As at 30th April 2020, the group has unused tax losses of £71,465k (2019: tax losses of £51,737k) available for offset against future profits. A deferred tax asset has been recognised in respect of these losses.

As at 30th April 2020 the group has deductible temporary differences of £34,310k (2019: £21,422k) that have not been recognised as a deferred tax asset.

16. Trade and other payables

	2020 £'000	2019 £'000
Trade payables	5,634	5,774
Loans from group undertakings	1,299	584
Other payables	1,658	819
Accruals	16,961	29,381
Other taxes and social security costs	10,376	8,972
Total trade and other payables	**35,928**	**45,530**

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

17. Contract liabilities

	2020 £'000	2019 £'000
Balance to be recognised within one year	40,995	31,531
Balance to be recognised after one year	41,790	48,326
Total contract liabilities	**82,785**	**79,857**

18. Employee benefits

For details on the related employee benefit expenses see note 7.

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. As the schemes are closed to new entrants for pension accrual, under the method used to calculate pension costs in accordance with IAS19, the cost as a percentage of covered pensionable payroll will tend to increase as the average age of the membership increases.

These defined benefit plans expose the 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 £1.5m to the defined benefit schemes. The funding requirements are based on the pension fund's actuarial measurement framework set out in the funding policies of the plan. This includes the additional contributions aimed at removing the deficit of the Schemes. Contributions to the defined contribution schemes are in addition to the contributions to the UK defined benefit schemes.

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	Net defined benefit liability £'000
At 1 May 2018	263,205	(218,702)	44,503
Included in income statement			
Current service cost	875	-	875
Past service	2,500	416	2,916
Interest expense	7,014	(5,962)	1,052
	10,389	**(5,546)**	**4,843**
Included in statement of comprehensive income:			
Remeasurement loss (gain):			
Financial assumptions	21,302	-	21,302
Demographic	(1,429)	-	(1,429)
Experience adjustment	(188)	-	(188)
Impact of asset ceiling	-	(1,868)	(1,868)
Return on plan assets excluding interest income	-	(6,487)	(6,487)
	19,685	**(8,355)**	**11,330**
Other			
Contribution paid by the employer	-	(7,787)	(7,787)
Benefits paid	(6,427)	6,427	-
	(6,427)	**(1,360)**	**(7,787)**
Net book value At 30 April 2019	**286,852**	**(233,963)**	**52,889**

18. Employee benefits (continued)

	Defined benefit obligation £'000	Fair value of plan assets £'000	Net defined benefit liability £'000
At 1 May 2019	286,852	(233,963)	52,889
Acquired through business combinations			
Included in income statement			
Current service cost	854	418	1,272
Interest expense / (income)	7,076	(5,828)	1,248
	7,930	**(5,410)**	**2,520**
Included in statement of comprehensive income:			
Financial assumptions	24,794	-	24,794
Demographic	3,324	-	3,324
Experience adjustment	(5,407)	-	(5,407)
Return on plan assets excluding interest income	-	(29,345)	(29,345)
	22,711	**(29,345)**	**(6,634)**
Other			
Contribution paid by the employer	-	(5,880)	(5,880)
Benefits paid	(7,686)	7,686	-
	(7,686)	**1,806**	**(5,880)**
Net book value At 30 April 2020	**309,807**	**(266,912)**	**42,894**

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:

	2020	2019
	£'000	£'000
Equities	18,120	19,228
LDI Funds	81,070	56,895
Multi-asset credit	14,487	15,046
Private credit	15,421	15,747
Property	24,152	23,362
Asset backed securities	47,637	22,124
Diversified growth funds	44,494	44,413
Cash and current assets	21,531	37,148
	266,912	**233,963**

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

Defined benefit obligation

Actuarial assumptions

The principal actuarial assumptions at the balance sheet date were:

	Northgate HR scheme	Rebus scheme
	pa	pa
Discount rate	1.6%	1.6%
Future salary increases	1.0%	1.0%
Retail price inflation	2.3%	2.4%
Consumer price inflation	1.6%	1.7%
Future pension increases (2.5% LPI)	1.7%	1.5%
Future pension increases (5%LPI)	2.3%	1.8%

The weighted average durations of the expected benefit payments is about 18 years for the Northgate Scheme and 20 years for the Rebus Scheme. The current longevities underlying the values of the defined benefit obligation at the reporting date were as follows.

18. Employee benefits (continued)

	Northgate HR scheme	**Rebus scheme**
	pa	**pa**
Life expectancy at age 65 now		
Males	22.2	22.2
Females	24.6	24.6
Life expectancy at age 65 in 20 years		
Males	23.5	23.5
Females	26.0	26.0

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	**£'000**
	Increase	**Decrease**
Discount rate (0.1% movement)	(5,795)	5,955
Inflation and related future pension growth (0.1% movement)	2,696	(2,642)
Future salary growth (0.1% movement)	-	(379)
Life expectancy (1 year movement)	12,634	(12,613)

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.

19. Provisions

	£'000
At 1 May 2019	**1,648**
Addition	438
Utilisation	(187)
Transfer	155
Discount unwind	76
At 30 April 2020	**2,130**
Analysed as:	
Current	636
Non-current	1,494
At 30 April 2020	**2,130**

The provision relates to legal provision and dilapidations provision for repairs and redecorations at the end of the lease.

20. Share capital

	2020	2019
	£	**£**
Authorised, issued and fully paid:		
800 ordinary shares of £0.01 each (2019: 400)	8	4

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

On 21 June 2019, 100 ordinary shares were issued for £9,800,000.

On 25 July 2019, 100 ordinary shares were issued for £2,700,000.

On 14 August 2019, 100 ordinary shares were issued for £7,300,000.

On 29 August 2019, 100 ordinary shares were issued for £200,000.

21. Share premium

	£'000
At 1 May 2018	176,719
Premium arising on issue of equity shares	12,778
At 30 April 2019	**189,497**
Premium arising on issue of equity shares	20,000
At 30 April 2020	**209,497**

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 currently no amounts have been provided, as they are not material, but the potential liability will continue to be monitored.

23. Related party disclosures

Management fees amounting to £1,542k (2019: £1,500k) were charged to the Group by Bain Capital, no balances were outstanding at the year end.

The remuneration of key management (deemed to be the directors) for the year was £849k (2019: £1,213k) emoluments and £37k (2019: £54k) contributions to defined contribution pension schemes. This includes directors' emoluments disclosed in note 7 to these accounts.

A full list of subsidiary and associated undertakings is included in note 2 to the Company accounts on page 66.

24. Borrowings

	2020	2019
	£'000	£'000
Secured borrowing at amortised cost		
Bank loans	320,625	307,308
Lease liabilities (see note 12)	13,416	16,403
	334,041	**323,711**
Total borrowings		
Amount due for settlement within 12 months	43,973	43,984
Amount due for settlement after 12 months	290,068	279,727

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 (2019: £260m) 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 LIBOR 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 £40 million was drawn down at year end with a termination date of 31 January 2024. The loan carries variable interest rate of LIBOR plus a margin ranging between 3.25% - 4.25% determined by the Senior Secured Net Leverage Ratio.

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 LIBOR plus a margin of 8.5% (with a 1% floor).

ii) The facilities contain certain financial covenants which have been met.

iii) The bank loan of £280,625k includes the principal of £270,000k and second lien of £20,000k, and is presented net of capitalised fees of £9,375k. All borrowings are denominated in UK Pounds.

iv) 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.

The weighted average interest rates paid during the year for the bank loans were 6.3%.

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 are of the view that the key interest rate risk is the variability of LIBOR on both the term loan and 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 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.

Derivatives designated as hedging instruments reflect the positive change in fair value of interest rate swap contracts, designated as cashflow hedges to hedge against variable interest rates.

Hedging activities and derivatives

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.

25. Financial instruments (continued)

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.
3. The variable interest rate of the swap (i.e. 6-month GBP-LIBOR) is not subject to a floor whereas the Borrowings from which the Hedged Transactions are expected to flow are subject to a floor of 0% on 6-month GBP-LIBOR. At the inception of the hedging relationship, the floor had no intrinsic value and would not impact the measurement of hedge ineffectiveness. However, the Company will incorporate the floor when modelling of the hypothetical derivative as this could be a potential source of hedge ineffectiveness going forward.

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 inputs for the valuation of interest rate swaps are forward curves for 6 month GBP-LIBOR.

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.

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 2020, £1m (2019: £2m) of undrawn facilities and £20.4m (2019: £7.5m) 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.

25. Financial instruments (continued)

	<1 year £'000	1-2 years £'000	2-3 years £'000	3-4 years £'000	4-5 years £'000	>5 years £'000	Total £'000
30 April 2020							
Lease liability and estimated interest	3,974	2,014	1,727	1,402	1,290	3,009	13,416
Revolving credit facility	40,000	-	-	-	-	-	40,000
Term loan and estimated interest	17,705	17,705	17,705	17,754	283,847	21,422	376,138
	61,679	**19,719**	**19,432**	**19,156**	**285,137**	**24,431**	**429,554**

The variable interest rate is determined by LIBOR 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.

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).

	Note	Carrying amount £'000	Fair value £'000
Trade and other receivables (level 3)	13	31,225	31,225
Cash and cash equivalents (level 2)	14	20,427	20,427
Trade and other payables (level 3)	16	(35,928)	(35,928)
Secured bank loans (level 2)	24	(320,625)	(320,625)
Interest rate swap (level 2)		(2,067)	(2,067)
Lease liabilities (level 3)	12	(13,416)	(13,416)
		(320,719)	**(320,719)**

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 (retained profits and 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 retained profits, equity and bank borrowings.

25. Financial instruments (continued)

e) Credit risk

Group provides 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%	0%	0%	0%	15%	15%
Moorepay	1%	10%	65%	100%	100%	100%
Pro IV	0%	0%	0%	0%	0%	100%
Benefex	1%	5%	15%	20%	25%	100%

In addition to these principals we provide additional expected credit losses on a case by case basis where the risk would not fall under these general provision rates. This includes specific bad debt provision in light of Covid-19 which is included in significant separately disclosed items in note 5.

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

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

f) Factoring

The group has a non-recourse factoring agreement in place. As at 30 Apr 2020, the amount representing the group's continuing involvement is £2.2m, being the amount that is factored and due to be collected from customers. There is no exposure to the group because of the non-recourse arrangement in place as well as the insurance placed by the factor on the customer balances. £142k of factoring commission has been charged for the year.

The £2.2m can be analysed as follows:

£'000	Not yet due	0-89 days overdue	>90 days overdue	Total
Factored amount to be collected	1,537	634	19	2,190

26. Post balance sheet events

Post year end the group has agreed additional funding from Bain Capital, the Ultimate Parent, of £40m as a capital injection. An interest PIK arrangement has been agreed with lenders on the £270m senior loan facility for 3 years during which the interest payments will be reduced to LIBOR + 2.75% with the remaining 2.5% plus 0.25% margin settled via PIK. The loan interest margin on the £20m second lien will be settled via PIK until maturity date. In addition, an agreement has been reached with pension trustees on the define benefit pension scheme to revise deficit contribution schedule that benefits liquidity.

ZELLIS HOLDINGS LIMITED
COMPANY BALANCE SHEET
AS AT 30 APRIL 2020

	Note	2020 £'000	2019 £'000
Non-current assets			
Investments in subsidiaries	2	391,941	391,941
		391,941	**391,941**
Current assets			
Trade and other receivables	3	131,668	125,828
Cash and cash equivalents		4,474	325
Deferred tax asset		3,038	3,038
		138,180	129,191
Total assets		**531,121**	**521,132**
Current liabilities			
Trade and other payables	4	67,815	63,644
Other current financial liabilities		579	-
Borrowings	5	40,000	39,000
Total current liabilities		108,394	102,644
Net current assets		**30,786**	**26,547**
Non-current liabilities			
Borrowings	5	280,625	268,307
Other non-current financial liabilities		1,488	-
Total non-current liabilities		282,113	268,307
Total liabilities		**390,507**	**370,951**
Net assets		**140,614**	**150,181**
Equity			
Share capital	6	-	-
Share premium	6	209,497	189,497
Cashflow hedge reserve		(2,067)	-
Retained earnings		(66,816)	(39,316)
Equity attributable to owners of the Company		**140,614**	**150,181**

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 £27.5m (2019: £30.7m).

The financial statements of Zellis Holdings Limited (company registration number: 09062481) were approved and authorised for issue by the Board of Directors and were signed on its behalf by:

A. R L

Alan Kinch

Director

27 November 2020

ZELLIS HOLDINGS LIMITED
COMPANY STATEMENT OF CHANGES IN EQUITY
AS AT 30 APRIL 2020

	Share capital (Note 6)	Share premium (Note 6)	Cash flow hedge reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000
As at 1 May 2019	**-**	**176,719**	**-**	**(8,596)**	**168,123**
Issue of shares	-	12,778	-	-	12,778
Loss for the year and other comprehensive loss	-	-	-	(30,720)	(30,720)
At 30 April 2019	**-**	**189,497**	**-**	**(39,316)**	**150,181**
Issue of shares	-	20,000	-	-	20,000
Loss on hedging instrument	-	-	(2,067)	-	(2,067)
Loss for the year	-	-	-	(27,500)	(27,500)
At 30 April 2020	**-**	**209,497**	**(2,067)**	**(66,816)**	**140,614**

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 shown on company information page 24.

The nature of Zellis Holdings Limited's operations and its principal activities are set out in the strategic report on page 1 to 11.

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 Financial Reporting Standards as adopted by the EU ("Adopted IFRSs") but makes amendments where necessary in order to comply with 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 24 – 62.

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 no employees other than Directors.

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. Please refer to page 40 for further details.

2. Investments in subsidiaries

	Subsidiary undertakings £'000
Cost:	
At 1 May 2019	**391,941**
Additions	-
At 30 April 2020	**391,941**
Impairment:	
At 1 May 2019	**-**
Charge for the year	**-**
At 30 April 2020	**-**
Net book value	
At 30 April 2020	**391,941**

The subsidiary undertakings at 30 April 2020, 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
Held Directly:		
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%
Held Indirectly:		
Mills associates Limited	United Kingdom	100%
Moorepay Limited	United Kingdom	100%
Business Information Management 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%
Cara Information Technology Limited	United Kingdom	100%
Engage Technologies Limited*	Ireland	100%
Engage Technologies Support Limited*	Ireland	100%
Zellis Services Ireland Limited*	Ireland	100%
Zellis Dormco Limited	United Kingdom	100%
PRO-IV Technology LLC****	United States	100%
Benefex Limited*****	United Kingdom	100%
Benefit Administration Centre Limited*****	United Kingdom	100%
Benefit Administration Services Limited*****	United Kingdom	100%
PES (Bristol) Limited*****	United Kingdom	100%
Benefit Administration Gateway Limited*****	United Kingdom	100%
Benefex Financial Solution*****	United Kingdom	100%

*The registered office for these companies is Behan House, 10 Mount St Lower, Dublin 2, Ireland
**The registered office for these companies is 4th floor Kakkanad, Kochi 682042, Kerala, India
*** The registered office for these companies 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

2. Investments in subsidiaries (continued)

Companies incorporated in the United Kingdom have the same registered address as Zellis Holdings Limited, shown on page 24. The Directors have considered the value in use of the investments and have concluded that an impairment in investment value is not applicable.

3. Trade and other receivables

	2020	2019
	£'000	**£'000**
Amounts owed by subsidiary undertakings	135,354	124,406
Less allowance for expected credit losses	(4,845)	-
Net trade and other receivables	**130,509**	**124,406**
Prepayment and other receivables	1,159	1,100
Other Current Financial	-	322
Total trade and other receivables	**131,668**	**125,828**

4. Trade and other payables

	2020	2019
	£'000	**£'000**
Trade payables	1,041	2,196
Amounts owed to subsidiary undertakings	57,596	51,715
Accruals	8,372	9,446
Other payables	806	287
Total trade and other payables	**67,815**	**63,644**

5. 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.

6. Share capital

	Number	£
Authorised, issued and fully paid:		
800 Ordinary (2019: 400) shares of £0.01 each	**800**	8

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

On 21 June 2019, 100 ordinary shares were issued for £9,800,000.

On 25 July 2019, 100 ordinary shares were issued for £2,700,000.

On 14 August 2019, 100 ordinary shares were issued for £7,300,000.

On 29 August 2019, 100 ordinary shares were issued for £200,000.

6. Share capital (continued)

Share premium

	£'000
At 1 May 2018	176,719
Premium arising on issue of equity shares	12,778
At 30 April 2019	189,497
Premium arising on issue of equity shares	20,000
At 30 April 2020	**209,497**

7. 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.a.r.l.

Copies of accounts can be obtained from Peoplebuilding 2, Peoplebuilding Estate, Maylands Avenue, Hemel Hempstead, Hertfordshire, HP2 4NW.

The ultimate controlling party of the group as at 30 April 2020 was Bain Capital Europe Fund IV LP.