Zegona Communications plc

Annual Report

For the Year Ended 31 December 2023

CONTENTS

I am pleased to present Zegona's annual report for 2023.

Agreement to purchase Vodafone Spain

In the past year we continued to focus on finding the right opportunity within the European telecommunications market where we can again successfully apply our proven strategy and capabilities to generate attractive returns for our shareholders. On 31 October 2023 we announced the proposed acquisition of Vodafone Spain from Vodafone Europe B.V. ("Vodafone Europe"). The acquisition is due to complete in the first half of 2024.

The headline purchase price payable by the Company is €5 billion which is subject to certain adjustments as set out in the acquisition agreement. The purchase price is based on an enterprise value of €5 billion which represents a multiple of 3.9x FY23 Business EBITDAaL[1] of approximately €1.3 billion. This valuation benchmarks attractively to precedent European telecommunications transaction multiples such as the sale of Euskaltel to MásMóvil Ibercom, S.A.U. in 2021, which valued Euskaltel at a multiple of 10.1x 2020 EBITDA, and the Orange/MásMóvil merger announced on 23 July 2022. That announcement disclosed a valuation for Orange of 7.2x Orange's 2022E EBITDAaL and a valuation for MásMóvil of 8.7x MásMóvil's 2022E EBITDAaL.

We are financing the acquisition of Vodafone Spain through a mixture of equity and debt. We have issued shares and entered into an underwritten financing package, as follows:

- €300 million (£262 million) in gross proceeds through the Placing of 174,413,535 shares at a price per share of 150 pence;
- €900 million (£785 million) in gross proceeds through the conditional subscription for 523,240,603 shares at 150 pence per share by EJLSHM Funding Limited;
- committed debt financing of €3,900 million which consists of a term loan of €500 million and a corporate bridge facility of €3,400 million;
- €0.5 million (£0.5 million) through a separate offering of shares at 150 pence per share; and
- €500 million Revolving Credit Facility entered into on 31 October 2023 which is not expected to be drawn upon at the closing of the proposed acquisition.

The Directors believe the financing package provides Zegona with an attractive cost of capital, in line with the approach taken to Zegona's prior investments in Telecable and Euskaltel. Zegona intend to refinance the corporate bridge facility in the debt capital markets.

Macroeconomic / market update

The past year has been marked by continuing geo-political and macro-economic developments that have impacted European economies. In particular, the ongoing war in Ukraine and events in the Middle East have created uncertainty and have led to increased commodity prices, inflation and interest rates. More recently, there are positive macroeconomic indications, with inflation rates starting to fall and bond interest rates reducing on the market expectation of governments/the European Bank cutting interest rates during 2024. These developments have created a more positive environment for raising finance and are expected to lead to lower finance costs going forwards.

1 "Business EBITDAaL" is defined as Vodafone Group Spain segment's reported Adjusted EBITDAaL adjusted in line with Zegona's accounting policy relating to subscriber acquisition costs. "Adjusted EBITDA" is defined as operating profit excluding net interest, depreciation, amortisation (including amortisation of customer-related intangible assets), and gains/losses on disposal of owned and leased assets, impairment losses, restructuring costs arising from discrete restructuring plans, other income and expense and significant items that are not considered by Vodafone Spain's Management to be reflective of the underlying performance of Vodafone Spain.

The telecommunications sector has continued to face challenges during 2023 as 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 continued to be affected. Overall, the level of European TMT mergers and acquisitions in 2023 has remained below the historic average, with a tendency for the major international players to focus on their core operations and more difficult financing conditions impacting the ability of financial investors to acquire assets. There have also been a number of in-market consolidations as operators have sought synergies and increased scale, such as the announced $19 billion merger of Vodafone's and Hutchison's UK businesses and the €18.6 billion MásMovíl and Orange Spain combination.

We believe Zegona's proposed acquisition of Vodafone Spain is well positioned to benefit from these developments. We are seeing improved financial market conditions leading to the potential to finance the business at lower cost. Vodafone Spain has market-leading infrastructure with a high quality national mobile network and gigabit capable fixed network. These assets create strong foundations for the business and its future development. Vodafone Spain has already entered into value-creating relationships of this kind, in particular with its joint roll-out with Orange of mobile coverage into less urban areas.

Eamonn O'Hare
Chairman and Chief Executive Officer
29 April 2024

Vision

- Execute our 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 now a customer requirement in many markets but network rollouts 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 play[2] customers who are combining mobile and fixed services. This has driven improvements in economics for converged players since mobile data delivery is heavily dependent on high-capacity fixed networks and customers taking multiple products tend to be more loyal.
- **Industry consolidation:** The sector has seen M&A activity focussed on improving fundamental economics through bringing businesses together and to realise the delivery of next generation networks. Industry players are increasingly 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.
- **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, B2B[3], and network infrastructure sectors. The proposed acquisition of Vodafone Spain reflects this openness to identifying opportunities, with a detailed plan already in place to substantially improve the operations, customer service and financial returns from the business.

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 strong 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 lead to it acquiring Euskaltel in July 2021. In 2023 we were able to gain the trust and support necessary from Vodafone and the financial markets to negotiate and arrange funding for the acquisition of Vodafone Spain. 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. Zegona has a long-term perspective and as a public company, its shareholders can readily realise value at any stage through the improvement and transformation journey of the businesses we own. This makes Zegona fundamentally different from private equity businesses, most of whom work within a short to medium term timeframe. This also permits a focus on fundamental business improvements that are value accretive rather than relying on high leverage and valuation multiple expansion. We are also able to act quickly on acquisition opportunities while maintaining financial discipline. This is especially attractive to potential sellers and a key differentiator.

2 Quad play: customers with four services (pay TV, fixed voice, broadband and mobile).
3 Business to Business.

- **Major global investors:** Zegona benefits from having a number of global public equity asset managers with a long-term outlook as shareholders. The strong support which we have from such shareholders was illustrated by our successful placement of over €1.2 billion in 2023. 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, for the proposed acquisition of Vodafone Spain, are set out below.

Zegona has significant relevant experience in the Spanish telecommunications market. When Zegona entered the Spanish telecommunications market through its purchase of Telecable in August 2015, it identified an opportunity for substantial value creation under new ownership. Zegona took this further through the sale of Telecable to Euskaltel and the delivery of Zegona's transformation programme at Euskaltel to create shareholder value.

Vodafone Spain is one of the leading telecoms networks in Spain with a high quality mobile network and a gigabit capable fixed network covering over 10 million households. The business also has access to the majority of the remaining homes in Spain through partnerships and wholesale arrangements. However, business performance has been disappointing in a changing market and the business now requires change. Zegona believes the future of the business lies in right-sizing its cost base, operating the assets more efficiently and driving value for money service propositions. At the same time, the business needs to focus its investments on next generation technologies that customers will value and be willing to pay for. This is a strategy which the Directors believe Zegona is well placed to execute, having made similar changes at Euskaltel resulting in an 87% return on Zegona's Net Invested Capital.

Zegona has identified key areas where specific cost saving actions can be taken to bring Vodafone Spain's cost base and Business Cash Flow Margin more in line with relevant peers. These actions include targeted cost reductions in areas such as subscriber acquisition costs (driving distribution towards more efficient digital channels), bad debt levels, TV content costs, IT capital expenditure, fixed wholesale access costs and other operational expenditures. Zegona's investment plan for Vodafone Spain rests on five key pillars which the Directors believe will enable the business to continue to compete effectively, deliver its strategic objectives and drive shareholder value:

(1) An increasingly attractive, highly developed Spanish telecommunications market, underpinned by strong fundamentals and supported by convergence and consolidation tailwinds;

(2) Leading integrated operator with strong market positions in consumer and B2B markets, a diversified product offering and highly converged customer base across the value spectrum;

(3) High quality next generation mobile and fixed-line networks supported by strong spectrum positioning, attractive active network sharing arrangements to drive efficiency and extensive nationwide reach through wholesale agreements;

(4) Resilient cash flow, with significant upside driven by underlying market growth and bottom-up revenue, cost and capex optimisation opportunities driving strong margin expansion; and

(5) Potential for Vodafone Spain to benefit from Zegona's extensive experience driving growth and cost optimisation in the Spanish market.

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 of €15.6 million (2022: €3.3 million net loss) which principally comprised:

Operating loss

Operating loss totalled €13.4 million (2022: €3.3 million) and included:

- €8.5 million (2022: €26 thousand) for significant project costs, principally professional fees paid in relation to the proposed acquisition of Vodafone Spain;
- €4.7 million (2022: €3.3 million) for Zegona's ongoing corporate operations. These costs included strengthening the team in order to pursue the acquisition of Vodafone Spain.

Net finance income

Net finance income totalled €5.7 million (2022: €21 thousand of costs) and comprises interest earned on cash deposits recognised within Finance Income net of bank charges, overdraft interest recognised within Finance Costs, and imputed interest income on the €900 million promissory note from EJLSHM Funding Limited which will be satisfied upon the completion of the proposed acquisition of Vodafone Spain.

Exchange differences

Exchange differences totalled a loss of €7.8 million (2022: loss of €3 thousand) reflecting translation of euro-based transactions during the year into the functional currency of Sterling.

Other Comprehensive Income

Exchange differences on translation resulted in a gain of €8.1 million (2022: loss of €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 as at 31 December 2023 were €1,181.7 million (2022: €10.5 million) which substantially comprised the Other Receivables of €1,187.4 million and Income Tax Receivable of €5.1 million. The increase in the period is due to receipt of funds and the receivable recognised from the issue of shares to fund the proposed acquisition of Vodafone Spain.

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 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 create value in acquired businesses

Zegona's proposed acquisition of Vodafone Spain is based on a detailed assessment of the Vodafone Spain's business and where Zegona can create considerable value through its proven long term improvement strategy.

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.

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 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 operated in the Spanish telecommunications market since 2015 and have a good understanding of the market and its key drivers. We are familiar with all the main operators, including Vodafone Spain, and have analysed their market positions, strategies and operational performance over an extended time period. We have been evaluating Vodafone Spain and its operations since 2022, identifying opportunities to improve the business performance. We have developed a detailed improvement plan for the business which sets out specific actions to be taken within each business area and the expected improvements to be delivered from each. We have also evaluated the restructuring investment that is expected to be required and these costs are included in all our financial projections for the business. As a result, we are confident we can materially improve the performance and financial returns from the business over the business plan period.

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.

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. In line with the pending completion of the Acquisition, Zegona will strengthen its team through the selective hiring of a small number of highly qualified personnel to support Zegona in implementing its plans for Vodafone Spain.

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. The Company raised equity in GBP which was converted into Euros to manage the exposure to currency risk arising in relation to the proposed use of these funds as part settlement of the proposed acquisition price. 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

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.

The assessment period

We continue to believe that three years – in this case the three years to December 2026 – is the appropriate period as it is the period focused on by the Board during its strategic planning process including an assessment of its principal risks.

The assessment process and key assumptions

In making this assessment the Board undertook a comprehensive and robust analysis of the key risks to Zegona including those resulting from the proposed acquisition of Vodafone Spain including those considered to threaten its business model, performance, solvency and liquidity.

Zegona's position changed fundamentally on 31 October 2023 with the proposed acquisition of Vodafone Spain. The proposed acquisition will be part funded by an underwritten financing package of €3.9 billion, which comprises a term loan facility of €0.5 billion (Term Loan A) and a corporate bridge facility of €3.4 billion (see note 15). The bridge loan is for a term of 12 months, with two 6-month extension options being available at the discretion of the Zegona Directors (Zegona intends to refinance the corporate bridge facility in the debt capital markets). The equity funding and debt financing has been considered for the purposes of this viability assessment. The Directors also considered covenants that upon the completion of the proposed Acquisition, will be attached to the underwritten financing package and will be first measured in March 2025.

In assessing whether the viability assumptions are appropriate, the Zegona Board considered both Zegona's and the combined Zegona and Vodafone Spain Group's (assuming completion of the acquisition) operations, strategy, customer numbers and revenues, direct costs, acquisition and retention costs per customer and customer churn rates together with operating and capital expenditure and Business EBITDaaL[4] measures and net debt assumptions.

This assessment also included detailed considerations of current and proposed strategic and business plans, working capital requirements, operating and capital investment plans, debt and funding, available headroom and covenant reporting.

This assessment was conducted considering both a base case and a 'stressed' reasonable worse case scenario, identifying risks and mitigating factors and ensuring both Zegona and the Combined Group has sufficient funding to meet its current, planned and contracted commitments as and when they fall due during the viability assessment period.

Results of the going concern assessment

The assessment showed that, 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.

Statement of viability

Taking into account Zegona's current position and its 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 to 31 December 2026.

The Strategic Report was approved by the Board on 29 April 2024 and is signed on its behalf by:

Eamonn O'Hare
Chairman and Chief Executive Officer

4 As defined on page 1.

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.

The business is committed to diversity and to meeting governance requirements in this important area. Historically we met the 40% gender balance target, with Kjersti Wiklund and Suzi Williams (Chair of the Remunerations & Nominations Committee). Following Kjersti's resignation (2 October 2023), the board has been actively recruiting her replacement, and plans are well advanced in that area. This does however mean that as at 31 December 2023, the board included one woman and no members from a minority ethnic background. The Committee is committed to a diversity policy within its board and is actively incorporating this into its current recruitment process in anticipation of the close of the proposed acquisition of Vodafone Spain.

Board Directors and senior managers have been appointed to bring required skills, knowledge and experience. The Nomination and Remuneration Committee will continue to consider the diversity of the Board for new appointments.

The table below shows the breakdown of our workforce at the end of 2023.

	Male	Female	Total
Board Directors	4	1	5
Senior management	1	–	1
Other staff	–	1	1
Total	5	2	7

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 oversee and have responsibility for Zegona's sustainability initiatives, disclosures, and reporting. These include, but are not limited to, climate risks and opportunities. In view of its current activities 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 limited and climate-related risks and opportunities are accordingly limited until it acquires another business. In the period under review, Zegona had no operating investments and only 4 full time employees. These employees perform largely information-based roles and during 2023 they all worked from home, save for a weekly meeting, as Zegona did not maintain business premises and embraced virtual working practices.

Zegona's approach seeks 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.

For 2023 it was 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, once the Vodafone Spain proposed acquisition completes this 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 specific risks Zegona may be exposed to in the future following the completion of the proposed acquisition of Vodafone Spain without completing a detailed risk assessment. However, Zegona is conscious from preliminary assessments at the deal stage that such risks and opportunities will exist in the acquisition and considers that the most important objective is to ensure these are properly understood so appropriate decisions can be taken on risk mitigation tools.

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's Scope 2 and Scope 3 emissions for the year to 31 December 2023 and comparative previous period are shown below:

	Global tonnes of CO_2e	
	2023	**2022**
Scope 2 (electricity)	–	–
Per €m operating expenses	–	–
Scope 3 (water consumption, business travel)	17.8	4.5
Per €m operating expenses	1.25	1.35

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.

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 22.

General
Details of the directors can be found on pages 17 to 18. 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 30.

Result
For the year ended 31 December 2023, Zegona's loss before tax from continuing operations was €15.6 million (2022: €3.3 million). Other comprehensive gain was €8.1 million (2022: loss of €0.6 million). Therefore, the total comprehensive loss for 2023 was €7.4 million (2022: loss of €4 million). Reviews of performance and likely future developments are set out in the Strategic Report on pages 1 to 8.

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 2023 (2022: €nil).

Contracts of significance
On 31 October 2023 we announced the proposed acquisition of Vodafone Spain from Vodafone Europe B.V. ("Vodafone Europe") by Zegona Communications plc, Zegona Limited and Zegona Bidco, S.L.U (the "Acquisition"). The acquisition is due to complete in the first half of 2024. The details of this proposed acquisition and the significant contracts and arrangements Zegona have entered into are noted on page 1.

There were no further significant contracts.

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 704,149,410 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. We note that, pursuant to the Conditional Subscription and Relationship Agreement dated 31 October 2023, a substantial shareholder, EJLSHM Funding Limited has irrevocably agreed with Zegona not to exercise its voting rights (other than in connection with a takeover) and there are further restrictions around future sales by EJLSHM Funding Limited of Zegona's shares. Holders of Ordinary Shares have the right to participate in dividends and any surplus capital on a winding up pari passu as amongst themselves.

Future Developments
On 31 October 2023 we announced the proposed acquisition of Vodafone Spain from Vodafone Europe. The acquisition is expected to complete in the first half of 2024. Details of this proposed acquisition are noted in the Chairman's Statement on page 1.

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 2024 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 Director's estimate of Zegona's intrinsic value. 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 starting on page 23. 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 2023 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:

Asset manager	Shareholding at 28 March 2024	% of ordinary share capital as at 28 March 2024	Shareholding at 31 December 2023	% of ordinary share capital as at 31 December 2023
EJLSHM Funding Ltd	523,240,603	74.31%	523,240,603	74.31%
Thornburg Investment Management	35,994,107	5.11%	34,880,842	4.95%
Alken Asset Management	25,556,449	3.63%	26,897,259	3.82%
Fidelity Investments Limited	24,928,947	3.54%	24,533,347	3.48%
	609,720,106	**86.59%**	**609,552,051**	**86.56%**

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 2024 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 and, as discussed in note 2 to the financial statements, has concluded the Company is able to continue in business and 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
29 April 2024

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report 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.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

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.

In accordance with Disclosure Guidance and Transparency Rule ("DTR") 4.1.16R, the financial statements will form part of the annual financial report prepared under DTR 4.1.17R and 4.1.18R. The auditor's report on these financial statements provides no assurance over whether the annual financial report has been prepared in accordance with those requirements.

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
29 April 2024

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.

Suzi Williams, independent Non-Executive Director (appointed 5 February 2020)
Suzi is a highly experienced FTSE 250 Non-Executive Director. She has spent over 25 years in telecommunications, media and consumer businesses in the UK and internationally including 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 committee 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.

Previously she was Senior Advisor to The Sustainable Infrastructure fund at Gresham House Private Equity (until June 2023). She also held non-executive director and chair of remuneration committee 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 starting on page 9 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 three 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 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.

Upon on the closure of the proposed acquisition of Vodafone Spain, the Board would meet formally at least six times a year but will frequently meet 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 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. A Schedule of Matters Reserved for the Board, approved by the Board on 9 June 2020, can be found on Zegona's website[6].

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

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 18. 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, and Suzi Williams together with Kjersti Wiklund (until her resignation on 2 October 2023) were 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 2023 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	2/2
Ashley Martin	5/5	2/2	2/2
Suzi Williams	5/5	2/2	–
Kjersti Wiklund*	3/5	–	1/2

* resigned 2 October 2023

Directors' terms of service

Zegona's Articles of Association require each Director to retire from office and offer himself or herself for re-election or election, as the case may be, at each AGM. Accordingly, each of the Directors will retire from office at the 2024 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.

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 appointment letters 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, which was renamed Gen II Corporate Services (Jersey) Limited on 16 April 2024 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 19 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, their tenure should be limited to nine years and succession planning should be undertaken when appropriate. Zegona does not comply with these requirements. 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. The Board consider that it is important that this should continue to be kept under active review.

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. The Board fully recognises the value that can be provided by a SID and is intending to consider such appointments during 2024 following the completion of the proposed acquisition of Vodafone Spain.

Employee engagement

Provisions 2, and 5 provide guidance for the implementation of procedures meant to ensure Zegona engages with and monitors its workforce. Zegona had four employees during the period under review and therefore 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.

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 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 2024 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 is 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.

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.

I am pleased to present the 2023 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 process[7].

Committee membership and meetings

The members of the A&RC during 2023 were Ashley Martin (Chairman), Richard Williams and Kjersti Wiklund (up to her resignation on 2 October 2023), 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 2023, reflecting that Zegona did not hold an operating asset, the A&RC met only in September and April 2023 and has subsequently met in January and April 2024. 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.

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.

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.

- 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 both Zegona's and Zegona incorporating Vodafone Spain (the Combined Group's) ability to continue as a going concern, which involved reviewing the underlying assumptions around on-going cash flows, management's stressing of these assumptions and challenging Management's judgments around Zegona's and the Combined Group'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 and the Combined Group's strategic position. The A&RC also considered the impact of any potential delays to the closing of the proposed acquisition of Vodafone Spain and also the event that the proposed acquisition does not close. The A&RC also reviewed the appropriateness of Management's conclusion that the going concern basis is appropriate. The A&RC also reviewed the proposed disclosure around going concern in the annual report.

  Impact of the proposed acquisition of Vodafone Spain on the Zegona financial statements - The A&RC reviewed and agreed with management's accounting treatment of items relating to the proposed Acquisition. Specifically, the following key judgements were reviewed: treatment of significant project costs, the treatment of the promissory note due from EJLSHM Funding Limited, the foreign change losses arising as a result of the revaluation of the €1,187.7 million of euro denominated assets (generated from the proceeds of the Company's financing activities) to the functional currency of Sterling.

  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 (€5.1 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 and other factors which may impact the external auditor's re-appointment;

- Assessed 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 2023;

- 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 eighth audit and the A&RC was involved in the process to select the 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.

The A&RC maintains a policy that requires the prior approval of non-audit services by the AR&C and the Chief Financial Officer to ensure that such services do not impair the external auditor's independence or objectivity. Additionally, the external auditor's independence and objectivity is further safeguarded by the AR&C policy of prohibiting the employment of any current or former employee of the external audit firm and those with any immediate family members who are an employee of the external auditors. This policy is compliant with the revised FRC Ethical Statement Standard.

During 2023, there were £162,000 non-audit fees paid to KPMG principally relating to the equity raise prospectus and a review of the interim financial statements. These services and fees were approved by the A&RC.

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. Upon the closure of the proposed acquisition of Vodafone Spain their existing internal audit function will form an integral and important part of the Zegona control matrix.

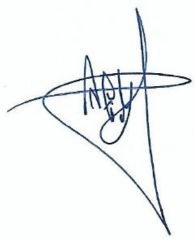
Zegona's risk management framework incorporates a risk assessment that identifies and assesses the strategic, operational and financial risks facing the business, mitigating controls, and appropriate corrective actions, if and when needed. This assessment is continually updated by Management and reviewed 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 which 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 2023.

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

Last year management continued to look for their next investment opportunity in the European Telecommunications market where considerable value could be generated to the Zegona's shareholders and on 31 October 2023 we announced the proposed acquisition of Vodafone Spain from Vodafone Europe B.V. (the proposed "Acquisition"). The acquisition is expected to complete in the first half of 2024.

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

Remuneration decisions for 2023 - Reviewing outcomes against company performance

2023 bonus and salaries

As noted in last year's Remuneration Report, at the start of the year the Committee did not originally envisage paying any bonuses for 2023 given Zegona did not own any material asset at that stage. However, the subsequent identification and securing of the Vodafone Spain business during the year represents an exceptional deal in scale and complexity and is considered to provide an outstanding opportunity to grow value for the shareholders of Zegona. In this context, it was decided that it was wholly appropriate for the Committee to recognise the substantial work of the senior management team in respect of this transformational acquisition, particularly in the absence of any other incentive for the year. Accordingly, bonuses of 100% of salary were approved by the Committee in respect of 2023 for the Executive Directors.

Despite the Committee recognising the contribution of the CEO in securing the Vodafone Spain deal, Eamonn O'Hare made a personal decision to request not to be considered for a bonus for the year.

Application of remuneration policy for 2024

We will perform a detailed and full benchmarking review of the levels of Executive and Non-Executive Director remuneration against relevant and comparable businesses immediately post the close of the acquisition of Vodafone Spain to ensure European compensation equivalences for our Executive and Non-Executive Directors based on delivering a mix between putting in place required governance structures, debt restructuring and commercial targets.

We will report on any resulting changes to remuneration in next year's Remuneration Report.

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.

With specific regard to remuneration, the role of the Committee continues to be ensuring that the Directors are appropriately incentivised and rewarded, through making recommendations regarding remuneration policy and frameworks. 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 2023, the Committee formally met once and has subsequently met in April 2024, supported by a number of full board discussions, with the matters being discussed set out on page 29. 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 2024, and concluded to undertake a full benchmarking exercise;
- Reviewed the recommendations arising from the 2023 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 PricewaterhouseCoopers LLP ("PwC") as an adviser in 2021 and advice has been sought in respect of 2023.

Conclusion

I would like to take the opportunity again to thank shareholders for their support this year and I look forward to your support at the upcoming AGM.

Suzi Williams
Chair of the Nomination and Remuneration Committee

Executive pay at a glance

Purpose	Current policy	2023 Implementation	2024 Implementation
Base salary			
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	Will be considered subject to benchmarking following the completion of the proposed acquisition
Pension contributions			
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.	Contribution reduced to 19%	No change
Other benefits			
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			
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.	Bonuses were paid to certain Executive Directors and senior management	Will be considered subject to benchmarking following the completion of the proposed acquisition
Management Incentive Scheme			
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. The 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 this section are unaudited unless otherwise stated. The annual report on remuneration gives details on the amounts earned in the year ended 31 December 2023 and how the Directors' remuneration policy will be applied in 2024. This remuneration report will be subject to an advisory vote at the 2024 AGM.

2023 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).

	Executive Directors (Sterling)			
	Eamonn O'Hare (Chairman & CEO)		Robert Samuelson (COO)	
	2023 £	2022 £	2023 £	2022 £
Base salary	563,000	563,000	419,000	419,000
Pension contributions	106,970	112,600	79,610	83,800
Taxable benefits	21,321	21,321	21,321	21,321
Company health insurance scheme	8,935	8,582	8,430	8,152
Total fixed pay	**700,226**	**705,503**	**528,361**	**532,273**
Annual cash bonus	–	–	419,000	–
Management Incentive Scheme redemptions	–	–	–	–
Total variable pay	–	–	**419,000**	–
Total fixed and variable pay	**700,226**	**705,503**	**947,361**	**532,273**

	Executive Directors (Euros)			
	Eamonn O'Hare (Chairman & CEO)		Robert Samuelson (COO)	
	2023 €	2022 €	2023 €	2022 €
Base salary	653,080	658,811	486,040	490,305
Pension contributions	124,085	131,762	92,348	98,061
Taxable benefits	24,732	24,950	24,732	24,950
Company health insurance scheme	10,365	10,043	9,779	9,539
Total fixed pay	**812,262**	**825,566**	**612,899**	**622,855**
Annual cash bonus	-	-	486,040	-
Management Incentive Scheme redemptions	-	-	-	-
Total variable pay	**-**	**-**	**486,040**	**-**
Total fixed and variable pay	**812,262**	**825,566**	**1,098,939**	**622,855**

Components of remuneration: Base salary
In 2023 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 2023.

We will perform a detailed and full benchmarking review of the levels of Executive Director remuneration against relevant and comparable businesses immediately post the close of the acquisition of Vodafone Spain to ensure market alignment for our Executive Directors.

Components of remuneration: Pension contributions

In 2023 both Executive Directors received a pension contribution of 19% of their base salary, which was the same as the contribution available to the majority of the workforce. There will be no change to pension provision for 2024.

Components of remuneration: Taxable benefits and Company Health Insurance Scheme

In 2023 both Executive Directors received car allowances, personal tax advice, private medical insurance, and death in service cover, which will continue in 2024.

Components of remuneration: Annual cash bonus

Implementation in 2023

As noted in last year's Remuneration Report, at the start of the year the Committee did not originally envisage paying any bonuses for 2023 given Zegona did not own any material asset at this stage. However, the identification and securing of the Vodafone Spain business during the year, which represents an exceptional deal in scale and complexity and is considered to provide an outstanding opportunity to grow value for the shareholders of Zegona. In this context, it was subsequently decided that it was wholly appropriate for the Committee to recognise the substantial work of the senior management team in respect of this transformational acquisition, particularly in the absence of any other incentive for the year. Accordingly, bonuses of 100% of salary were approved by the Committee in respect of 2023 for the Executive Directors.

Despite the Committee recognising the contribution of the CEO in securing the Vodafone Spain deal, Eamonn O'Hare made a personal decision to request not to be considered for a bonus for the year.

Implementation in 2024

The bonus scheme will continue to operate for the Executive team during 2024/5. Targets are commercially sensitive, especially ahead of completion of the Vodafone Spain acquisition. Targets and performance against them will therefore be disclosed retrospectively in the 2024 Remuneration Report

Components of remuneration: Management Incentive Scheme

Although the Committee has determined that it is appropriate to remunerate and incentivise the Executive Directors through their basic pay, benefits and annual bonus, it considers that for the Executive Directors' a significant portion of potential remuneration should be delivered via long-term incentives linked to the creation and delivery of real returns to shareholders. Accordingly, a key element of Zegona's remuneration policy for the Executive Directors and senior management continues to be 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 Return[8] 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 of associations of Zegona Limited. If the Preferred Return has not been achieved, no payment is made. It is currently anticipated that the

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

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.

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 2023, even though the Management Shares were not exercisable at that date[9]. 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 £1,111 million was higher than both the Preferred Return target and the net invested capital, the holders of the Management Shares would have received some payment.

Since November 2023 (£)		
Net invested capital[10]		1,056,160,071
At 31 December 2023 (£)		
Number of shares	704,149,410	
Average share price[11]	1.577	
Deemed market capitalisation		1,110,541,755
Surplus in value per the incentive scheme		54,381,684
Split between:		
Management Shares	15%	8,157,253
Ordinary Shares	85%	46,224,431

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.

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 2023.

Shareholders' net invested capital at 31 December 2023 was calculated as follows:

	Net invested capital (unadjusted) £	5% pa Preferred Return at 31 Dec 2023 £	Preferred Return hurdle at 31 Dec 2023 £
Baseline Value – 14 October, 2021	6,700,452	764,291	7,464,743
Share Issue – October 2021	1,276,360	143,086	1,419,446
Share Issue – November 2022	1,217,780	69,932	1,287,712
Share Issue - November 2023	1,046,965,479	7,404,517	1,054,369,996
As at 31 December 2023	**1,056,160,071**	**8,381,826**	**1,064,541,897**
Shares outstanding	704,149,410	704,149,410	704,149,410
Per share (£)	1.500	0.012	1.512

2023 Non-Executive Directors remuneration summary (Audited)
The remuneration of the Non-Executive Directors during the year is detailed below. Non-Executive Directors receive a basic fee of £50,000 with an additional fee of £10,000 if the Non-Executive Director is Chair of a sub-committee of the Board. In the interest of clarity, since the Non-Executive Directors fees are set and paid in Sterling, the table has been presented in both Sterling and euros (Zegona's presentational currency).

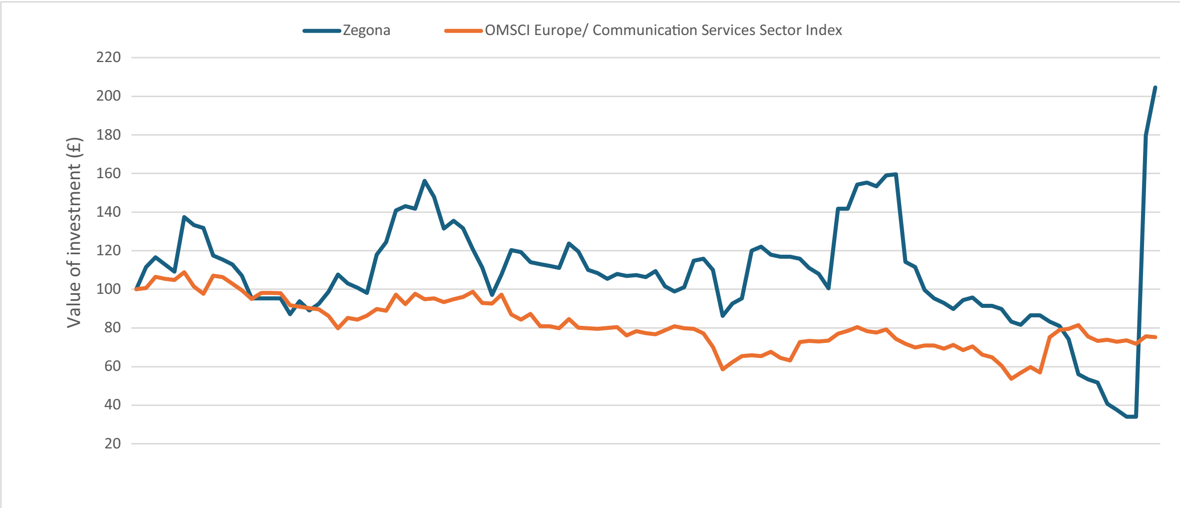
	Non-Executive Directors fees[12]			
	2023 £	2022 £	2023 €	2022 €
Richard Williams	50,000	50,000	58,520	58,509
Ashley Martin	60,000	60,000	69,624	70,211
Kjersti Wiklund*	37,500	50,000	43,515	58,509
Suzi Williams	60,000	60,000	69,624	70,211
Total	**207,500**	**220,000**	**241,283**	**257,440**

* *resigned 2 October 2023*

Non-Executive Director remuneration is fixed and therefore not performance-linked. We will perform a detailed and full benchmarking review of the levels of Non-Executive Director remuneration against relevant and comparable businesses immediately post the close of the acquisition of Vodafone Spain to ensure market alignment for our Non-Executive Directors.

Summary of total shareholder return and Chief Executive remuneration.
The total shareholder return graph below shows the value as at 31 December 2023 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 £204.6 in December 2023 reflects the impact of equity issuance and proposed acquisition of Vodafone Spain.

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	2023
Total remuneration €m	0.67	0.77	1.29	0.71	1.25	1.27	18.48	0.83	0.81
Annual bonus (% of maximum)	0%	0%	100%	0%[14]	94%	75%	0%[15]	0%[16]	0%[17]

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 2022 and 2023:

	Base salary change %	Taxable benefits change %	Annual cash bonus change %
Executive Directors			
Eamonn O'Hare	0%	1.2%	n/a
Robert Samuelson	0%	1.2%	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%**

** resigned 2 October 2023*

13 Period from incorporation on 19 January 2015 to 31 December 2015.
14 The Chief Executive did meet several indicators of achievement in relation to his 2018 bonus objectives, however the Chief Executive waived his 2018 bonus in order to maximise the cash raised from the equity placing in February 2019.
15 The Chief Executive 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 The Chief Executive 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.
17 Bonus was voted for but waived by the CEO

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:

	2023 €000	2022 €000
Employee pay	2,717	2,122
Returns to shareholders	–	–
Of which:		
Dividends	–	–
Capital Return	–	–

Directors' terms and conditions

Service contract duration and directors' appointment letters durations

Director	Contract duration	Notice period
Eamonn O'Hare	Unlimited*	12 months
Robert Samuelson	Unlimited*	12 months
Richard Williams	Unlimited*	6 months
Ashley Martin	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 2024 AGM. All Board members have service contracts or appointment letters and details of the unexpired terms of these service contracts or appointment letters 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 incentive shares pursuant to the long-term incentive plan in force in respect of Zegona. No payments for loss of office were made in 2023.

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 interests are significantly aligned with shareholders through their existing shareholdings and their participation in the Management Incentive Scheme.

The shareholdings of the Directors at 31 December 2023 are set out below. There have been no changes in the shareholdings of the Directors from 31 December 2023 to the date of this report.

Director	Number of shares	% of issued share capital
Eamonn O'Hare	1,067,462	0.15%
Robert Samuelson	525,561	0.07%
Richard Williams	27,742	0.00%
Ashley Martin	13,544	0.00%
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 2022	20 June 2023	99.99%	0.01%	–
(Votes cast)		4,411,747	1	152,250

Suzi Williams
Chair of the Nomination and Remuneration Committee

29 April 2024

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 2023 which comprise the Consolidated Statement of 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 2023 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 eight financial years ended 31 December 2023. 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: group financial statements as a whole	€700,000 (2022: €172,000) 4.50% (2022: 5%) of loss before tax	
Coverage	100% (2022:100%) of Group loss before tax	
Key audit matters (Group and Parent)		**vs 2022**
Event driven	Accounting treatment and presentation of the impact of the proposed acquisition of Vodafone Spain	New

2. 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. We summarise below the key audit matters (changed from 2022), 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
Accounting treatment and presentation of the impact of the proposed acquisition of Vodafone Spain *Refer to page 24 (Audit and Risk Committee Report), page 61 (accounting policy) and page 76 (financial disclosures)*	**Low risk, High value** The Group has entered into an agreement to acquire 100% of the Vodafone Spain business which is in the final stages of completion and now only subject to Spanish regulatory approval. The Group completed an equity raise and incurred costs in arranging financing facilities, including consultant fees, in anticipation of the completion of this acquisition. The equity raise, costs incurred and the related presentation are not at a high risk of significant misstatement or subject to significant judgement. However, due to its materiality in the context of the Group and Parent Company financial statements, we considered this to be the area which was the key focus of the overall Group and Parent Company audit.	We performed the tests below rather than seeking to rely on any of the group or parent company's controls because the nature of the transaction is such that we would expect to obtain audit evidence primarily through the detailed procedures described. Our procedures included: — **Assessing expert's credentials**: We assessed the objectivity and experience of external experts engaged by the Group to support them with their accounting analysis and step plan for the proposed acquisition. — **Tests of details:** We tested the amounts for cost incurred against agreements with third parties. — **Tests of details**: We inspected the bank statements and expense reports for the period subsequent to year-end in order to support our assessment as to whether all relevant costs had been recorded correctly in the year. — **Accounting analysis**: We critically challenged the group's judgement on the allocation of costs to issuance of shares, the arrangement of debt facilities, or other project costs, by comparing the allocation considered by group with the allocation confirmed by third parties and our understanding of the nature of services provided. — **Accounting analysis**: We critically assessed the group accounting analysis for each step completed, including the amounts recorded for the initial recognition and measurement of the consideration received for the issue of equity shares, by comparing it to our own analysis of the relevant accounting standards. **Assessing transparency -** We assessed the adequacy of the Group and Company's disclosures about the proposed acquisition of Vodafone Spain **Our results -** We found the accounting treatment and the disclosures of the proposed acquisition of Vodafone Spain to be acceptable.

We continue to perform procedures over Going concern and Recoverability of Income Tax receivable. However, given the significance of the transaction on acquisition of Vodafone Spain, the recoverability of income tax receivable was no longer a significant area of focus and with financing available to the entity and the equity issue, going concern is no longer a heightened risk area for our audit in 2023. Therefore, these are not separately identified in our report this year.

3. 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 €700,000 (2022: €172,000), determined with reference to a benchmark of group loss before tax, of which it represents 4.50% (2022: 5% of group loss before tax).

Materiality for the parent company financial statements as a whole was set at €630,000 (2022: €39,000), determined with reference to a benchmark of total assets, limited to be less than materiality for group materiality as a whole. It represents 0.03% (2022: 1%) of the stated benchmark.

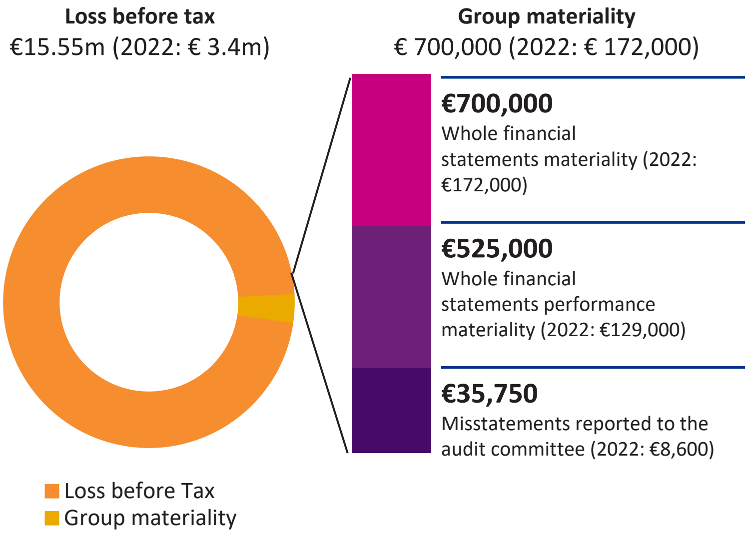
In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material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

Performance materiality for the financial statements as a whole was set at 75% (2022: 75%) of materiality, which equates to €525,000 (2022: €129,000) for the Group and €470,000 (2022: €30,000) 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 €35,750 (2022: €8,600), in addition to other identified misstatements that warranted reporting on qualitative grounds.

In 2023 (same as 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.

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



4. Going concern

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 and the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We used our knowledge of the Group, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Group and Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Group and Company's available financial resources over this period were:

- In the scenario where the proposed acquisition of Vodafone Spain closes during the first half of 2024 or is delayed past this date – a failure to achieve the revenue and EBITDA targets in the Zegona Business Plan as a result of increased competition within the Spanish telecommunications sector or a challenges in controlling customer churn rates, or a failure to achieve the cost control measures in the timelines set out in the plan.

We considered whether this risk could plausibly affect the liquidity in the going concern period by assessing the directors' sensitivities over the level of available financial resources indicated by the Group's financial forecasts taking account of severe, but plausible adverse effects that could arise from these risks individually and collectively.

Our procedures also included:

- Evaluating management's risk assessment process for identifying business risks relating to events and conditions that may cast significant doubt on the ability to continue as a going concern;
- Assessing the reasonableness of management's budgets/forecasts and evaluating whether the assumptions are within a reasonable range, and assessing the severe but plausible downside scenarios, in particular challenging whether those downside scenarios reflect plausible impacts of contingencies in business improvement plans;
- Evaluating whether there is adequate support for the assumptions underpinning management's assessment and whether they are realistic, achievable and consistent with the external and/or internal environment and other matters identified in the audit;
- Challenging management's plans for future actions, and assessing the reliability and relevance of data used; and
- Evaluating whether sufficient and appropriate audit evidence has been obtained to conclude on the appropriateness of management's use of the going concern basis of accounting, and the appropriateness of the basis of preparation disclosure in note 2.

We considered 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.

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 not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Company's ability to continue as a going concern for the going concern period; and

— 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 with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for the going concern period, and we found the going concern disclosure in note 2 to be acceptable.

However, 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 above conclusions are not a guarantee that the Group or the Company will continue in operation.

5. 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 committee minutes.
- Considering remuneration incentive schemes and performance targets for directors/senior management.
- Using analytical procedures to identify any unusual or unexpected transactions.
- We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that Group and Company 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, unusual credits to income statement and post year end journals.

Identifying and responding to risks of material misstatement due to non-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: antibribery, 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.

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 noncompliance 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 noncompliance with all laws and regulations.

6. 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, we have nothing further material to add or draw attention to in relation to:

— the directors' confirmation within the viability statement page 8 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.

In addition to our audit of the financial statements, the directors have engaged us to review their Viability Statement as if the Company were required to comply with the Listing Rules of the Financial Conduct Authority 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 Statement 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.

7. 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.

8. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 15, 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.

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

The Company is required to include these financial statements in an annual financial report prepared under Disclosure Guidance and Transparency Rule 4.1.17R and 4.1.18R. This auditor's report provides no assurance over whether the annual financial report has been prepared in accordance with those requirements.

9. 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

29 April 2024

	Notes	2023 €'000	2022 €'000
Administrative and other operating expenses:			
Corporate costs	5	(4,745)	(3,271)
Incentive scheme costs	16	(91)	(34)
Significant project costs	6	(8,547)	(26)
Operating loss		**(13,383)**	**(3,331)**
Finance income	7	5,683	25
Finance costs	7	(4)	(4)
Exchange differences	7	(7,847)	(3)
Loss for the period before income tax		**(15,551)**	**(3,313)**
Income tax expense	8	–	–
Loss for the period		**(15,551)**	**(3,313)**
Loss for the period attributable to equity of the parent		(15,551)	(3,313)
Other Comprehensive Gain / (Loss)			
Exchange differences on translation of foreign continuing operations		8,123	(638)
Other Comprehensive Loss		**8,123**	(638)
Total Comprehensive Loss		(7,428)	(3,951)
		€	€
Earnings per share			
Basic and diluted earnings per share attributable to equity holders of the parent	20	(0.15)	(0.61)

The notes on pages 53 to 77 form an integral part of these Consolidated Financial Statements.

ZEGONA COMMUNICATIONS PLC
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 December 2023 €'000	As at 31 December 2022 €'000
Assets			
Non–current assets			
Property, plant and equipment		1	13
Income tax receivable	13	5,071	4,961
		5,072	**4,974**
Current assets			
Prepayments and other receivables	12	1,189,548	75
Cash and cash equivalents	11	4,648	5,890
		1,194,196	**5,965**
Total assets		**1,199,268**	**10,939**
Equity and Liabilities			
Equity			
Share capital	17	8,312	311
Share based payment reserve	18	156	65
Capital redemption reserve	18	2,565	2,565
Share premium reserve	18	1,182,375	3,049
Other Reserves	18	(3,722)	–
Retained earnings	18	(9,219)	11,469
Foreign currency translation reserve	18	1,201	(6,922)
		1,181,668	**10,537**
Current liabilities			
Accruals and other payables	14	17,600	402
Total liabilities		**17,600**	**402**
Total equity and liabilities		**1,199,268**	**10,939**

The notes on pages 53 to 77 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 29 April 2024 and were signed on its behalf by:

Eamonn O'Hare
Director

Robert Samuelson
Director

	Notes	As at 31 December 2023 €'000	As at 31 December 2022 €'000
Assets			
Non–current assets			
Property, plant and equipment		1	13
Investment in subsidiary	9	1,201,714	3,655
		1,201,715	**3,668**
Current assets			
Prepayments and other receivables	12	899,338	1,805
Cash and cash equivalents		2,875	337
		902,213	**2,142**
Total assets		**2,103,928**	**5,810**
Equity and Liabilities			
Equity			
Share capital	17	8,312	311
Share based payment reserve	18	156	65
Capital redemption reserve	18	2,565	2,565
Share premium reserve	18	1,182,375	3,049
Other Reserves	18	(3,722)	–
Retained earnings	18	(13,216)	(415)
Foreign currency translation reserve	18	9,941	–
		1,186,411	**5,575**
Current liabilities			
Accruals and other payables	14	917,517	235
		917,517	**235**
Total liabilities		**917,517**	**235**
Total equity and liabilities		**2,103,928**	**5,810**

The notes on pages 53 to 77 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 €7.7 million (2022: €4.0 million loss)

The Financial Statements of Zegona Communications plc (registered number 09395163) were approved by the Board of Directors on 29 April 2024 and were signed on its behalf by:

Eamonn O'Hare
Director

Robert Samuelson
Director

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 reserves €000	Total equity €000
Balance at 1 January 2023		**311**	**65**	**(6,922)**	**11,469**	**2,565**	**3,049**	**–**	**10,537**
Loss for the year		–	–	–	(15,551)	–	–	–	**(15,551)**
Other comprehensive loss		–	–	8,123	–	–	–	–	**8,123**
Share–based payment expense	16	–	91	–	–	–	–	–	**91**
Issuance of shares	17	8,001	–	–	–	–	1,184,282	(8,859)	**1,183,424**
Transaction costs arising on share issues		–	–	–	–	–	(4,956)	–	**(4,956)**
Reclassification of interest income related to promissory note		–	–	–	(5,137)	–	–	5,137	**–**
Balance at 31 December 2023		**8,312**	**156**	**1,201**	**(9,219)**	**2,565**	**1,182,375**	**(3,722)**	**1,181,668**

The notes on pages 53 to 77 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 reserves €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	16	–	34	–	–	–	–	–	**34**
Issuance of shares	17	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 53 to 77 form an integral part of these Consolidated Financial Statements.

ZEGONA COMMUNICATIONS PLC
COMPANY 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 reserves €000	Total equity
Balance at 1 January 2023		**311**	**65**	**–**	**(415)**	**2,565**	**3,049**	**–**	**5,575**
Loss for the year		–	–	–	(7,664)	–	–	–	**(7,664)**
Other comprehensive loss		–	–	9,941	–	–	–	–	**9,941**
Share–based payment expense	16	–	91	–	–	–	–	–	**91**
Issuance of shares	17	8,001	–	–	–	–	1,184,282	(8,859)	**1,183,424**
Transaction costs arising on share issues		–	–	–	–	–	(4,956)	–	**(4,956)**
Reclassification of interest income related to promissory note		–	–	–	(5,137)	–	–	5,137	**–**
Balance at 31 December 2023		**8,312**	**156**	**9,941**	**(13,216)**	**2,565**	**1,182,375**	**(3,722)**	**1,186,411**

The notes on pages 53 to 77 form an integral part of these Consolidated Financial Statements.

COMPANY 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 reserves €000	Total equity
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	16	–	34	–	–	–	–	–	**34**
Issaunce of shares	17	10	–	–	–	–	1,433	(1,443)	**–**
Reserves transfer	18	–	–	61,855	(61,855)	–	–	–	**–**
Balance at 31 December 2022		**311**	**65**	**–**	**(415)**	**2,565**	**3,049**	**–**	**5,575**

The notes on pages 53 to 77 form an integral part of these Consolidated Financial Statements.

	Note	Year ended 31 December 2023 €000	Year ended 31 December 2022 €000
Operating activities			
Loss before income tax		(15,551)	(3,313)
Adjustments to reconcile profit before income tax to operating cash flows:			
Depreciation of property, plant and equipment		14	16
Net foreign exchange differences		7,847	3
Finance income	7	(5,683)	(25)
Finance costs	7	4	4
Share based payment expense		91	35
Working capital adjustments:			
(Increase)/decrease in trade and other receivables and prepayments		(395)	395
Increase/(decrease) in trade and other payables		9,744	(1,055)
Net cash flows (used in) operating activities		**(3,929)**	**(3,940)**
Investing activities			
Transfer of cash to escrow account, restricted for the proposed acquisition of Vodafone Spain	24	(290,000)	–
Interest received		244	25
Net cash flows from investing activities		**(289,756)**	**25**
Financing activities			
Cash received from the issuance of shares	17	292,294	–
Repayment of bank borrowings	15	–	(106)
Net cash flows used in financing activities		**292,294**	**(106)**
Net decrease in cash and cash equivalents		(1,391)	(4,022)
Net foreign exchange difference		149	(644)
Cash and cash equivalents at beginning of the year		5,890	10,556
Cash and cash equivalents at the end of the year		**4,648**	**5,890**

The notes on pages 53 to 77 form an integral part of these Consolidated Financial Statements.

	Notes	Year ended 31 December 2023 €000	Year ended 31December 2022 €000
Operating activities			
Loss before income tax		**(7,664)**	**(4,046)**
Adjustments to reconcile profit before income tax to operting cash flows:			
Depreciation of property, plant and equipment		14	16
Net foreign exchange differences		1,809	3
Finance income		(5,356)	–
Finance costs	7	4	–
Share based payment expense		91	–
Impairment of investment		–	2,951
Working capital adjustments:			
Decrease in trade and other receivables and prepayments		1,243	2,016
Increase/(decrease) in trade and other payables		9,828	(385)
Net cash flows from operating activities		**(31)**	**555**
Investing activities			
Capital contribution in Zegona Limited		(290,000)	–
Interest received		219	–
Net cash flows from/used in investing activities		**(289,781)**	**–**
Financing activities			
Cash received from the issuance of shares	17	292,294	–
Repayment of bank borrowings	15	–	(106)
Net cash flows from/used in financing activities		**292,294**	**(106)**
Net increase in cash and cash equivalents		2,482	449
Net foreign exchange difference		56	(128)
Cash and cash equivalents at beginning of the year		337	16
Cash and cash equivalents at the end of the year		**2,875**	**337**

The notes on pages 53 to 77 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 2023 (the "**Consolidated Financial Statements**") were authorised for issue in accordance with a resolution of the Directors on 29 April 2024. 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 2023 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 2023 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 2023:

- Zegona Spanish Holdco Limited (Registered Number: 10159232)
- Zegona Borrower Limited (Registered Number: 10159347)
- Zegona Holdco Limited (Registered Number: 10159604)
- Zegona Topco Limited (Registered Number: 15222039)
- Zegona MidCo Limited (Registered Number: 15222693)
- Zegona Hedge Co Limited (Registered Number: 15259622)
- Zegona Hedge Co II Limited (Registered Number: 15269703)
- Zegona BidCo S.L.U (Registered Number: B56308877)

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 and Company Financial Statements have been prepared on the going concern basis, which the Directors consider to be appropriate for the reasons outlined below.

The Directors have assessed the going concern assumption during the approval of the Consolidated Financial Statements. This assessment included the consideration of three distinct and separate scenarios being either:

– The proposed acquisition of Vodafone Spain closes (during the first half of 2024)

– The proposed acquisition of Vodafone Spain is delayed post the first half of 2024; or

– The proposed acquisition of Vodafone Spain does not close.

In considering these scenarios, the Directors have performed a detailed analysis of the impact to working capital and the ability of Zegona or Zegona incorporating Vodafone Spain (the "Combined Group") to operate as a going concern for a period of at least 12 months from the date of this Annual Report and have concluded that it is appropriate to prepare the Group and Company Financial Statements on a going concern basis under both scenarios.

Proposed acquisition closes during the first half of 2024:
Should the proposed acquisition close, the Directors have considered the cashflow forecast of the Combined Group considering the impact of the current trading performance of Vodafone Spain, future budgets, planned improvements and other relevant strategic plans and the impact of the following proposed funding structure:

- committed debt financing of €3,900 million which consists of a term loan of €500 million and a corporate bridge facility of €3,400 million;
- €300 million (£262 million) in gross proceeds through the Placing of 174,413,535 shares at a price per share of 150 pence;
- €900 million (£785 million) in gross proceeds through the Conditional Subscription of 523,240,603 shares at 150 pence per share to EJLSHM Funding Limited; and
- €0.5 million (£0.5 million) through a separate offering of shares at 150 pence per share.

The bridge loan is for a term of 12 months from completion, with two 6-month extension options being available at the discretion of the Zegona Directors. This equity funding and debt financing and related deal costs and fees have been taken into account for the purposes of the going concern assessment. A financial covenant (Consolidated Net Leverage Ratio) is attached to the underwritten financing package which is first measured on 31 March 2025 and then semi annually and is therefore applicable during the assessment period and has been considered. The Company will be in compliance with this covenant in the scenarios considered.

In assessing whether the going concern assumption is appropriate under this scenario, the Directors considered the cash flow forecasts of the Combined Group following completion of the proposed acquisition under various scenarios, identifying risks and mitigating factors and assessing whether the Combined Group has sufficient funding to meet its current and contracted commitments as and when they fall due for the going concern assessment period.

In performing this assessment, the Directors have considered both a Base Case and a Reasonable Worse Case scenario:

Base case
In performing this assessment, the Directors have considered a "Base Case" scenario which reflects a realistic expectation of the operations, results and developments in working capital, liquidity and debt of the Combined Group. This Base Case includes improvement assumptions on customer numbers and revenues, direct costs, acquisition and retention costs per customer and customer churn rates together with operating and capital expenditure and Business EBITDaaL[18] measures and net debt assumptions.

18 As defined on page 1.

Reasonable worse case
In performing this assessment, the Directors have considered a severe but plausible downside scenario including factors that could indicate possible threats including potential negative developments in liquidity, debt and capital, together with reasonable contingencies (the "Reasonable worse case"). This also included a decline in customer numbers and revenues and margin per customers, an increase in customer acquisition and retention costs per customer and an increase in customer churn rates, an increase in operating and capital expenditure and interest rates and a resulting decrease in EBITDaaL[19] (25%) measures, together with an increase in interest by 100 – 130 basis points per annum and a number of mitigating actions that, under severe downside scenarios, the directors would aim to take to improve liquidity, such as the deferral or cancellation of non-committed capital spend.

The proposed acquisition of Vodafone Spain is delayed post the first half of 2024:
The Directors have also considered a delay in closing to post the first half of 2024 and have performed a detailed analysis of the ability of Zegona to continue in operation with sufficient working capital for at least 12 months from the date of this Annual Report. This analysis included consideration of the continuing costs and working capital needs of Zegona and the ability to defer deal advisor fees up to the point of close, to form a severe but plausible downside scenario including stress tests. This analysis also considered steps that the Directors may take to mitigate costs and manage overheads of Zegona during the assessment period. Based on this analysis the Directors have concluded that should closing not take place until after the first half of 2024, that it is appropriate to prepare the Group and Company Financial Statements on a going concern basis under the scenario that close does not happen in the first half of 2024.

Proposed acquisition does not close:
If the proposed acquisition of Vodafone Spain does not close the Company will have the right (under the terms of the equity raise) to retain the €300 million equity raised and to utilise this to continue its strategic objective. The Directors consider this will be adequate to enable Zegona to continue as a going concern for a period of at least 12 months from the date of these Group and Company Financial Statements.

Consequently, the Directors are confident that the Group and Company will have sufficient funds to continue to meet their liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

(c) New standards and amendments to IFRS

Standards, amendments and interpretations effective and adopted by Zegona:
The accounting policies adopted in the presentation of the Consolidated and Company Financial Statements reflect the adoption of the following amendments for annual periods beginning on or after 1 January 2023, none of which had a material effect on Zegona.

Standard	Effective date
IFRS 17 Insurance Contracts	1 January 2023
Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2	1 January 2023
Definition of Accounting Estimates – amendments to IAS 8	1 January 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction – amendments to IAS 12	1 January 2023
International Tax Reform – Pillar Two model Rules – amendments to IAS 12	1 January 2023

New standards and interpretations not yet adopted
Certain amendments to accounting standards have been published that are not mandatory for 31 December 2023 reporting periods and have not been early adopted by the group. These amendments are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

19 As defined on page 1.

(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) 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.

f) 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.

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.

g) 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.

h) 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.

i) 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, such as trade and other receivables, 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.

Zegona holds the Cash and cash equivalents and other receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method, less any impairment, based on expected credit losses.

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.

Promissory notes
Promissory notes which are financial assets are initially recorded at fair value and subsequently measured at amortised cost. The other reserve (see note 18) is used to record increments and decrements on revaluation; the group transfers amounts from this reserve to retained earnings to match interest income relating to the receivable being charged to the income statement.

Financial liabilities
Initial recognition and measurement
Financial liabilities, such as accruals and trade payables, 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.

j) 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.

k) Cash and cash equivalents

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

l) Prepayments

Prepayments are expenses paid or costs incurred in advance by the Company from which economic benefits are expected to flow to the entity in future and such expenses will be amortised over the contractual period or life of the assets or liabilities it relates to.

m) 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, the Company assesses whether any specific events or circumstances exist that could suggest an impairment of an investment in a subsidiary and whenever there are indications of an 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.

n) Share capital

Ordinary shares are classified as equity. Transaction costs directly attributable to the issue of new shares are deducted from the share premium reserves balance.

o) 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.

p) 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.

q) 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.

r) 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 exercise of all potentially dilutive Management Shares in Zegona Limited.

s) 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

- **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 the consideration around the proposed acquisition of the Vodafone Spain Group by Zegona and the ability of Zegona to continue to operate as a going concern should the proposed acquisition not complete. An explanation of the key judgements made in determining that the Zegona continues to be a going concern is provided in note 2.

- **Significant project costs related to the acquisition of Vodafone Spain.** Significant project costs of €8.5 million (2022: €26 thousand) were incurred during the year. A methodology based on the allocation of time spent has been applied to determine whether costs are related to the issuance of shares, the arrangement of debt facilities or the proposed acquisition of Vodafone Spain, which require different accounting treatments. This methodology is considered to be judgemental. See note 24 for details around the proposed acquisition of Vodafone Spain.

- **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 13.

Accounting estimates

- **Fair value and imputed interest on the €900m promissory note receivable.** As the €900 million promissory note receivable from EJLSHM Funding Limited is interest free, Zegona has calculated the fair value of this receivable on the date of issuance which resulted in a of €8.9 million discount to its recorded value and imputed interest over the expected life of the receivable which resulted in interest income recognised in the 2023 year of €5.1 million. In calculating these amounts Zegona has estimated a 5% as the rate of imputed interest and a maturity date of 31 January 2024 at the date of recognition of the receivable. This rate is in line with the 5% rate the redeemable preference shares issued by EJLSHM Funding Limited accrue at as part of the proposed acquisition of Vodafone Spain (see note 24).

4. SEGMENTAL ANALYSIS

Zegona and its subsidiaries are organised as 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, which only receives 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 2023 €000	Consolidated 2022 €000
Salaries, bonuses and staff benefits	2,717	2,212
Employment related tax	377	333
Pension costs	270	239
Other operating costs	1,381	487
Corporate costs	**4,745**	**3,271**

Staff numbers

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

	Consolidated 2023	Consolidated 2022
Operations	3	6
Administration	1	1
	4	**7**

Further information in relation to pay and remuneration of the Directors can be found in the Directors' Remuneration Report, starting on page 30.

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.

In 2023, €8.5 million (2022: €26 thousand) of significant project costs recognised were principally professional fees in relation to the proposed acquisition of Vodafone Spain.

7. FINANCE INCOME AND COSTS

	Note	Consolidated 2023 €000	Consolidated 2022 €000
Bank interest		546	25
Interest income on promissory note	12	5,137	–
Finance income		**5,683**	**25**
Interest on bank borrowings and bank charges		(4)	(4)
Finance costs		**(4)**	**(4)**
Exchange differences		(7,847)	(3)
Foreign exchange losses		**(7,847)**	**(3)**

In 2023, the Company also incurred €7.8 million of foreign exchange losses (2022: loss of €3 thousand), primarily driven by the revaluation of the €1,187.7 million of euro denominated monetary assets, generated from the proceeds of the Company's financing activities (see note 17), to the Company's functional currency of Sterling at the reporting date.

8. TAXATION

	Consolidated 2023 €000	Consolidated 2022 €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.

Reconciliation of effective tax rate

	Consolidated 2023 €'000	Consolidated 2022 €'000
(Loss) before tax from continuing operations	(15,551)	(3,312)
At UK statutory income tax rate (23.5% (2022: 19%))	(3,655)	(629)
Expenses not deductible for tax purposes*	2,023	26
Consolidated foreign exchange losses not recognised in the Company's Income Statement*	1,419	–
Unrecognised tax losses*	213	602
Income tax expense	**–**	**–**

* At UK statutory income tax rate (23.5% blended rate (2022: 19%))

The majority of significant project costs are 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 €9.6 million (2022: €9.4 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.

The UK corporation rate increased to 25% from 1 April 2023. Consequently, Zegona has measured 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	England and Wales (2)	100%	
Zegona Borrower Limited	Dormant	England and Wales (2)	100%	
Zegona Holdco Limited	Dormant	England and Wales (2)	–	100%
Zegona Topco Limited	Financing company	England and Wales (2)	–	100%
Zegona Midco Limited	Financing company	England and Wales (2)	–	100%
Zegona Hedge Co Limited	Financing company	England and Wales (2)	100%	–
Zegona Hedge Co II Limited	Financing company	England and Wales (2)	100%	
Zegona BidCo S.L.U	Acquisition vehicle	Spain (3)	–	100%

The registered office addresses of the subsidiaries are:

1. 47 Esplanade, St Helier, Jersey, JE1 0BD
2. 8 Sackville St, Mayfair, London, W1S 3DG
3. Avenida del Dr. Arce, 14, Bajo, 28002 Madrid, Spain

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.

2023

In 2023, the investment in subsidiary balance increased by €1,198 million. This relates to the additional capital contribution of €290 million in Zegona Limited, as well as a £787 million (€900 million) subscription for ordinary shares in Zegona Hedge Co Limited.

As of 31 December 2023, Company has assessed whether any specific events or circumstances exist that could suggest impairment for investment in subsidiaries and concluded that there are no impairment indicators present.

Thus, no impairment losses required to be recognised in the current reporting period.

10. FINANCIAL RISK MANAGEMENT

Zegona's activities expose it to market risk, principally interest rate risk and currency risk, as described below.

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 limited as its facilities are currently undrawn.

During the year Zegona entered into a Corporate Bridge Facility, a Term Loan A Facility and a Revolving Credit Facility to finance the acquisition of Vodafone Spain. These facilities were not drawn down during the year, and as such do not present any interest rate risks. Further details are presented in note 15. When drawn down, the three borrowing facilities will be subject to floating rates of interest linked to EURIBOR. The overdraft facility that was available to the group for the year ended 31 December 2022 expired during the year and was not renewed. Interest expense is presented in note 7.

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 two types of exchange risk: transaction and translation 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.

The table below show the impact of a 10% movement in Sterling against the Euro on the translation of Zegona's monetary net assets that are denominated in Euro as at 31 December 2023.

Currency impact	**+/- 10% movement £'000**
Euro-denominated monetary net assets	-/+ 93,575

Credit risk

Credit risk arises from cash and cash equivalents, prepayments and other financial instruments. 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 2023, 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 2023 are shown in the table below:

Quality classification	External credit rating	Cash and cash equivalents €000	Other receivables[1] €000	Total €000
Strong	A- and above	4,648	290,302	294,950
Strong[2]	N/A	–	896,278	896,278
		4,648	**1,186,580**	**1,191,228**

1 Other receivables of €290.3 million consists of €290 million cash held in Escrow and accrued interest of €302 thousands.

2 The €896 million other receivable relates to the promissory note from EJLSHM Funding Limited and is receivable upon completion of the proposed acquisition of Vodafone Spain (see note 12 and note 24). A conditional agreement is in place for the Vodafone Group to fund EJLSHM Funding Limited upon the completion of the Acquisition. In the event that the Acquisition does not complete, there are agreed mechanisms to buyback the ordinary shares held by EJLSHM Funding Limited in consideration for the set-off of the promissory note which would unwind this receivable and would not present Zegona with a credit loss.
Furthermore, the maturity of this financial asset is not yet due and it is expected to be settled within less than a year. The Directors have therefore considered this to be of a 'strong' credit quality classification.

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.

In accordance with IFRS 9, an expected credit loss assessment on the above financial assets has been performed. Based on the investment ratings of the counterparties and their corresponding default rates, the credit risks are assessed to be low and the estimated expected losses calculated are immaterial. Accordingly, no provision for adjustments for such credit loss have been made as at the reporting date of 31 December 2023.

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 2023, Zegona had cash balances held with banks amounting to €4.6 million (2022: €5.8 million), compared to Zegona's total liabilities amounting to €18.4 million (2022: €0.4 million).

In addition, as at 31 December 2023 Zegona had undrawn facilities of €4,700 million (2022: undrawn overdraft facilities of £1.5 million, equivalent to €1.7 million repayable on demand) comprising the Corporate Bridge Loan of €3,700 million, Term Loan A Facility of €500 million and Revolving Credit Facility of €500 million.

Maturities of financial liabilities
The tables below analyse the group's financial liabilities into relevant maturity groupings based on their contractual maturities for non-derivative financial liabilities.

The amounts disclosed in the tables are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Contractual maturities of financial liabilities	0-12 months €000	Total contractual cash flows €000	Carrying amount €000
At 31 December 2023			
Trade payables	1,168	1,168	1,168
Other accruals	16,432	16,432	16,432
Total non-derivatives	**17,600**	**17,600**	**17,600**
At 31 December 2022			
Trade payables	208	208	208
Other accruals	194	194	194
Total non-derivatives	**402**	**402**	**402**

11. FINANCIAL INSTRUMENTS

The following tables shows the carrying amounts and the fair values of financial assets and financial liabilities. 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

	Note	Fair Value 2023 €000	Amortised cost 2023 €000	Fair Value 2022 €000	Amortised cost 2022 €000
Other receivables	12	–	1,186,580	–	75
Cash and cash equivalents		–	4,648	–	5,890
Total current financial assets		–	**1,191,228**	–	**5,965**
Accruals and other payables	14	–	17,600	–	402
Total current financial liabilities		**–**	**17,600**	**–**	**402**

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

€0.8 million (2022: nil) in Cash and cash equivalents relates to cash held by Zegona in trust for EJLSHM Funding Limited and EJLSHM Holdings Limited. Zegona agreed that the beneficial interest of funds equal to this sum will be held on trust for the two entities, intended specifically to be used for these entities in the future.

Financial instrument classification and fair values – Company

	Note	Fair Value 2023 €000	Amortised cost 2023 €000	Fair Value 2022 €000	Amortised cost 2022 €000
Other receivables	12	–	896,372	–	1,805
Cash and cash equivalents		–	2,875	–	337
Total current financial assets		**–**	**899,247**	**–**	**2,142**
Accruals and other payables	14	–	917,517	–	235
Total current financial liabilities		**–**	**917,517**	**–**	**235**

12. PREPAYMENTS AND OTHER RECEIVABLES

	Consolidated 31 December 2023 €000	Consolidated 31 December 2022 €000
Prepayments	2,831	19
Accrued interest on loans	–	24
VAT recoverable	137	32
Other receivables	1,186,580	–
Total	**1,189,548**	**75**

Prepayments predominantly relates to prepaid bank fees from the arrangement of financing for the proposed acquisition of Vodafone Spain (note 24).

Other receivables consists of proceeds from the issuance of shares (see note 17 for details of shares issued during the year), specifically:

- €290 million (2022: €nil) proceeds from the share placing is held in escrow by a third party to fund the proposed acquisition of Vodafone Spain. Release of the funds from escrow is conditional upon the completion of the proposed acquisition of Vodafone Spain and requires a jointly issued instruction from both Zegona and Vodafone Europe B.V. The escrow funds are interest bearing, and the interest income is accrued in the escrow account for the benefit of Zegona.
- €896 million (2022: €nil) relates to the €900 million promissory note from EJLSHM Funding Limited which is receivable upon the completion of the acquisition of Vodafone Spain (see note 24). It does not bear interest, and it was initially recognised at fair value which was determined to be €891 million using an interest rate of 5%.

	Company 31 December 2023 €000	Company 31 December 2022 €000
Prepayments	2,829	19
Amounts due from subsidiary undertakings	94	1,754
VAT recoverable	137	32
Other receivables	896,278	–
Total	**899,338**	**1,805**

€896 million (2022: €nil) relates to the €900 million promissory note from EJLSHM Funding Limited which is receivable upon the completion of the acquisition of Vodafone Spain (see note 24). It does not bear interest, and it was initially recognised at fair value which was determined to be €891 million using an interest rate of 5%.

13. 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 €1 million and €1.8 million 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, (€5.1 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 €5.1 million (2022: €4.9 million[20]).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.

14. ACCRUALS AND OTHER PAYABLES

	Consolidated 31 December 2023 €000	**Consolidated 31 December 2022 €000**
Trade payables	1,168	208
Other accruals	16,432	194
Total	**17,600**	**402**

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

Trade payables and other accruals primarily relate to transaction costs for the acquisition of Vodafone Spain.

	Company 31 December 2023 €000	Company 31 December 2022 €000
Trade payables	1,144	41
Amounts due to subsidiary undertakings	899,913	–
Accruals	16,460	194
Total	**917,517**	**235**

Trade payables and other accruals in the Company primarily relate to transaction costs for the acquisition of Vodafone Spain.

Amounts due to subsidiary undertakings:
During the year, Zegona's subscribed for GBP ordinary shares in Zegona Hedge Co Limited, with the subscription amount (£786 million) being equal to the GBP equivalent of the EUR value of the €900 million promissory note issued by EJLSHM Funding Limited to Zegona on closing of the placing. See note 24.

Subsequently, as part of the Company's hedging strategy around the euro foreign currency exposures in Zegona Communications plc, a euro-denominated loan amount of €900 million was issued by Zegona Hedge Co Limited to Zegona Communications plc. An intercompany loan payable due to Zegona Hedge Co Limited denominated in euro and amounting to €900 million has been recognised. This has been eliminated at the consolidated Zegona Communications plc Group level along with other intercompany balances.

15. BANK BORROWINGS

On 31 October 2023, the Group entered into a Corporate Bridge Facility and a Term Loan A Facility to finance the acquisition of Vodafone Spain and a Revolving Credit Facility to fund operational working capital. The loans are secured on a pari passu basis on certain collateral, which includes the shares of Zegona Holdco Limited (the "Borrower"), certain intercompany loans and certain bank accounts and other asset, rights and interests of the Borrower and by a pledge of the shares of Vodafone Spain and, subject to the limitations set forth in the agreed security principles, will be guaranteed and secured by assets of Vodafone Spain and its material subsidiaries.

Transaction fees of approximately €2.5 million (2022: nil) relating to debt issuance have been accrued for in the financial statements for the year ending 31 December 2023. The fees are deferred and treated as a transaction cost when draw-down occurs, and it is not amortised prior to the draw-down.

The drawn down balance for these facilities at 31 December 2023 was nil.

Term Loan A Facility
A bank loan amounting to €500 million which is denominated in Euros which will mature five years after the earlier of the closing date of the acquisition of Vodafone Spain and the date falling three months after the date of the agreement. The Term Loan A Facility will be subject to required semi-annual amortisation payments: none in years 1 and 2; 12.5 per cent in years 3 and 4; and 25 per cent in year 5. It will also be subject to customary mandatory prepayment obligations, as set out under "Corporate Bridge Facility" below, although the Corporate Bridge Facility will be prepaid in priority to the Term Loan A Facility. The applicable interest will be EURIBOR plus 3.25 per cent., subject to a rating based ratchet for a rating of BB/Ba2 or lower (with higher step-ups for a rating below BB-/Ba3).

Corporate Bridge Facility
The total available amount under the facility is €3,700 million. The final maturity date of the Corporate Bridge Facility will be twelve months after the earlier of the closing date of the acquisition of Vodafone Spain and the date falling three months after the date of the agreement. Zegona Holdco Limited is entitled to request two six-month extensions to the term of the facility (which would together extend the maturity date to twenty-four months). Each such six-month extension option will be conditional on there being no default, the making of certain representations and warranties and the payment of an extension fee. There will be no amortisation payments associated with the facility, but the facility will be subject to customary mandatory prepayment obligations, including from the proceeds of the Placing and the PrimaryBid Offer raised by Zegona up to €300 million (that is, the first €300 million of net proceeds raised in the Placing and the PrimaryBid Offer will reduce and/or cancel the amount drawn and/or committed down under the Corporate Bridge Facility by that amount), proceeds of debt incurred by the Zegona Group, the proceeds of asset disposals and insurances, and change of control, subject to certain exceptions. The applicable interest will be EURIBOR plus 2.00 per cent., subject to a higher margin if a certain minimum amount of the Corporate Bridge Facility has not been cancelled by a specified date, a rating-based ratchet for a rating of BB/Ba2 or lower (with higher step-ups for a rating below BB-/Ba3), with the applicable margin increasing on each quarterly step-up.

Revolving Credit Facility
A Revolving Credit Facility of €500 million was entered into on 31 October 2023. The final maturity date of the Revolving Credit Facility is five years after the earlier of the closing date of the acquisition of Vodafone Spain and the date falling three months after the date of the agreement. There will be no amortisation payments associated with the facility, but the facility will be subject to customary mandatory prepayment obligations, as set out under "Corporate Bridge Facility" above, although the Corporate Bridge Facility and the Term Loan A Facility will be prepaid in priority to the Revolving Credit Facility. The applicable interest will be EURIBOR plus 2.75 per cent., subject to a rating-based ratchet for a rating of BB/Ba2 or lower (with higher step-ups for a rating below BB-/Ba3).

16. 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 Return[21] 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.

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

At 31 December 2023, 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.

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

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 2023 a total expense of €91 thousand was recognised (2022: €34 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, and therefore has concluded that the Management Shares are equity settled instruments[22].

17. CALLED UP SHARE CAPITAL

Allotted, called up and fully paid	2023 Number	2023 €'000	2022 Number	2022 €'000
At 1 January	**6,172,424**	**311**	**5,325,567**	**301**
Shares issued	697,976,986	8,001	846,857	10
At 31 December	**704,149,410**	**8,312**	**6,172,424**	**311**

The nominal value of the total ordinary shares is £0.01 and the total allotted, called up and fully paid equates to £7,041,494 (2022: £61,724).

On 9 November 2023 the Company announced a proposed placing pursuant to which a total of 174,413,535 new shares were placed with institutional investors at a price of £1.50, raising gross proceeds of €300 million (converted to Euro at the exchange rate of EUR/GBP: 0.87303) (the "Placing").

In addition to the above Placing, on 9 November 2023 the Company entered into the conditional subscription agreement with EJLSHM Funding Limited, whereby EJLSHM Funding Limited has subscribed for 523,240,603 new shares at a price of £1.50 for an aggregate amount of €900 million (converted to Euro at the exchange rate EUR/GBP: 0.87206) (the "Conditional Subscription"). See note 24 for details of Zegona's proposed acquisition of Vodafone Spain. EJLSHM Funding Limited was solely incorporated for the purpose of the proposed acquisition, and has issued a €900 million promissory note to Zegona (see note 12).

The Company issued 322,848 new shares to retail investors in the Primary Bid Offer at a price of £1.50 and raised total gross proceeds of €0.5 million (converted to Euro at the exchange rate EUR/GBP:0.86934).

The purpose of the Placing and Conditional Subscription was to fund the acquisition of the entire issued share capital of Vodafone Spain. Funds raised from the Primary Bid share issue can be used to partially fund the acquisition, pay fees and expenses incurred in connection with the acquisition and offer, and for general corporate purposes.

Following the issue of the above new shares, the Company has 704,149,410 ordinary shares of £0.01 each.

No shares were issued to members of the management team during the year (2022: 846,857 shares) as described in note 16.

All ordinary shares confer identical rights including in respect of capital, dividends and voting. Save for those required by applicable law, there are no restrictions on the distribution of dividends or the repayment of capital by Zegona. The ordinary shares subscribed for by EJLSHM Funding Limited are identical to all Zegona's other ordinary shares and are considered to be the same share class but EJLSHM Funding Limited has irrevocably undertaken to Zegona not to vote the shares it holds (other than in connection with a takeover where the consideration is cash).

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

18. RESERVES

Retained earnings

The retained earnings reserve includes cumulative net profits.

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 16.

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 non-euro functional currency legal entities' to presentational currency euro ("€"). The movement in this reserve for the period is driven primarily by the movement in the closing €:£ exchange rates from 1.13 at 31 December 2022 to 1.154 at 31 December 2023.

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 2023, there were no transactions impacting the Capital Redemption Reserve (2022: none).

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 2023, the share premium reserve was increased by €1,183 million to reflect the issuance of the 697,654,138 shares to institutional investors, EJLSHM Funding Limited and to retail investors in the Primary Bid Offer. In 2023, €5.0 million (2022: €nil) of transaction costs were incurred in relation to the issuance of shares and have therefore been deducted from share premium.

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 16).

Other reserves

The Other reserve reflects the difference between the face value and the fair value of the €900 million promissory note receivable related to the issue of shares to EJLSHM Funding Limited at the date of issue. A reclassification to Retained earnings has been reflected in relation to the amount of interest income recognised in the income statement under the amortised cost method for the receivable.

19. 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. During 2023, Zegona issued 697,976,986 new shares (refer to note 17) and entered into three new borrowing facility agreements, which remain undrawn at year end (refer to note 15).

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 2022 Annual Report. This authorisation will continue until the end of the 2024 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.

20. 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 16, Management Shares in the share capital of Zegona Limited were issued in prior years 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, they were anti-dilutive for the years ended 31 December 2023 and 2022.

	2023	**2022**
Loss for the year attributable to equity holders of the parent (€000)	(15,551)	(3,313)
Weighted average number of ordinary shares	**105,606,703**	**5,446,215**
Basic and diluted EPS (€)	(0.15)	(0.61)

21. DIVIDENDS PAID

No dividends were declared or paid in 2023 or 2022.

22. 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 2023 or 2022. 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.

During the year, EJLSHM Funding Limited subscribed for 523,240,603 new ordinary shares in Zegona (see note 17).

The consideration for the subscription for ordinary shares by EJLSHM Funding Limited was satisfied by the issue of a €900 million promissory note. It does not bear interest, and was initially recognised at fair value which was determined to be €891 million using an interest rate of 5%. This has resulted in deemed interest income of €5.1 million during the year. The promissory note will be satisfied upon completion of the proposed acquisition of Vodafone Spain. A conditional agreement is in place for the Vodafone Group to fund EJLSHM Funding Limited upon the completion of the Acquisition. In the event that the acquisition does not complete, there are agreed mechanisms to buyback the ordinary shares held by EJLSHM Funding Limited in consideration for the set-off of the promissory note which would unwind this receivable. Pursuant to the Conditional Subscription and

Relationship Agreement dated 31 October 2023, EJLSHM Funding Limited has irrevocably agreed with Zegona not to exercise its voting rights (other than in connection with a takeover) and there are further restrictions around future sales by EJLSHM Funding Limited of Zegona's shares. EJLSHM Funding Limited does not have the ability to control or exercise significant influence over Zegona, and does not meet the definition of a related party under the requirements of IAS 24.

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 starting on page 30. Holdings of Management Shares and subscriptions for shares by management are detailed in note 16.

23. AUDITOR'S REMUNERATION

	2023 €'000	2022 €'000
Fees for the audit of the Company's annual accounts	393	129
Total audit fees	**393**	**129**
Fees for the review of interim financial statements	43	–
Other fees relating to the equity raise prospectus	144	–
Total non-audit fees	**187**	**–**

24. ACQUISITION OF VODAFONE SPAIN AND RELATED FINANCING

(i) Background

Zegona Communications plc (via Zegona Holdco Limited) has agreed to acquire 100% of the issued share capital of Vodafone Holdings Europe, S.L.U. ("Vodafone Spain"), a provider of fixed-line, mobile, TV and digital market services delivering voice, data and value–added services for €5,000 million (the "Acquisition").

Vodafone Group plc will provide a brand licence agreement which permits Zegona to use the Vodafone brand in Spain for up to 10 years post completion. Vodafone and Zegona will enter into other transitional and long-term arrangements for services including access to procurement, IoT, mobile roaming and carrier services.

The Acquisition is classified as a reverse takeover under the UK Listing Rules. An application has been made to the FCA and the London Stock Exchange, respectively, for Zegona shares to be re-admitted to the standard listing segment of the Official List and to trading on the Main Market with effect from the completion of the proposed Acquisition. It is noted that the Acquisition is not a reverse takeover for the purpose of IFRS 3R.

The financial effects of this proposed acquisition have not been recognised as of 31 December 2023. The operating results and assets and liabilities of the acquired company will be consolidated with effect from the completion of the proposed Acquisition.

(ii) Financing

Zegona funded the Acquisition through a combination of debt and equity as follows:

- On 31 October 2023, Zegona entered into committed debt financing of €3,900 million which consists of a term loan of €500 million and a corporate bridge facility of €3,400 million, as described in note 15.
- On 17 November 2023, Zegona raised €300 million (£262 million) in gross proceeds through the Placing of 174,413,535 shares at a price per share of 150 pence. Zegona incurred commissions and other estimated fees and expenses of €13 million (£11 million), resulting in total net proceeds for the Company from the Placing of €288 million (£251 million). See note 17.

- On 17 November 2023, Zegona raised €900 million (£785 million) in gross proceeds through the Conditional Subscription of 523,240,603 shares at 150 pence per share by EJLSHM Funding Limited. See note 17.
- The Company raised gross proceeds of €0.5 million (£0.5 million) through a separate offering of shares at 150 pence per share, as described in note 17.
- The Company entered into a €500 million Revolving Credit Facility on 31 October 2023 (note 15).

The net proceeds will be used to partially fund the Acquisition, fees and expenses incurred in connection with the Acquisition, related financing and for general corporate purposes. Zegona intends to refinance the corporate bridge facility in the debt capital markets if the market conditions are favourable and circumstances are beneficial for Zegona.

(iii) Acquisition related costs

Acquisition-related costs are expected to be approximately €14 million and will be included in administrative expenses in the statement of profit or loss. €9.3 million of such costs were incurred prior to 31 December 2023 and are included in administrative expenses in that period. The remainder will be included in administrative expenses in the year ended 31 December 2024.

(iv) Impact on the financial statements for the year ended 31 December 2024

The equity issued through the Placing to fund the acquisition occurred during the year ended 31 December 2023. €290 million of cash was subsequently transferred into an escrow account held for the purpose of the Acquisition, and interest has been accrued on this balance during the year. This account is held by a third party to fund the proposed Acquisition and the release of the funds from escrow is conditional upon its completion and requires a jointly issued instruction from both Zegona and Vodafone Europe B.V. In the event that the Acquisition does not complete, the cash held in escrow would be reverted back to Zegona along with interest accrued on the balance.

The consideration for the subscription for ordinary shares by EJLSHM Funding Limited was satisfied by the issue of a €900 million promissory note. It does not bear interest, and was initially recognised at fair value which was determined to be €891 million using an interest rate of 5%. This has resulted in deemed interest income of €5.1 million during the year.

The promissory note will be satisfied upon completion of the proposed acquisition of Vodafone Spain. A conditional agreement is in place for the Vodafone Group to fund EJLSHM Funding Limited upon the completion of the Acquisition. In the event that the acquisition does not complete, there are agreed mechanisms to buyback the ordinary shares held by EJLSHM Funding Limited in consideration for the set-off of the promissory note which would unwind this receivable and would not present Zegona with a credit loss. Pursuant to the Conditional Subscription and Relationship Agreement dated 31 October 2023, EJLSHM Funding Limited has irrevocably agreed with Zegona not to exercise its voting rights (other than in connection with a takeover) and there are further restrictions around future sales by EJLSHM Funding Limited of Zegona's shares.

Foreign exchange losses were incurred in the year driven by the revaluation in €1,187.7 million of euro denominated monetary assets, generated from the proceeds of the Company's financing activities to the Company's functional currency of Sterling at the reporting date.

Project costs incurred during the year of €8.5 million are reflected in the income statement. Accrued costs of €17.2 million are reflected in the financial statements, together with prepayments of €2.5 million.

Going concern disclosures are also impacted by the Acquisition.

25. POST BALANCE SHEET EVENTS

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