



Zegona Communications plc

Annual Report

For the Year Ended 31 December 2022

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I am pleased to present Zegona's annual report for 2022.

Searching for the next Buy-Fix-Sell Opportunity

In the past year we have continued to focus on finding the right opportunity within the European telecommunications market where we can again successfully apply our proven "buy-fix-sell" strategy to generate attractive returns for our shareholders. We believe that we sold our investment in Euskaltel at a particularly good time and despite plenty of opportunities to make an acquisition in 2022, we instead chose to stay patient and disciplined as we believed more attractive opportunities would emerge later in the year and in early 2023. This has indeed been the case and while we are not yet in a position to announce a new acquisition, we are currently actively working on a short-list of opportunities which we believe offer significant upside potential.

The past year has been marked by significant geo-political and macro-economic developments that have impacted European economies. In particular, the ongoing war in Ukraine has created uncertainty and has led to increased commodity prices and inflation. Other developments, such as changes in government leadership and trade policies, have also resulted in more constrained financial market conditions.

These developments had an impact on the telecommunications sector in 2022. While the sector has performed well overall, it has not been immune to the broader economic and political trends. In particular, the market for mergers and acquisitions in European TMT assets has been affected. Overall, the level of European TMT mergers and acquisitions in 2022 has been lower than in the previous three years in terms of both deal value and volume. However, there have been several notable deals in the space, including KKR's acquisition of Altice Europe for €11.1 billion (April 2022), Cellnex Telecom's acquisition of CK Hutchison's European tower business for €10 billion (March 2022) and Deutsche Telekom's acquisition of Liberty Global's Eastern European assets for €6.2 billion (June 2022).

During the second half of the year in particular, macro-economic challenges such as the rapid increase in interest rates by central banks have had a significant impact on the availability and pricing of debt and equity funding for businesses seeking to make acquisitions. This has made it more challenging for companies to pursue their desired acquisition targets. In addition, the availability of acquisition targets was affected by these factors, with some companies delaying their sales processes while they waited for financial market conditions to improve. Since the end of 2022, however, we have seen new targets becoming available as businesses have adjusted to the new market dynamics. This allied with significant improvements in the availability of debt funding and with equity markets also having recovered, means we are now far more confident in our ability to find and complete a new acquisition.

Throughout the last year, we have continued to search for new opportunities. We have been active on a number of proprietary transactions where we see material upside potential. However, we have maintained our strong financial discipline and have not been prepared to make an acquisition if it does not meet our strict financial criteria.

As discussed in Note 2 to the financial statements, we believe we have sufficient time and resources to continue to be patient and disciplined in our search for the right opportunity. We also believe that this approach will be rewarded as market conditions stabilise. While challenges remain in the current environment, we are optimistic that we will be able to make an acquisition during the coming year which can deliver attractive returns for our shareholders.

Annual general meeting

The next AGM will be held at 10 Snow Hill, London, EC1A 2AL at 10:30 am on 20 June 2023. The AGM is an opportunity for shareholders to vote on certain aspects of Zegona's business. The Directors will also be available to answer any shareholder questions prior to and after the meeting.

Eamonn O'Hare
Chairman and Chief Executive Officer
6 April 2023

Vision

- Execute our Buy-Fix-Sell strategy in the European TMT sector
- Focus on businesses that require active change and fundamental improvement to realise their full value
- Target significant long-term growth in shareholder value

Opportunity

Changing market dynamics in the TMT industry create multiple investment opportunities:

- **Demand for data and speed:** Data consumption is growing strongly with customers willing to pay for speed and reliability. Gigabit broadband is increasingly offered in many markets but network roll-outs and upgrades need to be efficient.
- **Digital convergence:** The fixed/mobile divide is increasingly disappearing for users, meaning significant growth in more valuable triple and quad play¹ customers who are combining mobile and fixed services. This has driven an increase in merger and acquisition (“M&A”) activity and improvements in economics for converged players since mobile data delivery is heavily dependent on high capacity fixed networks.
- **Industry consolidation:** The sector has seen heightened M&A activity. Many private equity owners are looking to sell assets as economies return to growth and industry players are focusing on their core regions, delivering cost reductions and price repair to rebuild margins. Consolidation has also created opportunity as businesses are spun out by the major industry players to meet regulatory requirements and strategic objectives, creating opportunity for Zegona.
- **Infrastructure monetisation:** The opportunity to enhance value through separating off and monetising infrastructure assets, started with mobile towers but has expanded to other assets including fixed networks. This creates new commercial options, both through providing a route for incremental value creation and in the remaining ‘servco’ operations which may not have been the main focus of attention in the initial infrastructure led transaction.
- **Broad range of attractive assets:** Our flexibility in terms of size, geography and category opens a broad universe of attractive target assets across the TMT market. We have identified many businesses of an appropriate scale, including operators which are active in one or more of the mobile, mid-sized cable, fixed fibre network, B2B², and network infrastructure sectors.

Advantage

A number of factors make Zegona well positioned to access attractive deals and deliver value:

- **Strong, aligned management team:** Our management team has a proven track record of delivering superior business performance and investor returns. During 2017, it successfully sold Telecable and was then instrumental in returning Euskaltel to growth. This enabled us to initiate consolidation discussions with MásMovíl that led to it acquiring Euskaltel in July 2021. The team has extensive real-world experience in senior operational roles in large public telecommunications companies and its interests are also strongly aligned with shareholders through a long-term incentive scheme that links remuneration directly to growth in shareholder value.
- **Entrepreneurial focus:** We have considerable freedom in the projects we pursue and the ways we create value. Unlike most private equity businesses, Zegona is free to choose the optimal period to hold assets and can realise value using a range of approaches, of which a sale of the asset is only one. This also permits a focus on fundamental business improvements that are value accretive rather than relying on high leverage and multiple expansion. We are also able to act quickly on acquisition opportunities while still maintaining financial discipline. This is especially attractive to potential sellers and a key differentiator.

¹ Quad play: customers with four services (pay TV, fixed voice, broadband and mobile).

² Business to Business.

- **Major global investors:** Zegona benefits from having a number of global public equity asset managers³ with a long-term outlook as shareholders. The strong support which we have from such shareholders was illustrated by our successful placement of over £100 million of equity in February 2019 which enabled us to become Euskaltel's largest shareholder and drive change within the business. We have an effective investor relations programme which maintains regular contact with our major current and potential shareholders.

Strategy

We seek to provide shareholders with an attractive total return, primarily through appreciation in the value of Zegona's assets. Our strategy focuses on making investments in strategically sound businesses within the European TMT sector that require active change to realise their full value, thereby creating significant long-term returns through fundamental business improvements. The main elements of Zegona's strategy are set out below but our overall approach is to deal with each opportunity and situation individually as it arises. For example, in the case of the investment in Euskaltel, our successful strategy was to increase our ownership position and work constructively with the Euskaltel Board and management to improve the performance of the business and make it more attractive to potential buyers, thereby encouraging industry consolidation.

We evaluate potential investments using a disciplined set of financial and strategic criteria. We focus on:

- Target businesses with an enterprise value range of £1-5 billion, although we may deviate outside of this range if we believe the returns are sufficiently attractive;
- TMT, network-based communications and entertainment businesses, primarily in Europe;
- Strategically sound businesses with established market positions and limited expected downside risk, but which have scope for fundamental improvement that is realistically achievable;
- Appropriate financial leverage (usually 3-4x EBITDA⁴); and
- Multiple viable exit options pre-identified.

Many businesses across the TMT sector currently deliver sub-optimal returns which could be significantly improved. We work with management to deliver fundamental business improvements, such as:

- Changing the business market position;
- Being actively involved in the management of the business to drive operational improvements;
- Instilling strong discipline around cost efficiency;
- Investing in products, services and other value-accretive activities to drive top line growth;
- Focusing on operating profitability and cash generation;
- Ensuring a balanced and efficient capital structure;
- Innovative techniques to separate and monetise infrastructure assets; and
- Value enhancing bolt-on acquisitions/divestments.

Buyer interest is stimulated as the performance of each investment improves, providing Zegona with a range of options to crystallise the value it has created:

- We identify the optimal time to crystallise the value we have created, with flexibility to adapt to market changes and other opportunities;
- Zegona's publicly listed structure allows shareholders to realise value at any time and provides multiple options for value delivery; and
- Following a successful crystallisation, the value created will be reinvested or returned to shareholders.

³ Those with holdings in 3% or more of the issued ordinary shares of the Company are listed on page.

⁴ Operating profit excluding depreciation of property, plant and equipment and amortisation of intangible assets.

Review of Zegona's continuing corporate and other activities

Loss for the period from continuing operations

Zegona's corporate and other activities resulted in a net loss for the period from continuing operations of €3.3 million (2021: €34.3 million net loss) which principally comprised:

Operating loss

Operating loss totalled €3.3 million (2021: €34.0 million) and included:

- €3.3 million (2021: €4.6 million) for Zegona's ongoing corporate operations, with the reduction mainly driven by the retirement of one of the members of Zegona's senior management during the period. The management team have performed a comprehensive review of operating costs during 2022, seeking to ensure the business is operating as efficiently as possible by eliminating expenditure where possible, reducing headcount and re-negotiating key supplier terms. As a result, we expect the costs of Zegona's ongoing corporate operations to reduce by approximately 10% in 2023 compared to 2022 and circa 30 – 35% compared to the average of 2020-2022.
- €34 thousand (2021: €29.1 million) of Incentive scheme costs which were the amortisation of the fair value of the Third Calculation Period of the Management Incentive Scheme. The substantial reduction in the period is due to the €25.7 million payments to management in 2021 upon the redemption of the Second Calculation Period (see note 17 to the financial statements).
- €26 thousand (2021: €0.3 million) for significant project costs, principally professional fees paid in conjunction with exploring new opportunities.

Net finance income

Net finance income totalled €21 thousand (2021: €0.2 million of costs) and comprises interest earned on cash deposits recognised within Finance Income net of bank charges and overdraft interest recognised within Finance Costs.

Other Comprehensive Income

Exchange differences on translation resulted in a loss of €0.6 million (2021: gain €0.6 million). The variance year on year arises as a result of movements in the closing €:£ exchange rates as the functional currency of Sterling ("£") is translated into the presentational currency of euro ("€").

Financial Position

Zegona's Net Assets at 31 December 2022 were €10.5 million (2021: €14.5 million) which substantially comprised the Income tax receivable of €4.9 million and Cash and cash equivalents of €5.9 million. The reduction in the period is due to the use of cash to pay for Zegona's ongoing operating expenses during 2022 and the settlement of accruals and other payables at 31 December 2021.

Zegona's ongoing prospects

While Zegona has undertaken a comprehensive exercise to minimise its ongoing operating costs, it will continue to incur operating losses until it is able to make a new investment in a profitable business. We continue to see a very healthy environment for acquisitions across the industry, which has continued to see significant deal activity despite the war in Ukraine and the economic challenges it has created. While there are some short-term challenges, especially with raising debt financing, we believe we will be rewarded by remaining patient and disciplined and will not pursue a transaction unless we are confident that it meets our strict financial criteria.

Until we are able to make such an investment, Zegona will need to fund its operations with its current cash reserves or raise additional capital. We believe we have retained sufficient capital to provide adequate time and resources to remain patient and secure another attractive investment opportunity without raising additional capital and have £4.5 million (€5.3 million) of cash on hand at 6 April 2023. While we continue to search for our next investment, our ongoing costs are reasonably predictable and controllable and we expect that as long as Zegona does not incur any material unforeseen costs, its cash reserves can fund the business until the first quarter of 2025.

As further discussed in Note 2 to the financial statements however, there are certain risks which are unlikely, but could threaten Zegona's ability to continue as a going concern if they transpire. As a result, we have concluded that it is appropriate to prepare the financial statements on a going concern basis, but there is a material uncertainty that may cast significant doubt on our ability to continue as a going concern.

Shareholder remuneration

Up to the sale of Euskaltel, Zegona was committed to paying dividends to shareholders and in 2021 continued to pass through 100% of dividends it received from Euskaltel. Zegona declared a first interim dividend on 21 December 2020 at a rate of 2.2p per share, totalling £4.8 million (€5.6 million) which was paid on 9 March 2021. Zegona also paid a second interim dividend of 2.6p per share, totalling £5.7 million (€6.7 million) on 23 July 2021.

Following the sale of Euskaltel, Zegona has ceased paying dividends and expects not to pay further dividends until such time as it has an income generating asset.

Principal and emerging risks

We have carried out robust assessments of the principal and emerging risks facing Zegona including those that would threaten our business model, future performance, solvency or liquidity. Detailed consideration is given to all of these risk factors by the Audit and Risk Committee and the board of Directors (the “Board”).

Principal and emerging risks

Risk title	Risk rating	Change in risk assessment since the last Annual Report
Ability to maintain sufficient resources to identify and complete new acquisitions	High	↑ Increased
Ability to create value in acquired businesses	Moderate	↔ No change
Loss of key management	Low	↔ No change
Foreign exchange	Moderate	↔ No change

The description, impact and mitigation of these risks are set out below:

Ability to maintain sufficient resources to identify and complete new acquisitions

Following the sale of its investment in Euskaltel, Zegona meets its day to day working capital requirements, including the costs of evaluating new acquisitions, from cash balances. At 6 April 2023, Zegona had approximately €5.3 million of cash and we are making progress on finding another attractive investment opportunity within the European TMT sector where we can again apply our successful Buy-Fix-Sell strategy.

The success of Zegona’s future investment strategy following the disposal of our interest in Euskaltel depends on our ability to acquire a suitable target at a price that allows for acceptable returns. Zegona’s current cash resources are enough to allow us to continue searching for new acquisitions for a reasonable period of time, but we cannot be certain how long this will take. The passage of time and the consequent reduction in Zegona’s cash reserves has caused this risk to increase during the year. There is also no guarantee that we will be successful in making a further investment during this period for a number of reasons, which could include:

- We may face competition for attractive assets from other investors with greater resources than us;
- We may not receive sufficient support from our existing Shareholders to raise additional equity, and new equity investors may be unwilling to invest;
- Lenders may be unwilling to extend sufficient debt financing on reasonable term; and
- We may fail to complete an agreed acquisition for reasons beyond our control.

If we do attempt an acquisition which is ultimately unsuccessful this would result in us incurring related costs for items such as legal and due diligence fees. These costs could be a significant proportion of our remaining cash and could materially adversely affect subsequent attempts to identify and acquire another target business, or even threaten our ability to continue as a going concern without raising further capital.

Ability to create value in acquired businesses

If Zegona is successful in acquiring a new business, there is a risk of unforeseen liabilities being later discovered which were not uncovered or known at the time of the transaction which may have an impact on the value created for shareholders.

In addition, the success of Zegona’s acquisitions depends on our ability to implement the necessary strategic, operational and financial change programmes in order to refocus the acquired business and improve its performance. Implementing these change programmes may require significant modifications, including changes to business assets, operating and financial processes, business systems, management techniques and personnel, including senior management. There is a risk that we will not be able successfully to implement such change programmes within a reasonable timescale and cost.

We have a disciplined approach to valuation and, ultimately, we are only prepared to make investments at the right price and after undertaking a thorough due diligence process. When evaluating potential investments, we focus on targets that have strong fundamentals, high-quality customer offerings and strong market positions but which are underperforming their potential and have scope to generate long term sustainable performance and cash flow improvements.

Loss of key management

Zegona's operations are currently managed by the Chief Executive Officer, supported by the Chief Operating Officer, the Investment Director and the Chief Financial Officer. The absence or loss of key management could significantly impede our financial plans, though there has been no such absence or loss since Zegona was founded.

We aim to retain our key staff by offering remuneration packages at market rates, as well as long term incentives through the issue of Management Shares and other management incentive plans. The management team is small which places a natural limit on the volume of deal flow that can be addressed. The management team itself along with the Non-Executive Directors continually challenge the focus of the business and the allocation of resources amongst projects.

Foreign exchange

Foreign currency translation risk exists due to the Company operating, and having equity denominated, in a different functional currency (GBP) to that of many of its likely acquisition targets. Since the disposal of Euskaltel and the Return of Capital, there are no material assets or liabilities denominated in foreign currencies or transactions in foreign currencies. This means there is currently minimal risk to Zegona's results of operations, however fluctuations in the exchange rate between Sterling and other European currencies could cause potential future acquisitions to become more expensive in Sterling, and therefore potentially less desirable.

The Board and the Chief Financial Officer control and monitor financial risk management, including foreign currency risk, in accordance with the internal policy and the strategic plan defined by the Board.

Longer term viability statement

Zegona's prospects

In accordance with provision 31 of the 2018 UK Corporate Governance Code, we have assessed Zegona's prospects over a longer period than the twelve months required by the "going concern" provision. This assessment has taken into account Zegona's current position, its strategy, the risk appetite of the Board and the principal risks and uncertainties which are described in detail in this Strategic Report.

Zegona's position changed fundamentally in 2021 with the sale of its investment in Euskaltel and the Return of Capital. Zegona no longer has an investment in an underlying operating business and is now solely focussed on identifying another attractive investment opportunity within the European TMT sector where we can again apply our successful Buy-Fix-Sell strategy. Until Zegona identifies and successfully executes a new investment, it meets its day to day working capital requirements, including the costs of evaluating new acquisitions, from its cash balances. While Zegona does have a small overdraft facility, this is repayable on demand, and it does not currently have other assets upon which it can raise additional liquidity.

The assessment period

We continue to believe that three years – in this case the three years to December 2025 – is the appropriate period over which Zegona should assess its viability for the following reasons:

- Three years allows us to assess a full range of possibilities and covers Zegona's investment cycle; and
- A three-year period enables us to make an appropriate assessment of Zegona's principal risks.

The assessment process and key assumptions

The Directors approve a 3-year forecast on an annual basis which is sufficiently detailed to explain all cash inflows (primarily interest on cash deposits) and outflows (which are primarily corporate costs) and includes a description of all reasonably possible risks and opportunities. Each month, an analysis of actual performance against the forecast is performed and updated frequently. The most recent forecast is used as the base case ("Base Case") for the viability assumption without any significant adjustment except for the addition of a £120 thousand per year contingency to account for unforeseen day-to-day expenditure.

Zegona's operations are now focused on finding the next investment opportunity and its ongoing running costs have been comprehensively reviewed during 2022 to ensure they are as low as possible with the result that ongoing costs in 2023 are expected to be circa 10% lower than in 2022. Costs are also relatively predictable as the most significant ongoing costs are the salary costs of the Board and management team. Until a new investment is made, no management bonuses will be paid. The most significant element of uncertainty is whether Zegona will incur substantial professional fees for costs such as legal advice and due diligence related to an unsuccessful attempt to acquire a new investment. Such costs are inherently unpredictable, so while a contingency is included in the base case for routine professional fees that would be expected to support Zegona's day-to-day operations, no amounts are included for any significant aborted transactions. To further increase prudence, no cash inflow is assumed for the recovery of the Income Tax Receivable (see note 14 to the financial statements).

Equally, completing a new acquisition would likely represent a significant upside to the viability assessment since the addition of an income generating asset would deliver cash inflows to allow Zegona to fund its operation as well as giving the opportunity to raise additional capital in connection with the funds to complete the acquisition. The ability to execute such acquisitions, their timing and size are however inherently uncertain so no amounts have been included in the base case.

We believe that this approach fairly represents the future prospects of Zegona while also properly considering the principal and emerging risks (as discussed on page 6). In terms of risks, we believe that the principal consequence should any of the risks occur would be to make it more difficult for Zegona to execute a new acquisition. Since the Base Case already assumes that there will be no new acquisition, there is no need to add any additional downside to the Base Case

In addition to the Base Case, the Directors identified a severe but plausible downside scenario in which Zegona incurs significant costs on unsuccessful acquisitions which was further used to stress test the base numbers. Given the nature of Zegona's current operations, the day-to-day contingency included in the base case and generally high level of predictability of its costs, the downside scenario differs from the Base Case only by the inclusion of £ 2.0 million for aborted costs on unsuccessful acquisitions, assumed to be incurred by the end of 2023. Zegona believes the £2.0 million represents costs associated with a medium-to-significant sized failed transaction and is consistent with costs it has previously incurred on similar sized transactions.

Results of the assessment

The assessment showed that in the Base Case, Zegona would have sufficient cash to continue in operation for at least 12 months from the date of issuance of this report throughout the assessment period without taking any mitigating actions available to it in the base-case. In the downside scenario, Zegona would only be able to absorb around £1.7 million of abort costs.

Over the full 3 year assessment period however, **both** the Base Case and the downside scenario showed that without the upside impact of completing a new acquisition Zegona will need to seek additional funding during the viability assessment period, even if it takes further liquidity enhancing actions that are in its control such as reducing discretionary expenditure. Without such actions, the Base Case assumes Zegona would need to seek additional funding during the first quarter of 2025.

Statement of viability

Taking into account Zegona's current position and principal and emerging risks and uncertainties, the Directors confirm that we expect Zegona will be able to continue in operation and meet its liabilities as they fall due over the three years from the issuance of this annual report **only** if it is able to successfully complete a new acquisition and obtain financing to do so or otherwise obtain additional funding during the period.

The Strategic Report was approved by the Board on 6 April 2023 and is signed on its behalf by:

Eamonn O'Hare
Chairman and Chief Executive Officer

Corporate social responsibility

We recognise our obligations to act responsibly, ethically and with integrity in our dealings with staff, suppliers and the environment as a whole. We are committed to being a socially responsible business.

Our people

We value and respect the unique contributions of each individual, and we are committed to ensuring that every employee is treated with dignity and respect and has a meaningful opportunity to contribute to Zegona’s success.

Zegona’s employees are encouraged actively to engage with charitable activities.

Zegona recognises that a productive workforce requires a breadth of experience and perspectives which is achieved through hiring individuals with diversity of age, gender or educational and professional backgrounds. Given the size of the business and the very limited turnover of staff, Zegona achieves this on a case-by-case basis by ensuring that when it does appoint new members of staff or the board, it places diversity at the heart of its decision-making process to ensure it achieves both a diverse and a high performing workforce.

Board Directors and senior managers have been appointed to bring required skills, knowledge and experience. During 2022 and 2021, all individuals that have been appointed have diverse backgrounds including, two female independent Non-Executive Directors. The Nomination and Remuneration Committee will continue to consider the diversity of the Board for further new appointments.

The table below shows the breakdown of our workforce at the end of 2022.

	Male	Female	Total
Board Directors	4	2	6
Senior management	2	–	2
Other staff	–	2	2
Total	6	4	10

Culture

Ethical values and behaviours are embedded in the corporate culture which the Board upholds. The Directors foster a culture where transparency, openness, integrity and constructive challenge are actively encouraged, and the Board works closely with senior management to ensure a positive culture.

Human rights

As part of our effort to conduct business in an ethical manner, Zegona has not engaged in and will not engage in business practices or activities that compromise fundamental human rights.

Environmental and climate matters

Climate risk management

The Chairman and the Zegona Board oversees and has ultimate responsibility for Zegona’s sustainability initiatives, disclosures, and reporting. This includes, but is not limited to, climate risks and opportunities. As a shell company, Zegona is exempt from providing the disclosures required by the Taskforce on Climate-related Financial Disclosures (“TCFD”), however this section provides an overview of Zegona’s approach to managing the very limited climate risks it currently faces. Details of how the Board delegates risk management authority across the business is described in the Risk management overview on pages 6 and 7. The Zegona management team have day-to-day responsibility for assessing and managing climate-related risks and opportunities.

We are committed to minimising Zegona’s impact on the environment. As it is presently constituted, Zegona’s environmental impact is minimal and climate-related risks and opportunities are extremely limited until it acquires another business. At present, Zegona has no operating investments and only 6 full time employees. These employees perform largely information-based roles and they all work from home as Zegona no longer maintains business premises. The only environmental impact currently is from business travel, which has been

extremely limited in the past three years and is expected to continue to be lower than previously as a result of the post-pandemic shift towards virtual tools.

Zegona's overall environmental impact is therefore minimal, with total CO₂ emissions less than the average for a single UK household. Zegona's approach is therefore to seek to maintain lean working arrangements, use technology to minimise business travel and encourage employees to recycle, minimise energy wastage, and do their part to ensure that Zegona acts responsibly.

If Zegona continues to operate as it is presently constituted it is therefore difficult to identify any climate related risks in the short, medium or long term that could significantly impact the business. For this reason, Zegona does not presently feel it is appropriate or necessary to apply metrics or targets to assess climate related risks beyond the Greenhouse gas reporting presented below.

Clearly, Zegona does not intend to continue operating in its present form indefinitely, we intend to make acquisitions and disposals that will profoundly change the scale and climate-related risk profile of the business and the process for identifying and managing them. It is not possible to reach any sensible conclusions today about which risks Zegona may be exposed to in the future without knowing what businesses it will acquire. While it may be possible to identify generic risks across the European TMT market, the climate-related risks of each business will differ enormously, as will the processes to identify, assess and manage them.

While it is not possible to know today what climate related risks it will inherit, Zegona is conscious that such risks and opportunities will exist in any potential acquisition and considers that the most important objective is to ensure these are properly understood in the due diligence phase of any transaction so appropriate decisions can be taken on risk mitigation tools. Zegona's Board have concluded that the most appropriate way to address this is to ensure that climate-related risks are specifically scoped in when undertaking due diligence on acquisition targets.

Greenhouse gas emissions

Considering the non-material environmental impacts of Zegona's business as described in this report, management takes the view that greenhouse gas emissions are the most important metric to track and against which future targets may be set.

We have compiled our greenhouse gas ("GHG") emissions in accordance with the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 ("SECR"). Calculations follow the GHG Protocol Corporate Accounting and Reporting Standard (revised edition). The GHG reporting period aligns with the financial statements and boundaries are defined using the financial control approach. GHG emissions are broken down into three categories; reporting is required only on scope 1 and 2:

Scope 1 emissions: Direct emissions from sources owned or controlled by Zegona.

Scope 2 emissions: Indirect emissions attributable to Zegona due to its consumption of purchased electricity.

Scope 3 emissions: Other indirect emissions associated with activities that support or supply Zegona's operations.

Zegona has no Scope 1 emissions. Zegona Scope 2 and Scope 3 emissions for the year to 31 December 2022 and comparative previous period are shown below:

	Global tonnes of CO ₂ e	
	2022	2021
Scope 2 (electricity)	–	–
Per €m operating expenses	–	–
Scope 3 (water consumption, business travel)	4.5	4.5
Per €m operating expenses	1.35	0.12

All emission factors have been selected from the emissions conversion factors published annually by the Department for Environment, Food and Rural Affairs and the International Energy Agency. Scope 2 and Scope 3 emissions have decreased in 2022 due to homeworking arrangements and restrictions on travel imposed in response to the COVID-19 pandemic.

No further energy and carbon information is disclosed as the Group is exempt on the grounds of being a low energy user within the meaning of SECR.

At the present time, Zegona does not consider it appropriate to set emissions reduction targets, particularly given the low levels of emissions already achieved. Zegona does not currently hold any investments. When investments are held, Zegona will keep under review whether it would be appropriate to support investee companies in tracking metrics and setting targets.

Board engagement with our key stakeholders

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 be most likely to promote the success of the company for the benefit of its members as a whole. In doing this, section 172 requires a Director to have regard, among other matters, to: the likely consequences of any decision in the long term; the interests of the company’s employees; the need to foster the company’s business relationships with suppliers, and others; the impact of the company’s operations on the community and the environment; the desirability of the company maintaining a reputation for high standards of business conduct; and the need to act fairly with members of the company.

The Directors give careful consideration to the factors set out above in discharging their duties under section 172. More information about who our key stakeholders are and how we engage with them is provided on page 23.

General

Details of the directors can be found on pages 17 to 19. A discussion on the role of the board, including the powers of the company's directors can be found in the Corporate Governance Statement beginning on page 19. The rules relating to the appointment and replacement of directors and details of any agreements with the company and its directors or employees for compensation for loss of office or employment that occurs because of a takeover bid can be found in the Directors' Remuneration Report beginning on page 31.

Result

For the year ended 31 December 2022, Zegona's loss before tax from continuing operations was €3.3 million (2021: €34.3 million). Other comprehensive loss was €0.6 million (2021: gain of €0.6 million). Therefore, the total comprehensive loss for 2022 was €4.0 million (2021: gain of €80.5 million). Reviews of performance and likely future developments are set out in the Strategic Report on pages 1 to 9.

Dividends

In accordance with its policy of not paying any dividends until it owns a material operating asset, the Company did not declare or pay any dividends in 2022 (2021: €12.3 million).

Contracts of significance

There were no significant contracts to report.

Events since the end of the financial year

There have been no material events since the end of the financial year.

Capital structure

The Company's capital structure is comprised of 6,172,424 ordinary shares of £0.01 each ("**Ordinary Shares**"). The holders of Ordinary Shares have the right to receive notice of, attend and vote at all general meetings of the Company. Holders of Ordinary Shares have the right to participate in dividends and any surplus capital on a winding up *pari passu* as amongst themselves. Where the winding up of the Company entails or is concurrent with the winding up of the Company's subsidiary, Zegona Limited, the assets available for distribution among the holders of Ordinary Shares will be reduced by such amount as is required to satisfy the rights (if exercised) of Management Shares (as defined in the Directors' Remuneration Report on page 31, with further details set out in note 17 to the financial statements).

Share buy-back programme

The shareholders passed a resolution to authorise Zegona to make market purchases of up to 15% of its current issued ordinary share capital (within specified price parameters) in the 2022 AGM, which expires on the earlier of the end of 2023 AGM or 18 months after the date of 2022 AGM. A resolution to renew this authority is proposed for the 2023 AGM. It is intended that we will exercise this authority only if the Board considers that it is in the best interests of Zegona at the time, for instance if the traded price of the Company's ordinary shares is substantially below the value of its net assets. Any shares repurchased by Zegona may be held in treasury and subsequently resold for cash, cancelled or used for employee share scheme purposes.

Internal control and Financial Risk Management

A description of the main features of Zegona's internal control and risk management arrangements in relation to the financial reporting process can be found in the Audit and Risk Report on page 24. Details of the company's financial risk management activities and use of financial instruments can be found in note 10 and note 11 to the financial statements.

Significant agreements subject to change of control provisions

Zegona Limited has issued Management Shares as part of Zegona's incentive arrangements. On a change of control of Zegona, subject to the requirements of the Articles of Association of Zegona Limited, the Management Shares can be exercised with their value being delivered either through the issue of ordinary shares or in cash.

Substantial shareholders

At 31 December 2022 and up to the date of approval of this report, Zegona had been notified under DTR 5 of the following holdings in 3% or more of the issued ordinary shares, which are all held indirectly by asset managers:

Asset manager	Shareholding at 6 April 2023	% of ordinary share capital as at 6 April 2023	Shareholding at 31 December 2022	% of ordinary share capital as at 31 December 2022
Zegona board and management ⁵	1,803,294	29.22%	1,804,336	29.33%
Marwyn Asset Management	774,321	12.54%	774,321	12.54%
Artemis Investment Management	586,691	9.51%	586,691	9.51%
Fidelity Management & Research	403,107	6.53%	403,107	6.53%
Fidelity Investments Limited	398,717	6.46%	398,717	6.46%
Credit Suisse	255,969	4.15%	255,969	4.15%
Aberforth Partners LLP	243,744	3.95%	243,744	3.95%
	4,465,843	72.36%	4,466,885	72.47%

Independent auditor

KPMG has expressed its willingness to continue to act as auditor to Zegona and a resolution for its re-appointment will be proposed at the 2023 AGM. KPMG has confirmed that it remains independent of Zegona.

Political donations

Zegona does not make any political donations or contributions to political parties and has no intention of altering this policy.

Disclosure of information to the auditor

Each of the persons who is 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 Zegona's auditor is unaware; and each 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 Zegona's auditor is aware of that information.

Statement of going concern

The Directors have considered all available information, including specific consideration of forecast financial information, about the possible future outcomes of events and changes of conditions, and the realistically possible responses to such events and conditions that are available to the Directors. The Board believes it is appropriate to prepare the Financial Statements on the going concern basis but, as discussed in note 2 to the financial statements, has concluded that there is a material uncertainty affecting Zegona's ability to continue in business or meet its liabilities as they fall due for the next 12 months.

By order of the Board

Eamonn O'Hare

Chairman and Chief Executive Officer
 6 April 2023

⁵ Including Zegona management, directors and related holdings.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Strategic Report, Directors' Report, Directors' Remuneration Report, Corporate Governance Report and the Zegona 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 are required to prepare the Group financial statements in accordance with UK-adopted international accounting standards and applicable law and have elected to prepare the parent Company financial statements on the same basis.

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 the Group's profit or loss for that period. 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;
- state whether they have been prepared in accordance with UK-adopted international accounting standards;
- 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.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement of the Directors in respect of the Annual Financial Report

We confirm that to the best of our knowledge:

- The Financial Statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the parent company and the undertakings included in the consolidation taken as a whole;
- The Strategic Report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- The Annual Report as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess Zegona's position and performance, business model and strategy.

By order of the Board

Eamonn O'Hare

Chairman and Chief Executive Officer
6 April 2023

Eamonn O'Hare, Chairman and CEO (appointed 19 January 2015)

Eamonn has spent over two decades as a board member and senior executive of some of the world's fastest growing consumer and technology businesses. From 2009 to 2013 he was CFO and main board director of the UK's leading entertainment and communications business, Virgin Media. Eamonn helped lead the successful transformation of this business and its strategic sale to Liberty Global for US\$24 billion, crystallising US\$14 billion of incremental shareholder value. From 2005 to 2009, he served as the CFO for the UK division of one of the world's largest retailers, Tesco plc. Before joining Tesco, Eamonn was CFO and main board director of Energis Communications and helped lead the turnaround of this high profile UK telecommunications company. Prior to this, he spent 10 years at PepsiCo Inc. in senior executive roles in Europe, Asia and the Middle East. Eamonn's early career was spent in the aerospace industry with companies that included Rolls Royce and British Aerospace.

Eamonn has a degree in Aerospace Engineering from the Queen's University Belfast and an MBA from the London Business School.

Robert Samuelson, Executive Director and COO (appointed 19 January 2015)

Robert was Executive Director Group Strategy of Virgin Media from 2011 to 2014, during which time he was centrally involved in the sale of the business to Liberty Global and in the post-merger integration process. Prior to this, Robert was a managing partner at Virgin Group with global responsibility for developing and realising returns from Virgin's telecommunications and media businesses. Before joining Virgin Group, Robert was a director at Arthur D Little Ltd, where he co-led the European corporate finance practice, providing strategic advice to major European telecommunications operators. His early career was spent with British Aerospace and Royal Ordnance in engineering and production management roles.

Robert studied Natural Sciences at Cambridge University and has an MBA from Cranfield School of Management.

Richard Williams, independent Non-Executive Director (appointed 9 November 2015)

Richard is an experienced Non-Executive Director with significant board level experience in both public and private companies and currently holds a number of Non-Executive Director roles. Richard spent most of his executive career in European telecommunications, most recently as a Director of Investor Relations at Altice, and prior to that, Virgin Media. Richard led Virgin Media's investor relations activity through to the acquisition of the company by Liberty Global in 2013. Richard then joined Altice, where he supported the company's IPO and Altice's acquisition of SFR and Portugal Telecom.

Richard is a member of both the Nomination and Remuneration Committee and the Audit and Risk Committee. Richard is a qualified Chartered Accountant.

Ashley Martin, independent Non-Executive Director (appointed 6 February 2017)

Ashley brings a wealth of complementary experience to the Board. Ashley was Audit Committee Chair at Rightmove plc from 2009 to 2018 and, in that role, gained valuable insight into an entrepreneurial, high-growth consumer technology business. On 1 September 2018, Ashley was appointed as a non-executive director of the international research data and analytics group YouGov plc. Ashley has also enjoyed a successful executive career spanning 35 years in larger listed companies, with a particular focus on mergers and acquisitions. Ashley was Global Chief Financial Officer of private equity-backed Engine Holding LLC, and was previously the Group Finance Director of Rok plc, the building services group, and Group Finance Director of the media services company, Tempus plc.

Ashley is a qualified Chartered Accountant and is Chair of the Audit and Risk Committee and a member of the Nomination and Remuneration Committee.

Kjersti Wiklund, independent Non-Executive Director (appointed 5 February 2020)

Kjersti brings significant experience from a series of senior global telecommunications roles, including as director of group technology operations at Vodafone and chief operating officer of VimpelCom Russia. Kjersti has also held senior executive positions at Kyivstar, Digi Telecommunications and Telenor.

Kjersti has also gained valuable insight into an entrepreneurial, high growth consumer technology company as Remuneration Committee Chair at Trainline plc. She was previously a non-executive director of Laird plc in the UK, Cxense ASA and Fast Search & Transfer ASA in Norway and Telescience Inc in the USA and is currently a non-executive director of Babcock International Group PLC and Spectris PLC.

Kjersti is a member of the Audit and Risk Committee.

Suzi Williams, independent Non-Executive Director (appointed 5 February 2020)

Suzi brings skills and experience from over 25 years in telecommunications, media and consumer businesses in the UK and internationally. This includes a decade as Chief Brand and Marketing Officer at BT plc. Prior to that, she was Commercial Development Director at Capital Radio Group and held senior commercial leadership roles at Orange, the BBC, KPMG Consulting, and Procter & Gamble.

Suzi is currently a non executive director and chair of remuneration at FTSE 100 JD Sports plc, and NED and Chair of nominations at Telecom Plus plc. She also advises a number of early stage technology and AI businesses and is an advisor to Gresham House private equity.

Previously she held NED and Remco Chair roles at Workspace Group Plc, and at The AA plc (the latter from 2015 until March 2021). Suzi was also a member of The Great Advisory board , promoting British business overseas.

Suzi Chairs the Nomination and Remuneration Committee.

Overview

The corporate governance report, presented here, forms part of the Directors' Report and as such it has been approved by the Board and signed on its behalf by the Chairman.

We recognise the importance of sound corporate governance commensurate with the size of Zegona. Corporate governance provides the framework within which we form our decisions and build our business. The Board is focused on creating long-term sustainable growth for our shareholders and value for all our stakeholders, and we strongly believe our corporate governance framework helps us achieve this goal. It is our commitment to continue to seek opportunities to improve our corporate governance arrangements.

The following sections of this report show how Zegona applies the main provisions set out in the 2018 UK Corporate Governance Code (the "Code"), issued by the Financial Reporting Council ("FRC"), as would be required by the Listing Rules of the Financial Conduct Authority ("FCA") as applicable to non-FTSE 350 companies if Zegona were admitted to the Premium segment of the Official List, and how Zegona meets the relevant information provisions of the Disclosure and Transparency Rules of the FCA (the "DTR").

Zegona's principal risks are described on pages 6 to 7. The Directors' Report on pages 10 to 16 also contains information required to be included in this statement of corporate governance.

The Board of Directors

Zegona is led and controlled by an effective Board. The Board at the date of approval of this report comprises two Executive Directors and four independent Non-Executive Directors. The two Executive Directors are Eamonn O'Hare (Chairman and Chief Executive Officer ("CEO")) and Robert Samuelson (Chief Operating Officer ("COO")). The Non-Executive Directors are Richard Williams, Ashley Martin, Kjersti Wiklund and Suzi Williams.

Biographical details of all Directors and details of their committee membership at the date of approval of this report appear on pages 17 to 18. Consideration of the Board size and composition is kept under regular review by the Nomination and Remuneration Committee.

Powers and operation of the Board

In exercising its duty to promote the success of Zegona, the Board is responsible for overseeing the management of Zegona and, in doing so, may exercise its powers, subject to any relevant laws, regulations and Zegona's Articles of Association. The Board is presented with papers from management concerning financial information, information on investor relations and details of acquisition targets and deal progress, which it takes into account in discussions and in the decision-making process under section 172 of the Companies Act 2006.

Eamonn O'Hare, as the Chairman and CEO, is primarily responsible for the running of the Board and for the day-to-day running of Zegona. All Board members have full access to Zegona's advisers for seeking professional advice at Zegona's expense and our culture is to discuss openly any important issues and frequently engage with Board members outside of formal meetings. The operating and financial responsibility for all subsidiary companies is the responsibility of the Board.

The Board has adopted a Board Charter, available on Zegona's website, which sets out:

- the Board's collective vision on Zegona's strategy and objectives;
- the Board's approach to the conduct of its business and the parameters within which it will operate, including the management of any Board or investor disagreements; and
- the Board's agreed focus areas for further action.

The Board meets formally at least six times a year but also frequently meets additionally on an ad hoc basis where necessary. The Directors are encouraged to have free and open contact with management at all levels and full access to all relevant available information. The Executive Directors actively and constructively encourage challenge and seek input from the Non-Executive Directors to draw on their extensive experience and knowledge. The Board believes that the role of the Non-Executive Directors in providing independent challenge is a vital component of an effective Board.

The Board delegates the day to day responsibility for running Zegona to the executive management, however there are a number of matters which are required to be or should only be decided by the Board of directors as a whole in accordance with the UK Corporate Governance Code. An updated schedule of Matters reserved for the Board, approved by the Board on 9 June 2020, can be found on Zegona's website⁶

Board committees

The Board has established two principal committees, the Audit and Risk Committee and the Nomination and Remuneration Committee, to assist it in the execution of its duties. If the need should arise, the Board may set up additional committees as appropriate. The committees' terms of reference are available on Zegona's website, www.zegona.com, or by request from the Company Secretary. Each of the committees is authorised, at Zegona's expense, to obtain legal or other professional advice to assist in carrying out its duties. No person other than a committee member is entitled to attend the meetings of these committees, except by invitation of the chairman of that committee.

Current membership of the committees is shown on pages 17 to 19. The composition of these committees is reviewed regularly, taking into consideration the recommendations of the Nomination and Remuneration Committee.

Independence of the Board

The Code specifies that the Board should identify in the annual report each Non-Executive Director it considers to be independent. The Board considers that Ashley Martin, Richard Williams, Kjersti Wiklund and Suzi Williams are independent Non-Executive Directors for the purposes of the Code and have no relationships or circumstances which are likely to affect, or could appear to affect, their judgement as Directors.

Board and committee attendance

Attendance at the Board and committee meetings held during 2022 was:

	Board	Nomination and Remuneration Committee	Audit and Risk Committee
Eamonn O'Hare	5/5	–	–
Robert Samuelson	5/5	–	–
Richard Williams	5/5	2/2	3/3
Ashley Martin	5/5	2/2	3/3
Suzi Williams	5/5	2/2	–
Kjersti Wiklund	5/5	–	2/3

Directors' terms of service

Zegona's Articles of Association require each Director to retire from office and offer themselves for re-election or election, as the case may be, at each AGM. Accordingly, each of the Directors will retire from office at the 2023 AGM and seek to be re-elected by Zegona's shareholders. The Chairman is satisfied that the performance of the Directors continues to be effective and demonstrates their ongoing commitment to the role and as such supports their re-election.

⁶ <https://www.zegona.com/investor-relations/shareholder-information.aspx>.

The Executive Directors have service contracts which may be terminated on no less than 12 months' notice by either party. The Non-Executive Directors each have current service contracts which can be terminated on 6 months' notice. All Non-Executive Directors' continued service is dependent on annual re-election by shareholders and the annual Board effectiveness review. Details of the unexpired terms of the service contracts are set out in the Directors' Remuneration Report.

Conflicts of interest

Zegona's Articles of Association provide for a procedure for the disclosure and management of risks associated with Directors' conflicts of interest. Zegona's Board Charter sets out the process for managing significant Board or investor disagreements and/or conflicts. Notwithstanding that no material conflict of interest has arisen in the year, the Board considers these procedures to have operated effectively.

Company secretary

Crestbridge Corporate Services Limited was appointed Zegona's Company Secretary on 24 February 2021. The Company Secretary assists the directors in ensuring Zegona is managed, controlled and administered within the parameters of its governing and constitutional documents. All Directors have access to the advice of the Company Secretary, which is responsible for guiding the Board on all governance matters.

Compliance with the UK Corporate Governance Code

The Code sets out a number of principles in relation to board leadership and company purpose; division of responsibilities; composition, succession and evaluation; audit, risk and internal control; and remuneration. A copy of the Code is available on the FRC's website at www.frc.org.uk.

Following admission to the Main Market the Board has voluntarily (as Zegona has a Standard Listing) complied with the UK Corporate Governance Code except in the instances set out below:

Combined Chairman and CEO

Provision 9 of the Code recommends that the roles of Chairman and the Chief Executive Officer should not be exercised by the same person and that the Chairman should be independent on appointment. Zegona does not comply with this requirement. The Board presently believes that Eamonn O'Hare's skills, knowledge and leadership have enabled him to effectively perform both roles. Zegona also maintains a schedule of Matters reserved for the Board which prevents Eamonn from authorising certain corporate actions without a formal resolution of the Board which is re-enforced by the Board's culture of detailed review and robust challenge on significant matters. As discussed below, the board consider that it is important that this should continue to be kept under active review.

Zegona has paid close attention to this matter since its incorporation and has formally reconsidered it on a number of occasions. This matter has also been actively reconsidered both as part of the EY-facilitated exercise to develop Zegona's Board Charter in 2018/19 and as part of each of Zegona's annual assessments of Board effectiveness. The Board considers that it is not appropriate to separate the roles at present given the significant simplification of the business since the sale of the investment in Euskaltel and the Return of Capital. The Board remains aware of this area of non-compliance, and it will ensure that this matter continues to be kept under active review, in particular if the structure of Zegona changes again by making another significant investment.

Appointment of a Senior Independent Director ("SID")

Provision 12 of the Code recommends that one Non-Executive Director should be appointed as a senior independent director to provide a sounding board for the chair and serve as an intermediary for the other Directors and shareholders. Zegona does not currently have a SID, and this has been the subject of active consideration since Zegona's formation. The Board fully recognises the value that can be provided by a SID and was intending to appoint one following its 2020 AGM, however the difficulties of remote working during the Covid-19 pandemic and the ongoing shareholder engagement exercise being led by the Chairs of the two Board committees at the time meant that Zegona concluded it was not appropriate to make an appointment. Zegona still considers this conclusion is valid, especially since the significant simplification of the business since the sale of the investment in Euskaltel and the Return of Capital. The Board will reconsider whether it should appoint a SID in conjunction with its ongoing active consideration of whether it remains appropriate for the Chairman and CEO roles to be combined.

Employee engagement

Provisions 2, and 5 provide guidance for the implementation of procedures meant to ensure Zegona engages with and monitors its workforce. Given Zegona currently has only five employees (excluding Directors), the Board believes the implementation of any formal steps or procedures to engage with the workforce are not required as informal communications occur regularly between all employees and the Executive Directors, including weekly team meetings.

Equalisation of pension arrangements

Provision 38 recommends that the pension contribution rate for the Executive Directors be the same as for the majority of the workforce. During the year, this was not the case however, this has been resolved in 2023, when the rate paid to the Executive Directors was equalised with the rate paid to the majority of the workforce.

Evaluation of the Board, committees and individual Directors

The Board has conducted an annual evaluation of its own performance and that of its committees by means of a questionnaire requiring written responses from the Directors. To ensure independence and objectivity, the questionnaire was designed, administered and reviewed on a confidential basis. The questionnaire was drafted having regard to the balance of skills, experience, independence and knowledge contributed by its members, as well as the successful operation of the Board as a unit, its diversity and the other key factors relevant to its effectiveness. The anonymous responses were sent to each Non-Executive Director for consideration and discussion at a meeting of the full Board.

The findings of the review were generally positive. The Board noted that 2022 was significantly less eventful than the previous year with the board continuing to work well as it supported the management team in identifying an attractive new investment. The review also highlighted a number of areas that the Board believe could be beneficial for it to continue to work on to further improve its effectiveness. The Board is currently considering which of these it should prioritise in 2023 and how it should address them.

Whistleblowing policy

All employees are encouraged to raise genuine concerns about possible improprieties in the conduct of Zegona's business, whether in matters of financial reporting or other malpractices, at the earliest opportunity and in an appropriate way. Zegona has put in place a whistleblowing policy to facilitate this, and the aims of this policy are:

- to encourage employees to report suspected wrongdoing as soon as possible, in the knowledge that their concerns will be taken seriously and investigated as appropriate, and that their confidentiality will be respected;
- to provide employees with guidance as to how to raise those concerns; and
- to reassure employees that they should be able to raise genuine concerns in good faith without fear of reprisals, even if they turn out to be mistaken.

Share dealing

Zegona has in place systems to ensure compliance by the Board and its applicable employees in relation to dealings in securities of Zegona. We believe that the share dealing code adopted by the Board is appropriate for Zegona's size and complexity and that it complies with the EU Market Abuse Regulation (2214/596/EU). The Board complies with these provisions and takes all reasonable steps to ensure compliance by Zegona's applicable employees.

Relations with Zegona's stakeholders

Zegona does not currently have an operating business and, until it does so again, has a limited number of stakeholders outside of its shareholders and employees given that Zegona has no customers and its suppliers are primarily professional advisers. All Directors have frequent interactions with Zegona's small workforce and the whole of the workforce are generally intimately involved with all key operating decisions.

The Board is always available for communication with shareholders and the Executive Directors frequently engage constructively with current and potential shareholders, with feedback regularly discussed in depth at Board meetings. This has been supplemented in the last two years with the consultations with major shareholders undertaken by management and the Committee Chairs.

In addition, all shareholders have the opportunity, and are encouraged, to attend and vote at the general meetings during which the Board is available to discuss issues affecting Zegona. Barclays Bank plc and Canaccord Genuity Limited, as Zegona's joint corporate broker, provides reports and attend Board meetings, as appropriate, to provide feedback to the Non-Executive Directors on shareholders' views.

I am pleased to present the 2022 report of the Audit and Risk Committee (the “A&RC”). The A&RC is an essential part of Zegona’s governance framework, to which the Board has delegated oversight of Zegona’s financial reporting, internal controls, risk management and the relationship with the external auditor.

In discharging its duties, the A&RC embraces its role of protecting the interests of shareholders with respect to the integrity of financial information published by Zegona, control effectiveness and the effectiveness of the audit process⁷.

Committee membership and meetings

The members of the A&RC during 2022 were Ashley Martin (Chairman), Richard Williams and Kjersti Wiklund, all of whom are independent Non-Executive Directors as required by provision 24 of the Code. The Board has determined that Ashley Martin has recent and relevant financial experience due to his previous CFO roles at listed and private equity backed businesses. Both Ashley and Richard qualified as Chartered Accountants. In line with the Code, the A&RC as a whole possesses competence relevant to the sector in which Zegona operates through the digital media and consumer experience of Ashley Martin and the telecommunications experience of Richard Williams and Kjersti Wiklund.

The A&RC normally meets at least three times a year with additional meetings arranged if necessary. In 2022, the A&RC met in March, September and December and has subsequently met in April. The scheduling of these meetings is designed to be aligned with the financial reporting timetable, thereby enabling the A&RC to review the interim financial report, the audit plan ahead of the year end audit and the annual report, as well as to maintain a view of the internal controls and risk management processes throughout the year.

The Company Secretary acts as secretary to the A&RC. The A&RC invites the Chief Financial Officer to all meetings and other members of the finance and management team as may be appropriate for the business of the meeting, as well as senior representatives of the external auditor. The A&RC meets separately with the external auditors to seek their views without management present, and the A&RC Chair keeps in touch with the Chief Financial Officer as well as other members of the management team and the lead audit partner periodically outside of formal meetings. The A&RC has the right to invite any other Directors and/or employees to attend meetings where this is considered appropriate.

The A&RC Chair reports formally to the Board on the key matters considered at each A&RC and minutes of those meetings are circulated to the Board.

Committee effectiveness

The effectiveness of the A&RC was considered by the Board as part of the annual Board effectiveness evaluation. The feedback was positive and confirmed that the A&RC remains effective and provides robust challenge.

⁷ The A&RC’s role and responsibilities are set out in its terms of reference, which are available on Zegona’s website and from the Company Secretary.

Activities during the year

Since the last Audit and Risk Committee Report, the A&RC has undertaken the following activities:

Financial reporting:

- Confirmed that the Financial Statements were fair balanced and understandable. In this respect, the A&RC considered, *inter alia*:
 - the key messages in the annual report and their consistent application in the front and back end of the report;
 - whether the whole story is presented and whether any sensitive material has been omitted; and
 - whether there is a clear and cohesive framework for the annual report.
- Reviewed the going concern assumption and the assessment forming the basis of the longer-term viability statement. The A&RC reviewed the work undertaken by management to assess Zegona’s resilience to the principal risks and confirmed that a 3-year assessment period remained appropriate.
- Considered the key judgements and estimates made by management in preparing the Financial Statements, as follows:
 - **Going Concern** – The A&RC reviewed Management’s assessment of the entity’s ability to continue as a going concern, which involved reviewing the underlying assumptions around on-going cash flows and challenging Management’s judgments around Zegona’s ability to meet liabilities as they fall due for a period of at least twelve months from the approval of the financial statements, including considering whether these judgements were consistent with Zegona’s strategic position and its current acquisition pipeline. The A&RC also reviewed the appropriateness of management’s conclusion that the going concern basis is appropriate but that there is a material uncertainty over Zegona’s ability to continue as a going concern. The A&RC also reviewed the proposed disclosure around going concern in the annual report.
 - **Accounting treatment and valuation of the incentive arrangements** – the A&RC reviewed and agreed with management’s estimate of the final value of the Third Calculation Period of the Management Incentive Scheme.
 - **Recoverability of the income tax receivable** – The A&RC reviewed the conclusions related to the ongoing activity around the EU Commission decision that the Group Financing Exemption contained within the UK’s Controlled Foreign Company (“CFC”) legislation constituted State Aid. The Committee noted that Zegona had recognised an income tax receivable in relation to the two charging notices paid during 2021 in the amount of £4.4 million (€5.2 million). The A&RC noted Management’s conclusion that while it is finely balanced, it remains more likely than not that the appeals made by other UK taxpayers and the UK Government will be successful and ultimately Zegona will not incur any liability and therefore the receivable remains recoverable. The A&RC reviewed the third-party advice and agreed with management’s conclusion.

In all of the above judgements, the A&RC also considered KPMG’s audit findings and reports by Management to the A&RC in support of the positions adopted.

Other activities during the year:

- Reviewed the effectiveness of Zegona’s risk management and internal controls and disclosures made in the annual report on this matter, including the review of an annual assurance statement provided by management assessing the effectiveness of Zegona’s risk management and internal control systems;
- Reviewed and agreed the scope of the audit work to be undertaken by the external auditor and assessed the audit and non-audit fees to be paid, as well as the independence and objectivity of the auditor;

- Considered the effectiveness of the external audit process, following the receipt of feedback from the management team, Executive Directors, Non-Executive Directors and other service providers involved in the audit process;
- Reviewed and made a recommendation to the Board with regard to the re-appointment of the external auditor, taking into account auditor effectiveness and independence, the recent partner rotation and other factors which may impact the external auditor's re-appointment;
- Assess any potential threats to independence that were reported by KPMG. The A&RC considered KPMG to be independent and KPMG, in accordance with professional ethical standards, provided the A&RC with written confirmation of its independence for the duration of 2022;
- Reviewed the need for an internal audit function and made a recommendation to the Board;
- Reviewed the interim Financial Statements, including the critical accounting judgements and estimates used in preparing them;
- Reviewed management's updates to Zegona's risk register; and
- Reviewed Zegona's whistleblowing policy and anti-bribery and anti-corruption policy.

External auditor

Our external auditor, KPMG LLP ("KPMG"), has now completed its seventh audit and the A&RC was involved in the process to select the new current audit partner for the 2021 audit. Zegona will not be required to tender for the audit until the 2026 financial year end. KPMG continues to provide robust challenge to management and independent reports to the Committee on specific financial reporting and judgements.

KPMG was appointed as Zegona's external auditor on 15 December 2016. In line with applicable regulations, Simon Richardson was appointed as the lead engagement partner in April 2021, after the previous partner had issued his fifth annual audit opinion.

During 2022, there were no non-audit fees paid to KPMG. The A&RC has set a threshold of €11,000 (£10,000) for pre-approving non-audit fees.

Risk management and internal control systems

The Board is responsible for establishing and maintaining Zegona's system of internal control and reviewing its effectiveness. The Board has delegated the annual review of the adequacy and effectiveness of Zegona's internal financial controls and internal control and risk management systems to the A&RC.

Internal control systems are designed to meet the needs of Zegona and the risks to which it is exposed to ensure the integrity of the financial and accounting information, promote accountability and prevent fraud. The procedures are designed to manage rather than eliminate risk and, by their nature, can only provide reasonable but not absolute assurance against material misstatement or loss.

Zegona does not have a separate internal audit function as the Board does not feel this is currently necessary due to the size of the business and the simplicity and low volume of transactions, coupled with the nature and the extent of internal controls and Board oversight and involvement. The A&RC will continue to regularly review the need for an internal audit function as the business evolves and develops.

Zegona's risk management framework incorporates a risk assessment that identifies and assesses the strategic, operational and financial risks facing the business, mitigating controls, and appropriate corrective actions, if and when needed. This assessment is continually updated by management and reviewed and discussed by the A&RC at least twice per year.

Zegona has in place a robust internal controls system over financial reporting, which encompasses a mixture of detective, preventative and corrective controls, including:

- Entity level controls which encompass guidelines for Zegona’s governance, financial analysis and integrity, and its adherence to applicable laws and professional standards;
- Systems and procedures in place to identify, assess, control and monitor principal and emerging strategic, commercial, financial and regulatory risks are considered by the Board regularly;
- A team of professional advisers including legal, capital markets, M&A, accounting, regulatory, and PR providing advice to management and the Board;
- A schedule of Matters reserved for the Board to ensure that the Board is involved in all critical decisions of Zegona which is reviewed regularly;
- A comprehensive system of budgeting, forecasting and monthly reporting and rigorous analytical review procedures;
- A comprehensive risk register which is reviewed at least twice a year and updated to take account of developments within Zegona; and
- Segregation of duties for all financial reporting and accounts payable critical tasks.

Through the above procedures, the Board with advice from the A&RC has reviewed the effectiveness of the internal control system throughout the year and up to the day of this report. No significant control findings or weaknesses have been identified from this review.

Ashley Martin

Chairman of the Audit and Risk Committee

On behalf of the Board, I am pleased to present the Nomination and Remuneration Committee (“the Committee”) Report for the year ended 31 December 2022.

The Committee met twice during 2022, supported by a number of full board discussions and the matters we discussed are set out on page 29. The following pages set out the Committee’s activities and decisions made in the year. Zegona is committed to transparency, equivalence and engagement with shareholders on these most important matters and we have continued to make progress this year.

Zegona’s performance and context – Continuing to search for the next opportunity

Following last year’s successful sale of Euskaltel, management has been looking for Zegona’s next investment in the European Telecommunications market. We have been active on a number of proprietary transactions where we see material upside potential while maintaining strong financial discipline. This approach has served us well in the current macro-economic environment as we are now seeing an increased pipeline of even better opportunities where we have the potential to drive significant value.

This success forms the backdrop of the key remuneration matters that we have dealt with in the year, as detailed below:

Remuneration decisions for 2022- Reviewing outcomes against company performance

2022 Bonus and salaries

The Committee have concluded that the Executive Director’s salary and benefit arrangements should remain unchanged. After listening to the views of key shareholders in previous years, and in accordance with its previously announced policy, both the Executive Directors and Zegona’s senior management team were not eligible to earn a bonus in 2022.

Application of remuneration policy for 2023

Following a review of the executive remuneration arrangements for 2023 and listening to shareholder feedback, the Committee agreed that there would be no increase in base salary for either of the Executive Directors and as such their salaries will remain unchanged for the year ahead. In line with corporate governance best practice, the pension contribution for both of the Executive Directors has been reduced in 2023 to 19% to be the same as the contribution available to the majority of the workforce.

The Committee has also agreed that given the fact that Zegona now has significantly less capital and no underlying asset it would not be appropriate to put in place the opportunity to earn bonuses to senior management in 2023 until such time as Zegona makes a new investment. This will remain under review during 2023.

I would like to take the opportunity again to thank shareholders for their engagement and feedback and look forward to your support at the upcoming AGM in June.

Suzi Williams

Chair of the Nomination and Remuneration Committee

The role of the Nomination and Remuneration Committee

The Committee is responsible for nomination and remuneration matters, from the recruitment and retention of high calibre individuals to the design of appropriate incentivisation mechanisms (and the ongoing monitoring of performance against these) while delivering value creation for shareholders and other key stakeholders.

The role of the Committee continues to be ensuring that the Directors are appropriately rewarded, through making recommendations regarding remuneration policy and framework. The Committee monitors and reviews the effectiveness of the Remuneration Policy and considers its impact and compatibility with remuneration policies across the wider workforce. To facilitate this remit, the Committee is provided with information and context on pay, benefits and incentive structures in place across Zegona to support its decision making.

Membership, attendance and other activities

The members of the Committee are Suzi Williams (Chairman), Richard Williams, and Ashley Martin. All members of the Committee are independent.

In 2022, the Committee met twice and has subsequently met in April. The Company Secretary attends these meetings and Executive Directors are invited at the Chairman's discretion. The scheduling of the formal Committee meetings is designed to be aligned with the Committee's recurring annual activities, including: setting of bonus metrics and evaluation of performance against them; overseeing the performance evaluation of the Board, its principal Committees and individual directors; overseeing succession planning for the Board and key members of the senior management team, taking into account expertise and diversity; and reviewing the annual nominations and remuneration report contained within the annual report.

In addition to the matters discussed above, since the last Nomination and Remuneration Committee Report, the Committee has also:

- Reviewed the remuneration package for the Executive Directors and management team for 2023, including concluding that no bonuses will be paid until such time as Zegona owns a material underlying asset;
- Reviewed the recommendations arising from the 2022 Board effectiveness review, its committees and its individual Directors and, where appropriate, proposed actions to address those recommendations; and
- Reviewed workforce remuneration and its alignment to Zegona's purpose, values and strategy.

Advisers

The Committee received input and advice from external advisers on specific topics during 2021. The Committee formally engaged PwC LLP's ("**PwC**") as an adviser in 2021, however no advice has been sought in respect of 2022.

Executive pay at a glance

Base salary			
Purpose	Current policy	2022 Implementation	2023 Implementation
To reflect market value of the role and individual's performance and contribution and enable Zegona to recruit and retain Executive Directors of sufficient calibre to drive Zegona's ambitions.	Reviewed every twelve months. Base salary increases are applied in line with the outcome of the review. In respect of existing Executive Directors, it is anticipated that no salary increases will be considered before Zegona completes its next investment.	No salary increases for either Executive Director	No salary increases for either Executive Director
Pension contributions			
Purpose	Current policy	2022 Implementation	2023 Implementation
To provide a market competitive pension.	Pension contributions are made to the individual's private pension arrangements or paid to them in cash in lieu of such arrangements. In 2022, Executive Directors received a pension contribution of up to 20% of base salary. This was reduced in 2023 to 19%, which is the same as the amounts available to a majority of the workforce.	20% contribution	Contribution reduced to 19%
Other benefits			
Purpose	Current policy	2022 Implementation	2023 Implementation
To provide market competitive benefits.	Benefits may include car allowances, personal tax advice, private medical insurance, critical life and death in service cover. Benefits may vary by role and individual circumstances and will be reviewed periodically.	No change	No change
Annual cash bonus			
Purpose	Current policy	2022 Implementation	2023 Implementation
To incentivise delivery of Zegona's annual financial and strategic goals.	Performance is measured on an annual basis for each Executive Director in respect of each financial period. The maximum annual bonus available is 100% of base salary per annum. The Committee retains discretion to apply malus or clawback provisions.	No bonuses paid to senior management until Zegona owns a material underlying asset	No bonuses to be paid to senior management until Zegona owns a material underlying asset
Management Incentive Scheme			
Purpose	Current policy	2022 Implementation	2023 Implementation
To drive performance, aid retention and align the interests of Executive Directors and senior management with shareholders over the long term.	The Committee may allocate Management Shares in Zegona Limited to Executive Directors or senior management. Zegona's management incentive scheme entitles participants in aggregate to receive up to 15% of the growth in value of Zegona subject to a shareholders' 5% per annum preferred return. Incentive may be exercised between 3 and 5 years after each renewal or on the occurrence of certain specific events including a sale of Zegona's main assets and return of net proceeds to shareholders.	No change	No change

All disclosures in the Directors' remuneration report are unaudited unless otherwise stated. The annual report on remuneration gives details on the amounts earned in the year ended 31 December 2022 and how the Directors' remuneration policy will be applied in 2023. This remuneration report will be subject to an advisory vote at the 2023 AGM.

2022 Executive Directors remuneration summary (Audited)

In the interests of clarity, since the Executive Directors' salaries are set and paid in Sterling, the table has been presented in both Sterling and euros (Zegona's presentational currency). These tables only include remuneration received by the Executive Directors in respect of their employment by Zegona.

	Executive Directors (Sterling)			
	Eamonn O'Hare (Chairman & CEO)		Robert Samuelson (COO)	
	2022	2021	2022	2021
	£	£	£	£
Base salary	563,000	563,000	419,000	419,000
Pension contributions	112,600	112,600	83,800	83,800
Taxable benefits	21,321	21,321	21,321	21,321
Company health insurance scheme	8,582	7,271	8,152	6,954
Total fixed pay	705,503	704,192	532,273	531,075
Annual cash bonus	–	–	–	–
Management Incentive Scheme redemptions	–	15,218,252	–	7,609,126
Total variable pay	–	15,218,252	–	7,609,126
Total fixed and variable pay	705,503	15,922,444	532,273	8,140,221

	Executive Directors (euros)			
	Eamonn O'Hare (Chairman & CEO)		Robert Samuelson (COO)	
	2022	2021	2022	2021
	£	£	£	£
Base salary	658,811	653,582	490,305	486,414
Pension contributions	131,762	130,716	98,061	97,283
Taxable benefits	24,950	24,751	24,950	24,751
Company health insurance scheme	10,043	8,441	9,539	8,073
Total fixed pay	825,565	817,490	622,855	616,521
Annual cash bonus	–	–	–	–
Management Incentive Scheme redemptions	–	17,666,748	–	8,833,374
Total variable pay	–	17,666,748	–	8,833,374
Total fixed and variable pay	825,565	18,484,238	622,855	9,449,895

None of the Executive Directors' remuneration in 2022 was attributable to Zegona's share price growth. No discretion has been exercised to determine remuneration as a result of either Zegona's share price appreciation or depreciation.

Components of remuneration: Base salary

In 2022 and for 2023, following a review of the executive remuneration arrangements in both periods, the Committee agreed that there would be no increase in base salary for either of the Executive Directors and as such their salaries remained unchanged in 2022 and will do so for 2023.

Components of remuneration: Pension contributions

Implementation in 2022

In 2022 both Executive Directors received a pension contribution of 20% of their base salary.

Implementation in 2023

In line with corporate governance best practice, the pension contribution for both of the Executive Directors was reduced from 1 January 2023 to 19% to be the same as the contribution available to the majority of the workforce.

Components of remuneration: Taxable benefits and Company Health Insurance Scheme

In 2022 both Executive Directors received car allowances, personal tax advice, private medical insurance, and death in service cover, which will continue in 2023.

Components of remuneration: Annual cash bonus

Implementation in 2022

No bonuses were awarded to either the Executive Directors or other members of Zegona's senior management team in respect of 2022 because the Committee had previously concluded in 2021 that it is not appropriate for the Executive Directors or of Zegona's senior management team to receive any bonus for any period when Zegona does not own a material underlying asset.

Implementation in 2023

The Committee will continue to apply the same policy not to pay any bonus the Executive Directors or any of Zegona's senior management team for any period when Zegona does not own a material underlying asset. Should Zegona make a new acquisition during 2023, the Committee will develop appropriate bonus targets at the appropriate time.

Components of remuneration: Management Incentive Scheme

Although the Committee feels it is important to remunerate and incentivise the Executive Directors through their basic pay, benefits and annual bonus, it also feels very strongly that Executive Directors' long-term incentives should be linked to the creation and delivery of real returns to shareholders. A key element of Zegona's remuneration policy for the Executive Directors and senior management is Management Shares in Zegona Limited, which were put in place when Zegona was founded and were designed to provide ongoing remuneration closely aligned with shareholders.

Overview of the scheme

The holders of the Management Shares are entitled to 15% of the growth in value of Zegona during a series of up to five separate Calculation Periods, provided that ordinary shareholders achieve a 5% per annum Preferred Return⁸ in each Calculation Period. The first Calculation Period began in 2015 and ended in 2020. The second Calculation Period ended during 2021, at which point the third Calculation Period began.

Holders have the right to end each Calculation Period by redeeming 99% of their Management Shares at any time between the third and fifth anniversaries of the beginning of the Calculation Period, although a Calculation Period may also end upon certain specified events such as a winding up, takeover, or a change of control of Zegona, or if Zegona sells all or substantially all of its assets and distributes the net proceeds to shareholders.

Upon redemption, if the Preferred Return has been met, holders of the Management Shares receive 15% of the increase in value of Zegona in either Zegona ordinary shares or cash at the discretion of Zegona's Board at the time of the exercise on advice from the Committee in accordance with the Articles. If the Preferred Return

⁸ Return (a 5% per annum return on a compounded basis on shareholders' net investment).

has not been achieved, no payment is made. It is currently anticipated that the exercise of Management Shares could result in management receiving ordinary shares, which, depending on the amount of value created, could potentially lead to management becoming a significant shareholder.

Upon redemption of the Management Shares, a new Calculation Period automatically begins with the remaining shares retaining the entitlement to 15% of the growth in value of Zegona for the next Calculation Period, provided the Preferred Return is achieved over this period. The starting value against which the growth in value and the Preferred Return are calculated (the “**Baseline**”) at the beginning of the new Calculation Period is set at the higher of the Market Capitalisation of Zegona, defined as 30-day VWAP, and the Net Shareholder Invested Capital on that date.

Each time a new Calculation Period begins, the renewal of the Management Shares’ rights is subject to a vote by Zegona’s shareholders at the next Annual General Meeting (“**AGM**”). If shareholders representing 75 per cent or more of the shares vote against the renewal at the AGM, the Management Shares are redeemed for no value. There was such a vote at the 2022 AGM to ratify the commencement of the Third Calculation Period, with 98.03% of votes in favour.

Scheme developments in 2022

There was a vote at the 2022 AGM to ratify the commencement of the Third Calculation Period, with 98.03% of votes in favour.

Illustration of scheme value

To explain how Zegona’s Management Incentive Scheme operates, we have set out here an illustration of how much value would be earned by the management team assuming a hypothetical exercise date of 31 December 2022, even though the Management Shares were not exercisable at that date⁹.

The illustration assumes that the exercise was based on the market value of Zegona’s ordinary shares at the hypothetical exercise date and, since the deemed market capitalisation of £4.9 million was lower than both the Preferred Return target and the net invested capital, the holders of the Incentive Shares would have received no payment.

⁹ The scheme will actually become exercisable either on 14 October 2024, or at the date that certain specific conditions such as a takeover or a Board change of control occur as explained in note 17 to the Consolidated Financial Statements. At the date of this report, none of these conditions have occurred and the rights under the incentive schemes are not exercisable.

Since 14 October 2021 (£)		
Net invested capital ¹⁰		9,194,592
At 31 December 2022 (£)		
Number of shares	6,172,424	
Average share price ¹¹	0.795	
Deemed market capitalisation		4,907,103
Shortfall in value per the incentive scheme		(4,287,489)
Split between:		
Management Shares	15%	–
Ordinary Shares	85%	(4,287,489)

Shareholders' net invested capital at 31 December 2022 was calculated as follows:

	Net invested capital (unadjusted) £	5% pa Preferred Return at 31 Dec 2022 £	Preferred Return hurdle at 31 Dec 2022 £
Baseline Value – 14 October, 2021	6,700,452	408,827	7,109,279
Share Issue – October 2021	1,276,360	75,493	1,351,853
Share Issue – November 2022	1,217,780	8,613	1,226,393
As at 31 December 2022	9,194,592	492,933	9,687,525
Shares outstanding	6,172,424	6,172,424	6,172,424
Per share (£)	1.490	0.080	1.569

10 Calculated in accordance with Zegona Limited's Articles of Association as the sum of Zegona Communications plc's subscription proceeds minus dividends and capital returns.

11 Calculated in accordance with Zegona Limited's Articles of Association as the volume weighted average mid-market price of Zegona Communications plc's ordinary shares for the previous 30 trading days to 31 December 2022.

2022 Non-Executive Directors remuneration summary (Audited)

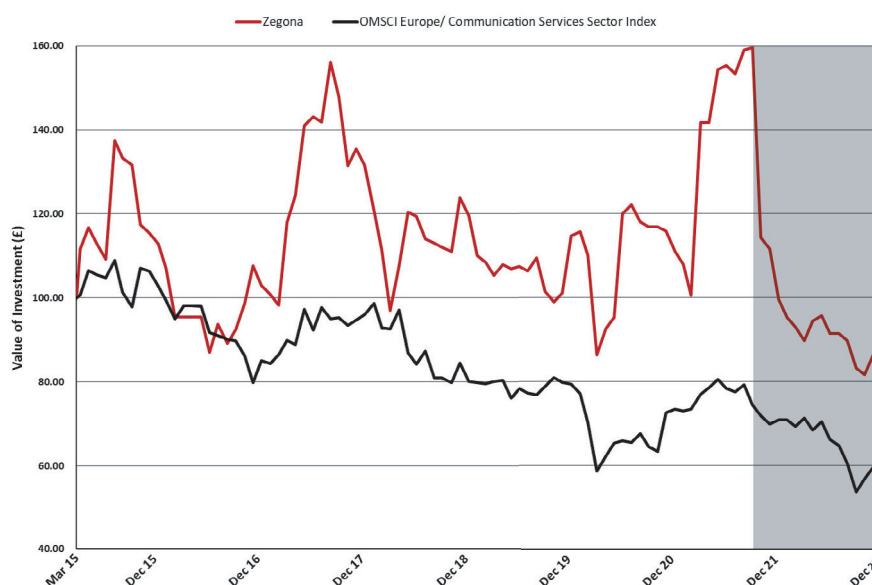
The remuneration of the Non-Executive Directors during the year is detailed below. Non-Executive Directors fee is a basic fixed salary of £50,000 with a fixed increment of £10,000 if the Non-Executive Director is Chair of a Committee. In the interest of clarity, since the Non-Executive Directors' salaries are set and paid in Sterling, the table has been presented in both Sterling and euros (Zegona's presentational currency). There have been no payments to anyone who was not a director of the company at the time the payment was made, but who had been a director of the company before that time.

	Non-Executive Directors fees ¹²			
	2022 £	2021 £	2022 €	2021 €
Richard Williams	50,000	50,000	58,509	58,045
Ashley Martin	60,000	60,000	70,211	69,654
Kjersti Wiklund	50,000	50,000	58,509	58,045
Suzi Williams	60,000	60,000	70,211	69,654
Total	220,000	220,000	257,439	255,398

There is no element of the Non-Executive Directors' remuneration that is linked to the performance of the business.

Summary of total shareholder return and Chief Executive remuneration.

The total shareholder return graph below shows the value as at 31 December 2022 of £100 invested on IPO on 19 March 2015, compared with £100 invested in the OMSCI Europe/Communication Telecom Services Index. The Committee considers this index to be appropriate for the purposes of this comparison because it includes mostly European telecommunications companies. The data shown below assumes that all cash returns to shareholders made by Zegona (including the share buyback) are immediately reinvested in ordinary shares. The maximum value of £159.6 in October 2021 reflects the return Zegona achieved from the disposal of its investment in Euskaltel before reducing its share capital by 98%. The reduction in the shaded area reflects the trading value of Zegona's significantly reduced capital base since October 2021.



12 The Non-Executive Directors have not received any other form of remuneration during the current or prior year.

The single figure remuneration for the Chief Executive over the same period, together with the outcomes of the respective annual incentive awards, is presented in the following table

	2015 ¹³	2016	2017	2018	2019	2020	2021	2022
Total remuneration €m	0.67	0.77	1.29	0.71	1.25	1.27	18.48	0.83
Annual bonus (% of maximum)	0%	0%	100%	0% ¹⁴	94%	75%	0% ¹⁵	0% ¹⁶

Comparison of Directors' and employees' pay and relative importance of spend on pay

The following table compares the changes in each Director's pay with changes in employee pay between 2021 and 2022:

	Base salary change %	Taxable benefits change %	Annual cash bonus change %
Executive Directors			
Eamonn O'Hare	0%	4.6%	n/a
Robert Samuelson	0%	4.2%	n/a
Non-executive Directors			
Richard Williams	0%	n/a	n/a
Ashley Martin	0%	n/a	n/a
Kjersti Wiklund	0%	n/a	n/a
Suzi Williams	0%	n/a	n/a
Employees	0%	0%	0%

The table below shows the relative importance of the spend on remuneration paid to or receivable by all employees in Zegona when compared to distributions to shareholders by way of dividend or share buyback:

	2022 €000	2021 €000
Employee pay	2,212	32,776
Returns to shareholders	–	400,698
<i>Of which:</i>		
Dividends	–	12,169
Capital Return	–	388,529

13 Period from incorporation on 19 January 2015 to 31 December 2015.

14 Eamonn did meet several indicators of achievement in relation to his 2018 bonus objectives, however Eamonn waived his 2018 bonus in order to maximise the cash raised from the equity placing in February 2019.

15 Eamonn met a significant majority of the indicators of achievement in relation to the 2021 bonus scheme, however in connection with the Return of Capital he agreed to waive any amounts due.

16 No bonuses will be paid until Zegona owns an operating asset.

Directors' terms and conditions

Service contract duration

Director	Contract duration	Notice period
Eamonn O'Hare ^e	Unlimited*	12 months
Robert Samuelson	Unlimited*	12 months
Richard Williams	Unlimited*	6 months
Ashley Martin	Unlimited*	6 months
Kjersti Wiklund	Unlimited*	6 months
Suzi Williams	Unlimited*	6 months

* Under the terms of the service agreements, these appointments are contingent on annual re-election by shareholders and completion of the annual Board effectiveness review.

Other than payments for notice periods, the service agreements contain no entitlements to termination payments. There are no malus or clawback provisions in respect of base salary, pension contributions or benefits, however, the Committee retains discretion to apply such provisions in the case of any bonus award paid to an Executive Director whose appointment is subsequently terminated.

External appointments

Executive Directors are allowed to accept external appointments with the consent of the Board as long as these are not likely to lead to conflicts of interests or significant time commitments. Executive Directors are allowed to retain the fees paid.

Reappointment

Under the terms of Zegona's Articles of Association, all Directors will be proposed for re-election at the 2023 AGM. All Board members have service contracts and details of the unexpired terms of these service contracts are set out above.

Compensation for loss of office (Audited)

The Directors are not entitled to any special compensation for loss of office pursuant to their directorship or employment contracts following a change of control. However, certain changes of control will entitle the Directors to exercise rights held by them as holders of Management pursuant to the long-term incentive plan in force in respect of Zegona. No payments for loss of office were made in either 2022 or 2021.

Directors' interests in ordinary shares (Audited)

The Committee intends to keep under consideration the need to adopt formal requirements or guidelines in connection with the building of shareholdings in Zegona by Executive Directors. During the year, no such formal requirements or guidelines were adopted and the Committee remains of the view that no such requirements or guidelines are currently needed given that the Executive Directors acquired ordinary shares in the Placing and their interests are significantly aligned with shareholders through their participation in the Management Incentive Scheme.

The shareholdings of the Directors at 31 December 2022 are set out below. There have been no changes in the shareholdings of the Directors from 31 December 2022 to the date of this report.

Director	Number of shares	% of issued share capital
Eamonn O'Hare	1,067,462	17.29%
Robert Samuelson	525,561	8.51%
Richard Williams	1,153	0.02%
Ashley Martin	212	0.00%
Kjersti Wiklund	–	–
Suzi Williams	–	–

In addition the directors owned the following Management Shares in Zegona Limited

	Participation in growth in value	Number of Management Shares	Nominal value of Management Shares
Eamonn O'Hare	8.88%	305,000	£305
Robert Samuelson	4.44%	152,500	£153
Zegona senior management	1.68%	57,964	£58
		515,464	£516

The following information provided in this part of the Directors' Remuneration Report is not subject to audit.

Review of workforce remuneration matters

Although there are only a small number of employees in Zegona, in line with the provisions of the UK Corporate Governance Code, the Committee continues to review the effectiveness of the remuneration framework for Zegona's workforce. This involves being kept up to date with changes in workforce remuneration and ensuring that workforce remuneration continues to remain aligned to Zegona's purpose, values and strategy.

Statement of voting at General Meetings

The following table sets out the voting results in respect of the resolutions to approve the Directors' Remuneration Report and the Directors' Remuneration Policy:

	Date of AGM	For the resolution	Against the resolution	Votes withheld
Directors' Remuneration Report				
for the year ended 31 December 2021	28 June 2022	98.21%	1.79%	–
(Votes cast)		3,704,882	67,352	13,223,833
Directors' Remuneration Policy	28 June 2022	98.21%	1.79%	–
(Votes cast)		3,704,882	67,352	13,223,833

Suzi Williams

Chair of the Nomination and Remuneration Committee

6 April 2023



Independent auditor's report

to the members of Zegona Communications plc

1. Our opinion is unmodified

We have audited the financial statements of Zegona Communications plc ("the Company") for the year ended 31 December 2022 which comprise the Consolidated Statement of Comprehensive Income, Consolidated Statement of Other Comprehensive Income, Consolidated Statement of Financial Position, Company Statement of Financial Position, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Statement of Cash Flows, Company Statement of Cash Flows, and the related notes, including the accounting policies in note 2.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2022 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent Company financial statements have been properly prepared in accordance with UK-adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; 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 are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were first appointed as auditor by the directors on 21 November 2016. The period of total uninterrupted engagement is for the seven financial years ended 31 December 2022. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview

Materiality:	€172,000 (2021: €2,200,000)
group financial statements as a whole	5% of loss before tax, (2021: 0.9% of average total assets over the past 3 years)

Coverage	100% of loss before tax (2021: 652% of loss before tax)
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Key audit matters		vs 2021
Event driven	Material uncertainty relating to going concern	+
	Recoverability of Income tax receivable	+

2. Material uncertainty related to going concern

	The risk	Our response
<p>Going concern <i>Refer to page 25 (Audit and Risk Committee Report) and page 57 (accounting policy).</i></p> <p>We draw attention to note 2 to the financial statements which indicates that Zegona remains actively searching for investment opportunities, whilst meeting working capital requirements from cash balances held. These events and conditions, along with other matters explained in note 2, constitute a material uncertainty that may cast significant doubt on the group's and the parent company's ability to continue as a going concern.</p> <p>Our opinion is not modified in respect of this matter.</p>	<p>Disclosure quality The financial statements explain how the Board has formed a judgement that it is appropriate to adopt the going concern basis of preparation for the Group and parent. That judgement is based on an evaluation of the inherent risks to the Group's and Company's business model and how those risks might affect the Group's and Company's financial resources and ability to continue operations over a period of at least a year from the date of approval of the financial statements.</p> <p>There is little judgement involved in the directors' conclusion that risks and circumstances described in note 2 to the financial statements represent a material uncertainty over the ability of group and company to continue as a going concern for a period of at least a year from the date of approval of financial statements.</p> <p>However, clear and full disclosure of the facts and the directors' rationale for the use of the going concern basis of preparation, including that there is a related material uncertainty, is a key financial statement disclosure and so was the focus of our audit in this area. Auditing standards require that to be reported as a key audit matter.</p>	<p>Our procedures included:</p> <p>— Assessing transparency:</p> <ul style="list-style-type: none">• Considering whether the going concern disclosure in note 2 to the financial statements gives a full and accurate description of the directors' assessment of going concern, including the identified risks and dependencies, and related sensitivities. <p>Our assessment of the management's going concern assessment also included:</p> <ul style="list-style-type: none">• Auditing managements' assumption with regards to existence and appropriateness of potential targets; and• Reviewing forecasts, and evaluating the costs, liquidity and time the management has, to make a potential investment. <p>Our results</p> <p>We found the going concern disclosure in note 2 with a material uncertainty to be acceptable.</p>

3. Other key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. Going concern is a significant key audit matter and is described in section 2 of our report. We summarise below the other key audit matters, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The risk	Our response
<p>Recoverability of Income tax receivable</p> <p>The Group has recorded a receivable for uncertain tax position totalling € 4.9m as at 31 December 2022 (2021: € 5.2m).</p> <p><i>Refer to page 25 (Audit and Risk Committee Report), page 65 (accounting policy) and page 73 (financial disclosures).</i></p>	<p>Uncertain tax position</p> <p>Significant uncertainty arose over the recognition of CFC tax receivable in accordance with IFRIC 23., following the judgement handed down by the General Court of EU (“GCEU”) in 2022 that the CFC legislation constituted state aid.</p> <p>Our audit risk is over recoverability of tax receivable for uncertain tax position in accordance with IFRIC 23.</p>	<p>We performed the tests below rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.</p> <p>Our procedures included:</p> <ul style="list-style-type: none"> — Our tax expertise: We have used our own tax specialist to perform an assessment of the Group's tax position through inspecting and critically assessing the advice that the Group has received from external advisors. This is based on our knowledge and expertise of the application of the tax legislation and the specific matters of the appeal and court process; and — Assessing transparency: We assessed the adequacy of the Group's disclosures in respect of uncertain tax position. <p>Our results</p> <p>We found the receivable for uncertain tax position to be acceptable (2021: acceptable).</p>

In 2021 we performed procedures over the presentation of the Investment in Euskaltel as a discontinued operation. Given that the investment was disposed in 2021, we have not assessed this as a risk in the 2022 audit. We also continue to perform procedures over recoverability of parent company investment in Zegona Limited. However, the level of audit risk and the associated audit effort required was significantly reduced in 2022 due to disposal of Euskaltel in the prior year and no new investment finalized in the current year. Accordingly these matters are not assessed as the most significant risks in our current year audit. Therefore, these are not separately identified in our report this year.

4. Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at €172,000 (2021: €2,200,000), determined with reference to a benchmark of group loss before tax, of which it represents 5% (2021: 0.9% of average total assets over the last three years).

Materiality for the parent Company financial statements as a whole was set at €39,000 (2021: €1,300,000) determined with reference to a benchmark of company total assets of which it represents 1% (2021: 0.6% of average total assets over the last three years).

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.

Performance materiality for the financial statements as a whole was set at 75% (2021: 75%) of materiality as a whole, which equates to €129,000 (2021: €1,650,000) for the Group and €30,000 (2021: €975,000) for the parent Company. We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding €8,600 (2021: €110,000), in addition to other identified misstatements that warranted reporting on qualitative grounds.

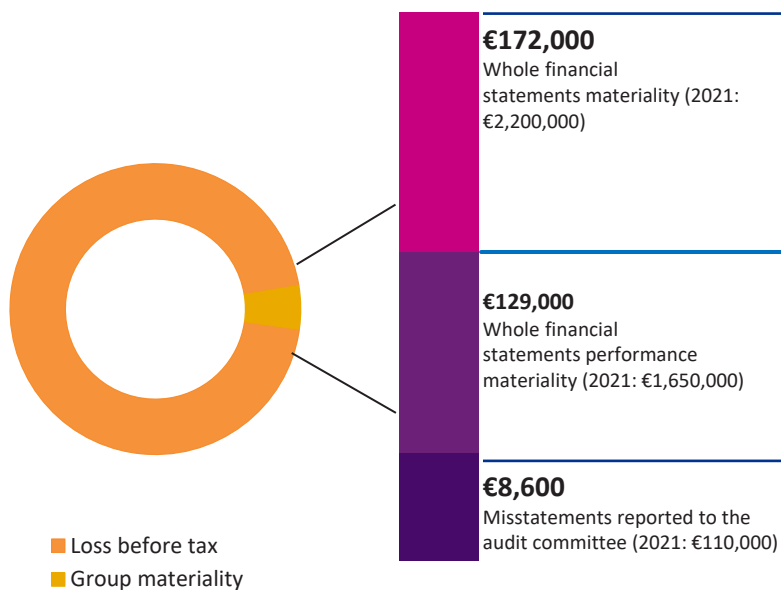
In 2022 the Group audit team performed the audit of the Group as if it was a single aggregated set of financial information which covered 100% of total Group loss before tax and total Group assets. The audit was performed using the materiality and performance materiality levels set out above.

In 2021 the group team performed full scope audits on 2 out of 5 reporting components, including the parent company, which accounted for 100% of total Group loss before tax and total Group assets. Having regard to the mix of size and risk profile of the Group across the components, the group team approved the component materiality of €1.3m and € 1.87m to Zegona Communications plc and Zegona Limited respectively

The scope of the audit work performed was fully substantive as we did not rely upon the Group's internal control over financial reporting.

Loss before tax: €3.4m
(2021: Total assets : €16m)

Group materiality
€172,000 (2021: €2,200,000)



5. Going concern basis of preparation

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group's and the Company's financial position means that this is realistic for at least a year from the date of approval of financial statements ("the going concern period"). As stated in section 2 of our report, they have also concluded that there is a material uncertainty related to going concern.

An explanation of how we evaluated management's assessment of going concern is set out in Section 2 of our report.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have nothing material to add or draw attention to in relation to the directors' statement in Note 2 to the financial statements on the use of the going concern basis of accounting, and their identification therein of a material uncertainty over the Group and Company's ability to continue to use that basis for the going concern period and we found the going concern disclosure in note 2 to be acceptable; and
- the related statement under the Listing Rules set out on page 14 is materially consistent with the financial statements and our audit knowledge.

6. Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors, the audit committee and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, and the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading board, audit committee, remuneration and nomination minutes.
- Considering remuneration incentive schemes and performance targets for directors/senior management.
- Using analytical procedures to identify any unusual or unexpected transactions.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that Group and component management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because the company does not have any trading operations.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual pairings with cash entries, and post year end journals.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effects of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts of disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as the most likely to have such an effect: anti-bribery, employment law and certain aspects of company legislation recognising the nature of the Group's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

We discussed with the audit committee matters related to actual or suspected breaches of laws or regulations, for which disclosure is not necessary, and considered any implications for our audit.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

7. We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' remuneration report

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosures of emerging and principal risks and longer-term viability

We are required to perform procedures to identify whether there is a material inconsistency between the directors' disclosures in respect of emerging and principal risks and the viability statement, and the financial statements and our audit knowledge.

Based on those procedures, other than the material uncertainty related to going concern referred to above, we have nothing further material to add or draw attention to in relation to:

- the directors' confirmation within the viability statement on page 9 that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the longer term viability statement disclosures describing these risks and how emerging risks are identified, and explaining how they are being managed and mitigated; and
- the directors' explanation in the viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to review the viability statement, set out on page 9, provided as if the Company were required to comply with the Listing Rules in relation to this matter. Based on the above procedures, we have concluded that the above disclosures are materially consistent with the financial statements and our audit knowledge.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Company's longer-term viability.

Corporate governance disclosures

We are required to perform procedures to identify whether there is a material inconsistency between the directors' corporate governance disclosures and the financial statements and our audit knowledge.

Based on those procedures, we have concluded that each of the following is materially consistent with the financial statements and our audit knowledge:

- the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy;
- the section of the annual report describing the work of the Audit Committee, including the significant issues that the audit committee considered in relation to the financial statements, and how these issues were addressed; and
- the section of the annual report that describes the review of the effectiveness of the Group's risk management and internal control systems.

In addition to our audit of the financial statements, the directors have engaged us to review their Corporate Governance Statement as if the Company were required to comply with the Listing Rules of the Financial Conduct Authority in relation to this matter. Under the terms of our engagement we are required to review the part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review. We have nothing to report in this respect.

Based solely on our work on the other information described above:

- with respect to the Corporate Governance Report disclosures about internal control and risk management systems in relation to financial reporting processes and about share capital structures:
 - we have not identified material misstatements therein; and
 - the information therein is consistent with the financial statements; and
- in our opinion, the Corporate Governance Statement has been prepared in accordance with relevant rules of the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority.

We are also required to report to you if a corporate governance statement has not been prepared by the Company. We have nothing to report in these respects.

8. We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required 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 and the part of the Directors' Remuneration Report to be audited 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.

We have nothing to report in these respects.

9. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 49, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; 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; assessing the Group and 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 they 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

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

The Company is required to include these financial statements in an annual financial report prepared using the single electronic reporting format specified in TD ESEF Regulation. The auditor's report provide no assurance over whether the annual financial report has been prepared in accordance with that format.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

10. The purpose of our audit work and to whom we owe our responsibilities

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 and the terms of our engagement by the Company. 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 the further matters we are required to state to them in accordance with the terms agreed with the Company, 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.

S. Richardson

**Simon Richardson (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor**

Chartered Accountants

15 Canada Square

London

E14 5GL

06 April 2023

	Notes	2022 €000	2021 €000
Continuing Operations			
Administrative and other operating expenses:			
Corporate costs	5	(3,271)	(4,643)
Management Incentive Scheme costs	17	(34)	(29,072)
Significant project costs	6	(26)	(295)
Operating loss		(3,331)	(34,010)
Finance income	7	25	158
Finance costs	7	(4)	(376)
Net foreign exchange (loss) / gain		(3)	(30)
(Loss) for the year before income tax		(3,313)	(34,258)
Income tax expense	8	–	–
(Loss) for the period from continuing operations		(3,313)	(34,258)
Discontinued Operations			
Profit for the period from discontinued operation, net of tax	12	–	114,171
(Loss)/Profit for the period attributable to equity holders of the parent		(3,313)	79,913
		€	€
Earnings per share – total operations			
Basic and diluted earnings per share attributable to equity holders of the parent	22	(0.61)	0.47
Earnings per share – continuing operations			
Basic and diluted earnings per share attributable to equity holders of the parent	22	(0.61)	(0.22)
Earnings per share – discontinued operations			
Basic and diluted earnings per share attributable to equity holders of the parent	22	–	0.68

The notes on pages 57 to 80 form an integral part of these Consolidated Financial Statements.

ZEGONA COMMUNICATIONS PLC
CONSOLIDATED STATEMENT OF OTHER
COMPREHENSIVE INCOME



	2022 €000	2021 €000
(Loss) for the year	(3,313)	79,913
Other comprehensive income / (loss) – items that will or may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	(638)	1,484
Exchange differences on translation of discontinued operations	–	(884)
Total other comprehensive (loss) / income	(638)	600
Total comprehensive loss / (income) for the year, net of tax, attributable to equity holders of the parent	(3,951)	80,513

The notes on pages 57 to 80 form an integral part of these Consolidated Financial Statements.

		As at 31 December 2022 €000	As at 31 December 2021 €000
Assets			
Non-current assets			
Property, plant and equipment		13	30
Income tax receivable	14	4,961	5,234
		4,974	5,264
Current assets			
Prepayments and other receivables	13	75	197
Cash and cash equivalents	10	5,890	10,556
		5,965	10,753
Total assets		10,939	16,017
Equity and liabilities			
Equity			
Share capital	19	311	301
Capital redemption reserve	20	2,565	2,565
Share premium reserve	20	3,049	1,616
Other reserve	20	–	–
Shares to be issued	20	–	1,443
Share-based payment reserve	20	65	31
Foreign currency translation reserve	20	(6,922)	(6,284)
Retained earnings	20	11,469	14,782
Total equity attributable to equity holders of the Parent		10,537	14,454
Current liabilities			
Accruals and other payables	17	402	1,457
Bank borrowings	18	–	106
Total liabilities		402	1,563
Total equity and liabilities		10,939	16,017

The notes on pages 57 to 80 form an integral part of these Consolidated Financial Statements.

The Financial Statements of Zegona Communications plc (registered number 09395163) were approved by the Board of Directors on 6 April 2023 and were signed on its behalf by:

Eamonn O'Hare
Director

Robert Samuelson
Director

		As at 31 December 2022 €000	As at 31 December 2021 €000
Assets			
Non-current assets			
Property, plant and equipment		13	30
Investment in subsidiaries	9	3,655	6,824
		3,668	6,854
Current assets			
Prepayments and other receivables	13	1,805	3,821
Cash and cash equivalents		337	16
		2,142	3,837
Total assets		5,810	10,691
Equity and liabilities			
Equity			
Share capital	19	311	301
Capital redemption reserve	20	2,565	2,565
Share premium reserve	20	3,049	1,616
Other reserve	20	–	–
Shares to be issued	20	–	1,443
Share based payment reserve	20	65	31
Foreign currency translation reserve	20	–	(61,477)
Retained earnings	20	(415)	65,486
Total equity attributable to the shareholders of the Company		5,575	9,965
Current liabilities			
Accruals and other payables	15	235	620
Bank borrowings	16	–	106
Total liabilities		235	726
Total equity and liabilities		5,810	10,691

The notes on pages 57 to 80 form an integral part of these Consolidated Financial Statements.

As permitted by section s408 of the Companies Act 2006, no profit and loss account for the company is presented. The company's loss for the financial year was €4.0 million (2021 €124.2 million profit)

The Financial Statements of Zegona Communications plc (registered number 09395163) were approved by the Board of Directors on 6 April and were signed on its behalf by:

Eamonn O'Hare
Director

Robert Samuelson
Director

	Note	Share capital €000	Share-based payment reserve €000	Foreign currency translation reserve €000	Retained earnings €000	Capital redemption reserve €000	Share premium reserve €000	Shares to be issued €000	Total equity €000
Balance at 1 January 2022		301	31	(6,284)	14,782	2,565	1,616	1,443	14,454
Loss for the year		-	-	-	(3,313)	-	-	-	(3,313)
Other comprehensive loss		-	-	(638)	-	-	-	-	(638)
Share-based payment expense	17	-	34	-	-	-	-	-	34
Issuance of shares	18	10	-	-	-	-	1,433	(1,443)	-
Balance at 31 December 2022		311	65	(6,922)	11,469	2,565	3,049	-	10,537

The notes on pages 57 to 80 form an integral part of these Consolidated Financial Statements.

ZEGONA COMMUNICATIONS PLC
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Share capital €000	Share-based payment reserve €000	Foreign currency translation reserve €000	Retained earnings €000	Capital redemption reserve €000	Share premium reserve €000	Other reserve €000	Shares to be issued €000	Total equity €000
Balance at 1 January 2021		2,821	799	(6,884)	46,072	34	108,793	180,816	-	332,451
Profit for the year		-	-	-	79,913	-	-	-	-	79,913
Other comprehensive income		-	-	600	-	-	-	-	-	600
Dividends paid	23	-	-	-	-	-	-	(12,169)	-	(12,169)
Share-based payment expense	17	-	763	-	-	-	-	-	-	763
Reclassification of incentive arrangements	17	-	(1,562)	-	-	-	-	-	-	(1,562)
Renewal of incentive scheme	17	-	31	-	-	-	-	-	-	31
Reduction of share premium	18	-	-	-	-	-	(108,679)	108,679	-	-
Redemption of shares	18	(2,531)	-	-	(111,223)	2,531	-	(277,326)	-	(388,529)
Issuance of shares	18	11	-	-	-	-	1,502	-	1,443	2,956
Balance at 31 December 2021		301	31	(6,284)	14,782	2,565	1,616	-	1,443	14,454

The notes on pages 57 to 80 form an integral part of these Consolidated Financial Statements.

	Note	Share capital €000	Share-based payment reserve €000	Foreign currency translation reserve €000	Retained earnings €000	Capital redemption reserve €000	Share premium reserve €000	Shares to be issued €000	Total equity €000
Balance at 1 January 2022		301	31	(61,477)	65,486	2,565	1,616	1,443	9,965
Loss for the year		-	-	-	(4,046)	-	-	-	(4,046)
Other comprehensive loss		-	-	(378)	-	-	-	-	(378)
Share-based payment expense	17	-	34	-	-	-	-	-	34
Issuance of shares	18	10	-	-	-	-	1,433	(1,443)	-
Reserves transfer	20	-	-	61,855	(61,855)	-	-	-	-
Balance at 31 December 2022		311	65	-	(415)	2,565	3,049	-	5,575

The notes on pages 57 to 80 form an integral part of these Consolidated Financial Statements.

	Note	Share capital €000	Share-based payment reserve €000	Foreign currency translation reserve €000	Retained earnings €000	Capital redemption reserve €000	Share premium reserve €000	Other reserve €000	Shares to be issued €000	Total equity €000
Balance at 1 January 2021		2,821	694	(79,268)	52,510	34	108,793	180,816	-	266,400
Profit for the year		-	-	-	124,179	-	-	-	-	124,179
Other comprehensive income		-	-	17,791	-	-	-	-	-	17,791
Dividends paid	23	-	-	-	-	-	-	(12,169)	-	(12,169)
Share-based payment expense	17	-	763	-	-	-	-	-	-	763
Reclassification of incentive arrangements	17	-	(1,457)	-	-	-	-	-	-	(1,457)
Renewal of incentive scheme	17	-	31	-	-	-	-	-	-	31
Reduction of share premium	18	-	-	-	-	-	(108,679)	108,679	-	-
Redemption of shares	18	(2,531)	-	-	(111,223)	2,531	-	(277,326)	-	(388,529)
Issuance of shares	18	11	-	-	-	-	1,502	-	1,443	2,956
Balance at 31 December 2021		301	31	(61,477)	65,486	2,565	1,616	-	1,443	9,965

The notes on pages 57 to 80 form an integral part of these Consolidated Financial Statements.

		Year ended 31 December 2022 €000	Year ended 31 December 2021 €000
Operating activities			
(Loss) before income tax from continuing operations		(3,313)	(34,258)
Adjustments to reconcile profit before income tax to operating cash flows:			
Depreciation of property, plant and equipment		16	16
Management Incentive Scheme costs	17	35	31
Net foreign exchange losses		3	30
Finance income	7	(25)	(158)
Finance costs	7	4	376
Working capital adjustments:			
Decrease/(increase) in prepayments and other receivables		395	(5,261)
(Decrease)/increase in accruals and other payables		(1,055)	334
Interest received		25	21
Interest paid		–	(273)
Net cash flows used in operating activities		(3,916)	(39,142)
Investing activities			
Purchase of property, plant and equipment		–	(34)
Net cash flows used in investing activities		–	(34)
Net cash flows from discontinued investing activities	12	–	439,547
Financing activities			
Dividends paid to shareholders	23	–	(12,169)
Repurchase and cancellation of shares	18	–	(388,529)
Issuance of shares and shares to be issued	18	–	2,956
Repayment of bank borrowing	16	(106)	(11,028)
Net cash flows (used in) financing activities		(106)	(408,770)
Net (decrease) in cash and cash equivalents		(4,022)	(8,399)
Net foreign exchange difference		(644)	3,711
Cash and cash equivalents at the beginning of the year		10,556	15,244
Cash and cash equivalents at the end of the year		5,890	10,556

The notes on pages 57 to 80 form an integral part of these Consolidated Financial Statements.

	Year ended 31 December 2022 €000	Year ended 31 December 2021 €000
Operating activities		
(Loss) / Profit before income tax from continuing operations	(4,046)	127,049
Adjustments to reconcile profit before income tax to operating cash flows:		
Depreciation of property, plant & equipment	16	16
Net foreign exchange losses	3	69
Finance income	7	(418,079)
Finance costs	7	376
Impairment of investment in subsidiary	9	288,806
Working capital adjustments:		
(Increase) / decrease in prepayments and other receivables	2,016	(3,637)
(Decrease) / increase in accruals and other payables	(385)	59
Interest received	–	21
Interest paid	–	(273)
Net cash flows (used in)/from operating activities	555	(5,593)
Investing activities		
Purchase of property, plant and equipment	–	(34)
Dividends received from subsidiary	9	417,921
Net cash flows from/ (used in) investing activities	–	417,887
Net cash flows from/ (used in) discontinued investing activities	543	
Financing activities		
Dividends paid to shareholders	23	(12,169)
Repurchase and cancellation of shares	18	(388,529)
Issuance of shares and shares to be issued	18	2,956
Repayment of credit facility	16	(11,028)
Payment of intercompany loan	9	(21,907)
Net cash flows (used in) financing activities	(106)	(430,677)
Net Increase / (decrease) in cash and cash equivalents	449	(17,840)
Net foreign exchange differences	(128)	2,707
Cash and cash equivalents at the beginning of the year	16	15,149
Cash and cash equivalents at the end of the year	337	16

The notes on pages 57 to 80 form an integral part of these Consolidated Financial Statements.

1. GENERAL INFORMATION

The Consolidated Financial Statements of Zegona Communications plc (the “Company”) and its subsidiaries (collectively, “Zegona”) for the year ended 31 December 2022 (the “Consolidated Financial Statements”) were authorised for issue in accordance with a resolution of the Directors on 6 April 2023. The Company was incorporated and is domiciled in England and Wales and has its registered office at 8 Sackville St, Mayfair, London W1S 3DG.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The Company and Consolidated Financial Statements for the year ended 31 December 2022 have been prepared in accordance with UK-adopted international accounting standards and with those parts of the Companies Act 2006 as applicable to companies reporting under international accounting standards.

The Company Financial Statements present information about the Company as a separate entity and not about its group. The Company is taking advantage of the exemption in section 408 of the Companies Act 2006 not to present its individual Statement of Comprehensive Income and related notes that form a part of the Company Financial Statements.

The Consolidated Financial Statements include the results of all subsidiaries wholly owned by the Company as listed in note 9. Certain of these subsidiaries, which are listed below, have taken the exemption from preparing individual accounts for the year ended 31 December 2022 by virtue of section 394A of Companies Act 2006. In order to allow these subsidiaries to take the exemption, the Company has given a statutory guarantee of all these companies’ outstanding liabilities as at 31 December 2022:

- Zegona Spanish Holdco Limited (Registered Number: 10159232)
- Zegona Borrower Limited (Registered Number: 10159347)
- Zegona Holdco Limited (Registered Number: 10159604).

The Consolidated Financial Statements and the Company Financial Statements have been prepared under the historical cost convention except for certain financial assets that have been measured at fair value, as disclosed in note 11. The functional currency of the Company is British pounds sterling (“Sterling” or £). The Directors have chosen to present the Consolidated Financial Statements and the Company Financial Statements in euros (€) since it has previously owned investments denominated in euros and expects to make future acquisitions in euro, or euro-correlated assets. All values are rounded to the nearest thousand (€000) except where otherwise indicated.

The principal accounting policies adopted in the preparation of the Consolidated Financial Statements are set out below. The policies have been consistently applied throughout the years presented.

(b) Going concern

The Consolidated Financial Statements have been prepared on the going concern basis, which the directors consider to be appropriate for the reasons outlined below.

Zegona’s Directors have assessed the going concern assumptions during the approval of the Consolidated Financial Statements. This assessment included the review of Zegona cashflow forecast and budget which encompassed expected developments in liquidity, debt and capital, together with reasonable contingencies for routine professional fees that would be expected to support Zegona’s day-to-day operations. Additionally, the Directors have also considered other potential severe but plausible downside scenarios and other factors that could indicate possible threats to its ability to continue in operation for a period of at least twelve months from the date of approving the Consolidated Financial Statements.

Zegona is continuing to execute its Buy-Fix-Sell strategy which currently involves actively searching for another attractive investment opportunity within the European TMT sector and it now meets its day to day working capital requirements while it does this from cash balances.

During this period, Zegona's ongoing costs are reasonably predictable and controllable and in 2022 Zegona also performed a comprehensive review of operating costs to ensure the business is operating as efficiently as possible by eliminating expenditure where possible, reducing headcount and re-negotiating key supplier terms. Following this review, the Directors are reasonably comfortable that provided Zegona does not incur any material unforeseen costs, Zegona's cash holdings of £4.5million (€5.3 million) at 6 April 2023 should be sufficient to fund the business until at least the first quarter of 2025, which is significantly more than twelve months after the approval of these Consolidated Financial Statements.

In performing their assessment, the Directors however also recognized that Zegona's ability to continue as a going concern could be compromised in each (or a combination of) two main scenarios which it does not necessarily consider likely, but which are plausible:

- 1) While Zegona currently believes the European TMT market does provide for a number of attractive investment opportunities in the coming years, it is still possible that Zegona may be unable, for a number of reasons, to
 - (a) identify and successfully negotiate an acceptable agreement to acquire of a new investment that it feels is able to meet its financially disciplined criteria for attractive returns to its investors in a reasonable period of time
 - (b) Secure sufficient equity and/or debt financing for the identified acquisition on terms that still allow Zegona to create sufficient value to deliver those attractive investor returns.

If this does happen, the Directors and the Management team could conclude that it is no longer in investors' best interests to continue to seek alternative investments.

- 2) Zegona may incur costs in connection with an unsuccessful deal or deals ("abort costs") large enough to exhaust its cash reserves. The Directors' going concern review suggests that without taking any other cost saving actions, Zegona could absorb approximately £1.7 million in such abort costs during the next twelve months without exhausting its cash reserves. The Directors considered this unlikely, since expenditure at this level would only happen on a relatively small sub-set of transactions and Zegona has historically been successful in minimizing transaction fees and controlling them during the negotiation and diligence phase such that costs are only incurred when the likelihood of success is high. It is however possible in some larger and more complex transactions which fail at a very late stage that fees in excess of £1.7 million could be incurred, or that Zegona could have multiple failed transactions with cumulative abort costs in excess of this level.

Due to the existence of these two scenarios, the Directors believe that it is still appropriate to prepare the financial statements on a going concern basis. However, there are indications of the existence of a material uncertainty related to events or conditions that may cast significant doubt on the group's and the company's ability to continue as a going concern and, therefore, that the group and company may be unable to realise their assets and discharge their liabilities for at least twelve months from the date of approving the Consolidated Financial Statements. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

(c) New standards and amendments to IFRS

Standards, amendments and interpretations effective and adopted by Zegona:

There are no standards that are issued but not yet effective that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions

(d) Basis of consolidation

Subsidiaries are entities controlled by the Company, either directly or indirectly. Control exists when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial information of subsidiaries is included in the Consolidated Financial Statements from the date that control commences until the date that control ceases.

Intragroup balances, any gains and losses or income and expenses arising from intragroup transactions, and intragroup cash flows are eliminated on consolidation.

(e) Interests in associates

An associate is an entity over which Zegona has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Zegona evaluates the extent to which it has significant influence in investees on a case-by-case basis, considering all relevant facts and circumstances. Evaluations are updated when there are any changes in those facts and circumstances. These evaluations are often subject to significant judgement and the key judgements and considerations underlying material evaluations are more fully discussed in note 3.

Zegona classifies investments in entities over which it has significant influence as associates and accounts for them using the equity method. Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is increased or decreased to recognise changes in Zegona's share of the profit or loss of the investee after the date of acquisition. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

The Consolidated Statement of Comprehensive Income reflects Zegona's share of the results of operations of the associate. Any change in Other Comprehensive Income ("OCI") of those investees is presented as part of Zegona's OCI.

Investments in associates are assessed at each reporting period date and tested for impairment when there is an indication that the recoverable amount has fallen below the carrying value of the investment; i.e. that the investment may be impaired. The recoverable amount of an asset is the higher of its fair value less costs of disposal and its value in use. Impairment losses are recognised within 'Share of profit of associate' in the Consolidated Statement of Comprehensive Income.

f) Discontinued Operations

Zegona classifies non-current assets and assets and liabilities within disposal groups ('assets') as held for sale if the assets are available immediately for sale in their present condition, management is committed to a plan to sell the assets under usual terms, it is highly probable that their carrying amounts will be recovered principally through a sale transaction rather than through continuing use and the sale is expected to be completed within one year from the date of the initial classification.

Assets and liabilities classified as held for sale are presented separately as current items in the consolidated statement of financial position and are measured at the lower of their carrying amount and fair value less costs to sell. Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale; this also applies in respect of assets held by equity accounted associates and joint ventures.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the Group consolidated income statement. Discontinued operations are also excluded from segment reporting. All other notes to the financial statements include amounts for continuing operations, unless indicated otherwise.

g) Foreign currencies

Foreign currency transactions

Sterling is the functional currency of the Company. Transactions in foreign currencies are recorded at the rates of exchange ruling at the transaction dates.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in the Statement of Comprehensive Income.

Non-monetary items denominated in foreign currencies are translated at the functional currency spot rates of exchange at each reporting date.

Foreign operations

The euro is the presentation currency of the Consolidated Financial Statements. For the purpose of presenting the Consolidated Financial Statements, the assets and liabilities of Zegona's non-euro-denominated functional entities (including subsidiaries, associates and joint ventures) are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period.

Currency translation adjustments arising on the restatement of opening net assets of Zegona's non-euro denominated functional entities, together with differences between the entities' results translated at average rates versus closing rates, are recognised in the Statement of Other Comprehensive Income and transferred to the foreign currency translation reserve. All resulting exchange differences are classified as equity until disposal of the foreign operation. On disposal, the cumulative amounts of the exchange differences are recognised as income or expense.

h) Revenue and expenses

Finance income

Interest income from financial assets is recognised using the effective interest method as finance income in the Consolidated Statement of Comprehensive Income.

Dividend income from financial assets including from subsidiary undertakings is recognised as finance income in the Consolidated Statement of Comprehensive Income when Zegona's right to receive the payment is established, which for listed securities is when the shares are quoted ex-dividend, and are presented gross of any non-recoverable withholding taxes.

Gains or losses on financial instruments measured at fair value through profit or loss comprise the net change in fair value, excluding interest or dividend income.

i) Administrative and other operating expenses

Administrative and other operating expenses are recognised on an accruals basis, i.e. when the actual flow of the services they represent occurs, regardless of when the resulting monetary or financial flow arises.

Significant project costs are those incurred on projects that are considered to be one-off or non-recurring in nature, where the costs are so material individually or collectively that the Directors believe that they require separate presentation and disclosure to avoid distortion of the comparability of corporate costs between periods. These are recognised on an accruals basis and expensed in the Statement of Comprehensive Income unless they are directly related to the issuance of equity instruments in which case they are recognised as a deduction from equity. If qualifying transaction costs are incurred in anticipation of, and directly related to, the issuance of equity instruments and span more than one reporting period, they are deferred until equity instruments are recognised. If the equity instruments are not subsequently issued, the costs are expensed.

j) Fair value measurement

Zegona measures certain financial instruments at fair value at each balance sheet date.

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.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by Zegona.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. Zegona uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Financial Statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the Financial Statements at fair value on a recurring basis, Zegona determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

k) Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at fair value through profit or loss (“**FVPL**”), amortised cost, or fair value through other comprehensive income (“**FVOCI**”).

The classification of a financial asset at initial recognition depends on the financial asset’s contractual cash flow characteristics and Zegona’s business model for managing it. In order for a financial asset to be classified and measured at amortised cost or FVOCI, it needs to give rise to cash flows that are ‘solely payments of principal and interest’ on the principal amount outstanding (the “**SPPI Criterion**”).

Financial assets are initially recognised at their fair value plus, for those financial assets not at fair value through profit or loss, transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the settlement date, being the date that an asset is delivered to or by Zegona.

Subsequent measurement

Zegona’s financial assets are classified into categories:

- Financial assets at amortised cost comprise assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI Criterion. These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment losses are recognised in the Statement of Comprehensive Income. Any gain or loss on derecognition is recognised in the Statement of Comprehensive Income.

- Financial assets at FVPL comprise quoted equity instruments which Zegona had not irrevocably elected, upon initial recognition, to classify at FVOCI and debt instruments whose cash flow characteristics fail the SPPI Criterion. These assets are carried in the Statement of Financial Position at fair value with net changes in fair value recognised as either finance income or finance costs in the Statement of Comprehensive Income.

Derecognition

A financial asset is primarily derecognised and removed from the Statement of Financial Position when:

- The rights to receive cash flows from the asset have expired; or
- Zegona has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) Zegona has transferred substantially all the risks and rewards of the asset, or (b) Zegona has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When Zegona has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, Zegona continues to recognise the transferred asset to the extent of its continuing involvement and also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that Zegona has retained.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Subsequent measurement

Financial liabilities are subsequently measured at amortised cost and in the case of interest-bearing financial liabilities at amortised cost using the effective interest rate method. Gains and losses are recognised in the Statement of Comprehensive Income when the liabilities are derecognised.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability, the difference of the respective carrying amounts is recognised in the Consolidated Statement of Comprehensive Income.

Equity instruments

An equity instrument is any contract that provides a residual interest in the assets of the Group after deducting all of its liabilities and includes no obligation to deliver cash or other financial assets.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis to realise the assets and settle the liabilities simultaneously.

l) Impairment of financial assets

For trade receivables, Zegona applies a simplified approach in calculating expected credit losses (“ECLs”) and recognises a loss allowance based on lifetime ECLs at each reporting date using Zegona’s historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

m) Property, plant and equipment

Property, plant and equipment is measured initially at acquisition cost and subsequently carried net of any accumulated depreciation and any impairment losses.

The costs of upkeep and maintenance of property, plant and equipment are charged to the administrative and other operating expenses in the Statement of Comprehensive Income in the year in which they are incurred.

Replacements or renewals are recorded as an addition to property, plant and equipment and the units replaced or renewed are derecognised.

Property, plant and equipment in operation is depreciated systematically on the basis of the estimated useful economic life of the items, and the cost of the assets is distributed on a straight-line basis over the estimated useful economic lives. For fixtures and fittings, which comprises primarily computer hardware, the estimated useful economic life is 3 years.

Derecognition of property, plant and equipment

Items of property, plant and equipment are derecognised when they are sold or when no future economic benefit is expected to be obtained from their continuing use. The gain or loss arising on the disposal or derecognition of an item of property, plant and equipment is determined as the difference between the proceeds from the sale and the carrying amount of the asset and is recognised in the Consolidated Statement of Comprehensive Income.

n) Leases

Zegona 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.

Following adoption of IFRS 16 Leases, Zegona has taken the exemption contained under IFRS 16 to not apply IFRS 16 requirements to any of its leases as these leases are short-term in nature (less than 12 months) or low in value.

o) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less.

p) Investments in subsidiaries

Investments in subsidiaries within the Company’s separate Statement of Financial Position are stated at cost less provision for impairment.

At the end of each reporting year, or whenever there are indications of impairment, the Company tests its investments in subsidiaries for impairment to determine whether their recoverable amount has fallen below their carrying amount. The recoverable amount is the greater of fair value less costs to sell and value in use. An impairment loss is recognised when the carrying amount exceeds the recoverable amount. Value in use is the present value of expected future cash flows, calculated using a risk-free market rate of interest, adjusted for the risks specific to the asset.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount; however, the increased carrying amount may not exceed the carrying amount that would have been determined had no impairment loss been recognised in previous years. This reversal of an impairment loss is recognised as income.

The Company makes appropriate provision when the recoverable value is less than the carrying amount, provided the latter cannot be recovered by generating sufficient income to cover all the costs and expenses incurred by usage of the asset.

q) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in other reserves as a deduction from the initial measurement of the equity instrument.

r) Dividends payable

The Company recognises a liability to pay a dividend when the distribution is authorised and the distribution is no longer at the discretion of the Company. A corresponding amount is recognised directly in equity.

s) Corporation tax

Corporation tax represents the sum of current and deferred tax for the year.

Current tax is the expected tax payable on the taxable income for the year. Taxable profit differs from profit reported in the Consolidated Statement of Comprehensive Income because some items of income and expense are taxable or deductible in different years or may never be taxable or deductible. Zegona's current tax is calculated using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to taxes payable in respect of previous periods.

Deferred tax is the tax expected to be payable or recoverable in the future arising from temporary 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. It is accounted for using the balance sheet liability method.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is calculated on the tax rates that are expected to apply in the year when the liability is settled or the asset realised, based on tax rates that have been enacted or substantively enacted by the year end date, and is not discounted.

t) Pension benefits

Zegona pays contributions to externally administered pension plans on behalf of employees, or the equivalent contribution is paid in cash to the employee. Zegona has no further payment obligations once the contributions have been paid. The contributions are recognised as an expense on the accrual basis.

u) Earnings per ordinary share

Basic earnings per share ("EPS") is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all potentially dilutive ordinary shares.

v) Share-based transactions

Equity-settled share-based payments are measured at the fair value of the equity instruments at the grant date. The grant date is the date on which an employer and an employee agree upon the most essential terms and conditions associated with the award. If shareholder approval is needed, then the grant date is delayed until that approval has been obtained, unless shareholder approval is considered to be perfunctory.

Share based payment schemes in which Zegona has a choice of settlement are classified as either equity settled share-based payments or cash-settled share-based payments, depending on Zegona's ability and intent to settle in shares, which Zegona has previously communicated its intention to do.

The fair value is expensed through administrative and other operating expenses, with a corresponding increase in equity through the share-based payment reserve, on a straight-line basis over the period that the employees or others providing similar services become unconditionally entitled to the awards or vesting period.

The vesting period for these schemes may commence before the legal grant date if the employees have started to render services in respect of the award before the legal grant date, where there is a shared understanding of the terms and conditions of the arrangement. Expenses are recognised when the employee starts to render service to which the award relates. The fair value of the awards is calculated at each accounting reporting period until the final fair value is measured at the legal grant date.

The dilutive effect of outstanding share-based payments is reflected as share dilution in the computation of diluted EPS.

3. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The Consolidated Financial Statements reflect management's choice of accounting policies, assumptions and estimates. Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. In view of the inherent uncertainties and the high level of subjectivity involved in the recognition or measurement of items outlined below, it is possible that the outcomes in the next financial year could differ from those on which management's estimates are based. This could result in materially different estimates and judgement from those reached by management for the purpose of these Consolidated Financial Statements.

The main accounting judgements and estimates used by the Directors in applying the accounting policies of Zegona that had the greatest impact on the Consolidated Financial Statements in the current year are:

Accounting judgements

- **The recoverability of the income tax receivable.** During 2021, Zegona was required to pay two charging notices totalling £4.4 million issued by HMRC in respect of the EU Commission's decision that the Group Financing Exemption contained within the UK's Controlled Foreign Company legislation constituted State Aid. In prior periods, Zegona had concluded that no provision was required on the basis that it was not probable that there would ultimately be an outflow of resources required to settle the obligation. Consequently, Zegona has continued to record an income tax receivable on payment of the charging notices and has continued to evaluate the receivable for recoverability. The determination of whether an outflow is more likely than not requires judgement. An explanation of the key judgements made in determining that the receivable continues to be recoverable is provided in Note 14.
- **Going concern.** Zegona's assessment of the entity's ability to continue as a going concern involves judgment with respect to its ability to meet liabilities as they fall due for a period of at least twelve months from the approval of the financial statements, including considerations around the ongoing trade of the group which is to make strategic telco investments. An explanation of the key judgements made in determining that the Zegona continues to be a going concern, albeit with a material uncertainty related to events or conditions that may cast significant doubt on its ability to continue as a going concern is provided in Note 2.

Accounting estimates

- **Measurement of share-based payments transactions.** Valuation techniques are used in determining the fair value of the management incentive award, which feature significant unobservable inputs and are subject to substantial uncertainty. The main estimates and assumptions used in determining the £0.28 per share fair value of the management incentive are detailed in Note 17.

4. SEGMENTAL ANALYSIS

Following the disposal of Euskaltel in 2021 (see note 12), Zegona and its subsidiaries is organised a single business which seeks to generate shareholder returns by applying its Buy-Fix-Sell strategy to European TMT assets. The chief operating decision maker is considered to be the Board, who only receive consolidated information which does not include an analysis of either profit and loss or assets and liabilities to any lower level. Zegona has therefore concluded that it only has a single operating segment for which the measure of performance is Zegona's consolidated loss for the period from continuing operations and all amounts required to be disclosed

in accordance with paragraph 23-24 of IFRS 8 *Operating Segments* are the same as the equivalent consolidated amounts disclosed elsewhere in these financial statements. All non-current assets are domiciled in the United Kingdom.

5. ADMINISTRATIVE AND OTHER OPERATING EXPENSES – CORPORATE COSTS

	Consolidated 2022 €000	Consolidated 2021 €000
Salaries, bonuses and staff benefits	2,212	2,918
Employment related taxes	333	423
Pension costs	239	311
Other operating expenses	487	991
Corporate costs	3,271	4,643

Staff numbers

The average number of employees (including Executive Directors but excluding Non-Executive Directors) during the year by activity was as follows:

	Consolidated 2022	Consolidated 2021
Operations	6	6
Administration	1	1
	7	7

Further information in relation to pay and remuneration of the directors can be found in the Directors' Remuneration Report, starting on page 31.

6. ADMINISTRATIVE AND OTHER OPERATING EXPENSES – SIGNIFICANT PROJECT COSTS

Significant project costs are those incurred on projects that are considered to be one-off or non-recurring in nature, where the costs are so material individually or collectively that the Directors believe that they require separate presentation and disclosure to avoid distortion of the comparability of corporate costs between periods. The classification of projects as significant is subjective in nature and therefore judgement is required in its determination and is a matter of qualitative assessment. Significant projects are usually related to acquisition or joint venture transactions where incremental and identifiable external costs are incurred by Zegona in order to make or evaluate the potential transaction, even if it is not consummated.

The €26 thousand (2021: €0.3 million) of significant project costs recognised in 2022 were principally professional fees in relation to potential acquisition opportunities. In addition, significant project costs were recognised within discontinued operations in 2021 (see note 12).

7. FINANCE INCOME AND COSTS

	Consolidated 2022 €000	Consolidated 2021 €000
Net gain on currency forward instruments	–	137
Bank interest	25	21
Finance income	25	158
Interest on bank borrowings and bank charges	(4)	(376)
Finance costs	(4)	(376)

8. TAXATION

	Consolidated 2022 €000	Consolidated 2021 €000
Current tax expense	–	–
Current year	–	–
Income tax expense for the year	–	–

Zegona believes that no accruals for tax liabilities are required for all open tax years based on its assessments of many factors, including interpretations of tax law and prior experience. The normal UK statute of limitations is four years from the end of the accounting period.

Reconciliation of effective tax rate

	Consolidated 2022 €000	Consolidated 2021 €000
(Loss) before tax from continuing operations	(3,312)	(34,258)
At UK statutory income tax rate (19% (2021: 19%))	(629)	(6,509)
Expenses not deductible for tax purposes*	26	5,916
Unrecognised tax losses*	602	593
Income tax expense	–	–

* At UK statutory income tax rate (19% (2021: 19%))

Income relating to the investment in Euskaltel during 2021, including dividends and gains in fair value and foreign exchange, is not taxable as the dividends are in respect of non-redeemable ordinary shares and the investment is expected to meet the substantial shareholdings exemption which provides an exemption from corporation tax for capital gains. The majority of significant project costs is not deductible for tax purposes as the projects relate to acquisitions or disposals and are therefore capital in nature.

Unrecognised deferred tax assets

Deferred tax assets of the UK tax-resident companies of €9.4 million (2021: €7.7 million) have not been recognised in respect of tax losses, because it is not probable that future taxable profit will be available against which the companies can maximise the benefits therefrom. Under UK law there is no expiry for the use of tax losses.

In the UK 2021 Budget Statement it was announced that the UK corporation rate will increase to 25% from 1 April 2023. Consequently, Zegona has remeasured its unrecognised UK deferred tax assets at the end of the reporting period at the rate of 25%.

9. INVESTMENT IN SUBSIDIARIES

The Consolidated Financial Statements in the current year include the following subsidiaries:

Subsidiary	Nature of business	Country of incorporation	Shares held directly by the Company	Shares held indirectly by the Company
Zegona Limited	Incentive company	Jersey (1)	100%	–
Zegona Spanish Holdco Limited	Dormant	UK (2)	–	100%
Zegona Borrower Limited	Dormant	UK (2)	–	100%
Zegona Holdco Limited	Dormant	UK (2)	–	100%

The registered office addresses of the subsidiaries are:

- 47 Esplanade, St Helier, Jersey, JE1 0BD
- 8 Sackville St, Mayfair, London, W1S 3DG

There are no restrictions on the Company's ability to access or use the assets and settle the liabilities of the Company's subsidiaries, other than immaterial assets controlled by liquidators.

Carrying value of the Company's direct investment in subsidiary

2022

During 2022, Zegona Limited continued to pay cash expenses on behalf of the group. These outflows prompted Zegona to review whether the carrying value of the investment in subsidiary was recoverable as at 31 December 2022.

Following these reviews, the carrying value of the investment was impaired by €3.0 million in total, which has been recognised in the profit or loss of the Company and included within the movement in retained earnings in the Company's statement of financial position.

The recoverable amount of the Company's investment in subsidiary at 31 December 2022 was €3.7 million, being its fair value less costs of disposal. The fair value measurement is categorised within level 3 of the fair value hierarchy. The fair value was based on an adjusted net asset method, whereby the fair values of the recognised and unrecognised assets and liabilities of Zegona Limited were directly measured.

2021

During 2021, the Company performed an impairment review of Zegona limited on the same basis and impaired its investment by €288.8 million to its recoverable amount of €6.8 million, principally because on 11 August 2021, Zegona Limited paid a distribution of £360 million (equivalent to €417.9 million) out of a combination of its share premium account and retained earnings to fund the Company's tender offer.

10. FINANCIAL RISK MANAGEMENT

Zegona's activities expose it to market risk, principally interest rate risk and currency risk, however these have been significantly reduced since the sale of its investment in Euskaltel (see note 12) and the Return of Capital (see note 18).

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rate. Zegona's exposure to interest rate risk is extremely limited as it only has a small overdraft facility, which bears interest at 1.5% per annum over the Bank of England base rate but is currently undrawn.

Zegona seeks to minimise interest rate risk through maintaining the minimum amount of leverage, however in the opinion of the Directors, even a significant movement in LIBOR would not have a material impact on the cash flow of Zegona. The Executive Directors and the Chief Financial Officer regularly review the placing of cash balances and Zegona's leverage.

Foreign currency risk

The Board and the Chief Financial Officer control and monitor financial risk management, including foreign currency risk, in accordance with internal policy and the strategic plan defined by the Board. Zegona is exposed to three types of exchange risk: transaction, translation and economic risk.

Transaction risk is the risk of loss that Zegona bears when it enters into monetary transactions denominated in currencies other than Sterling, the currency in which Zegona operates. A loss (or gain) may occur due to the change in relative value of currencies from the date on which the transaction is entered to the date the settlement takes place.

Zegona is also exposed to foreign exchange translation risk which is accounting in nature. It is the risk that the value of net assets and net profit will change as a result of translation of the Financial Statements of companies within the group with a different functional currency to the presentational currency from one period to the next. In the case of Zegona, this is the conversion of Sterling into euro.

The table below show the impact of a 10% movement in Sterling against the euro on the translation of Zegona's reported financial position as at 31 December 2022 and reported financial performance for the year.

	+/- 10% movement €000
Currency impact	
Profit before tax gain/loss	-/+ 331
Equity gain/loss	-/+ 1,054

Credit risk

Credit risk arises from cash and cash equivalents, prepayments and other. Zegona's objective is to minimise credit risk as far as possible and uses the ratings awarded by independent agencies, where available, otherwise Zegona assesses the counterparty's credit rating taking into account its financial situation, past experience and other factors. There are no material financial assets that are written down, past due or impaired as at 31 December 2022, and there is no collateral or other credit enhancement feature on Zegona's financial assets.

The material exposures to credit risk by credit quality classification and external rating at 31 December 2022 are shown in the table below:

Quality classification	External credit rating	Cash and cash equivalents €000	Total €000
Strong	A- and above	5,890	5,890
		<u>5,890</u>	<u>5,890</u>

Credit quality classification definitions:

- Strong exposures demonstrate a strong capacity to meet financial commitments, with negligible or low probability of default and/or low levels of expected loss.

The Directors consider that the carrying amounts best represent the maximum exposure to credit risk.

Liquidity risk

Prudent liquidity risk management implies holding sufficient cash and marketable securities and the availability of financing through a sufficient level of available credit lines. Management assesses regularly Zegona's liquidity forecasts which consider cashflow projections and existing facilities.

At 31 December 2022, Zegona had cash balances held with banks amounting to €5.8 million (2021: €10.6 million), compared to Zegona's total liabilities amounting to €0.4 million (2021: €1.5 million). In addition at both 31 December 2022 and 31 December 2021, Zegona had an undrawn overdraft facility of £1.5 million, equivalent to €1.7 million although this is repayable on demand.

11. FINANCIAL INSTRUMENTS

The following tables shows the carrying amounts and the fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities measured at amortised costs as their carrying amount is a reasonable approximation of fair value.

Financial instrument classification and fair values – Consolidated

	Fair Value 2022 €000	Amortised cost 2022 €000	Fair value 2021 €000	Amortised cost 2021 €000
Prepayments and other receivables	–	75	–	197
Cash and cash equivalents	–	5,890	–	10,556
Total current financial assets	–	5,965	–	10,753
	Fair Value 2022 €000	Amortised cost 2022 €000	Fair value 2021 €000	Amortised cost 2021 €000
Accruals and other payables	–	402	–	1,457
Bank borrowing	–	–	–	106
Total current financial liabilities	–	402	–	1,563

The Directors consider that the carrying amounts of the financial instruments measured at amortised cost equate to their fair values.

Financial instrument classification and fair values – Company

	Fair Value 2022 €000	Amortised cost 2022 €000	Fair value 2021 €000	Amortised cost 2021 €000
Prepayments and other receivables	–	1,805	–	3,821
Cash and cash equivalents	–	337	–	16
Total current financial assets	–	2,142	–	3,837
	Fair Value 2022 €000	Amortised cost 2022 €000	Fair value 2021 €000	Amortised cost 2021 €000
Accruals and other payables	–	235	–	620
Bank borrowings	–	–	–	106
Total current financial liabilities	–	235	–	726

12. PROFIT FROM DISCONTINUED OPERATIONS

For part of 2021, Zegona owned 21.44% of in Euskaltel S.A. (“Euskaltel”), a Spanish telecommunications company incorporated in Spain and operating in the Basque Country, Asturias and Galicia under regional brands and nationally across Spain under the Virgin telco brand.

This investment was sold to a subsidiary of MásMóvil Ibercom, S.A.U (“MásMóvil”), the Spanish fourth national operator who launched a tender offer to acquire all of the outstanding shares of Euskaltel on 28 March 2021. The tender offer completed successfully and Zegona received €421.3 million in cash on 11 August 2021.

The amounts recorded in the Consolidated statement of comprehensive income in respect of discontinued operations were as follows:

	Consolidated 2022 €000	Consolidated 2021 €000
Gain on sale of discontinued operation	–	110,240
Share of loss of associate	–	(454)
Realised foreign exchange gains	–	8,391
Significant project costs	–	(2,910)
Finance costs	–	(1,096)
Discontinued operations	–	114,171

The amounts recorded in the Consolidated statement of cash flows in respect of discontinued operations were as follows:

	Consolidated 2022 €000	Consolidated 2021 €000
Proceeds from sale of investment in Euskaltel	–	421,275
Dividends received from Euskaltel	–	11,872
Proceeds from sale of contingent consideration	–	6,400
Net cash flow from discontinued investing activities	–	439,547

Gain on sale of discontinued operation and Share of loss of associate

Up to the announcement of MásMóvil’s tender offer on 28 March 2021, Zegona had accounted for its investment in Euskaltel as an associate and recorded its share of Euskaltel’s loss for this period of €454 thousand. The investment in Euskaltel ceased to be an associate on 28 March 2021 and from this date became an asset held for sale with Zegona no longer recognising a share of Euskaltel’s profit from that date.

During 2021, Zegona recognised a gain on disposal of Euskaltel that was calculated as follows:

	€000
Consideration received	421,275
Carrying amount of investment in associate	(310,410)
Recycling of historical exchange differences on sale of discontinued operations	(625)
Gain on sale of discontinued operations	110,240

The disposal of Euskaltel did not attract a tax charge as it qualifies for the Substantial Shareholding Exemption in Schedule 7AC of the Taxation of Chargeable Gains Act 1992.

Realised foreign exchange gains

On 7 April 2021, Zegona entered into a Deal Contingent Forward Purchase Agreement (“DCF”) with Barclays Bank PLC to ensure it would receive a fixed Sterling value if the tender offer to acquire Euskaltel was completed successfully.

The realised foreign exchange gains are the gains on this instrument, calculated as the difference between the GBP value received under the DCF and the GBP value of the euros received at the prevailing spot rate. Since this instrument has been entered into entirely to fix the Sterling value of the Euskaltel proceeds, changes in fair value are recognised within discontinued operations. This line also includes €0.4 million of foreign exchange gains arising from the revaluation of the Euro-denominated contingent consideration.

Significant project costs

Significant project costs are those incurred on projects that are considered to be one-off or non-recurring in nature, where the costs are so material individually or collectively that the Directors believe that they require separate presentation and disclosure to avoid distortion of the comparability of corporate costs between periods. In 2021, €2.9 million of significant project costs related to the disposal of the Euskaltel investment and the Return of capital were recognised with discontinued operations which were principally legal fees and stamp duty.

Finance costs

Up to 10 August 2021, Zegona recorded a financial asset designated at fair value for contingent consideration receivable from Euskaltel in relation to the sale of Telecable in 2017. This asset was always recorded at fair value using a probability-weighted discounted cash flow model¹⁷ and the loss of €1.1 million reflects the change in the fair value of the asset between 1 January 2021 and 10 August 2021, when it was sold to a third party for €6.4 million in cash, which was received on 10 August 2021. As the sale of Euskaltel would not have been undertaken without the settlement of the contingent consideration Zegona concluded that the contingent consideration was part of the discontinued operation.

13. PREPAYMENTS AND OTHER RECEIVABLES

	Consolidated 31 December 2022	Consolidated 31 December 2021
	€000	€000
Prepayments	19	46
Accrued interest on bank deposits	24	–
VAT recoverable	32	151
Total	75	197

¹⁷ This meant that the instrument was allocated to level 3 of the fair value hierarchy. The value assigned to the instrument at 1 January 2021 was €7,499 and the change in the fair value included €3 thousand of foreign exchange losses.

	Company 31 December 2022	Company 31 December 2021
	€000	€000
Prepayments	19	42
Amounts due from subsidiary undertakings	1,754	3,629
VAT recoverable	32	150
Total	1,805	3,821

14. INCOME TAX RECEIVABLE

In August 2019, the European Commission (the “EC”) concluded that the Group Financing Exemption contained within the UK’s Controlled Foreign Company (“CFC”) legislation amounted to illegal state aid to the extent that there were UK Significant People or Function (“SPF”) activities involved in generating non-trading finance profits.

Zegona engaged an independent tax adviser to undertake a review of its historic financing structures which identified a small proportion of activities performed by UK personnel. On this basis, Zegona estimated that if the conclusion is upheld, a potential tax liability of between €1m and €1.8m may exist.

The UK Government is required to recover the state aid in the meantime and Zegona paid two charging notices issued by HMRC in February and June of 2021 for £4.4 million, (€4.9 million) which is 100% of the CFC tax relief received and interest thereon. These notices are a charging mechanism only and if the decision is annulled the money will be repaid.

Zegona submitted an appeal against the charging notices which was accepted by HMRC on 8 March 2021. This appeal is likely to be stayed until the final outcome of all appeals to the EU Courts in respect of the EU Commission’s original decision are known, which may take several years.

Both the UK Government and a number of other impacted taxpayers have submitted appeals to the EU General Court to annul the Commission’s findings. On 8 June 2022, the General Court of the Court of Justice of the European Union (“CJEU”) found in favour of the Commission’s decision. The UK Government has now announced that it has lodged an appeal of the decision with the Court of Justice. If the UK Government’s appeals are ultimately successful, Zegona will be entitled to recover the amounts already paid and will suffer no loss.

Despite the decision of the General Court, based on its current assessment and also supported by external professional advice, Zegona believes that the UK Government’s appeal will likely be successful. As a result, Zegona continues to believe that it has no liability. A long-term current tax receivable of €4.9 million (2021: €5.2 million¹⁸), has therefore continued to be recognized in respect of the amounts paid. Any appeal of the General Court decision to the Court of Justice, and the progress of the UK Tax Authority challenge into the historic financing arrangements of the Group, will continue to be monitored by Management.

15. ACCRUALS AND OTHER PAYABLES

	Consolidated 31 December 2022	Consolidated 31 December 2021
	€000	€000
Trade payables	208	250
Other accruals	194	1,227
	402	1,457

¹⁸ The movement in the year is entirely due to changes in foreign exchange rates.

	Company 31 December 2022	Company 31 December 2021
	€000	€000
Trade payables	41	47
Accruals	194	573
	235	622

16. BANK BORROWINGS

Zegona has a £1.5 million overdraft facility with HSBC PLC which is generally undrawn, however at 31 December 2021, £90.8 thousand (€106.4 thousand) of the facility was drawn for a brief period to cover short-term working capital requirements. The interest rate on the overdraft facility was 0.25% and it is repayable on demand. The overdraft was repaid on 13th January 2022.

17. MANAGEMENT INCENTIVE SCHEME

Incentive scheme arrangements were put in place at Zegona's inception in 2015 to create incentives for Zegona's management team who have been issued Class A Ordinary Shares in the Company's subsidiary, Zegona Limited ("Management Shares").

The holders of the Management Shares are entitled to 15% of the growth in value of Zegona during a series of five separate Calculation Periods, provided that ordinary shareholders achieve a 5% per annum Preferred Return¹⁹ in each Calculation Period.

Holders have the right to end each Calculation Period by redeeming 99% of their Management Shares at any time between the third and fifth anniversaries of the beginning of the Calculation Period, although a Calculation Period may also end upon certain specified events such as a winding up or takeover, or a change of control of Zegona.

When a Calculation Period ends, a new Calculation Period automatically begins with the remaining 1% of unredeemed shares retaining the entitlement to 15% of the growth in value of Zegona for the next Calculation Period.

At 31 December 2022, 515,464 Management Shares in Zegona Limited remain allotted, issued and fully paid as shown in the table below:

	Participation in growth in value	Number of Management Shares	Nominal value of Management Shares
Eamonn O'Hare	8.88%	305,000	£305
Robert Samuelson	4.44%	152,500	£153
Zegona senior management	1.68%	57,964	£58
		515,464	£516

The First Calculation Period

The First Calculation Period began on 14 August 2015 and ended on 25 June 2020 when the holders of the shares redeemed 99% of them for no value because the preferred return had not been met.

The Second Calculation Period

Accounting as an equity settled instrument:

The Second Calculation Period automatically began on 25 June 2020 with the renewal subsequently approved by Zegona's shareholders on 30 June 2021.

¹⁹ The preferred Return is a 5% per annum return on a compounded basis on shareholders' net investment.

Under IFRS 2 *Share Based Payment*, the new Calculation Period constituted a new share-based payment award for which the holders of the Management Shares began to render services from June 25, 2020. However, because the renewal of the scheme required shareholder approval, the grant date of the award could not be until 30 June 2021.

The fair value of the award was therefore estimated at each balance sheet date, and an expense recognised from the date that holders begin to render services. This estimate was then recalculated and adjusted at each balance sheet date prior to the grant date (30 June 2021), and finally at the grant date. Zegona applied this treatment up to 24 May 2021, recording €0.8 million of share-based payment expense in 2020 and further €0.8 million in 2021, with a cumulative €1.6 million recognised in the Share-based payment reserve.

On 24 May 2021, Zegona concluded that the Management Shares no longer qualified as an equity settled instrument.

Accounting as a cash settled instrument:

Zegona Limited's Articles of Association (the "**Limited Articles**") allows the Management Shares to be redeemed *within* three years of the beginning of a Calculation Period if certain criteria ("**Takeover Provisions**") are met. One of these Takeover Provisions is if Zegona sells all, or substantially all, of its assets and distributes the net proceeds (the "**Substantial Sale and Return Provision**"). If any of these Takeover Provisions are met, then any redemption must be in cash.

The announcement on 24 May 2021 that Zegona intended to return £335 million to shareholders, (see note 12), meant that the Substantial Sale and Return provision was expected to be met and a cash payment of £25.7 million would be due to holders of the Management Shares, provided the Capital Return was completed successfully.

Consequently, Zegona concluded that from 24 May 2021, the Management Incentive Scheme no longer met the criteria to be recognised as an equity settled transaction under IFRS 2 and must be accounted for as a cash settled transaction.

On 24 May 2021 Zegona therefore reclassified the €1.6 million of cumulative share-based payment expense that it had recognised in the share-based payment reserve as a liability instrument.

At the same time, an incremental liability was recorded that was eventually equal to the £25.7 million (€30.3 million on the transaction date) actually paid on 14 October 2021.

A Management Incentive Scheme cost of €29 million for 2021 was recognised in the Consolidated Statement of Comprehensive Income in respect of the Second Calculation Period, being equal to the liability recorded in excess of the amount reclassified from the Share based payment reserve plus the €0.8 million recognised in 2021 prior to the instrument being reclassified as a cash settled instrument.

The Third Calculation Period

The Third Calculation Period automatically began on 14 October 2021, with the Baseline Value Per Share for the new Calculation Period being £1.51 per share, which was equal to volume weighted average mid-market price of Zegona shares for the previous 30 trading days. During the Third Calculation Period, the Management Shares may be redeemed between 14 October 2024 and 14 October 2026. All other terms remain the same as for the other Calculation Periods and the renewal of the scheme was subject to a shareholder vote at Zegona's 2022 AGM which passed with 98.03% of votes in favour.

Similar to the Second Calculation Period, this constituted a new award with services rendered from 14 October 2021, however the grant date of the award under IFRS 2 could not be until shareholders ratified the renewal of the scheme at Zegona's 2022 AGM. Between 14 October 2021 and 28 June 2022 therefore, Zegona estimated the fair value of the award at each balance sheet date and recognised an expense reflecting the date that holders began to render services. Accordingly, On 28 June 2022, Zegona engaged an independent valuation specialist to estimate the fair value of the award and has recorded an expense that is equal to the expense that would have been recognised for the period from 14 October 2021 and 31 December 2022 using the revised fair value of the award and the amount that was previously recognised in the financial statements for the period 14 October 2021 and 31 December 2021.

The fair value of the award was £0.28 per Management Share and was calculated using a Monte Carlo model. The fair value uses a volatility of 18% and an expected term of three years. The Incentive Shares are subject to the Preferred Return being achieved, which is a market performance condition, and as such has been taken into consideration in determining their fair value. A risk-free rate of 1% has been applied, based on the implied yield available at the measurement date on the zero-coupon government issues with a remaining term equal to the expected term of the Awards. The model incorporates a range of probabilities for the likelihood of a successful acquisition being made of a given size in a range of £0.5 billion – £1.5 billion and includes a number of discounts of 90% in aggregate to reflect the risks inherent in the instrument such as the competition for assets and the need to raise capital within a short timeframe.

During 2022, one member of the management team retired and on 1 April 2022 the company repurchased and cancelled 28,981 shares for consideration of £1 in aggregate. €1.7 thousand of expense that had been recognised in respect of the period between 14 October 2021 and 1 April 2022 was reversed.

On 13 June 2022, 28,981 shares were issued to a second member of the management team in return for consideration of £10 thousand. The value of these awards and the assumptions used in the Monte Carlo model used to value them were the same as for the other awards valued on 30 June 2022. No expense in respect of these shares has been recognised because the consideration paid was in excess of the fair value.

For the period to 31 December 2022 a total expense of €34 thousand was recognised (2021: €31 thousand), with a corresponding amount recognised in the Share based payment reserve.

Zegona expects that any amounts due under the third calculation period will be settled in equity, therefore has concluded that the Management Shares are equity settled instruments²⁰.

18. 2021 RETURN OF CAPITAL AND RELATED TRANSACTIONS

On 24 May 2021, Zegona announced its intention to return £335 million to its shareholders in cash via a capital return once it had received the proceeds from the disposal of Euskaltel, and that its management team would re-invest a portion of the proceeds from the exercise of the Management Shares into newly issued Zegona shares.

The first portion of this capital return was delivered on 23 July 2021 when Zegona paid a £5.7 million (€6.7 million) dividend. The rest of the commitment was delivered by:

Tender Offer

On 13 August 2021, Zegona announced a Return of Capital of up to £329.3 million to shareholders by way of a tender offer (the “**tender offer**”) at a price of £1.535 per share. On 14 October 2021, Zegona successfully repurchased and cancelled 214,532,103 shares under the tender offer, returning the full balance of the £335 million, being £329.3 million, on 14 October 2021.

Reduction of share premium account

In order to complete a share buyback of at least £329.3 million, the Company needed to have distributable reserves of at least that amount and in order to achieve this, on 8 September the Company reduced its share premium account from £95,339,759 to £100,000 (the “**Capital Reduction**”) following approval by Shareholders and confirmation by the High Court. Upon the reduction of the share premium account, the balance was transferred to the Other reserve, which forms part of the distributable reserves of the Company.

Management Subscription

The Zegona management team committed to re-invest up to £4.0 million of the proceeds of the exercise of the Management Shares back into Zegona by subscribing for new shares. The subscription price was agreed as the adjusted net asset value per share of Zegona immediately prior to completion of the subscriptions. To the extent that the aggregate number of shares to be subscribed for would exceed 28.1% of the issued share capital of the Company immediately following the subscription, the subscriptions were to be scaled back pro rata. The subscriptions were also conditional on the admission to trading (“**Admission**”) of these shares by the Financial Conduct Authority (“**FCA**”) and Zegona had been advised that the company should not be required to issue a

²⁰ Settlement of the Second Calculation Period in cash does not create a precedent in respect of the Third Calculation Period as settlement was required under those circumstances by the terms of the scheme.

prospectus for Admission. The subscriptions were approved by Zegona's shareholders at a General Meeting of the Company on 30 June 2021.

Following the completion of the tender offer, the subscription price was confirmed as £1.438 per share, meaning the management team were able to subscribe for 1,734,451 shares which would have been 28.1% of the Company immediately following the subscription. The aggregate total investment would have been £2.5 million, which was paid by the management team on 14 October 2021.

Upon applying for Admission of the new shares, Zegona was informed that Admission was limited to a maximum of 20% of its shares in issue immediately following its tender offer without publishing a prospectus. Zegona, together with Eamonn O'Hare and Robert Samuelson (the affected members of the management team), elected to issue and Admit 887,594 shares on 27 October 2021²¹ with the remaining 846,857 shares to be issued once they could be lawfully Admitted. Zegona entered into a revised Subscription Agreement ("**Subscription Agreement (as Amended)**") with Eamonn O'Hare and Robert Samuelson that confirmed they were both committed to complete the subscription for the agreed number of shares at the agreed price under any circumstances.

During 2021 Zegona concluded that the Subscription Agreement (as Amended) is an equity instrument as it is defined in IAS 32 *Financial Instruments: Presentation* on the basis that (a) there is no contractual obligation to deliver cash or another financial asset to another party (b) there is no obligation to exchange financial assets or liabilities with another party and (c) the agreement is a non-derivative and obliges Zegona to deliver a fixed number of shares.

The value of shares to be issued (being the cash paid) was therefore recognised within a new reserve, Shares to be issued. On 9 November 2022, the remaining 846,857 shares were issued and Admitted to trading on 16 November 2022 as the restrictions preventing their Admission had expired. The balance on the Shares to be issued reserve was therefore reduced to zero.

19. CALLED UP SHARE CAPITAL

	2022	2022	2021	2021
Allotted, called up and fully paid	Number	€000	Number	€000
At 1 January	5,325,567	301	218,970,076	2,821
Shares issued	846,857	10	887,594	11
Shares repurchased and cancelled	–	–	(214,532,103)	(2,531)
At 31 December	6,172,424	311	5,325,567	301

The nominal value of the total ordinary shares is £0.01 and the total allotted, called up and fully paid equates to £61,724 (2021: £53,256).

During 2022, 846,857 shares were issued to members of the management team as described in note 18.

During 2021 the Company repurchased 214,532,103 ordinary shares at a price of £1.535 per share by way of a tender offer which completed on 14 October 2021. Subsequently, on 27 October 2021, members of the management team subscribed for 887,594 ordinary shares at a price of £1.438 per share

All ordinary shares confer identical rights including in respect of capital, dividends and voting. There are no restrictions on the distributions of dividends or the repayment of capital

²¹ Being the maximum number of shares that could be Admitted on that date.

20. RESERVES

Distributable reserves

Retained earnings

The retained earnings reserve includes cumulative net profits. This is typically a distributable reserve.

Other reserve

The Other reserve is a distributable reserve which is comprised of transfers from the Share premium reserve in 2016 and 2021 following court approved reductions of capital (see note 18), net of all historical dividends paid and the total costs of buying back shares (the nominal value of the shares and any premium paid), which are charged against distributable reserves.

During 2021 the full amount then outstanding in the Other reserve was utilised to fund the tender offer (see note 18).

Total distributable reserves

While the Other reserve continues to be distributable, its balance is zero, therefore the Company's total distributable reserves are now solely the Retained earnings reserve. At 31 December 2022 the Company's Retained earnings reserve in Sterling (Zegona's functional currency) was negative £37 thousand. Distributable reserves at 31 December 2021 were £3.5 million.

A balance of €61.3 million remained in this reserve on translation to Euro (Zegona's presentational currency) with an offsetting amount in the foreign currency translation reserve. This is because, in accordance with IAS 21 *The Effects of Changes in Foreign Exchange Rates*, equity items are translated each period at their historical exchange rates and not subsequently retranslated and the remaining balance reflects the difference between the Euro value of all previous amounts recorded in all distributable reserves and the Euro value of the amount debited to the Retained earnings reserve to fund the tender offer.

Non – distributable reserves

Share-based payment reserve

The share-based payment reserve is a non-distributable reserve that represents the cumulative build-up of the Management Incentive Scheme costs over the vesting period as the employees gradually render service while the Management Incentive Scheme is considered to be an equity settled instrument.

The current balance of the reserve reflects the amortisation of a portion of the fair value of the third Calculation Period as discussed in Note 17.

Foreign currency translation reserve

The foreign currency translation reserve is a non-distributable reserve that includes the foreign exchange differences arising from the translation of the Consolidated Financial Statements functional currency of Sterling ("£") to presentational currency euro ("€"). The movement in this reserve for the period is driven primarily by the movement in the closing €:£ exchange rates from 1.19 at 31 December 2021 to 1.13 at 31 December 2022. Following the disposal of Euskaltel, an amount remained in the foreign currency translation reserve as a result of the translation from its functional currency to the group functional currency which will never be recycled because it does not represent the disposal of a foreign operation. Accordingly, in the year €61.9 million has been transferred to the Company's retained earnings reserve.

Capital redemption reserve

The capital redemption reserve is a requirement under s692 of the Companies Act 2006 to preserve the Company's capital and is a non-distributable reserve. When the Company buys back shares out of profits and those shares are immediately cancelled, the amount by which the Company's issued share capital is reduced must be transferred to the capital redemption reserve.

During 2022, there were no transactions impacting the Capital Redemption Reserve. During 2021, £2.1 million (€2.5 million at the rate prevailing at the transaction date) has been transferred to the capital redemption reserve which represents the nominal value of the 214,532,103 shares repurchased in the tender offer (see note 18).

Share premium reserve

The share premium reserve is a requirement under s610 of the Companies Act 2006 and is a non-distributable reserve. The reserve comprises amounts subscribed for share capital in excess of nominal value less costs directly attributable to the issue of new shares.

During 2022, the share premium reserve was increased by €1,443 to reflect the issuance of the 846,857 shares to Eamonn O'Hare and Robert Samuelson that were intended to be issued in 2021 (see note 18).

During 2021, the share premium account of the Company was reduced to £100,000 (€114.1 thousand) with £95.239 million (€108.7 million) being transferred to the Other reserve (see note 18). This was offset by £1.2 million, being the proceeds received in excess of the nominal value of the 887,594 shares subscribed for by Eamonn O'Hare and Robert Samuelson on 27 October 2021 (see note 18).

Shares to be issued

The Shares to be issued reserve is a non-distributable reserve that relates solely to the £1.2 million (€1.4 million) of cash received from Robert Samuelson and Eamonn O'Hare in October 2021 to subscribe for shares which were not admitted in 2021. As discussed in note 18, these shares were issued on 9 November 2022 and the balance on the reserve was reduced to zero.

21. CAPITAL MANAGEMENT

Our objective when managing capital is to maintain a flexible capital structure that optimises the costs and availability of capital at acceptable risk with the primary objective of maximising shareholder value. In the management of capital and its definition, we include share capital and all equity reserves attributable to the equity holders of the Company.

Zegona manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of any covenants. To maintain or adjust the capital structure, Zegona may adjust the dividend payment to shareholders, return capital to shareholders, make distributions of non-cash assets to shareholders or issue new shares.

The Company currently has authorisation to make market purchases of up to 798,302 ordinary shares (within specified price parameters) which was 15% of the issued ordinary share capital at the date of issuance of its 2021 Annual Report. This authorisation will continue until the end of the 2023 AGM. Any shares repurchased by the Company pursuant to this authority may be held in treasury and subsequently resold for cash, cancelled or used for employee share scheme purposes.

Throughout 2021, Zegona met the financial covenants associated to the facilities described in note 18 which were repaid on 13 August 2021.

22. EARNINGS PER ORDINARY SHARE

Basic EPS is calculated by dividing the profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares in issue during the year.

Diluted EPS is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all potentially dilutive ordinary shares. As more fully detailed in note 17, Management Shares in the share capital of Zegona Limited have been issued and, on exercise, the value of these shares is expected to be delivered by the Company issuing new ordinary shares. Hence, the Management Shares could have a dilutive effect, although the Company has the right at all times to settle such value in cash. No adjustment to EPS has been made in respect of the Management Shares as, (a) they were anti-dilutive for the years ended 31 December 2022 and 2021 and (b) the result from Continuing Operations in 2021 was a loss.

	2022	2021
Loss for the year attributable to equity holders of the parent – Total Operations (€000)	(3,313)	79,913
Loss for the year attributable to equity holders of the parent – Continuing Operations (€000)	(3,313)	(34,258)
Profit for the year attributable to equity holders of the parent – Discontinued Operations (€000)	–	114,171
Weighted average number of ordinary shares	5,446,215	168,580,851
Basic and diluted EPS – Total Operations (€)	(0.61)	0.47
Basic and diluted EPS – Continuing Operations (€)	(0.61)	(0.22)
Basic and diluted EPS – Discontinued Operations (€)	–	0.68

23. DIVIDENDS PAID

No dividends were declared or paid in 2022.

In the comparative period, the Company declared a first interim dividend on 21 December 2020 at a rate of 2.2p per share, totalling £4.8 million (€5.6 million). The dividend was paid on 9 March 2021. The Company also declared a second interim dividend on 21 June 2021 at a rate of 2.6p per share, totalling £5.7 million (€6.7 million). The dividend was paid on 23 July 2021.

24. RELATED PARTY TRANSACTIONS

In the opinion of the Directors, there is no one single controlling party, nor any transactions with related parties for the years ended 31 December 2022 or 2021. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party, or the parties are under common control or influence, in making financial or operational decisions.

Transactions with key management personnel

The Board considers the Executive Directors and Non-Executive Directors of the Company to be the key management personnel of Zegona. Details of the amounts paid to key management personnel are detailed in the Directors' Remuneration Report on pages 31 and 35. Holdings of Management Shares and subscriptions for shares by management are detailed in note 17.

25. AUDITOR'S REMUNERATION

	2022 €000	2021 €000
Fees for the audit of the Company's annual accounts	129	200
Total audit fees	129	200
Fees for procedures on interim financial statements	–	15
Agreed upon procedures	–	29
Total non-audit fees	–	44

26. POST BALANCE SHEET EVENTS

There have been no material post balance sheet events that would require disclosure or adjustment to these financial statements.

NOTICE is hereby given that the Annual General Meeting (the “AGM”) of Zegona Communications plc (the “Company”) will be held at the offices of Travers Smith LLP, 10 Snow Hill, London, EC1A 2AL on 20 June 2023 at 10.30 a.m. for the transaction of the following business:

To consider and, if thought fit, to pass the following resolutions, numbers 1 to 11 of which will be proposed as ordinary resolutions and numbers 12 to 15 of which will be proposed as special resolutions:

1. THAT the Company’s financial statements for the year ended 31 December 2022, together with the Directors’ report and the auditor’s report on those financial statements and on the auditable part of the Directors’ remuneration report, be received.
2. THAT Eamonn O’Hare be re-elected as a Director.
3. THAT Robert Samuelson be re-elected as a Director.
4. THAT Richard Williams be re-elected as a Director.
5. THAT Ashley Martin be re-elected as a Director.
6. THAT Kjersti Wiklund be re-elected as a Director.
7. THAT Suzi Williams be re-elected as a Director.
8. THAT KPMG LLP be re-appointed as auditor to the Company until the conclusion of the next annual general meeting of the Company.
9. THAT the Directors be authorised to fix the auditor’s remuneration.
10. THAT the Directors’ remuneration report, which is set out in pages 31 to 38 of the annual report of the Company for the year ended 31 December 2022, be approved.
11. THAT for the purposes of section 551 Companies Act 2006 (the “Act”) (and so that expressions used in this resolution shall bear the same meanings as in the said section 551), the Directors be and are generally and unconditionally authorised to exercise all powers of the Company to allot:
 - 11.1 shares and to grant such subscription and conversion rights as are contemplated by sections 551(1)(a) and (b) of the Act respectively up to a maximum nominal amount of £22,574 to such persons and at such times and on such terms as they think proper; and further
 - 11.2 equity securities (as defined in section 560 of the Act) in connection with a rights issue in favour of the holders of equity securities and any other persons entitled to participate in such issue where the equity securities respectively attributable to the interests of such holders and persons are proportionate (as nearly as may be) to the respective number of equity securities held by them up to a maximum nominal amount of £22,574,subject only to such exclusions or other arrangements as the Directors may consider necessary or expedient to deal with treasury shares, fractional entitlements or legal or practical problems under the laws of any territory or requirements of any recognised regulatory body or stock exchange in any territory, provided that such authority shall expire at the conclusion of the next annual general meeting of the Company or the date which is 18 months after the date on which this resolution is passed, whichever is the earlier, save that the Company be and is hereby authorised to make, prior to the expiry of such periods, any offer or agreement which would or might require such shares or rights to be allotted or granted after the expiry of the said periods and the Directors may allot such shares or grant such rights under any such offer or agreement as if the authority had not expired.
12. THAT if resolution 11 set out in the Notice convening this Meeting is passed, the Directors be and are hereby authorised to allot equity securities (as defined in section 560 of the Act) for cash under the authority given

by that resolution and/or to sell ordinary shares held by the Company as treasury shares for cash as if section 561 of the Act did not apply to any such allotment or sale, such authority to be limited to:

- 12.1 the allotment of equity securities in connection with an issue or offering in favour of holders of equity securities (but in the case of an allotment pursuant to the authority granted under resolution 11.2, such power shall be limited to the allotment of equity securities by way of a rights issue only) and any other persons entitled to participate in such issue or offering where the equity securities respectively attributable to the interests of such holders and persons are proportionate (as nearly as may be) to the respective number of equity securities held by or deemed to be held by them on the record date of such allotment, subject only to such exclusions or other arrangements as the Directors may consider necessary or expedient to deal with treasury shares, fractional entitlements or legal or practical problems under the laws of any territory or requirements of any recognised regulatory body or stock exchange in any territory; and
- 12.2 the allotment (otherwise than pursuant to paragraph 12.1 above) of equity securities up to a nominal amount of £6,172,

such authority, unless renewed, to expire at the conclusion of the next annual general meeting of the Company or the date which is 18 months after the date on which this resolution is passed, whichever is the earlier, but in each case, prior to its expiry the Company may make offers, and enter into agreements, which would, or might, require equity securities to be allotted (and treasury shares to be sold) after the authority expires and the Directors may allot equity securities (and sell treasury shares) under any such offer or agreement as if the authority had not expired.

13. THAT if resolution 11 set out in the Notice convening this Meeting is passed, the Directors be and are hereby authorised in addition to any authority granted under resolution 11 to allot equity securities (as defined in section 560 of the Act) for cash under the authority given by that resolution and/or to sell ordinary shares held by the Company as treasury shares for cash as if section 561 of the Companies Act 2006 did not apply to any such allotment or sale, such authority to be:

- 13.1 limited to the allotment of equity securities or sale of treasury shares up to a nominal amount of £6,172; and
- 13.2 used only for the purposes of financing (or refinancing, if the authority is to be used within six months after the original transaction) a transaction which the Board of the Company determines to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this notice;

such authority, unless renewed, to expire at the conclusion of the next annual general meeting of the Company or the date which is 18 months after the date on which this resolution is passed, whichever is the earlier, but in each case, prior to its expiry the Company may make offers, and enter into agreements, which would, or might, require equity securities to be allotted (and treasury shares to be sold) after the authority expires and the Directors may allot equity securities (and sell treasury shares) under any such offer or agreement as if the authority had not expired.

14. THAT the Company be and is hereby generally and unconditionally authorised for the purpose of section 701 Companies Act 2006 to make market purchases (as defined in section 693 of the said Act) of ordinary shares of £0.01 each in the capital of the Company ("**ordinary shares**") provided that:



- 14.1 the maximum number of ordinary shares hereby authorised to be purchased is 925,864, being equal to 14.99 per cent. of the issued ordinary shares;
- 14.2 the minimum price (exclusive of expenses) which may be paid for such ordinary shares is £0.01 per share, being the nominal amount thereof;

- 14.3 the maximum price (exclusive of expenses) which may be paid for such ordinary shares shall be an amount equal to the higher of (i) 5% above the average of the middle market quotations for such shares taken from The London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the purchase is made and (ii) the higher of the price of the last independent trade of an ordinary share and the highest current independent bid for an ordinary share as derived from the London Stock Exchange Trading System (SETS);
- 14.4 the authority hereby conferred shall (unless previously renewed or revoked) expire on the earlier of the end of the next annual general meeting of the Company and the date which is 18 months after the date on which this resolution is passed; and
- 14.5 the Company may make a contract to purchase its own ordinary shares under the authority conferred by this resolution prior to the expiry of such authority, and such contract will or may be executed wholly or partly after the expiry of such authority, and the Company may make a purchase of its own ordinary shares in pursuance of any such contract.
15. THAT the Company be and is hereby authorised to provide notice to shareholders of general meetings of the Company of at least 14 clear days' notice.

BY ORDER OF THE BOARD
Secretary: Crestbridge Corporate Services Ltd
Date: 6 April 2023
Registered Office: 47 Esplanade, St Helier, Jersey, JE1 0BD

Notes:

- (i) A member entitled to attend and vote at the Meeting convened by the above Notice is entitled to appoint a proxy to exercise all or any of the rights of the member to attend and speak and vote on his behalf. A proxy need not be a member of the Company. A member may appoint more than one proxy in relation to the Meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. The right to appoint a proxy does not apply to any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 (the “Act”) to enjoy information rights (a “Nominated Person”).
- (ii) To appoint a proxy, you may:
 - (a) Submit your proxy online at www.signalshares.com (the “Website”) by following the on-screen instructions, in particular at the “Proxy Voting” link, by no later than 10:30 am on Friday 16 June 2023. In order to appoint a proxy using the Website, members will need to log into their Signal Shares account, or register if they have not previously done so. To register members will need to identify themselves with their Investor Code which is detailed on their share certificate or available from our Registrar, Link Group, on Tel: 0371 664 0300. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00 – 17:30, Monday to Friday excluding public holidays in England and Wales.
 - (b) Link Group, the company’s registrar, has launched a shareholder app: LinkVote+. It’s free to download and use and gives shareholders the ability to access their shareholding record at any time and allows users to submit a proxy appointment quickly and easily online rather than through the post. The app is available to download on both the Apple App Store and Google Play, or by scanning the relevant QR code below.

Apple App Store	GooglePlay
	

- (c) If you are an institutional investor you may also be able to appoint a proxy electronically via the Proxymity platform, a process which has been agreed by the Company and approved by the Registrar. For further information regarding Proxymity, please go to www.proxymity.io. Your proxy must be lodged by 10:30am on 16 June 2023 in order to be considered valid or, if the meeting is adjourned, by the time which is 48 hours before the time of the adjourned meeting. Before you can appoint a proxy via this process you will need to have agreed to Proxymity’s associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy. An electronic proxy appointment via the Proxymity platform may be revoked completely by sending an authenticated message via the platform instructing the removal of your proxy vote.
- (d) You may request a hard copy form of proxy directly from our Registrar, Link Group, on Tel: 0371 664 0300 or by emailing shareholderenquiries@linkgroup.co.uk. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00 – 17:30, Monday to Friday excluding public holidays in England and Wales.

To be effective the completed and signed form of proxy must be lodged at the office to Link Group, PXS1 Central Square, 29 Wellington Street, Leeds, LS1 4DL (together with any power of attorney or other authority under which it is signed or a notarially certified copy of such power or authority) by no later than 10:30 am on Friday 16 June 2023.

Please indicate in the appropriate box how you wish your votes to be cast. In the absence of any specific direction, the proxy will vote (or abstain from voting) at his or her discretion. On any other business which properly comes before the Annual General Meeting (including any motion to amend any resolution or to adjourn the Meeting) the proxy will vote or abstain at his or her discretion.

- (e) if you hold your shares in uncertificated form, use the CREST electronic proxy appointment service as described in the CREST manual or in the Explanatory Notes to the resolutions set out below.
- (iii) Completion of the Form of Proxy or appointment of a proxy through CREST will not prevent a member from attending and voting in person if he/she wishes to do so.
- (iv) Any corporation which is a shareholder in the Company may appoint one or more corporate representatives who may exercise on its behalf all of that corporation's powers as a shareholder of the Company provided that, where there is more than one corporate representative appointed, they do not attempt to exercise the corporation's rights in respect of the same shares.
- (v) Any member or his corporate representative or proxy attending the Meeting has the right to ask any question at the Meeting relating to the business of the Meeting.
- (vi) Pursuant to section 360B of the Act and Regulation 41 of the Uncertificated Securities Regulations 2001 (as amended), only shareholders registered in the register of members of the Company as at close of business on Friday 16 June 2023 shall be entitled to attend and vote at the AGM in respect of the number of shares registered in their name at such time. If the Meeting is adjourned, the time by which a person must be entered on the register of members of the Company in order to have the right to attend and vote at the adjourned Meeting is close of business, 48 hours before the time fixed for the adjourned Meeting. Changes to the register of members after the relevant times shall be disregarded in determining the rights of any person to attend and vote at the Meeting.
- (vii) In the case of joint holders, the vote of the senior holder who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the relevant joint holding.
- (viii) From the date of this notice, copies of the terms and conditions of appointment of the Non-Executive Directors and the service contracts of the Zegona Chairman and Executive Directors are available for inspection at the registered office of the Company, 8 Sackville Street, Mayfair, London, W1S 3DG, during usual business hours on any weekday (Saturdays, Sundays and public holidays excluded) until the conclusion of the AGM and will be available for inspection at the place of the AGM for at least 15 minutes prior to and during the Meeting.
- (ix) Save as set out in these notes, members who have general queries relating to the AGM should contact Link Group on 0371 664 0300. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00 – 17:30, Monday to Friday excluding public holidays in England and Wales. Please note that you may not use any electronic address or other contact details provided in this notice of AGM, or any related documents (including the Chairman's letter and Form of Proxy), for any purpose other than those expressly stated.
- (x) As at 6 April 2023 (being the last business day prior to the publication of this notice) the Company's issued share capital consists of 6,172,424 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 6 April 2023 are 6,172,424.

- (xi) The information required to be published by section 311A of the Act (information about the contents of this notice and numbers of shares in the Company and voting rights exercisable at the AGM and details of any members' statements, members' resolutions and members' items of business received after the date of this notice) may be found at www.zegona.com. Subject to the limitations of the resolution approved at the AGM of the Company on 15 April 2016, the Company does not intend to post or email hard copies of shareholder related documents, such as this Report and Notice of Annual General Meeting, to shareholders. All documents will be made available on the Company's website, www.zegona.com.
- (xii) A Nominated Person may under an agreement between him/her and the member who nominated him/her, have a right to be appointed (or to have someone else appointed) as a proxy entitled to attend and speak and vote at the Meeting. Nominated Persons are advised to contact the member who nominated them for further information on this and the procedure for appointing any such proxy.
- (xiii) Submission of a Proxy vote shall not preclude a member from attending and voting in person at the meeting in respect of which the proxy is appointed or at any adjournment thereof.
- (xiv) Unless otherwise indicated on the Form of Proxy, CREST, Proxymity or any other electronic voting instruction, the proxy will vote as they think fit or, at their discretion or withhold from voting.

The purpose of these notes is to explain the resolutions and business to be conducted at the Company's AGM. Resolutions 1 to 13 set out in the Notice detail the ordinary resolutions and resolutions and 15 to 18 detail the special resolutions. Further explanation in relation to the resolutions is set out below.

Resolution 1 – To approve the Annual Report and Financial Statements

Resolution 1 proposes the receipt and adoption of the Annual Report, which includes the Financial Statements of the Company for the year ended 31 December 2022, together with the Directors' report and auditor's report on those Financial Statements.

The Company's Annual Report, including the Financial Statements for the year ended 31 December 2022, is available on the Company's website, www.zegona.com. The Annual Report was prepared in compliance with the requirements of the Act and the requirements of the Listing Rules of the Financial Conduct Authority that would apply if the Company was listed on the Premium segment of the Official List as at the date of their approval by the Board.

Resolutions 2 to 7 – Election of Directors

Resolutions 2 to 7 deal with the re-election of each Director of the Company that, subject to the Articles of Association of the Company (the "**Articles**"), is required to retire at every annual general meeting of the Company. All Directors on the Board will retire at the AGM for this reason. Each of such Directors is offering himself for re-election and resolutions 2 to 7 propose the re-election of such Directors. Biographies of each of the Directors retiring in accordance with the Articles are set out on pages 17 and 18 of the Annual Report. Suzi Williams is the chair of the Nomination and Remuneration Committee. Ashley Martin is the chair of the Audit and Risk Committee and, if re-elected, will continue in this role.

The Chairman has confirmed that, following a performance review in line with the UK Corporate Governance Code, all of the Directors continue to perform effectively and contributed positively to the Board meetings that they attended during 2022 as set out on page 19 of the Annual Report and subsequently to the date of this notice.

Resolutions 8 and 9 – Re-appointment and remuneration of auditor

The appointment of KPMG LLP as auditor of the Company, which started on 18 November 2016, terminates at the conclusion of the AGM. KPMG LLP has indicated its willingness to stand for re-appointment as auditor of the Company until the conclusion of the annual general meeting to be held in 2023. The Directors, as well as the Audit and Risk Committee, recommend that KPMG LLP be re-appointed and that its remuneration be fixed.

Resolution 10 – Directors' remuneration report

In accordance with the requirements under the Act, shareholders are being asked to approve the Directors' remuneration report set out on pages 31 to 38 of the Annual Report. The actual remuneration paid to Directors in 2022 was made within the boundaries of the Directors' remuneration policy approved by shareholders at the 2022 Annual General Meeting.

Resolution 11 – Directors' authority to allot shares

The existing power granted to the Directors to allot ordinary shares expires at the conclusion of the AGM. Accordingly, resolution 11 is proposed to renew the Directors' authority to allot ordinary shares of up to a maximum nominal amount of (i) £22,574 (being one-third of the Company's issued ordinary share capital as at 6 April 2023) to such persons and upon such conditions as the Directors may determine; and (ii) a further maximum aggregate nominal amount of £22,574 (being one-third of the Company's issued ordinary share capital as at 6 April 2023) in connection with a rights issue (as defined in resolution 12 of the Notice), 6 April 2023, being the latest practicable date before the publication of this notice.

This request for authority to allot shares up to a maximum of two-thirds of the Company's issued ordinary share capital is in line with the guidelines published by the Investment Association.

The authorities sought under resolution 11 will expire on the earlier of (i) the end of the next annual general meeting of the Company and (ii) the date which is eighteen months after the date on which this resolution is

passed. The resolution replaces a similar resolution passed at the Annual General Meeting of the Company held on 28 June 2022. The Directors have no present intention of exercising such authority. However, the Directors consider it important to have the maximum ability and flexibility commensurate with good corporate governance guidelines to raise finance to enable the Company to respond to market developments and conditions. No shares are currently held by the Company in treasury.

Resolutions 12 and 13 – Disapplication of pre-emption rights

The Act requires that shares or other equity securities allotted for cash are offered first to existing shareholders in proportion to their existing holdings. The passing of resolutions 12 and 13 would allow the Directors to allot shares (or sell any shares which the Company may hold in treasury following a purchase of its own shares) without first offering the securities to existing shareholders.

Accordingly, resolution 12 allows the Directors to allot shares and sell treasury shares for cash (i) in connection with a pre-emptive offer or pre-emptive rights issue and/or (ii) otherwise up to a nominal value of £6,172, equivalent to 10 per cent. of the total issued ordinary share capital of the Company (excluding treasury shares) as at April 2023, being the latest practicable date prior to the date of publication of this notice, without first having to offer them to existing shareholders in proportion to their holdings.

The Pre-Emption Group's Statement of Principles also supports the annual disapplication of pre-emption rights in respect of allotments of shares and sales of treasury shares for cash representing no more than an additional 10 per cent. of issued ordinary share capital (exclusive of treasury shares), to be used only in connection with an acquisition or specified capital investment. The Pre-Emption Group's Statement of Principles defines "specified capital investment" as meaning one or more specific capital investment related uses for the proceeds of an issue of equity securities, in respect of which sufficient information regarding the effect of the transaction on the Company, the assets the subject of the transaction and (where appropriate) the profits attributable to them is made available to shareholders to enable them to reach an assessment of the potential return.

Accordingly, resolution 13 authorises the Directors to allot new shares pursuant to the allotment authority given by resolution 11, or sell treasury shares, for cash up to a further nominal amount of £6,172, being an additional 10 per cent. of the entire issued share capital of the Company as at 3 April 2023, only in connection with an acquisition or specified capital investment which is announced contemporaneously with the allotment, or which has taken place in the preceding six-month period and is disclosed in the announcement of the allotment. If the authority given in resolution 13 is used, the Company will publish details of the allotment in its next annual report.

The authorities will expire on the earlier of: (i) the end of the next annual general meeting of the Company; and (ii) the date which is 18 months after the date on which this resolution is passed. This resolution replaces a similar resolution passed at the Annual General Meeting of the Company held on 28 June 2022.

Resolution 14 – Purchases of own shares by the Company

This resolution seeks authority from shareholders for the Company to make market purchases of its own ordinary shares, limited to the purchase of 14.99 per cent. of the ordinary shares in issue as at 6 April 2023.

The maximum and minimum prices payable are also limited in the resolution. The authority will only be exercised if the Directors consider that there is likely to be a beneficial impact on earnings per ordinary share and that it is in the best interests of the Company at the time. The Company will be able to hold the ordinary shares which have been repurchased as treasury shares and re-sell them for cash, cancel them or use them for the purposes of any employee share schemes. No options to subscribe for ordinary shares have been granted and are outstanding as at 6 April 2023, although shares issued in the Company’s Management Incentive Schemes may be exchanged for ordinary shares in certain circumstances.



Resolution 15 – Reduction of notice period for general meetings of the Company

This resolution seeks authority from shareholders for the Company to call general meetings at 14 clear days’ notice, as opposed to 21 clear days’ notice. While the Company’s Articles already provide that the Company can call any general meeting (other than an annual general meeting) at 14 clear days’ notice, the Act requires that, in order to do so, the reduction from 21 days to 14 days must be approved by way of a special resolution of the Company’s shareholders. It is the Company’s intention to continue to call annual general meetings at 21 clear days’ notice.

Action to be taken

You are asked to either:

1. If you hold your shares in certificated form, unlike previous years, and in order to reduce the Company’s environmental impact, you will not receive a hard copy form of proxy for the 2023 Annual General Meeting in the post automatically. Instead, you will be able to appoint a proxy electronically using the link www.signalshares.com by no later than 10:30 am on Friday 16 June 2023. Details of how to appoint a proxy in this way are set out on page 84 of this document.
2. Link Group, the company’s registrar, has launched a shareholder app: LinkVote+. It’s free to download and use and gives shareholders the ability to access their shareholding record at any time and allows users to submit a proxy appointment quickly and easily online rather than through the post. The app is available to download on both the Apple App Store and Google Play, or by scanning the relevant QR code below.

Apple App Store	GooglePlay
	

3. If you are an institutional investor you may also be able to appoint a proxy electronically via the Proximity platform, a process which has been agreed by the Company and approved by the Registrar. For further information regarding Proximity, please go to www.proximity.io. Your proxy must be lodged by 10:30am on 16 June 2023 in order to be considered valid or, if the meeting is adjourned, by the time which is 48 hours before the time of the adjourned meeting. Before you can appoint a proxy via this process you will need to

have agreed to Proxymity's associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy. An electronic proxy appointment via the Proxymity platform may be revoked completely by sending an authenticated message via the platform instructing the removal of your proxy vote.

4. if you hold your shares in uncertificated form, use the CREST electronic proxy appointment service as described below.

Completion of the Form of Proxy or appointment of a proxy through CREST does not prevent a member from attending and voting in person.

Shares held in uncertificated form – electronic proxy appointment through CREST

CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the AGM and any adjournment(s) thereof by utilising the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed (a) voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a “**CREST Proxy Instruction**”) must be properly authenticated in accordance with Euroclear UK & International specifications and must contain the information required for such instructions, as described in the CREST Manual (www.euroclear.com). The message must be transmitted so as to be received by the issuer's agent, Link Group (ID RA10), by 10:30 a.m. on Friday 16 June 2023. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & International does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed (a) voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001 (as amended).

Joint Corporate Brokers

J.P. Morgan Cazenove
25 Bank Street
London
E14 5JP
Telephone: +44 (0)22 7134 4000

Barclays Bank plc
5 The North Colonnade
Canary Wharf
London
E14 4BB
Telephone: +44 (0)22 3134 9801

Canaccord Genuity Limited
88 Wood Street
London, UK
EC2V 7QR
Telephone: +44 (0)22 7523 8000

Auditor

KPMG LLP
15 Canada Square
London
E14 5GL
Telephone: +44 (0)22 7311 1000

Registrar

Link Group
Central Square
29 Wellington Street
Leeds
LS1 4DL
Telephone: +44 (0) 371 664 0391

Company Secretary

Crestbridge Corporate Services Ltd
47 Esplanade
St Helier
Jersey
JE1 0BD
Telephone: +44 (0)1534 835 600

Solicitors to the Company

Travers Smith LLP
10 Snow Hill
London
EC1A 2AL
Telephone: +44 (0)22 7295 3000

Milbank, Tweed, Hadley & McCloy LLP
10 Gresham Street
London
EC2V 7JD
Telephone: +44 (0)22 7615 3000