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ZEGONA COMMUNICATIONS PLC ("Zegona")

LEI: 213800ASI1VZL2ED4S65

4 APRIL 2022

ZEGONA ANNOUNCES 2021 RESULTS

London, England, Zegona Communications PLC (LSE: ZEG) announces results and publishes its Annual Report for the year ended 31 December 2021.[1]

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About Zegona

Zegona was established in 2015 with the objective of investing in businesses in the European Telecommunications, Media and Technology sector and improving their performance to deliver attractive shareholder returns. Zegona is led by former Virgin Media executives Eamonn O'Hare and Robert Samuelson.

[1] Zegona has also issued, posted, or made available to shareholders, the Notice of Annual General Meeting and Form of Proxy for the Annual General Meeting. These documents are also available on the Zegona's website at www.zegona.com

STRATEGIC REPORT | CHAIRMAN'S STATEMENT

I am pleased to present Zegona's annual report for 2021. This was a very important year for the Company. We crystalised significant shareholder value by completing the sale of Euskaltel and delivered on our commitment to return capital to shareholders promptly and efficiently.

The completion of Zegona's journey in Spain validates its Buy-Fix-Sell strategy

On 28 March 2021, MásMóvil, the fourth largest telecommunications operator in Spain launched a tender offer to acquire 100% of Euskaltel for €11.17 per share in cash. This valued Euskaltel's equity at €2.0 billion, which equated to an Enterprise Value of €3.5 billion (over 10x EBITDA and 21x Operating Cash Flow), a significant premium to European telecommunications multiples[2].

The sale of our Euskaltel investment represented the successful completion of our Buy-Fix-Sell strategy in Spain. This journey included four M&A transactions and two operational turnarounds. Our involvement in Telecable and Euskaltel created significant value, delivering an 88% return on shareholders' net invested capital[3].

The success of our investment strategy in Spain, culminating in the sale of Euskaltel to MásMóvil, demonstrated the strength and flexibility of our Buy-Fix-Sell strategy. We engineered the combination of three northern Spanish cable operators and leveraged our position as the leading shareholder in the enlarged business to drive significant change. These changes included restructuring the board, strengthening the senior management team, realising material synergies, returning the business to growth and expanding nationally across Spain through the launch of the Virgin brand.

As Euskaltel started to grow with improved operational and financial metrics, we were able to initiate consolidation discussions from a position of strength. The eventual transaction with MásMóvil received support from the full Euskaltel Board and over 97% of Euskaltel's shareholders. The transaction was completed in August 2021, and we received €428 million[4] (£370 million[5]) in total cash proceeds.

Capital returned to shareholders with management reinvesting

A core component of our Buy-Fix-Sell strategy is our commitment to return excess capital to shareholders promptly and efficiently. We did this in 2017 when we sold Telecable and we did the same again this year. Following the announcement of MásMóvil's tender offer, we sought the views of our shareholders before announcing in May 2021 our intention to return over 90% (£335 million) of the cash proceeds. We initiated this capital return with a £5.7 million dividend in June 2021 and the return of the full £335 million was completed less than two months later with a tender offer to acquire Zegona shares at £1.535 per share.

At the same time, the executive team agreed to reinvest a portion of the Management Incentive as a signal of our commitment to the business and confidence that we can once again deliver significant shareholder value by implementing Zegona's Buy-Fix-Sell strategy. This reinvestment has resulted in the management team becoming Zegona's largest shareholder. In addition, Robert Samuelson (Chief Operating Officer) and I waived our entitlement to any bonus in 2021 and Zegona will pay no bonuses to the senior team until we have made another investment. Management continue to be strongly aligned with shareholders, both through our significant ownership position and the long-term incentive scheme that links our remuneration directly to growth in shareholder value.

The next Buy-Fix-Sell Opportunity

After completing the Capital Return, Zegona is in a similar position to when it was founded in 2015. The company has retained sufficient capital to provide adequate time and resources to secure another attractive investment opportunity within the European TMT sector.

The broader European TMT landscape continues to be large and fragmented, with well over 100 operators, of which over half fit our desired investment size. We continue to see a very healthy environment for acquisitions

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[2] Euskaltel multiples based on its Enterprise Value divided by its reported 2020 EBITDA (as defined by Euskaltel) of €342.8 million and reported 2020 Operating Cash Flow (as defined by Euskaltel as EBITDA-Capex) of €164.5 million. Comparable European Cable company multiples of 6.7x 2020 EBITDA and 13.3x 2020 Operating Cash Flow (Source: Citigroup).

[3] See page 46 for calculation of Zegona's return on shareholders' net invested capital.

[4] Being the €421.3 million received from the tender offer plus the dividend of €6.5 million received in June 2021 following the announcement of the tender offer.

[5] At the actual GBP rates achieved, see note 13 to the financial statements.

across the industry, demonstrated by a significant increase in deal activity with approximately 14 public telco businesses being acquired or subject to a public offer in the last two years.

This healthy acquisition environment is being driven by a number of core themes that we believe will present Zegona with attractive investment opportunities. These include, core telco business delivering poor capital returns, fixed/mobile convergence, in-market consolidation and large multi-national operators divesting non-strategic assets.

We are actively pursuing a number of attractive opportunities and have recently participated in a number of transaction processes. These are in markets which we know well and where we are confident we can apply our expertise and experience to again deliver superior returns for our shareholders. However, we remain patient and disciplined and will not complete a transaction unless we are confident that it meets our strict financial criteria. We are currently working on a shortlist of attractive opportunities and hope to be able to discuss these with shareholders in due course.

Annual general meeting

The next AGM will be held at 10 Snow Hill, London, EC1A 2AL at 1:00 pm on 28 June 2022. The AGM is an opportunity for shareholders to vote on certain aspects of Zegona's business. The Directors will also be available to answer any shareholder questions prior to and after the meeting.

Eamonn O'Hare
Chairman and Chief Executive Officer
3 April 2022

Vision

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

Opportunity

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

- Demand for data and speed: Data consumption is growing strongly with customers willing to pay for speed and reliability. Gigabit broadband is increasingly offered in many markets but network roll-outs and upgrades need to be efficient.
- Digital convergence: The fixed/mobile divide is increasingly disappearing for users, meaning significant growth in more valuable quad play[6] customers who are combining mobile and fixed services. This has driven an increase in merger and acquisition ("**M&A**") activity and improvements in economics for converged players since mobile data delivery is heavily dependent on high capacity fixed networks.
- Industry consolidation: The sector has seen heightened M&A activity. Many private equity owners are looking to sell assets as economies return to growth and industry players are focusing on their core regions, delivering cost reductions and price repair to rebuild margins. Consolidation has also created opportunity as businesses are spun out by the major industry players to meet regulatory requirements and strategic objectives, creating opportunity for Zegona.
- Infrastructure monetisation: The opportunity to enhance value through separating off and monetising infrastructure assets, started with mobile towers but has expanded to other assets including fixed networks. This creates new commercial options, both through providing a route for incremental value creation and in the remaining 'servco' operations which may not have been the main focus of attention in the initial infrastructure led transaction.
- Broad range of attractive assets: Our flexibility in terms of size, geography and category opens a broad universe of attractive target assets across the TMT market. We have identified many businesses of an appropriate scale, including operators which are active in one or more of the mobile, mid-sized cable, fixed fibre network, B2B[7], and network infrastructure sectors.

Advantage

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

- Strong, aligned management team: Our management team has a proven track record of delivering superior business performance and investor returns. During 2017, it successfully sold Telecable and was then instrumental in returning Euskaltel to growth. This enabled us to initiate consolidation discussions with MásMovíl that lead to it acquiring Euskaltel in July 2021. The team has extensive real-world experience in senior operational roles in large public telecommunications companies and it interests are also strongly aligned with shareholders through a long-term incentive scheme that links remuneration directly to growth in shareholder value.
- Entrepreneurial focus: We have considerable freedom in the projects we pursue and the ways we create value. Unlike most private equity businesses, Zegona is free to choose the optimal period to hold assets and can realise value using a range of approaches, of which a sale of the asset is only one. This also permits a focus on fundamental business improvements that are value accretive rather than relying on high leverage and multiple expansion. We are also able to act quickly on acquisition opportunities while still maintaining financial discipline. This is especially attractive to potential sellers and a key differentiator.
- Major global investors: Zegona benefits from having a number of global public equity asset managers[8] with a long-term outlook as shareholders. The strong support which we have from such shareholders was illustrated by our successful placement of over £100 million of equity in February 2019 which enabled us to become Euskaltel's largest shareholder and drive change within the business. We have an effective investor relations programme which maintains regular contact with our major current and potential shareholders.

Strategy

We seek to provide shareholders with an attractive total return, primarily through appreciation in the value of Zegona's assets. Our strategy focuses on making investments in strategically sound businesses within the European TMT sector that require active change to realise their full value, thereby creating significant long-term returns through fundamental business improvements. The main elements of Zegona's strategy are set out below but our

[6] Quad play: customers with four services (pay TV, fixed voice, broadband and mobile).
[7] Business to Business.
[8] Those with holdings in 3% or more of the issued ordinary shares of the Company are listed on page 14.

overall approach is to deal with each opportunity and situation individually as it arises. For example, in the case of the investment in Euskaltel, our successful strategy was to increase our ownership position and work constructively with the Euskaltel Board and management to improve the performance of the business and make it more attractive to potential buyers, thereby encouraging industry consolidation.

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

- Target businesses with an enterprise value range of £1-5 billion, although we may deviate outside of this range if we believe the returns are sufficiently attractive;
- TMT, network-based communications and entertainment businesses, primarily in Europe;
- Strategically sound businesses with established market positions and limited expected downside risk, but which have scope for fundamental improvement that is realistically achievable;
- Appropriate financial leverage (usually 3-4x EBITDA[9]); and
- Multiple viable exit options pre-identified.

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

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

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

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

[9] Operating profit excluding depreciation of property, plant and equipment and amortisation of intangible assets.

Sale of the investment in Euskaltel and Return of Capital

On 28 March 2021, MásMóvil, the fourth largest telecommunications operator in Spain launched a tender offer to acquire 100% of Euskaltel for €11.17 per share in cash (the **"Offer"**). The Offer valued Euskaltel's equity at €2.0 billion which equated to an Enterprise Value of €3.5 billion and valued Euskaltel at 10.1x EBITDA and 21x Operating Cash Flow, a significant premium to European telecommunications multiples[10].

The offer price was subsequently adjusted to €11.00 per share following the payment by Euskaltel of a €0.17 per share dividend on 17 June 2021 which Zegona passed on to its shareholders in full through a £5.7 million dividend declared on 21 June 2021. The tender offer was successfully completed and Zegona received €421.3 million on 11 August 2021. Eamonn O'Hare and Robert Samuelson resigned as directors of Euskaltel on 10 August 2021.

The completion of MásMóvil's acquisition of Euskaltel underscores the success of Zegona's strategy in Spain and provided significant value creation for Zegona shareholders, with Zegona achieving a return of 87.6%[11] on shareholders' net invested capital. The sale, together with the dividend, delivered proceeds of €428 million (£370 million[12]) to Zegona and Zegona successfully passed substantially all of this[13] back to its shareholders by October 2021, through a £5.7 million dividend and a £329.3 million on-market share buyback by way of a tender offer launched in August 2021.

Up to the announcement of MásMóvil's tender offer on 28 March 2021, Zegona had accounted for its investment in Euskaltel as an associate. From this date, the investment in Euskaltel, and other related items[14] (see note 13 to the financial statements), were classified as a discontinued operation, with comparative periods also being restated. This resulted in Zegona recognising a profit for the period from discontinued operations, net of tax of €114.2 million (2020: €19.8 million).

Review of Zegona's continuing corporate and other activities

Loss for the period from continuing operations

Zegona's corporate and other activities resulted in a net loss for the period from continuing operations of €34.3 million (2020 €5.8 million net loss) which principally comprised:

Operating loss

Operating loss totalled €34.0 million (2020: €6.8 million) and included:

- €4.6 million (2020: €5.6 million) for Zegona's ongoing corporate operations, with the reduction mainly driven by the Executive directors waiving their 2021 bonuses.
- €29.1 million (2020: €0.9 million) of Incentive scheme costs which were payments to management upon the redemption of the Management Shares in October (see note 19 to the financial statements).
- €0.3 million (2020: €0.3 million) for significant project costs, principally professional fees paid in conjunction with exploring new opportunities and financing.

[10] Euskaltel multiples based on its Enterprise Value divided by its reported 2020 EBITDA (as defined by Euskaltel) of €342.8 million and reported 2020 Operating Cash Flow (as defined by Euskaltel as EBITDA-Capex) of €164.5 million. Comparable European Cable company multiples of 6.7x 2020 EBITDA and 13.3x 2020 Operating Cash Flow (Source: Citigroup).

[11] See page 46 for calculation of Zegona's return on shareholders' net invested capital.

[12] At the actual GBP rates achieved, see note 13 to the financial statements.

[13] As defined in Zegona Limited's articles of incorporation.

[14] Including a deal contingent foreign exchange forward purchase agreement and the contingent consideration due from Euskaltel in connection with the sale of Telecable.

Net finance costs

Net finance costs totalled €0.2 million (2020: €0.2 million) and comprises interest incurred on bank borrowings recognised within Finance Costs, net of interest on cash balances earned recognised within Finance Income**.**

Other Comprehensive Income

Exchange differences on translation resulted in a gain of €0.6 million (2020: loss €18.7 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 (**"€"**).

Shareholder remuneration

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

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

Key performance indicators and non-GAAP measures

As Zegona does not currently have an operating business, there are limited material key performance indicators that provide a useful measure of Zegona's business performance and position other than financial measures defined by IFRS, with the exception of:

Zegona's return on shareholders' net invested capital

Zegona uses its return on shareholders' net invested capital as a measure to demonstrate the value generated by the combination of the disposal of Euskaltel and the Return of Capital, compared to the amount originally invested by shareholders. Zegona believes it is both useful and necessary to report these amounts because they quantify Zegona's success in executing its Buy-Fix-Sell strategy in the same terms that investors use as a key metric when allocating capital. This is especially necessary as there are no IFRS measures that articulate this performance in terms that are consistent with those used by the investment community.

Below we set out the calculation of Zegona's return on the combination of the disposal of our investment in Euskaltel and the Return of Capital. This is the percentage by which the Asset Value exceeded Zegona's net invested capital at the completion of the tender offer on 14 October 2021. The Asset Value is the amount distributed to shareholders and management under the Incentive Scheme together with the total value of Zegona's assets immediately following the completion of the tender offer. Zegona's Net Invested Capital represents the net amount of all shareholder subscriptions less all returns to shareholders, including dividends, capital returns and share buy-backs since Zegona's initial quotation on the AIM Market in March 2015. There are no IFRS measures that provide an equivalent insight for this to be reconciled to

	14 October 2021 £000
Adjusted value of Zegona's assets immediately following the tender offer[15]	6,582
Capital Returned (see note 20 to the financial statements)	329,307
Incentive Scheme payments (see note 19 to the financial statements)	25,720
Asset Value	**361,609**
Net invested capital at 14 October 2021 (see page 46)	(192,818)
Excess	**168,791**
Return (%)	**87.54**

STRATEGIC REPORT | RISKS

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**").

[15] Being equal to the Net Asset Value excluding the Income Tax Receivable (which was excluded given the uncertainty inherent in the asset, see note 15 to the financial statements) as defined in the management Subscription Agreement of £1.438 per share (see note 20 to the financial statements) multiplied by the 4,437,973 shares outstanding immediately following the completion of the tender offer (see note 21 to the financial statements).

Principal and emerging risks

Risk title	Risk rating	Change in risk assessment since the last Annual Report	
Ability to maintain sufficient resources to identify and complete new acquisitions	Moderate		New
Ability to create value in acquired businesses	Moderate		New
Key management	Low	↔	No change
Brexit	Low	↔	No change
Foreign exchange	Moderate	↔	No change

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

Ability to maintain sufficient resources to identify and complete new acquisitions
Following the sale of its investment in Euskaltel, Zegona meets its day to day working capital requirements, including the costs of evaluating new acquisitions, from cash balances. At 3 April 2022, Zegona had approximately €9.2 million of cash and approximately €1.0 million of liabilities and we are already making progress on finding another attractive investment opportunity within the European TMT sector where we can again apply our successful Buy-Fix-Sell strategy.

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

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

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

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

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

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

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

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

Brexit

The UK ceased to be a member state of the European Union on 31 January 2020. In December 2020, the UK and EU signed the UK-EU Trade and Cooperation Agreement (the **"TCA"**). This agreement governs the relationship between the EU and the UK following the end of the transition period agreed after the UK officially left the EU. The agreement provides for free trade in goods and limited mutual market access in services, as well as for cooperation mechanisms in a range of policy areas, transitional provisions about EU access to UK fisheries, and UK participation in some EU programs. On 31 December 2020, the UK ceased to be a member of the EU Single Market and Customs Union.

While the TCA does clarify a number of matters concerning the UK's ongoing legal, political and economic relationship with the EU, there are number of areas that are not covered. Due to this and the size and importance of the UK economy, it is possible that the UK's exit from the EU may continue to be a source of instability in the international markets, create significant currency fluctuations, and/or otherwise adversely affect trading agreements or similar cross-border co-operation arrangements (whether economic, tax (including the tax treatment of cross border payments), fiscal, legal, regulatory or otherwise) for the foreseeable future. Such continued uncertainty could have an adverse impact on the number and attractiveness of acquisition opportunities available to Zegona.

The long-term effects of Brexit will depend on any agreements (or lack thereof) between the UK and the EU and, in particular, any arrangements for the UK to retain access to EU markets. Additionally, the exchange rate of Sterling vis-a-vis other currencies may continue to be relatively volatile, which could result in increasing costs of non-sterling denominated expenses and other obligations and in changes in the value of non-sterling denominated assets. Furthermore, UK regulatory requirements could be subject to significant change and could place an additional burden on Zegona.

Foreign exchange

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

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

Longer term viability statement

Zegona's prospects

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

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

The assessment period

We continue to believe that three years – in this case the three years to December 2024 – is the appropriate period over which Zegona should assess its viability for the following reasons:

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

The assessment process and key assumptions

The Directors approve a 3 year forecast on an annual basis which is sufficiently detailed to explain all cash inflows and outflows and includes a description of all reasonably possible risks and opportunities. Each month, the Board is provided with an analysis of actual performance against the forecast which is updated frequently. The most recent forecast is used as the base case ("Base Case") for the viability assumption without any significant adjustment.

Zegona's operations are now focused on finding the next investment opportunity and its ongoing running costs are relatively predictable as the most significant ongoing costs are the salary costs of the Board and management team. From 2022 until a new investment is made, no management bonuses will be paid. The most significant element of uncertainty is whether Zegona will incur substantial professional fees for costs such as legal advice and due diligence related to an unsuccessful attempt to acquire a new investment. Such costs are inherently unpredictable, so while a contingency is included in the base case for routine professional fees that would be expected to support Zegona's day-to-day operations, no amounts are included for any significant aborted transactions.

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

We believe that this approach fairly represents the future prospects of Zegona while also properly considering the principal and emerging risks (as discussed on page 7). In terms of risks, we believe that the principal consequence should any of the risks occur would be to make it more difficult for Zegona to execute a new acquisition.

In addition to the Base Case, the Directors identified a severe but plausible downside scenario which was further used to stress test the base numbers. Given the nature of Zegona's current operations and generally high level of predictability of its costs, the downside scenario differs from the Base Case only by the inclusion of a 10% overrun on recurring costs and £ 2.0 million for aborted costs on unsuccessful acquisitions, assumed to be incurred by the end of 2022.

Results of the assessment
The assessment showed that in both the Base Case and the downside scenario, 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.

Over more than 12 months however, both the Base Case and the downside scenario showed that without the upside impact of completing a new acquisition, Zegona will need to seek additional equity funding during the viability assessment period, even if it takes liquidity enhancing actions such as reducing discretionary expenditure. Without such actions, the Base Case assumes Zegona would need to seek additional funding during the second quarter of 2024, while this would be sooner under the downside scenario, but still more than twelve months from the date of issuance of this report.

Statement of viability
Taking into account Zegona's current position and principal and emerging risks and uncertainties, the Directors confirm that we expect Zegona will be able to continue in operation and meet its liabilities as they fall due over the three years to December 2024 only if it is successfully able to raise funds and execute a new acquisition or otherwise obtain additional equity funding during the period.

The Strategic Report was approved by the Board on 3 April 2022 and is signed on its behalf by:

Eamonn O'Hare
Chairman and Chief Executive Officer

DIRECTORS' REPORT | CORPORATE RESPONSIBILITY

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

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

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

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

Board Directors and senior managers have been appointed to bring required skills, knowledge and experience. During 2020 and 2021, all individuals that have been appointed have diverse backgrounds including, two female independent Non-Executive Directors. The Nomination and Remuneration Committee will continue to consider the diversity of the Board for further new appointments.

The table below shows the breakdown of our workforce at the end of 2021.

	Male	Female	Total
Board Directors	4	2	6
Senior management	3	-	3
Other staff	–	2	2
Total	**7**	**4**	**11**

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 matters
We are committed to minimising Zegona's impact on the environment. At present, Zegona has no operating investments and only 7 full time employees who all work from home as it has no office facilities. The most significant environmental impact is from limited business travel, however Zegona's overall impact is minimal, with total CO_2 emissions less than the average for a single UK household. Zegona's approach to minimise its environmental impact is therefore to seek to maintain lean working arrangements, utilise connectivity technology to minimise business travel and encourage our employee to recycle, minimise energy wastage, and do their part to ensure that Zegona acts responsibly.

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

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

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

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

Zegona has no Scope 1 emissions. Zegona Scope 2 and Scope 3 emissions for the year to 31 December 2021 and comparative period are shown below:

	Global tonnes of CO_2e	
	2021	**2020**
Scope 2 (electricity)	**-**	**1.7**
Per €m operating expenses	-	0.24
Scope 3 (water consumption, business travel)	**4.5**	**4.9**
Per €m operating expenses	0.12	0.7

All emission factors have been selected from the emissions conversion factors published annually by the Department for Environment, Food and Rural Affairs and the International Energy Agency. Scope 2 and Scope 3 emissions have decreased in 2021 due to homeworking arrangements and restrictions on travel imposed in response to the COVID-19 pandemic.

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

As a standard listed business, Zegona will be required to provide the information required under the Task Force on Climate-related Financial Disclosures ("TCFD") recommendations from its 2022 Annual Report.

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 12.

DIRECTORS' REPORT | OTHER MATTERS

General

Details of the directors can be found on pages 18 to 19. A discussion on the role of the board, including the powers of the company's directors can be found in the Corporate Governance Statement beginning on page 20.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 42 .

Result

For the year ended 31 December 2021, Zegona's loss before tax from continuing operations was €34.3 million (2020: €5.8 million). Zegona's gain from discontinued operations was €114.2 million (2020: €19.8 million). Other comprehensive gain was €0.6 million (2020: loss of €18.7 million). Therefore, the total comprehensive income for 2021 was €80.5 million (2020: loss of €4.7 million). Reviews of performance and likely future developments are set out in the Strategic Report on pages 1 to 10.

Dividends

The Company declared a first interim dividend on 21 December 2020 at a rate of 2.2p per share, totalling £4.8 million (€5.6 million). The dividend was paid on 9 March 2021.

The Company also declared a second interim dividend on 21 June 2021 at a rate of 2.6p per share, totalling £5.7 million (€6.7 million). The dividend was paid on 23 July 2021.

Contracts of significance

There were no significant contracts to report.

Events since the end of the financial year

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

Capital structure

The Company's capital structure is comprised of 5,325,567 ordinary shares of £0.01 each (**"Ordinary Shares"**). The holders of Ordinary Shares have the right to receive notice of, attend and vote at all general meetings of the Company. Holders of Ordinary Shares have the right to participate in dividends and any surplus capital on a winding up pari passu as amongst themselves. Where the winding up of the Company entails or is concurrent with the winding up of the Company's subsidiary, Zegona Limited, the assets available for distribution among the holders of Ordinary Shares will be reduced by such amount as is required to satisfy the rights (if exercised) of Management Shares (as defined in the Directors' Remuneration Report on page 43, with further details set out in note 19 to the financial statements).

Share buy-back programme

The shareholders passed a resolution to authorise Zegona to make market purchases of up to 15% of its current issued ordinary share capital (within specified price parameters) in the 2020 AGM, which expires on the earlier of the end of 2022 AGM or 18 months after the date of 2021 AGM. A resolution to renew this authority is proposed for the 2022 AGM. It is intended that we will exercise this authority only if the Board considers that it is in the best interests of Zegona at the time, for instance if the traded price of the Company's ordinary shares is substantially below the value of its net assets. Any shares repurchased by Zegona may be held in treasury and subsequently resold for cash, cancelled or used for employee share scheme purposes.

In addition, on 13 August 2021, the Company announced the publication of a circular for a return of up to £329.3 million to shareholders by way of a tender offer. The tender offer completed on 14 October 2021 at a price of £1.535 per share, with a total of 214,532,103 ordinary shares purchased.

Details of shares repurchased in the year can be found in note 20 and note 21 to the financial statements.

Internal control and Financial Risk Management

A description of the main features of Zegona's internal control and risk management arrangements in relation to the financial reporting process can be found in the Audit and Risk Report on page 27. 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 2021 and up to the date of approval of this report, Zegona had been notified under DTR 5 of the following holdings in 3% or more of the issued ordinary shares, which are all held indirectly by asset managers:

Asset manager	Shareholding at 3 April 2022	% of ordinary share capital as at 3 April 2022	Shareholding at 31 December 2021	% of ordinary share capital as at 31 December 2021
Zegona board and management[16]	957,479	17.98%	957,479	17.98%
Marwyn Asset Management	774,321	14.54%	774,321	14.54%
Artemis Investment Management	586,691	11.02%	586,691	11.02%
Fidelity Investments Limited	403,395	7.61%	403,107	7.57%
Fidelity Management & Research	398,717	7.49%	403,067	7.57%
Credit Suisse	255,969	4.81%	255,969	4.81%
Aberforth Partners LLP	243,744	4.58%	243,744	4.58%
Chelverton Asset Management	184 091	3.46%	184 091	3.46%
Jarvis Investment Management	167,796	3.15%	122,546	2.30%
Canaccord Genuity Group Inc	152,215	2.86%	269,215	5.06%
	4,124,418	**71.44%**	**4,200,230**	**78.87%**

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 2022 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.

[16] Including Zegona management, directors and related holdings. At both 3 April 2022 and 31 December 2021 Eamonn O'Hare owned 502,891 shares (9.44% of Zegona's issued share capital) and Robert Samuelson owned 243,275 shares (4.57%). Eamonn and Robert have also irrevocably committed to subscribe for 564,571 and 282,286 new shares of Zegona at such time that they can be admitted to Immediately following this subscription, Eamonn and Robert will hold 17.29% and 8.51% respectively of Zegona's ordinary share capital (see note 20 to the financial statements).

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 considers that there are no material uncertainties affecting Zegona's ability to continue in business or meet its liabilities as they fall due for the next 12 months and therefore believes it is appropriate to prepare the Financial Statements on the going concern basis.

By order of the Board

Eamonn O'Hare
Chairman and Chief Executive Officer
3 April 2022

DIRECTORS' REPORT | DIRECTORS' RESPONSIBILITY STATEMENT

Statement of Directors' responsibilities

The Directors are responsible for preparing the Strategic Report, Directors' Report, Directors' Remuneration Report, Corporate Governance Report and the Zegona group and parent company Financial Statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with UK-adopted international accounting standards and applicable law and have elected to prepare the parent Company financial statements on the same basis.

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

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

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

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

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

We confirm that to the best of our knowledge:

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

By order of the Board

Eamonn O'Hare
Chairman and Chief Executive Officer
3 April 2022

GOVERNANCE | PROFILES OF THE DIRECTORS

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 was a proprietary director of Euskaltel until 10 August 2021 when he resigned following the sale of Euskaltel. He also served as a non-executive director on the main board of Dialog Semiconductor Plc until 30 August 2021, a leading edge consumer technology business that provides critical components for the world's most successful mobile device brands. The fees for these appointments are disclosed in the Directors' Remuneration Report on page 50.

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 was a proprietary director of Euskaltel until 10 August 2021 when he resigned following the sale of Euskaltel, and the fees for this appointment are disclosed in the Directors' Remuneration Report on page 50.

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

Richard Williams, independent Non-Executive Director (appointed 9 November 2015)
Richard is an experienced Non-Executive Director with significant board level experience in both public and private companies and currently holds a number of Non-Executive Director roles. Richard spent most of his executive career in European telecommunications, most recently as a Director of Investor Relations at Altice, and prior to that, Virgin Media. Richard led Virgin Media's investor relations activity through to the acquisition of the company by Liberty Global in 2013. Richard then joined Altice, where he supported the company's IPO and Altice's acquisition

of SFR and Portugal Telecom.

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

Ashley Martin, independent Non-Executive Director (appointed 6 February 2017)
Ashley brings a wealth of complementary experience to the Board. Ashley was Audit Committee Chair at Rightmove plc from 2009 to 2018 and, in that role, gained valuable insight into an entrepreneurial, high-growth consumer technology business. On 1 September 2018, Ashley was appointed as a non-executive director of the international research data and analytics group YouGov plc. Ashley has also enjoyed a successful executive career spanning 35 years in larger listed companies, with a particular focus on mergers and acquisitions. Ashley was Global Chief Financial Officer of private equity-backed Engine Holding LLC, and was previously the Group Finance Director of Rok plc, the building services group, and Group Finance Director of the media services company, Tempus plc.

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

Kjersti Wiklund, independent Non-Executive Director (appointed 5 February 2020)
Kjersti brings significant experience from a series of senior global telecommunications roles, including as director of group technology operations at Vodafone and chief operating officer of VimpelCom. Kjersti has also held senior executive positions at Kyivstar, Digi Telecommunications and Telenor.

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

Kjersti is a member of the Audit and Risk Committee.

Suzi Williams, independent Non-Executive Director (appointed 5 February 2020)
Suzi brings skills and experience from over 25 years in telecommunications, media and consumer businesses in the UK and internationally. As Chief Brand and Marketing Officer at BT, she was part of the team who transformed the business. Prior to that, she was Commercial Development Director at Capital Radio Group and held senior leadership roles at Orange, the BBC, KPMG Consulting, and Procter & Gamble Europe.

Suzi is currently a NED at FTSE 250 Telecom Plus. Previously she was NED and Remco Chair at Workspace Group Plc, and at The AA plc (from 2015 until March 2021, when the business was acquired by a private equity consortium of Towerbrook and Warburg Pincus). She also advises a number of early stage technology and AI businesses.
Suzi is the Chair of 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 7 to 8. The Directors' Report on pages 11 to 17 also contains information required to be included in this statement of corporate governance.

The Board of Directors

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

Biographical details of all Directors and details of their committee membership at the date of approval of this report appear on pages 18 to 19. Consideration of the Board size and composition is kept under regular review by the Nomination and Remuneration Committee.

Powers and operation of the Board

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

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

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

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

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

The Board delegates the day to day responsibility for running Zegona to the executive management, however there are a number of matters which are required to be or should only be decided by the Board of directors as a whole in accordance with the UK Corporate Governance Code. An updated schedule of Matters reserved for the Board, approved by the Board on 9 June 2020, can be found on Zegona's website[17].

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 25 and 31. The composition of these committees is reviewed regularly, taking into consideration the recommendations of the Nomination and Remuneration Committee.

Independence of the Board

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

Board and committee attendance

Attendance at the Board and committee meetings held during 2021 was:

	Board	Nomination and Remuneration Committee	Audit and Risk Committee
Eamonn O'Hare	16/16	-	-
Robert Samuelson	16/16	-	-
Richard Williams	16/16	5/5	3/3
Ashley Martin	16/16	5/5	3/3
Suzi Williams	16/16	5/5	-
Kjersti Wiklund	15/16	-	3/3

Directors' terms of service

Zegona's Articles of Association require each Director to retire from office and offer themself for re-election or election, as the case may be, at each AGM. Accordingly, each of the Directors will retire from office at the 2022 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 current service contracts which can be terminated on 6 months' notice. All Non-Executive Directors' continued service is dependent on annual re-election by shareholders and the annual Board effectiveness review. Details of the unexpired terms of the service contracts are set out in the Directors' Remuneration Report.

[17] https://www.zegona.com/investor-relations/shareholder-information.aspx.

Directors' indemnities

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by section 234 of the Companies Act 2006 (the "**Act**"). The indemnity was in force throughout 2021 and is currently in force. This confirmation is given and should be interpreted in accordance with the provisions of section 236 of the Act.

Zegona also purchased and maintained throughout the year Directors' and Officers' liability insurance.

Conflicts of interest

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

Company secretary

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

Compliance with the UK Corporate Governance Code

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

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

Combined Chairman and CEO

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

Zegona has paid close attention to this matter since its incorporation and has formally reconsidered it on a number of occasions. Separation of the roles was determined to be a low priority in the corporate governance review completed by Ernst & Young LLP, "**EY**" in 2017. This matter has also been actively reconsidered both as part of the EY-facilitated exercise to develop Zegona's Board Charter in 2018/19 and as part of each of Zegona's annual assessments of Board effectiveness. The Board considers that it is not appropriate to separate the roles at present given the significant simplification of the business since the sale of the investment in Euskaltel and the Return of Capital. The Board remains aware of this area of non-compliance, and it will ensure that this matter continues to be kept under active review, in particular if the structure of Zegona changes again by making another significant investment.

Appointment of a Senior Independent Director ("SID")

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

Employee engagement

Provisions 2, 5 and 6 provide guidance for the implementation of procedures meant to ensure Zegona engages with and monitors its workforce. Given Zegona currently has only five employees (excluding Directors), the Board believes the implementation of any formal steps or procedures to engage with the workforce are not required as informal communications occur regularly between all employees and the Executive Directors, including weekly team meetings.

Equalisation of pension arrangements
Provision 38 recommends that the pension contribution rate for the Executive Directors be the same as for the majority of the workforce. During the year, this was not the case however, this will be resolved by the end of 2022 when the rate paid to the Executive Directors will be equalised with the rate paid to the majority of the workforce.

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

The findings of the review were generally positive. The Board noted that 2021 was a year of very significant change in which the Board has had to address several sensitive, strategic issues of fundamental importance to Zegona, including the decision to sell Zegona's investment in Euskaltel and how to balance the opinions of a number of significant investors on what to do with the proceeds of the sale. These questions were significant to the ongoing operations of Zegona and needed to be addressed within a tight time frame. Understandably there were a range of views represented and robust challenge was provided by the Non-Executive Directors. The Board considered it a strong indication that it is operating effectively that the directors were able to work together to successfully build a consensus around a result that they believe was positive for all shareholders.

The review also highlighted a number of matters for the Board to focus on. These included ensuring that the questions of whether the Chairman and CEO roles should continue to be combined and/or a SID should be appointed are kept under active reconsideration, especially given any change in Zegona's operations, continuing to focus on strengthening governance and continuing to build on the improvements made in risk assessing key decisions.

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 and Euskaltel. 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 (2014/596/EU). The Board complies with these provisions and takes all reasonable steps to ensure compliance by Zegona's 'applicable employees.

Relations with Zegona's stakeholders

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

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

During 2021, extensive shareholder feedback was sought on whether Zegona should return the proceeds of the Euskaltel sale to shareholders, and if so, how much. This involved shareholders speaking directly to Zegona's Executive Directors, certain non-Executive Directors as well as Zegona's brokers. The views emerging from this process were discussed in depth by Zegona's Board and they were key in coming to the eventual decisions to return £335 million to shareholders, for the Executive Directors to waive their 2021 bonuses and to pay no bonuses in 2022 and thereafter until Zegona acquires another operating business

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

GOVERNANCE | AUDIT AND RISK COMMITTEE REPORT

I am pleased to present the 2021 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[18].

Committee membership and meetings

The members of the A&RC during 2021 were Ashley Martin (Chairman), Richard Williams and Kjersti Wiklund, all of whom are independent Non-Executive Directors as required by provision 24 of the Code. The Board has determined that Ashley Martin has recent and relevant financial experience due to his previous CFO roles at listed and private equity backed businesses. Both Ashley and Richard qualified as Chartered Accountants. In line with the Code, the A&RC as a whole possesses competence relevant to the sector in which Zegona operates through the digital media and consumer experience of Ashley Martin and the telecommunications experience of Richard Williams and Kjersti Wiklund.

The A&RC normally meets at least three times a year with additional meetings arranged if necessary. In 2021, the A&RC met in April, August and September and has subsequently met in March. 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.

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

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

Financial reporting:

- Confirmed that the Financial Statements were fair balanced and understandable. In this respect, the A&RC considered, inter alia:
  - the key messages in the annual report and their consistent application in the front and back end of the report;
  - whether the whole story is presented and whether any sensitive material has been omitted; and
  - whether there is a clear and cohesive framework for the annual report.

- Reviewed the going concern assumption and the assessment forming the basis of the longer-term viability statement. The A&RC reviewed the work undertaken by management to assess Zegona's resilience to the principal risks under various stress test scenarios 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:
  - **Accounting for the disposal of the Euskaltel investment and related transactions –** The judgements in relation to accounting for the disposal of Euskaltel relate to the assumptions applied in classifying it and related items as a disposal group and discontinued operation (in particular for the interim report prior to the completion of the disposal), as well as the calculation of the gain on sale of and other items recognised as discontinued operations. The A&RC also considered the related disclosures within the financial statements. This was also an area of focus for the external auditor, who reported its findings to the A&RC. The Committee considered management's approach, the assumptions applied and related disclosures and agreed with management's treatment and valuation.

  - **Recoverability of the income tax receivable –** The A&RC reviewed the conclusions related to the ongoing activity around the EU Commission decision that the Group Financing Exemption contained within the UK's Controlled Foreign Company (**''CFC''**) legislation constituted State Aid. The Committee noted that Zegona had recognised an income tax receivable in relation to the two charging notices paid during 2021 in the amount of £4.4 million (€5.2 million). The A&RC noted Zegona'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.

  - **Validating and accounting for the management share subscription –** The A&RC reviewed the calculation of the price of the management share subscription. This review involved reviewing the results of agreed procedures performed by the Company's auditors that were designed to validate the accuracy of the calculations and agree factual information required. The A&RC also reviewed and agreed with management's conclusion on the classification of the delayed management subscription as an equity item under IAS 32 *Financial Instruments: Presentation*, primarily because the number of shares to be issued and price to be paid are fixed.

  In all of the above judgements, the A&RC also considered the work undertaken by KPMG and reports to the A&RC in support of the position adopted by Management.

Ensuring compliance with key legal and governance requirements in relation to the Euskaltel disposal:

- **Incentive scheme costs on the redemption of the Management Shares –** In connection with the sale of Euskaltel and Return of Capital, the Management Shares became redeemable and a payment of £25.7 million became due which was recognised as an incentive scheme cost in the year. The A&RC supported the Nomination and Remuneration Committee by carefully reviewing the terms of the scheme to ensure that the conditions for redemption had been met and that the amount of the payment had been correctly calculated according to the payment waterfall in the terms of the scheme. This review involved receiving written advice from the Company's legal advisors that the terms of the waterfall had been correctly applied. The Company's auditors also performed agreed procedures that were designed to validate the accuracy of the calculations and agree factual information required.

- **Validating the distributable reserves of Zegona Communications plc –** In order for £335 million of Capital to be returned to shareholders, it was necessary to ensure that the Company had sufficient distributable reserves. This was achieved by taking into account the impact on reserves of the sale of the investment in Euskaltel, together with a court-approved reduction of the share premium account. This was also an area of focus for the external auditor, who reported its findings to the A&RC. The A&RC considered management's approach and agreed with management's treatment.

Other considerations:

- Reviewed the effectiveness of Zegona's risk management and internal controls and disclosures made in the annual report on this matter, including the review of an annual assurance statement provided by management assessing the effectiveness of Zegona's risk management and internal control systems;
- Reviewed and agreed the scope of the audit work to be undertaken by the external auditor and assessed the audit and non-audit fees to be paid, as well as the independence and objectivity of the auditor;
- Considered the effectiveness of the external audit process, following the receipt of feedback from the management team, Executive Directors, Non-Executive Directors and other service providers involved in the audit process;
- Reviewed and made a recommendation to the Board with regard to the re-appointment of the external auditor, taking into account auditor effectiveness and independence, the recent partner rotation and other factors which may impact the external auditor's re-appointment;
- Assess any potential threats to independence that were reported by KPMG. The A&RC considered KPMG to be independent and KPMG, in accordance with professional ethical standards, provided the A&RC with written confirmation of its independence for the duration of 2021;
- 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 main control document, the Financial Position and Prospects memorandum. The A&RC also reviewed the updates made 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 sixth audit and the A&RC was involved in the process to select the new audit partner. Zegona will not be required to tender for the audit until the 2026 financial year end. KPMG continues to provide robust challenge to management and independent reports to the Committee on specific financial reporting and judgements.

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

During 2021, non-audit fees were pre-approved in relation to KPMG's agreed upon procedures on the calculation of the proceeds from the redemption of the Management Incentive Scheme and the calculation of Zegona's adjusted net asset value in connection with the management subscription for new shares. The fees for these procedures totalled €44.1 thousand, which is significantly lower than the audit fees for the Financial Statements for the year ended 31 December 2021 and therefore auditor objectivity and independence is not deemed to be compromised by the level of non-audit fees. Zegona considered KPMG was best qualified to undertake this work because of their knowledge of the business.

The A&RC has set a threshold of €11,000 (£10,000) for pre-approving non-audit fees. All of KPMG's services have been pre-approved and reported to 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. The A&RC will continue to regularly review the need for an internal audit function as the business evolves and develops.

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

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

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

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

Ashley Martin
Chairman of the Audit and Risk Committee

On behalf of the Board, I am pleased to present the Nomination and Remuneration Committee (**"the Committee"**) Report for the year ended 31 December 2021.

The Committee met 5 times during 2021, supported by a number of full board discussions and the matters we discussed are set out on page 31. 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 – The sale of Euskaltel and the return of proceeds

Zegona underwent considerable change in 2021, fully in line with our Buy-Fix-Sell strategy. The sale of our investment in Euskaltel delivered an attractive return to Zegona's shareholders and brought a successful end to a multi-year strategy in Spain that included four M&A transactions and two operational turnarounds. The return of £335 million was also entirely in keeping with our stated strategy, which anticipates returning value created to shareholders promptly and efficiently. Zegona has established a good track record and is now actively evaluating a number of attractive investment opportunities within the European TMT sector where we can again apply our successful Buy-Fix-Sell strategy.

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

Remuneration decisions for 2021- Reviewing outcomes against company performance

Redemption and renewal of the Management Incentive Scheme

The second Calculation Period of the management incentive scheme was not due to become exercisable until June 2023, however the rules of the scheme allow the Management Shares held under the scheme to be redeemed for cash earlier than this if certain criteria are met. One of these criteria was met upon the successful return of £335 million to shareholders because Zegona had sold all, or substantially all, of its assets and distributed the net proceeds to shareholders. A cash payment of £25.7 million therefore became due to the management team. The Committee was heavily involved with ensuring that the conditions for redemption had been met and the amount of the payment had been correctly calculated.

The third Calculation Period automatically began on 14 October 2021 and 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 will be subject to a shareholder vote at Zegona's 2022 AGM.

More details on the redemption and renewal of the Management Incentive Scheme are provided on pages 90 to 91.

2021 Bonus

After listening to the views of key shareholders in connection with the Return of Capital, both Executive Directors have waived their bonus entitlement for 2021.

Developing Zegona's 2022 Remuneration policy

The Committee undertook a review of the Directors' Remuneration Policy during the year, taking into account alignment to business strategy and our executive remuneration principles. The approach to remuneration recognises and is designed to support the unique Zegona business model.

The resulting 2022 Directors' Remuneration Policy is largely consistent with the current Remuneration policy (which received 86.4% support at the 2019 AGM), with remuneration still delivered through the same basic elements of a fixed base salary and benefits, a performance-based annual bonus, and participation in the management incentive scheme. The most significant change compared to the existing policy is to ensure the management incentive scheme is designed to last for up to five years by requiring that if the share incentive is exercised in advance of the full five-year period, any shares received will be held by management until at least five years have elapsed from the start of that period.

Application of remuneration policy for 2022

Following a review of the executive remuneration arrangements for 2022 and listening to shareholder feedback, the Committee agreed that there would be no increase in base salary for either of the Executive Directors and as such their salaries will remain unchanged for the year ahead. In line with corporate governance best practice, the pension contribution for both of the Executive Directors will be reduced to 19% by the end of 2022, to be the same as the contribution available to the majority of the workforce.

The Committee has also agreed that given the fact that Zegona now has significantly less capital and no underlying asset it would not be appropriate to put in place the opportunity to earn bonuses to senior management in 2022 until such time as Zegona makes a new investment. This will remain under review during 2022.

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

Suzi Williams
Chair of the Nomination and Remuneration Committee

The role of the Nomination and Remuneration Committee

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

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

Membership, attendance and other activities

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

In 2021, the Committee met 5 times and has subsequently met in February and March. 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 2022, including concluding that no bonuses will be paid until such time as Zegona owns a material underlying asset;
- Reviewed the Articles of Association of Zegona Limited, which contain the terms of the Management Incentive Scheme;
- Reviewed the Directors' remuneration policy and the nomination and remuneration disclosures in the annual report;
- Reviewed the recommendations arising from the 2021 Board effectiveness review, its committees and its individual Directors and, where appropriate, proposed actions to address those recommendations; and
- Reviewed workforce remuneration and its alignment to Zegona's purpose, values and strategy.

Advisers

The Committee received input and advice from external advisers on specific topics during 2021. The Committee formally engaged PwC LLP's (**"PwC"**) as an adviser in 2022. The Committee's decision reflected the quality and objectivity of the independent advice that PwC had provided to the Committee on remuneration matters during 2021.

For 2021, total fees of €19.7 thousand were incurred in relation to remuneration advice provided by PwC.

Executive pay at a glance

Base salary

Purpose	Current policy	2021 Implementation	2022 Implementation
To reflect market value of the role and individual's performance and contribution and enable Zegona to recruit and retain Executive Directors of sufficient calibre to drive Zegona's ambitions.	Reviewed every twelve months. Base salary increases are applied in line with the outcome of the review. In respect of existing Executive Directors, it is anticipated that no salary increases will be considered before Zegona completes its next investment.	No salary increases for either Executive Director	No salary increases for either Executive Director

Pension contributions

Purpose	Current policy	2021 Implementation	2022 Implementation
To provide a market competitive pension.	Pension contributions are made to the individual's private pension arrangements or paid to them in cash in lieu of such arrangements. Executive Directors receive a pension contribution of up to 19% of base salary, which is the same as the amounts available to a majority of the workforce.	No change	Contribution reduced to 19% by the end of 2022.

Other benefits

Purpose	Current policy	2021 Implementation	2022 Implementation
To provide market competitive benefits.	Benefits may include car allowances, personal tax advice, private medical insurance, critical life and death in service cover. Benefits may vary by role and individual circumstances and will be reviewed periodically.	No change	No change

Annual cash bonus

Purpose	Current policy	2021 Implementation	2022 Implementation
To incentivise delivery of Zegona's annual financial and strategic goals.	Performance is measured on an annual basis for each Executive Director in respect of each financial period. The maximum annual bonus available is 100% of base salary per annum. The Committee retains discretion to apply malus or clawback provisions.	Executive Directors waived their entitlement to receive a bonus	No bonuses to be paid to senior management until Zegona owns a material underlying asset

Management Incentive Scheme

Purpose	Current policy	2021 Implementation	2022 Implementation
To drive performance, aid retention and align the interests of Executive Directors and senior management with shareholders over the long term.	The Committee may allocate Management Shares in Zegona Limited to Executive Directors or senior management. Zegona's management incentive scheme entitles participants in aggregate to receive up to 15% of the growth in value of Zegona subject to a shareholders' 5% per annum preferred return. Incentive may be exercised between 3 and 5 years after each renewal or on the occurrence of certain specific events including a sale of Zegona's main assets and return of net proceeds to shareholders.	Next exercise period starts 14 October 2024	No change

GOVERNANCE | DIRECTORS' REMUNERATION POLICY

Directors' remuneration policy

Background

In setting the policy for Directors' remuneration, the Committee has sought to promote the long-term success of Zegona, applying incentives which are compatible with Zegona's corporate strategy, risk policies and systems. In particular, the Committee has been mindful of aligning shareholders' and management's interests.

Zegona may not make a remuneration payment to a Director, including a payment for loss of office, unless the payment is consistent with the approved Directors' remuneration policy or an amendment to the Directors' remuneration policy to make the payment permissible is approved by resolution of Zegona's shareholders.

This revised policy will apply from the date of the 2022 AGM, replacing the policy approved at the 2019 AGM. Zegona seeks to be consistent and transparent with its remuneration arrangements, therefore there are no substantial changes to the remuneration policy compared to the policies approved at the 2019 and 2016 AGM's.

All Directors' service contracts and letters of appointment are available for inspection at Zegona's registered office.

Zegona's Remuneration Strategy drives its Remuneration Policy

Since Zegona was first established, the Committee has followed a consistent remuneration strategy that closely aligns the Executive Directors with Zegona's shareholders, drives the Company's Buy-Fix-Sell model and has been central to its success. This strategy is based around four key principles – namely, that executive remuneration is:

(1) Simple – Since Zegona was first established, Executive Directors have received the same remuneration elements as the rest of the Zegona employees – base salary, annual bonus, pension contribution and other benefits – as well as being eligible under a single and consistent long-term incentive plan based on a single value creation metric.

(2) Transparent – Each year, there is full and detailed disclosure in the Directors' Remuneration Report of each component of remuneration, including an explanation of the calculation of any variable element and the current value of any unvested award pursuant to the Management Incentive Scheme.

(3) Focused on performance – Executive Directors receive a mix of remuneration which is geared towards a higher percentage of variable pay which means the opportunity for any significant reward is heavily weighted to the long-term incentive plan, which is entirely based on the creation of shareholder value.

(4) Fully aligned with shareholders – Remuneration for the Executive Directors is heavily weighted to the long-term incentive plan, which pays nothing to participants unless the executive Directors deliver a threshold return to shareholders over a three-to-five-year period or on the occurrence of certain specific events including the sale of Zegona's main assets and return of net proceeds to shareholders, and only pays a significant award if they materially outperform in the creation of shareholder value.

The Committee has always ensured these four key principles form the basis of Zegona's Remuneration Policy, as well as its application to Executive Directors and this approach has historically received strong support from shareholders. In updating the policy this year, we have sought to remain as faithful to these principles and past practice as possible. I have set out below how our implementation of that policy fits with Zegona's strategy and the desired outcomes for our shareholders.

Overview of the 2022 Remuneration Policy

The 2022 remuneration policy is largely consistent with the current Remuneration policy, with remuneration still delivered through the same basic elements of a fixed base salary and benefits, a performance-based annual bonus and participation in the Management Incentive Scheme. The most significant change compared to the existing policy is to ensure the Management Incentive Scheme is designed to last for up to five years by requiring that if the share incentive is exercised in advance of the full five-year period, any shares received will be held by management until at least five years have elapsed from the start of that period.

The 2022 policy is consistent with the current policy, primarily because the Committee concluded that the current policy was well aligned with Zegona's core Buy-Fix-Sell strategy, even following the sale of Euskaltel and the Return of Capital and effectively delivered the four key principles of Zegona's remuneration strategy.

The Committee also considered how the 2022 policy aligned with the UK Corporate Governance Code factors as follows:

Clarity	*Variable pay depends on delivering Zegona's strategy to create sustainable long-term shareholder value. This provides absolute clarity on the relationship between the delivery of the strategy and remuneration paid.* *Zegona also presents its remuneration arrangements in the clearest and most transparent way possible and maintains an open and transparent dialogue with investors, both through formal engagement processes, ad hoc discussions, and the disclosures in its annual reports.*
Simplicity	*Total remuneration is heavily weighted to variable elements, of which there are only two: the annual bonus and the Management Incentive Scheme, both of which are based on simple and transparent metrics. The operation of the Annual Bonus Plan is directly linked to key quantitative and qualitative strategic objectives and the Management Incentive Scheme rewards the creation of shareholder value over a three-to-five-year period or on the occurrence of certain specific events including the sale of Zegona's main assets and return of net proceeds to shareholders.*
Risk	*The 2022 Policy includes the following elements to mitigate against the potential risks of target-based incentives:* • *Capping the annual bonus to a maximum of 100% of base salary.* • *Ensuring the Management Incentive Scheme is designed to last for up to five years by requiring that if the share incentive is exercised in advance of the full five-year period, any shares received will be held by management until at least five years have elapsed from the start of that period.* • *Aligning the remuneration performance conditions with the **"Buy-Fix-Sell"** strategy of the Company.* • *Ensuring there is sufficient flexibility for the Remuneration Committee to apply discretion to depart from formulaic outcomes*
Predictability	*Fixed remuneration for the Executive Directors is generally kept constant. Variable remuneration is limited to the annual bonus, which is capped at 100% directly linked to key quantitative and qualitative strategic objectives, and the Management Incentive Scheme. The method of calculation, limits and discretions under the 2022 Policy are clearly set out.*
Proportionality	*The restricted fixed remuneration and capped Annual Bonus Plan is compensated by the opportunity for potentially significant reward entirely dependent on performance pursuant to the Management Incentive Scheme that is directly linked to the Company's long term value creation strategy.*
Alignment to culture	*The focus on responsible stewardship and long-term sustainable performance is a key part of the Company's culture. This is supported by the 2022 Directors Remuneration Policy, which ensures that the four key principles of Zegona's remuneration strategy are delivered.*

Directors' fixed remuneration
In setting the Directors' fixed remuneration, the Committee considers that Zegona should have regard to:

- Zegona's objective to reward all employees fairly according to their role, experience and performance;
- The individual Director's performance, responsibility, skills and experience;
- Whether increases in fixed remuneration above inflation are appropriate or justifiable; and
- The pension and bonus consequences and associated costs to Zegona of any basic salary.

The Committee considers that the Directors' fixed remuneration should be reviewed annually.

Executive Directors' incentive arrangements
The Committee considers that the Directors' remuneration policy should, as well as aligning the interests of the Executive Directors with Zegona's long-term success, incentivise delivery of Zegona's financial and strategic goals over a financial period.

The Committee considers that the Executive Directors should be rewarded principally through participation in a long-term incentive scheme. Therefore, whilst the Committee continues to adopt an annual bonus policy for Executive Directors pursuant to which the maximum bonus opportunity is capped at 100% of base salary, remuneration is principally driven through the Executive Directors' ownership of Management Shares. The Management Shares enable the Executive Directors to participate in the growth in value of Zegona, subject to shareholders achieving a Preferred Return of 5% per annum, thereby aligning their interests with those of shareholders and hence providing a long-term incentive arrangement.

There are up to five periods in which the Management Shares can be exercised. The current period - which is the third period – began on 14 October 2021 following the completion of the tender offer to return £329.4 million to shareholders and is expected to end (subject to shareholder approval) between 14 October 2024 and 14 October

2026. The fourth and fifth periods, which are subject to shareholder approval, are three to five years from the earlier of the date of the Management Shares becoming exercisable and the end of the previous period if the Management Shares did not become exercisable in that period. The Committee believes that the period during which the Management Shares may be exercised is appropriate to ensure that growth is achieved over a material period of time and that the Executive Directors and senior management are incentivised to remain with the business for the longer term.

The full Executive Directors' remuneration policy is as follows:

	Base Salary
Purpose and link to strategy:	To reflect market value of the role and individual's performance and contribution and enable Zegona to recruit and retain Executive Directors in the short term of sufficient calibre to drive Zegona's ambitions and thereafter to retain those Directors prior to remuneration from their Management Shares, which is driven by Zegona's long-term goals.
Operation:	Reviewed every twelve months.
Opportunity:	Base salary increases are applied in line with the outcome of the review. In respect of existing Executive Directors, it is anticipated that salary increases will generally be in line with inflation or those of salaried employees as a whole. In exceptional circumstances (including, but not limited to, a material increase in job size or complexity) the Committee has the discretion to make appropriate adjustments to salary levels to ensure they remain competitive in the marketplace.
Performance Metrics:	Both Zegona's and individual performance will be considered in setting Executive Director base salaries.
	Pension
Purpose and link to strategy:	To provide a market competitive pension, with a contribution rate that is the same as the majority of the workforce.
Operation:	Pension contributions are made to the individual's private pension arrangements or paid to them in cash in lieu of such arrangements.
Opportunity:	Executive Directors receive a pension contribution of up to 19% of base salary by the end of 2022, reduced from 20%.
Performance Metrics:	Not performance-related.
	Benefits
Purpose and link to strategy:	To provide market competitive benefits.
Operation:	Benefits may include car allowances, personal tax advice, private medical insurance, critical life and death in service cover. Other benefits may be awarded as appropriate, such as relocation benefits.
Opportunity:	Benefits may vary by role and individual circumstances and will be reviewed periodically. The Committee retains the discretion to approve a higher cost in exceptional circumstances (e.g. relocation) or in circumstances where factors outside of Zegona's control have materially changed (e.g. increases in medical insurance premiums).
Performance Metrics:	Not performance related.

Annual Bonus	
Purpose and link to strategy:	To incentivise delivery of Zegona's annual financial and strategic goals by evaluating performance each year against a number of predefined quantitative and qualitative targets that reflect Zegona's key strategic objectives for the year.
Operation:	Performance is measured on an annual basis for each Executive Director in respect of each financial period and bonuses are paid in cash.
Opportunity:	The maximum annual bonus available is 100% of base salary per annum.
Performance Metrics:	Performance measures and targets will generally be set annually in advance by the Committee to ensure that they are appropriately stretching and to ensure that they reflect the particular financial and strategic goals of Zegona for the financial period in question. If any of the performance measures and targets set for the year become inapplicable (for example, due to a change in group structure), the Committee retains discretion to amend the measures and targets for the period.

Management Incentive Arrangements	
Purpose and link to strategy:	To drive performance, aid retention ensure the interests of Executive Directors and senior management are closely aligned with shareholders over the long term by allowing participants in the arrangement to share in the growth in value of Zegona.
Operation:	The Committee may allocate Management Shares in Zegona Limited to Executive Directors or senior management. These shares entitle holders 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 in each Calculation Period. Holders of Management Shares are required to exercise all their rights at a single time during the period from 14 October 2024 to 14 October 2026, which is between three and five years from the beginning of the current Calculation Period unless specific criteria enabling earlier exercise are met. After this period, there can be up to another two periods in which the Management Shares can be exercised, subject to shareholder approval. If the Management Shares are exercised less than five years from the beginning of any Calculation Period, any shares received will be held by management until at least five years have elapsed from the beginning of the relevant Calculation Period.
Opportunity:	Zegona's management incentive arrangements entitle participants in aggregate to receive up to a maximum of 15% of the growth in value of Zegona. The minimum amount payable under the scheme is nil. The maximum aggregate amount available to participants in the incentive arrangements is capped at that level irrespective of the number of participants in the scheme.
Performance Metrics:	Subject to shareholders achieving a Preferred Return of 5% per annum on a compounded basis on their net invested capital. Further details on the management incentive arrangements are set out in note 19 to the financial statements

Non-Executive Directors' remuneration policy

Pursuant to Zegona's Articles of Association, the Board determines the remuneration policy and level of fees for the Non-Executive Directors, within the limits set out in the Articles of Association (or as specified by Zegona in a general meeting). The Committee recommends the remuneration policy and level of fees for the Board to approve.

	Annual fee
Purpose and link to strategy:	To reflect market competitive rates for the role, as well as individual performance and contribution.
Operation:	Non-Executive Directors receive a basic fee for their respective roles with additional fees to Non-Executive Directors for additional services, such as chairing a Board committee or supporting the Board on matters or projects that require significant time commitment beyond that typically expected of a Non-Executive Director. The Committee will review fees annually, but there will be no obligation for fees to be increased. Fees are payable in cash.
Opportunity:	Fee increases are applied in line with the outcome of the annual review. There is no prescribed maximum fee per Non-Executive Director. It is expected that increases to Non-Executive Director fee levels will be in line with inflation or salaried employees over the life of the policy. However, in the event that there is a material misalignment with the market or a change in the complexity, responsibility or time commitment required to fulfil a Non-Executive Director role, fee levels may be appropriately adjusted.
Performance Metrics:	Not performance related.

Approach to recruitment remuneration

In the cases of hiring or appointing a new Executive Director, the Committee may make use of any or all of the existing components of remuneration, as follows:

Component	Approach
Base salary	The base salaries of new appointees will be determined by reference to the individual's role and responsibilities, experience and skills, relevant market data, internal relativities and their current basic salary. Where new appointees have initial basic salaries set below market, any shortfall may be managed with phased increases over a specified period subject to their development in the role.
Pension	New appointees will be eligible to receive a cash allowance.
Benefits	New appointees will be eligible to receive benefits in line with the Directors' remuneration policy.
Annual bonus	New appointees will be eligible to participate in the Zegona's annual bonus scheme on the same terms as other Executive Directors in line with the Directors' remuneration policy.
Management incentive arrangements	New appointees may be invited to participate in Zegona's long term incentive plan on the same terms as other Executive Directors, as described in the remuneration policy table.

There is no maximum value, other than it is noted that the total Directors' fees in aggregate is capped at £3 million per annum. At present, only non-Executive Directors receive fees.

In determining an appropriate remuneration package, the Committee will take into consideration all relevant factors (including quantum, nature of remuneration and the jurisdiction from which the candidate was recruited) to ensure that arrangements are in the best interests of both Zegona and its shareholders. In addition to the above elements of remuneration, the Committee may consider it appropriate to grant an award under a different structure in order to facilitate the recruitment of an individual, exercising discretion to replace incentive arrangements forfeited on leaving a previous employer. Such 'buyout awards' would have a fair value no higher than that of the awards forfeited. In doing so, the Committee will consider relevant factors including any performance conditions attached to these awards, the likelihood of those conditions being met and the proportion of the vesting period remaining. Generally, such buyout awards would be in the form of share awards although the Committee retains discretion to make cash payments.

In the case of appointing a new Non-Executive Director, the Committee will follow the policy as set out in the section entitled "Non-Executive Directors' remuneration policy" above. A base fee reflecting current competitive rates and the individual's anticipated contribution would be payable for Board membership, with additional fees payable for additional services, such as chairing a Board committee.

Notice periods and remuneration on loss of office

The Committee considers that notice periods of Executive Directors should be one year or less and that any payments to a departing Executive Director should be determined with full regard to the duty of mitigation. In certain circumstances, it may be appropriate for an Executive Director to be placed on gardening leave or to receive payment in lieu of notice. In such circumstances, the Committee considers that it is appropriate for the Executive Director to receive the basic salary they would have received for the remaining term of their notice period (provided that such notice period is less than twelve months), along with any benefits that would have accrued during that period (including pension and holiday entitlements).

Notwithstanding the foregoing, no payments in respect of unearned bonus will be made where the Executive Director's appointment is terminated for (amongst other things) fraud or gross misconduct and any Management Shares would be forfeit.

Non-Executive Directors' appointments are terminable on 6 months' notice. On termination, Non-Executive Directors will only be entitled to such fees as may have accrued to the date of termination, together with reimbursement in the normal way of any expenses properly incurred before that date.

Executive Directors' shareholdings

The Committee recognises the importance of Executive Directors aligning their interests with shareholders through building up a significant shareholding in Zegona. The Committee notes that over time, the Executive Directors together are now the largest shareholders in Zegona and have done so without the need to impose a minimum shareholding requirement. Given the size of this holding, and the fact that the Executive Directors are integral to Zegona's future prospects the Committee does not consider it necessary to impose such a requirement at this point, nor a requirement for them to continue to hold shares post cessation of their employment with Zegona.

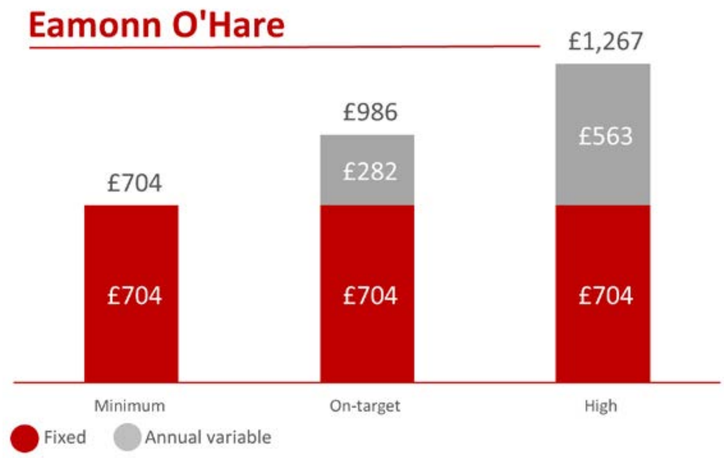
Illustrative application of the remuneration policy

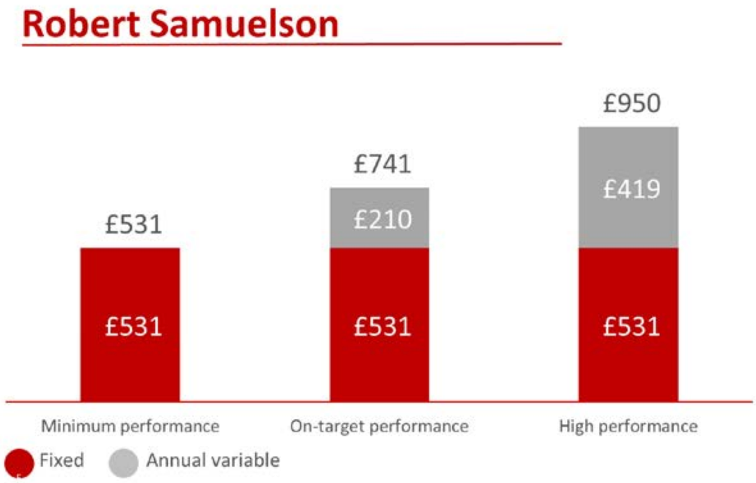
The charts below show an illustration of the level of remuneration that each Executive Director could receive in 2022, which is the first year of the policy as it is described above. The charts are presented in Sterling because this is the currency that the Executive Director's pay is set in. The charts show illustrative remuneration under three scenarios:

- **Minimum performance:** This scenario only includes the fixed elements of remuneration; Base salary effective from 1 January 2022, and benefits and pension rate as set out in the single figure table for the year ended 31 December 2021 on page 42.

- **On-target performance:** This scenario includes the fixed elements of remuneration as above, plus a bonus that reflects achievement of 50% of the bonus targets. In practice, the Committee has determined that no bonuses will be paid to senior management in 2022 and thereafter unless Zegona makes a new investment, at which point new bonus targets will be established. In order, therefore, for this scenario to be achieved Zegona would need to complete a new investment during 2022. No amounts have been included in respect of the Management shares because they are not exercisable until 2024.

- **High performance:** This scenario includes the fixed elements of remuneration as above, plus a bonus that reflects achievement of 100% of the bonus targets assuming Zegona does pay bonuses in 2022 as discussed above. As in the previous scenario, no amounts are included in respect of the Management Shares for the same reasons.





Remuneration arrangements for Zegona

The approach to annual salary and bonus reviews is consistent across Zegona, with consideration given to the level of experience, responsibility, individual performance and salary levels in comparable companies. Given the small number of employees, the Committee has not sought, or taken account of, the views of Zegona's employees in drawing up the Directors' remuneration policy. However, the Committee has regard to Zegona's objective to reward all employees fairly according to their role, experience and performance when setting the Directors' fixed remuneration.

Consideration of shareholder views

Zegona remains committed to open and transparent engagement with its investors on all matters, including remuneration. The Committee believes that this Directors' remuneration report should communicate clearly how much our Executive Directors are earning and how this is linked to performance. The Committee has considered shareholder views on remuneration matters since the last policy was approved, including as discussed in our 2020 Annual Report and will continue to include those views as part of its decision-making process in respect of remuneration issues.

GOVERNANCE | DIRECTORS' REMUNERATION REPORT

All disclosures in the Directors' remuneration report are unaudited unless otherwise stated. The annual report on remuneration gives details on the amounts earned in the year ended 31 December 2021 and how the Directors' remuneration policy will be applied in 2022. This remuneration report will be subject to an advisory vote at the 2022 AGM.

2021 Executive Directors remuneration summary (Audited)

In the interests of clarity, since the Executive Directors' salaries are set and paid in Sterling, the table has been presented in both Sterling and euros (Zegona's presentational currency). These tables only include remuneration received by the Executive Directors In respect of their employment by Zegona. The fees received from their appointments as proprietary Directors of Euskaltel prior to their resignation are disclosed on page 50.

	Executive Directors (Sterling)			
	Eamonn O'Hare (Chairman & CEO)		Robert Samuelson (COO)	
	2021 £	2020 £	2021 £	2020 £
Base salary	563,000	563,000	419,000	419,000
Pension contributions	112,600	112,600	83,800	83,800
Taxable benefits	21,321	21,321	21,321	21,321
Company health insurance scheme	7,271	6,548	6,954	6,304
Total fixed pay	**704,192**	**703,469**	**531,075**	**530,425**
Annual cash bonus	-	422,250	-	314,250
Management Incentive Scheme redemptions	15,218,252	-	7,609,126	-
Total variable pay	**15,218,252**	**422,250**	**7,609,126**	**314,250**
Total fixed and variable pay	**15,922,444**	**1,125,719**	**8,140,201**	**844,675**

	Executive Directors (euros)			
	Eamonn O'Hare (Chairman & CEO)		Robert Samuelson (COO)	
	2021 €	2020 €	2021 €	2020 €
Base salary	653,582	635,320	486,414	472,822
Pension contributions	130,716	127,064	97,283	94,564
Taxable benefits	24,751	24,060	24,751	24,060
Company health insurance scheme	8,441	7,389	8,073	7,114
Total fixed pay	**817,490**	**793,833**	**616,521**	**598,560**
Annual cash bonus	-	476,490	-	354,617
Management Incentive Scheme redemptions	17,666,748	-	8,833,374	-
Total variable pay	**17,666,748**	**476,490**	**8,833,374**	**354,617**
Total fixed and variable pay	**18,484,238**	**1,270,323**	**9,449,895**	**953,177**

None of the Executive Directors' remuneration in 2021 was attributable to Zegona's share price growth[19]. No discretion has been exercised to determine remuneration as a result of either Zegona's share price appreciation or depreciation.

Components of remuneration: Base salary

In 2021 and for 2022, following a review of the executive remuneration arrangements in both periods, the Committee agreed that there would be no increase in base salary for either of the Executive Directors and as such their salaries remained unchanged in 2021 and will do so for the year ahead.

Components of remuneration: Pension contributions

In 2021 both Executive Directors received a pension contribution of 20% of their base salary. In line with corporate governance best practice, the pension contribution for both of the Executive Directors will be reduced to 19% by the end of 2022, to be the same as the contribution available to the majority of the workforce.

Components of remuneration: Taxable benefits and Company Health Insurance Scheme

In 2021 both Executive Directors received car allowances, personal tax advice, private medical insurance, and death in service cover, which will continue in 2022.

Components of remuneration: Annual cash bonus

Implementation in 2021

[19] The incentive scheme redemption amount was a proportion of the value created for Zegona's shareholders, but it was calculated by reference to Zegona's growth in value from the sale of its interest in Euskaltel rather than share price

For 2021, the Committee set a number of bonus targets and carefully reviewed performance against the key bonus objectives during the year and concluded that the Executive Directors met a significant majority of their indicators of achievement in relation to the 2021 bonus scheme, however in connection with the agreement to return the proceeds of the Euskaltel sale to shareholders both Executive Directors agreed to waive any amounts due to them.

Implementation in 2022

The Committee have concluded that it is not appropriate for the Executive Directors or any of Zegona's senior management team to receive any bonus for any period when Zegona does not own a material underlying asset. Should Zegona make a new acquisition during 2022, the Committee will develop appropriate bonus targets at the appropriate time.

Components of remuneration: Management Incentive Scheme

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

Overview of the scheme

The holders of the Management Shares are entitled to 15% of the growth in value of Zegona during a series of up to five separate Calculation Periods, provided that ordinary shareholders achieve a 5% per annum Preferred Return[20] in each Calculation Period. The first Calculation Period began in 2015 and ended in 2020. The second Calculation Period ended during 2021, at which point the third Calculation Period began.

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

Upon redemption, if the Preferred Return has been met, holders of the Management Shares receive 15% of the increase in value of Zegona in either Zegona ordinary shares or cash at the discretion of Zegona's Board at the time of the exercise on advice from the Committee in accordance with the Articles. If the Preferred Return has not been achieved, no payment is made. It is currently anticipated that the exercise of Management Shares could result in management receiving ordinary shares, which, depending on the amount of value created, could potentially lead to management becoming a significant shareholder.

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

Each time a new Calculation Period begins, the renewal of the Management Shares' rights is subject to a vote by Zegona's shareholders at the next Annual General Meeting ("**AGM**") and so there will be such a vote at the upcoming AGM on the beginning of the third Calculation Period. 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.

Scheme developments in 2021

Exercise of shares and the end of the Second Calculation Period

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

The successful return of £335 million to shareholders, completed on 14 October 2021, following the sale of Zegona's investment in Euskaltel (see notes 12 and 20 to the financial statements), meant that the Substantial Sale and Return provision was met and a cash payment became due to holders of the Management Shares under the terms of this scheme. A summary of the calculation of the amount paid is shown below:

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

Calculation of management share redemption value (£000)			
Cash received on sale		364,362	*The Sterling proceeds received on conversion of the €421.3 million received from the sale of the shares in Euskaltel under the terms of the deal contingent forward purchase contract (see notes 12 and 13 to the financial statements).*
Less: liabilities		(76)	*The total liabilities of Zegona Limited as at the completion date of the tender offer.*
Takeover consideration		**364,286**	
Less: net invested capital		(192,818)	*See below*
Growth in value		**171,468**	
Split between:			
Ordinary Shares	85%	145,746	
Management shares	15%	25,720	
Split between:			
Eamonn O'Hare			15,218
Robert Samuelson			7,609
Other Zegona Senior Managers			2,892

In making this payment, the Nomination and Remuneration Committee provided a recommendation to the Board to approve the payment. In order to make this recommendation, it carefully reviewed the terms of the scheme to ensure that the conditions for redemption had been met and that the amount of the payment had been correctly calculated according to the payment waterfall in the terms of the scheme that allocates the Takeover Consideration between the holders of the Management Shares and Zegona's Ordinary Shareholders.

This review was supported by the Audit and Risk Committee and involved receiving written advice from the Company's legal advisors that the terms of the waterfall had been correctly applied. The Company's auditors also performed agreed procedures that were designed to validate the accuracy of the calculations and agree factual information required.

On the redemption of the Management Shares, shareholders net invested capital was comprised of as shown in the table below:

	Net invested capital (unadjusted) £	5% pa Preferred Return at 14 Oct 2021 £	Preferred Return hurdle at 14 Oct 2021 £
Baseline Value – June 25,2020	209,640,725	223,398,679	13,757,954
Dividend – July 2020	(5,706,811)	(6,074,738)	(367,927)
Dividend – March 2021	(4,817,342)	(4,959,778)	(142,436)
Dividend – July 2021	(5,693,222)	(5,772,471)	(79,249)
Share buy-backs – 2020[21]	(605,188)	(642,911)	(37,723)
	192,818,162	**205,948,781**	**13,130,619**
Shares outstanding	218,970,076	218,970,076	218,970,076
Per share (£)	0.881	0.941	0.060

Start of the Third Calculation Period

[21] Includes cost of all shares bought back in the period and calculation of the preferred returns using the underlying purchase dates.

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 will be subject to a shareholder vote at Zegona's 2022 AGM. The Nomination and Remuneration Committee approved the new Baseline value based on advice from Zegona's brokers of the accuracy of the calculation of the weighted average trading price.

No Management Shares were awarded during the year (2020: nil). At the time of signing this report and as at 31 December 2021, the total Management Shares held by the Directors were 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
Other Zegona senior managers	1.68%	57,964	£58
		515,464	£516

The Executive Directors are entitled to keep their Management Shares for a period of time if they are terminated, save if they are terminated for cause. The time period is two exercise periods, save in the case of death or permanent disability when it is until the end of the current exercise period.

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 2021, even though the Management Shares were not exercisable at that date[22].

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 £5.0 million was lower than both the Preferred Return target and the net invested capital, the holders of the Incentive Shares would have received no payment.

[22] 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 18 to the Consolidated Financial Statements. At the date of this report, none of these conditions have occurred and the rights under the incentive schemes are not exercisable.

Since 14 October 2021 (£)		
Net invested capital[23]		7,976,812
At 31 December 2021 (£)		
Number of shares	5,325,567	
Average share price[24]	0.936	
Deemed market capitalisation		4,982,454
Growth in value per the incentive scheme		(2,994,358)
Split between:		
Management Shares	15%	-
Ordinary Shares	85%	(2,994,358)

Shareholders' net invested capital at 31 December 2021 was calculated as follows:

	Net invested capital (unadjusted) £	5% pa Preferred Return at 31 Dec 2021 £	Preferred Return hurdle at 31 Dec 2021 £
Baseline Value – October 14, 2021	6,700,452	6,770,741	70,290
Share Issue – October 2021	1,276,360	1,287,479	11,119
	7,976,812	**8,058,220**	**81,409**
Shares outstanding	5,325,567	5,325,567	5,325,567
Per share (£)	1.498	1.513	0.015

2021 Non-Executive Directors remuneration summary (Audited)

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

[23] 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.

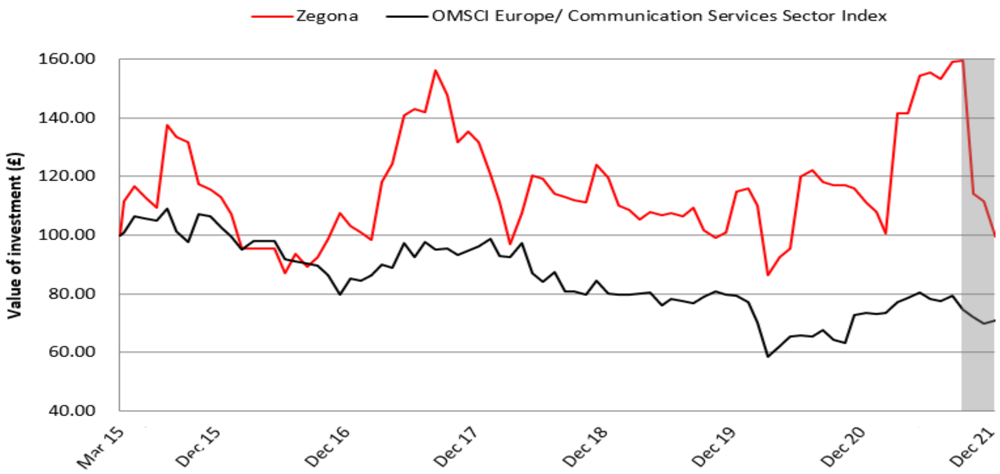
[24] Calculated in accordance with Zegona Limited's Articles of Association as the volume weighted average mid-market price of Zegona Communications plc's ordinary shares for the previous 30 trading days to 31 December 2021.

	Non-Executive Directors fees[25]			
	2021 £	2020 £	2021 €	2020 €
Richard Williams	50,000	54,462	58,045	61,457
Ashley Martin	60,000	60,000	69,654	67,707
Kjersti Wiklund	50,000	45,128	58,045	50,925
Suzi Williams	60,000	50,808	69,654	57,334
Mark Brangstrup Watts[26]	n/a	18,174	n/a	20,508
Murray Scott[27]	n/a	21,987	n/a	24,812
Total	**220,000**	**250,559**	**255,398**	**282,743**

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

Summary of total shareholder return and Chief Executive remuneration

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



[25] The Non-Executive Directors have not received any other form of remuneration during the current or prior year.
[26] Mark Brangstrup-Watts resigned on 12 May 2020.
[27] Murray Scott did not stand for re-election and ceased to be a Director on 9 June 2020.

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[28]	2016	2017	2018	2019	2020	2021
Total remuneration €m	0.67	0.77	1.29	0.71	1.25	1.27	18.48
Annual bonus (% of maximum)	0%	0%	100%	0%[29]	94%	75%	0%[30]

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 2020 and 2021:

	Base salary change %	Taxable benefits change %	Annual cash bonus change %
Executive Directors			
Eamonn O'Hare	0%	0%	(100%)
Robert Samuelson	0%	0%	(100%)
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%	(100%)

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:

	2021 €000	2020 €000
Employee pay	32,776	4,024
Returns to shareholders	400,698	14,886
Of which:		
Dividends	12,169	11,348
Share buyback	-	3,538
Capital Return	388,529	-

[28] Period from incorporation on 19 January 2015 to 31 December 2015.
[29] Eamonn did meet several indicators of achievement in relation to his 2018 bonus objectives, however Eamonn waived his 2018 bonus in order to maximise the cash raised from the equity placing in February 2019.
[30] Eamonn met a significant majority of the indicators of achievement in relation to the 2021 bonus scheme, however in connection with the Return of Capital he agreed to waive any amounts due.

Directors’ terms and conditions

Service contract duration

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
Kjersti Wiklund	Unlimited*	6 months
Suzi Williams	Unlimited*	6 months

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

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

External appointments

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

During 2021, Eamonn O’Hare earned and retained Non-Executive Director fees in relation to his external appointments of €138.0 thousand, which he resigned from on 30 August 2021 and €61.6 thousand in relation to his appointment as a propriety director of Euskaltel, which he resigned from on 10 August 2021.

During 2021, Robert Samuelson earned and retained €52.4 thousand in relation to his appointment as a proprietary director of Euskaltel, which he resigned from on 10 August 2021.

Reappointment

Under the terms of Zegona’s Articles of Association, all Directors will be proposed for re-election at the 2022 AGM. All Board members have service contracts and details of the unexpired terms of these service contracts are set out above.

Compensation for loss of office (Audited)

The Directors are not entitled to any special compensation for loss of office pursuant to their directorship or employment contracts following a change of control. However, certain changes of control will entitle the Directors to exercise rights held by them as holders of Management pursuant to the long-term incentive plan in force in respect of Zegona. No payments for loss of office were made in either 2021 or 2020.

Directors’ interests in ordinary shares (Audited)

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

The shareholdings of the Directors at 31 December 2021 are set out below. There have been no changes in the shareholdings of the Directors from 31 December 2021 to the date of this report.

Director	Number of shares	% of issued share capital
Eamonn O'Hare[31]	502,891	9.44%
Robert Samuelson[32]	243,275	4.57%
Richard Williams	1,153	0.02%
Ashley Martin	212	0.00%
Kjersti Wiklund	-	-
Suzi Williams	-	-

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

Review of workforce remuneration matters

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

Statement of voting at General Meetings

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

	Date of AGM	For the resolution	Against the resolution	Votes withheld
Directors' Remuneration Report for the year ended 31 December 2021	30 June 2021	92.25%	7.75%	-
(Votes cast)		175,022,743	14,707,674	13,203,833
Directors' Remuneration Policy	10 June 2019	86.41%	13.59%	-
(Votes cast)		137,477,802	21,628,261	42,325,186

Suzi Williams
Chairman of the Nomination and Remuneration Committee
3 April 2022

[31] Eamonn O'Hare has also irrevocably committed to subscribe for 564,571 new shares of Zegona at such time that they can be admitted to trading for total consideration of £811,853. Immediately following this subscription, and that of Robert Samuelson, Eamonn will hold 17.29% of Zegona's ordinary share capital.

[32] Robert Samuelson has also irrevocably committed to subscribe for 282,286 new shares of Zegona at such time that they can be admitted to trading for total consideration of £405,927. Immediately following this subscription, and that of Eamonn O'Hare, Robert will hold 8.51% of Zegona's ordinary share capital.

FINANCIAL STATEMENTS | CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	2021 €000	2020 €000
Continuing Operations			
Administrative and other operating expenses:			
Corporate costs	5	(4,643)	(5,631)
Management Incentive Scheme costs	19	(29,072)	(914)
Significant project costs	6	(295)	(292)
Operating loss		**(34,010)**	**(6,837)**
Finance income	7	158	29
Finance costs	7	(376)	(310)
Net foreign exchange (loss) / gain		(30)	1,273
Loss for the year before income tax		**(34,258)**	**(5,845)**
Income tax expense	8	-	-
Loss for the period from continuing operations		**(34,258)**	**(5,845)**
Discontinued Operations			
Profit for the period from discontinued operation, net of tax	13	**114,171**	**19,811**
Profit for the period attributable to equity holders of the parent		**79,913**	**13,966**
		€	**€**
Earnings per share – total operations			
Basic and diluted earnings per share attributable to equity holders of the parent	25	0.47	0.06
Earnings per share – continuing operations			
Basic and diluted earnings per share attributable to equity holders of the parent	25	(0.20)	(0.03)
Earnings per share – discontinued operations			
Basic and diluted earnings per share attributable to equity holders of the parent	25	0.68	0.09

The notes on pages 70 to 97 form an integral part of these Consolidated Financial Statements.

FINANCIAL STATEMENTS | CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	2021 €000	2020 €000
Profit for the year	**79,913**	**13,966**
Other comprehensive income / (loss) – items that will or may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	1,484	(689)
	(884)	(18,014)
Total other comprehensive income/(loss)	**600**	**(18,703)**
Total comprehensive income / (loss) for the year, net of tax, attributable to equity holders of the parent	**80,513**	**(4,737)**

The notes on pages 70 to 97 form an integral part of these Consolidated Financial Statements.

FINANCIAL STATEMENTS | CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 December 2021 €000	As at 31 December 2020 €000
Assets			
Non-current assets			
Property, plant and equipment		30	12
Interest in associate	12	-	322,737
Income tax receivable	15	5,234	-
		5,264	**322,749**
Current assets			
Derivatives	16	-	39
Prepayments and other receivables	14	197	170
Financial assets measured at fair value through profit or loss	13	-	7,499
Cash and cash equivalents		10,556	15,244
		10,753	**22,952**
Total assets		**16,017**	**345,701**
Equity and liabilities			
Equity			
Share capital	21	301	2,821
Capital redemption reserve	22	2,565	34
Share premium reserve	22	1,616	108,793
Other reserve	22	-	180,816
Shares to be issued	22	1,443	-
Share-based payment reserve	22	31	799
Foreign currency translation reserve	22	(6,284)	(6,884)
Retained earnings	22	14,782	46,072
Total equity attributable to equity holders of the Parent		**14,454**	**332,451**
Current liabilities			
Accruals and other payables	17	1,457	2,279
Bank borrowings	18	106	10,971
Total liabilities		**1,563**	**13,250**
Total equity and liabilities		**16,017**	**345,701**

The notes on pages 70 to 97 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 3 April 2022 and were signed on its behalf by:

Eamonn O'Hare
Director

Robert Samuelson
Director

	Notes	As at 31 December 2021 €000	As at 31 December 2020 €000
Assets			
Non-current assets			
Property, plant and equipment		30	12
Investment in subsidiaries	9	6,824	252,322
Interest in associate		-	32,194
		6,854	**284,528**
Current assets			
Derivatives	16	-	39
Prepayments and other receivables	14	3,821	183
Cash and cash equivalents		16	15,149
		3,837	**15,371**
Total assets		**10,691**	**299,899**
Equity and liabilities			
Equity			
Share capital	21	301	2,821
Capital redemption reserve	22	2,565	34
Share premium reserve	22	1,616	108,793
Other reserve	22	-	180,816
Shares to be issued	22	1,443	-
Share based payment reserve	22	31	694
Foreign currency translation reserve	22	(61,477)	(79,268)
Retained earnings	22	65,486	52,510
Total equity attributable to the shareholders of the Company		**9,965**	**266,400**
Current liabilities			
Accruals and other payables	17	620	22,528
Bank borrowings	18	106	10,971
Total liabilities		**726**	**33,499**
Total equity and liabilities		**10,691**	**299,899**

The notes on pages 70 to 97 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 profit for the financial year was €124.2 million (2020: €0.2 million)

The Financial Statements of Zegona Communications plc (registered number 09395163) were approved by the Board of Directors on 3 April 2022 and were signed on its behalf by:

Eamonn O'Hare
Director

Robert Samuelson
Director

	Note	Share capital €000	Share-based payment reserve €000	Foreign currency translation reserve €000	Retained earnings €000	Capital redemption reserve €000	Share premium reserve €000	Other reserve €000	Shares to be issued €000	Total equity €000
Balance at 1 January 2021		**2,821**	**799**	**(6,884)**	**46,072**	**34**	**108,793**	**180,816**	-	**332,451**
Profit for the year		-	-	-	79,913	-	-	-	-	**79,913**
Other comprehensive income		-	-	600	-	-	-	-	-	**600**
Dividends paid	26	-	-	-	-	-	-	(12,169)	-	**(12,169)**
Share-based payment expense	19	-	763	-	-	-	-	-	-	**763**
Reclassification of incentive arrangements	19	-	(1,562)	-	-	-	-	-	-	**(1,562)**
Renewal of incentive scheme	19	-	31	-	-	-	-	-	-	**31**
Reduction of share premium	22	-	-	-	-	-	(108,679)	108,679	-	**-**
Redemption of shares	20	(2,531)	-	-	(111,203)	2,531	-	(277,326)	-	**(388,529)**
Issuance of shares	20	11	-	-	-	-	1,502	-	1,443	**2,956**
Balance at 31 December 2021		**301**	**31**	**(6,284)**	**14,782**	**2,565**	**1,616**	**-**	**1,443**	**14,454**

The notes on pages 70 to 97 form an integral part of these Consolidated Financial Statements.

	Note	Share capital €000	Share-based payment reserve €000	Foreign currency translation reserve €000	Retained earnings €000	Capital redemption reserve €000	Share premium reserve €000	Other reserve €000	Total equity €000
Balance at 1 January 2020		**2,855**	**105**	**11,819**	**32,000**	**-**	**108,793**	**195,763**	**351,335**
Profit for the year		-	-	-	13,966	-	-	**-**	**13,966**
Other comprehensive loss		-	-	(18,703)	-	-	-	**-**	**(18,703)**
Cancellation of shares purchased	23	(34)	-	-	-	34	-	(3,599)	**(3,599)**
Net cost of incentive arrangements	19	-	694	-	106	-	-	**-**	**800**
Dividends paid	26	-	-	-	-	-	-	(11,348)	**(11,348)**
Balance at 31 December 2020		**2,821**	**799**	**(6,884)**	**46,072**	**34**	**108,793**	**180,816**	**332,451**

The notes on pages 70 to 97 form an integral part of these Consolidated Financial Statements.

	Note	Share capital €000	Share-based payment reserve €000	Foreign currency translation reserve €000	Retained earnings €000	Capital redemption reserve €000	Share premium reserve €000	Other reserve €000	Shares to be issued €000	Total equity €000
Balance at 1 January 2021		**2,821**	**694**	**(79,268)**	**52,510**	**34**	**108,793**	**180,816**	**-**	**266,400**
Profit for the year		-	-	-	124,179	-	-	-	-	**124,179**
Other comprehensive income		-	-	17,791	-	-	-	-	-	**17,791**
Dividends paid	26	-	-	-	-	-	-	(12,169)	-	**(12,169)**
Share-based payment expense	19	-	763	-	-	-	-	-	-	**763**
Reclassification of incentive arrangements	19	-	(1,457)	-	-	-	-	-	-	**(1,457)**
Renewal of incentive scheme	19	-	31	-	-	-	-	-	-	**31**
Reduction of share premium	22	-	-	-	-	-	(108,679)	108,679	-	**-**
Redemption of shares	20	(2,531)	-	-	(111,203)	2,531	-	(277,326)	-	**(388,529)**
Issuance of shares	20	11	-	-	-	-	1,502	-	1,443	**2,956**
Balance at 31 December 2021		**301**	**31**	**(61,477)**	**65,486**	**2,565**	**1,616**	**-**	**1,443**	**9,965**

The notes on pages 70 to 97 form an integral part of these Consolidated Financial Statements.

	Note	Share capital €000	Share-based payment reserve €000	Foreign currency translation reserve €000	Retained earnings €000	Capital redemption reserve €000	Share premium reserve €000	Other reserve €000	Total equity €000
Balance at 1 January 2020		**2,855**	**-**	**(63,686)**	**52,186**	**-**	**108,793**	**195,763**	**295,911**
Profit for the year		-	-	-	219	-	-	-	**219**
Other comprehensive loss		-	-	(15,582)	-	-	-	-	**(15,582)**
Cancellation of shares purchased	23	(34)	-	-	-	34	-	(3,599)	**(3,599)**
Net cost of incentive arrangements	19	-	694	-	105	-	-	-	**799**
Dividends paid	26	-	-	-	-	-	-	(11,348)	**(11,348)**
Balance at 31 December 2020		**2,821**	**694**	**(79,268)**	**52,510**	**34**	**108,793**	**180,816**	**266,400**

	Note	Year ended 31 December 2021 €000	Year ended 31 December 2020 €000
Operating activities			
Loss before income tax from continuing operations		**(34,258)**	**(5,845)**
Adjustments to reconcile profit before income tax to operating cash flows:			
Depreciation of property, plant and equipment		16	3
Management Incentive Scheme costs	19	31	793
Net foreign exchange losses / (gains)		30	(1,273)
Finance income	7	(158)	(29)
Finance costs	7	376	310
Working capital adjustments:			
(Increase) in prepayments and other receivables		(5,261)	(78)
Increase / (decrease) in accruals and other payables		334	(435)
Interest received		21	13
Interest paid		(273)	(518)
Net cash flows used in operating activities		**(39,142)**	**(7,059)**
Investing activities			
Purchase of property, plant and equipment		(34)	(13)
Net cash flows used in investing activities		**(34)**	**(13)**
Net cash flows from discontinued investing activities	13	**439,547**	**10,152**
Financing activities			
Dividends paid to shareholders	26	(12,169)	(11,348)
Repurchase and cancellation of shares	20	(388,529)	(3,599)
Issuance of shares and shares to be issued	20	2,956	-
Repayment of credit facility	18	(11,028)	-
Net cash flows (used in) financing activities		**(408,770)**	**(14,947)**
Net (decrease) in cash and cash equivalents		(8,399)	(11,867)
Net foreign exchange difference		3,711	76
Cash and cash equivalents at the beginning of the year		15,244	27,035
Cash and cash equivalents at the end of the year		**10,556**	**15,244**

The notes on pages 70 to 97 form an integral part of these Consolidated Financial Statements.

	Note	Year ended 31 December 2021 €000	Year ended 31 December 2020 €000
Operating activities			
Profit/(Loss) before income tax from continuing operations		**127,049**	**(1,398)**
Adjustments to reconcile profit before income tax to operating cash flows:			
Depreciation of property, plant & equipment		16	3
Net foreign exchange losses / (gains)		69	(1,193)
Finance income	7	(418,079)	(29)
Finance costs	7	376	554
Impairment of investment in subsidiary	9	288,806	-
Working capital adjustments:			
(Increase) in prepayments and other receivables		(3,637)	(73)
Increase in accruals and other payables		59	6,277
Interest received		21	13
Interest paid		(273)	(518)
Net cash flows (used in)/from operating activities		**(5,593)**	**3,636**
Investing activities			
Purchase of property, plant and equipment		(34)	(13)
Dividends received from subsidiary		417,921	-
Net cash flows from/ (used in) investing activities		**417,887**	**(13)**
Net cash flows from/ (used in) discontinued investing activities		**543**	**(518)**
Financing activities			
Dividends paid to shareholders	26	(12,169)	(11,348)
Repurchase and cancellation of shares		(388,529)	(3,599)
Issuance of shares and shares to be issued		2,956	-
Repayment of credit facility	18	(11,028)	-
Payment of intercompany loan	9	(21,907)	-
Net cash flows (used in) financing activities		**(430,677)**	**(14,947)**
Net (decrease) in cash and cash equivalents		(17,840)	(11,842)
Net foreign exchange differences		2,707	968
Cash and cash equivalents at the beginning of the year		15,149	26,023
Cash and cash equivalents at the end of the year		**16**	**15,149**

The notes on pages 70 to 97 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 2021 (the **"Consolidated Financial Statements"**) were authorised for issue in accordance with a resolution of the Directors on 3 April 2022. 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

Zegona's Annual Report will be posted to shareholders on 4 April 2022. The financial information set out in this document does not constitute Zegona's statutory accounts for the years ended 31 December 2021 or 2020 but is derived from those accounts. Statutory accounts for 2020 have been delivered to the registrar of companies, and those for 2021 will be delivered in due course, following the Company's Annual General Meeting, which will be held at 1:00 p.m. on 28 June 2022. The auditor has reported on those accounts; its reports were: (i) unqualified; (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report; and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The Company and Consolidated Financial Statements for the year ended 31 December 2021 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 2021 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 2021:

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

The Consolidated Financial Statements and the Company Financial Statements have been prepared under the historical cost convention except for certain financial assets that have been measured at fair value, as disclosed in note 11. The functional currency of the Company is British pounds sterling ("**Sterling**" or £). The Directors have chosen to present the Consolidated Financial Statements and the Company Financial Statements in euros (€). 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

Zegona's Directors have assessed the going concern assumptions during the approval of the Financial Statements. There are no events or conditions that give rise to doubt the ability of Zegona to continue as a going concern for a period of twelve months after the approval of the Financial Statements. The assessment includes the review of Zegona cashflow forecast and budget, which included considerations on expected developments in liquidity, debt and capital as well as the potential impact of the on-going COVID-19 pandemic. The Directors have also considered sensitivities in respect of potential severe but plausible downside scenarios in concluding that Zegona is able to continue in operation for a period of at least twelve months from the date of approving the Financial Statements.

Following the sale of the investment in Euskaltel (see note 12) and the Return of Capital and related transactions (see note 20), Zegona meets its day to day working capital requirements from cash balances. Zegona is continuing to execute its Buy-Fix-Sell strategy which currently involves actively searching for another attractive investment opportunity within the European TMT sector. During this period, Zegona's ongoing costs are reasonably predictable, and the Directors are comfortable that Zegona's cash holdings of £7.8 million (€9.2 million) at 3 April 2022 are sufficient to fund these costs for at least twelve months after the approval of these financial statements and absorb any unexpected costs that may be incurred in connection with an unsuccessful deal. This is still the case when a severe but plausible downside scenario is considered that assumes a 10% increase in ongoing costs and £2.0 million of costs incurred in relation to unsuccessful transactions.

In reaching its conclusion on the going concern assessment, the Directors considered the findings of the work performed to support the statement on the long-term viability of Zegona. As noted on pages 7 to 8, this included key changes to principal risks, scenario analysis and mitigating actions to downside scenarios.

In conclusion, based on their review the Directors are confident that the Company and Zegona group will have sufficient funds to continue to meet their liabilities as they fall due for at least 12 months from the date of approval fo the financial statements. Accordingly, the Directors continue to adopt the going concern basis in preparing the Consolidated and Parent Financial Statements.

(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 Financial Statements reflect the adoption of the following amendments for annual periods beginning on or after 1 January 2021, none of which had a material effect on Zegona.

Standard	Effective date
Amendments to IFRS 9, IAS 39 and IFRS 7- Phase 2- Interest Rate Benchmark Reform	1 January 2021
COVID-19-Related Rent Concessions (Amendment to IFRS 16)	1 January 2021

Standards, amendments and interpretations not yet adopted by Zegona:
Zegona intends to adopt the following standards, amendments and interpretations, if applicable, when they become effective. Adopting these standards will not have a material impact on Zegona.

Standard	Effective date
COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)	1 April 2021
Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)	1 January 2022
Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)	1 January 2022
Amendments to IFRS3: Reference to the conceptual framework	1 January 2022
Annual improvements to IFRS Standards 2018-2020	1 January 2022
Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current	1 January 2023
IFRS 17 Insurance Contracts	1 January 2023
Amendments to IFRS 17	1 January 2023
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)	1 January 2023
Definition of Accounting Estimate (Amendments to IAS 8)	1 January 2023
Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction – Amendments to IAS 12 Income Taxes	1 January 2023

(d) Basis of consolidation

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

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

(e) Interests in associates

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

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

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

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

f) Discontinued Operations

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

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

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

g) Foreign currencies

Foreign currency transactions

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

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

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

Foreign operations
The euro is the presentation currency of the Consolidated Financial Statements. For the purpose of presenting the Consolidated Financial Statements, the assets and liabilities of Zegona's non-euro-denominated functional entities 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 subsidiary. On disposal, the cumulative amounts of the exchange differences are recognised as income or expense.

h) Revenue and expenses

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

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

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

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

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

j) Fair value measurement
Zegona measures certain financial instruments at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

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

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

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

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

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

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

k) Financial instruments – initial recognition and subsequent measurement

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

Financial assets

Initial recognition and measurement

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

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

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

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

Subsequent measurement

Zegona's financial assets are classified into categories:

- Financial assets at amortised cost comprise assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI Criterion. These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment losses are recognised in the Statement of Comprehensive Income. Any gain or loss on derecognition is recognised in the Statement of Comprehensive Income.
- Financial assets at FVPL comprise quoted equity instruments which Zegona had not irrevocably elected, upon initial recognition, to classify at FVOCI and debt instruments whose cash flow characteristics fail the SPPI Criterion. These assets are carried in the Statement of Financial Position at fair value with net changes in fair value recognised as either finance income or finance costs in the Statement of Comprehensive Income.

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

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

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

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

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

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

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

Equity instruments
An equity instrument is any contract that provides a residual interest in the assets of the Group after deducting all of its liabilities and includes no obligation to deliver cash or other financial assets. The only equity instruments issued by Zegona other than ordinary shares are the delayed subscription awards (see note 20) which are accounted for at historical cost within equity.

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

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

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

m) Property, plant and equipment

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

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

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

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

Derecognition of property, plant and equipment

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

n) Leases

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

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

o) Cash and cash equivalents

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

p) Investments in subsidiaries

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

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

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

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

q) Share capital

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

r) Dividends payable

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

s) Corporation tax

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

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

Deferred tax is the tax expected to be payable or recoverable in the future arising from temporary differences between the carrying amounts of assets and liabilities in the Financial Statements and the corresponding tax bases used in the computation of taxable profit. It is accounted for using the balance sheet liability method.

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

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

t) Pension benefits

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

u) Earnings per ordinary share

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

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

v) Share-based transactions

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

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 most significant transactions during the year, the sale of Euskaltel and the Return of Capital (and related transactions) did not involve any material **accounting estimates** since the amounts recorded were all based on realised amounts. The main accounting **judgements** 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 were:

- **The components of discontinued operations**. The presentation of components of an entity as discontinued operations requires judgement. Any components being classified as a discontinued operation must meet certain criteria under IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Zegona has concluded that the investment in Euskaltel, together with other items directly related to it qualify as discontinued operations and the main assumptions used in determining this are detailed in Note 13.

- **The classification of the delayed share subscription**. The classification of the Subscription Agreement as either an equity item or a financial liability requires a certain amount of judgement. Based on the terms of the Subscription Agreement, Zegona has concluded that it meets the definition of an equity instrument under IAS 32 *Financial Instruments: Presentation* because the Subscription Agreement is a non-cancellable agreement for a fixed number of shares. The main estimates and assumptions used in determining the classification of the delayed share subscription are detailed in Note 20.

- **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 recorded 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 15.

4. SEGMENTAL ANALYSIS

Following the disposal of Euskaltel, Zegona and its subsidiaries is organised a single business which seeks to generate shareholder returns by applying its Buy-Fix-Sell strategy to European TMT assets. The chief operating decision maker is considered to be the Board, who only receive consolidated information which does not 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 2021 €000	Consolidated 2020 €000
Salaries, bonuses and staff benefits	2,918	3,694
Employment related taxes	423	530
Pension costs	311	304
Other operating expenses	991	1,103
Corporate costs	**4,643**	**5,631**

Staff numbers

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

	Consolidated 2021	Consolidated 2020
Operations	6	7
Administration	1	1
	7	**8**

Further information in relation to pay and remuneration of the directors can be found in the Directors' Remuneration Report, starting on page 42.

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 2021, €0.3 million (2020: €0.3 million) of significant project costs recognised in 2021 were principally professional fees in relation to potential acquisition vehicles. In addition, significant project costs were recognised within discontinued operations (see note 13).

7. FINANCE INCOME AND COSTS

	Note	Consolidated 2021 €000	Consolidated 2020 €000
Net gain on currency forward instruments		137	16
Bank interest		21	13
Finance income		**158**	**29**
Interest on bank borrowings		(376)	(310)
Finance costs		**(376)**	**(310)**

8. TAXATION

	Consolidated 2021 €000	Consolidated 2020 €000
Current tax expense		
Current year	-	–
Income tax expense for the year	-	–

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

Reconciliation of effective tax rate

	Consolidated 2021 €000	Consolidated 2020 €000
(Loss) before tax from continuing operations	(34,258)	(5,845)
At UK statutory income tax rate (19% (2020: 19%))	(6,509)	(1,100)
Expenses not deductible for tax purposes*	5,916	232
Unrecognised tax losses*	593	878
Income tax expense	-	-

* *At UK statutory income tax rate (19% (2020: 19%))*

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

Unrecognised deferred tax assets

Deferred tax assets of the UK tax-resident companies of €7.7 million (2020: €5.0 million) have not been recognised in respect of tax losses, because it is not probable that future taxable profit will be available against which the companies can maximise the benefits therefrom. Under UK law there is no expiry for the use of tax losses.

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

9. INVESTMENT IN SUBSIDIARIES

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

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

The registered office addresses of the subsidiaries are:

1. 47 Esplanade, St Helier, Jersey, JE1 0BD
2. 8 Sackville St, Mayfair, London, W1S 3DG

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

Carrying value of the Company's direct investment in subsidiary
On 11 August 2021, Zegona Limited paid a distribution of £360 million (equivalent to €417.9 million) out of a combination of its share premium account and retained earnings to fund the Company's tender offer. The size of this distribution prompted Zegona to review whether the carrying value of the investment in subsidiary was recoverable. This review was also updated as at 31 December 2021.

Following these reviews, the carrying value of the investment was impaired by €288.8 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 2021 was €6.8 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. The majority of the value of the net assets held by Zegona Limited as at 31 December 2021 was its cash holdings of €10.6 million.

10. FINANCIAL RISK MANAGEMENT

Zegona's activities expose it to market risk, principally interest rate risk and currency risk, however these have been significantly reduced since the sale of its investment in Euskaltel (see note 12) and the Return of Capital (see note 20).

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 it only has a small overdraft facility, which bears interest at 1.5% per annum over the Bank of England base rate but is currently undrawn.

In the opinion of the Directors, even a significant movement in LIBOR would not have a material impact on the cash flow of Zegona. The Executive Directors and the Chief Financial Officer regularly review the placing of cash balances and Zegona's leverage.

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

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

As at 31 December 2021, Zegona had euro monetary net assets of €1.8 thousand (2020: €7.7 million). The table below shows the transactional impact of a 10% change in euro against Sterling at 31 December 2021:

	+/- 10% movement
Currency impact	**€000**
Profit before tax gain/loss	-/+ 0.14
Equity gain/loss	-/+ 0.14

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

The table below show the impact of a 10% movement in Sterling against the euro on the translation of Zegona's reported financial position as at 31 December 2021 and reported financial performance for the year.

Currency impact	+/- 10% movement €000
Profit before tax gain/loss	-/+ 3,425
Equity gain/loss	-/+ 1,445

Credit risk

Credit risk arises from cash and cash equivalents, prepayments and other. Zegona 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 2021, 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 2021 are shown in the table below:

Quality classification	External credit rating	Cash and cash equivalents €000	Total €000
Strong	A- and above	10,556	10,556
		10,556	**10,556**

Credit quality classification definitions:

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

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

Liquidity risk

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

At 31 December 2021, Zegona had cash balances held with banks amounting to €10.6 million (2020: €15.2 million), compared to Zegona's total liabilities amounting to €1.5 million (2020: €13.2 million). In addition, Zegona has an undrawn overdraft facility of £1.5 million, equivalent to €1.8 million although this is repayable on demand. (2020: total facilities of £6.5 million including the overdraft, equivalent to €7.2 million).

11. FINANCIAL INSTRUMENTS

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

Financial instrument classification and fair values – Consolidated

	Fair Value 2021 €000	Amortised cost 2021 €000	Fair value 2020 €000	Amortised cost 2020 €000
Income Tax receivable	-	5,234	-	-
Total non-current financial assets	-	**5,234**	-	-
Prepayments and other receivables	-	197	-	170
Derivatives (Level 2)	-	-	39	-
Financial assets designated at fair value (Level 3)	-	-	7,499	-
Cash and cash equivalents	-	10,556	-	15,244
Total current financial assets	-	**10,753**	**7,538**	**15,414**

	Fair Value 2021 €000	Amortised cost 2021 €000	Fair value 2020 €000	Amortised cost 2020 €000
Accruals and other payables	-	1,457	-	2,279
Bank borrowing	-	106	-	10,971
Total current financial liabilities	-	**1,563**	-	**13,250**

Further detail on the valuation technique used when measuring the Level 3 Financial assets designated at fair value, the reconciliation of movements during the year can be found in note 13.

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

Financial instrument classification and fair values – Company

	Fair Value 2021 €000	Amortised cost 2021 €000	Fair value 2020 €000	Amortised cost 2020 €000
Prepayments and other receivables	-	3,820	-	183
Derivatives (Level 2)	-	-	39	-
Cash and cash equivalents	-	16	-	15,149
Total current financial assets	-	**3,836**	**39**	**15,332**

	Fair Value 2021 €000	Amortised cost 2021 €000	Fair value 2020 €000	Amortised cost 2020 €000
Accruals and other payables	-	620	-	22,528
Bank borrowings	-	106	-	10,971
Total current financial liabilities	-	**726**	-	**33,499**

12. DISPOSAL OF INVESTMENT IN ASSOCIATE

On 28 March 2021, a subsidiary of MásMóvil Ibercom, S.A.U (**"MásMóvil"**), the Spanish fourth national operator, launched a tender offer to acquire all of the outstanding shares of Euskaltel for €11.17 per share, which was subsequently adjusted to €11.00 per share following the payment by Euskaltel of a €0.17 per share dividend.

The tender offer completed successfully and Zegona received €421.3 million in cash on 11 August 2021. Eamonn O'Hare and Robert Samuelson both resigned as directors of Euskaltel on 10 August 2021.

Up to the announcement of MásMóvil's tender offer on 28 March 2021, Zegona had accounted for its investment in Euskaltel as an associate. On 28 March 2021, Zegona concluded that the investment qualified as an asset held for sale under paragraph 7-10 of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* because on this date Zegona's board has resolved to participate in the tender offer announced by MásMóvil, and it considered it highly probable that the tender would be successful.

Accordingly, the investment in Euskaltel ceased to be an associate on 28 March 2021 and from this date became an asset held for sale with Zegona no longer recognising a share of Euskaltel's profit from that date. The investment in Euskaltel, together with other related items (see note 13), has also been classified as a discontinued operation in all periods presented in these Consolidated Financial Statements. The effect of the disposal on the consolidated financial position and comprehensive income of Zegona during year were as follows:

	Assets held for sale €000	Interest in Associate €000
Balance at 31 December 2020	**-**	**322,737**
Share of loss of associate[33]	-	(454)
Dividend received	-	(5,362)
Balance at 28 March 2021	**-**	**316,921**
Reclassification to Assets held for sale	316,921	(316,921)
Dividend received	(6,511)	**-**
Balance at 11 August 2021	**310,410**	-

[33] Being 21.44% of Euskaltel's Comprehensive Loss of €2.1 million for the period.

The gain on sale was:

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

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

13. DISCONTINUED OPERATIONS

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

	Consolidated 2021 €000	Consolidated 2020 €000
Gain on sale of discontinued operation (Note 12)	110,240	-
Share of (loss) / profit of associate (Note 12)	(454)	16,309
Realised foreign exchange gains	8,391	-
Significant project costs	(2,910)	-
Finance costs	(1,096)	(244)
Finance income	-	3,746
Discontinued operations	**114,171**	**19,811**

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

	Consolidated 2021 €000	Consolidated 2020 €000
Proceeds from sale of investment in Euskaltel	421,275	-
Dividends received from Euskaltel	11,872	11,842
Proceeds from sale of contingent consideration	6,400	-
Purchases of interests in Euskaltel	-	(1,690)
Net cash flow from discontinued investing activities	**439,547**	**10,152**

Realised foreign exchange gains

On 7 April 2021, Zegona entered into a Deal Contingent Forward Purchase Agreement (**"DCF"**) with Barclays Bank PLC to ensure it would receive a fixed Sterling value if the tender offer to acquire Euskaltel was completed successfully. Under the terms of the DCF, if the tender offer successfully completed on any date between 7 July 2021 and 7 January 2022 and Zegona received proceeds as expected, it would be obligated to sell €430 million at a fixed exchange rate. If the tender offer did not complete, Zegona would not be obligated to transact. The actual rate at which the contract would settle was dependent on the exact settlement date but was within a range of 1.1563 £/€ and 1.1556 £/€.

Zegona settled the DCF in two tranches, first settling €7.7 million on 14 July 2021 in respect of the Euskaltel dividend passed on to Zegona shareholders at a rate of 1.1563 £/€ and secondly settling €422.3 million on 13 August 2021 in respect of the proceeds received from the sale of its investment in Euskaltel at a rate of 1.1561 £/€, receiving £365.3 million. The realised foreign exchange gains are the gains on this instrument, calculated as the difference between the GBP value received under the DCF and the GBP value of the euros received at the prevailing spot rate. Since this instrument has been entered into entirely to fix the Sterling value of the Euskaltel proceeds, changes in fair value are recognised within discontinued operations. This line also includes €0.4 million (2020 €0.2 million) of foreign exchange gains arising from the revaluation of the Euro-denominated contingent consideration.

Finance costs and finance income

During 2020 and up to 10 August 2021, Zegona recorded a financial asset designated at fair value for contingent consideration receivable from Euskaltel in relation to the sale of Telecable in 2017.

The contingent consideration was payable by Euskaltel in cash up to a maximum amount of €15 million in aggregate upon confirmation that a range of net tax assets are available to Euskaltel and may be used to offset its future tax payments. This asset was always recorded at fair value using a probability-weighted discounted cash flow model.

At December 31 2020, the fair value of the contingent consideration was €7.5 million, which primarily reflected Zegona's high confidence at the time that €8.7 million recorded in Euskaltel's financial statements would be paid. This was an increase compared to the prior year and this change in fair value was recognised by recording €3.7 million of finance income.

Following the issuance of Zegona's financial statements for the year ended 31 December 2020, it became apparent that Euskaltel would in fact seek either substantially to reduce and delay the payment or require Zegona to deliver a financial instrument to cover any risk in the tax assets at Zegona's cost. Each of these alternatives was not acceptable to Zegona, so it irrevocably sold all of its rights (and associated obligations) to the contingent payment to a third party for €6.4 million in cash, which was received on 10 August 2021. The loss this crystalised of €1.1 million was recorded within Finance costs. As the sale of Euskaltel would not have been undertaken without the settlement of the contingent consideration Zegona concluded that the contingent consideration was part of the discontinued operation. The movements in the balance of the contingent consideration during the year were as follows:

	€000
Balance at 31 December 2019	**3,997**
Fair value changes recognised in discontinued operations	3,746
Foreign exchange differences recognised in discontinued operations	(244)
Balance at 31 December 2020	**7,499**
Fair value changes recognised in discontinued operations	(1,096)
Foreign exchange differences recognised in discontinued operations	(3)
Proceeds from sale	6,400
Balance at 31 December 2021	**-**

Significant project costs

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

14. PREPAYMENTS AND OTHER RECEIVABLES

	Consolidated 31 December 2021	Consolidated 31 December 2020
	€000	**€000**
Prepayments	46	42
VAT recoverable	151	24
Other receivables	-	104
Total	**197**	**170**

	Company 31 December 2021	Company 31 December 2020
	€000	**€000**
Prepayments	42	35
Amounts due from subsidiary undertakings	3,628	20
VAT recoverable	150	24
Other receivables	-	104
Total	**3,820**	**183**

15. INCOME TAX RECEIVABLE

In October 2017, the European Commission (the **''EC''**) announced it was conducting a state aid investigation into the Group Financing Exemption contained within the UK's Controlled Foreign Company (**''CFC''**) legislation. On 20 August 2019, the EC published its final decision which concluded that the Group Financing Exemption was an aid scheme and 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.

Both the UK Government and a number of other impacted taxpayers have submitted appeals to the EU General Court to annul the EU Commission's findings. On 31 March 2022, the court announced that it will deliver its judgement on 8 June 2022. Any decision of the General Court may be subject to further appeals which could take considerable additional time.

While these appeals are ongoing, the UK Government is required to recover the State Aid and a new law was enacted in December 2020 which empowers HMRC to issue a charging notice to cover all periods for which they consider additional tax is due. These charging notices must be paid within 30 days and while they may be appealed, there is no right to postpone payment. However, this new law is a charging mechanism only and not an arbitration on the merits of the on-going litigation. If the state aid decision is annulled by the EU General Court (or on appeal), then any amounts paid will be returned to Zegona following this final determination.

Following the issuance of the European Commission judgement, Zegona engaged an independent tax adviser to undertake a review of its historic financing structures, to establish the extent to which the relevant SPFs were carried out in the UK. This review identified a small proportion of activities performed by UK personnel. On this basis, Zegona estimated that if the Commission judgement is upheld, a potential tax liability of between €1m and €1.8m may exist, which reflects the relatively modest proportion of SPFs undertaken in the UK.

HMRC have taken the view that SPF allocations should in almost all cases be either 100% or 0% and consistent with this interpretation, HMRC issued Zegona with a charging notice in February 2021 in the amount of £4.1 million, (€4.9 million) which represents 100% of the CFC tax relief received. Zegona strongly disagrees with HMRCs interpretation, however as required by the new legislation, Zegona paid the notice in full on 4 March 2021 (within 30 days of receipt). At the same time, Zegona submitted an appeal against the determination and the notice 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.

As mentioned above, the issuance of charging notices is a collection mechanism only and not an arbitration on the merits of the ongoing litigation. Consequently, the issuance and the settlement of the charging notice does not change Zegona's view 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. This conclusion is based on advice from Zegona's independent tax advisor.

In accordance with the provisions of IFRIC 23, Zegona therefore recognised a receivable against both HMRC charging notices. Zegona, supported by its independent tax advisors, has continued to monitor developments in the case since recognising the receivable. This has confirmed that while there have been a number of administrative hearings there have been no developments that would change Zegona's original conclusion that the receivable is recoverable. Zegona will continue to evaluate the recoverability of this receivable until a final resolution is reached.

16. DERIVATIVES

The following table shows the notional amount and fair value amounts by product contract type held by the Company

	Notional contract amount 31 December 2021 €000	Fair value- Assets 31 December 2021 €000	Notional contract amount 31 December 2020 €000	Fair value- Assets 31 December 2020 €000
Foreign exchange forward contracts	-	-	4,343	39
	-	-	**4,343**	**39**

The notional contract amounts of foreign exchange contracts indicate the nominal value of transaction outstanding at the balance sheet date; they do not represent amounts at risk.

17. ACCRUALS AND OTHER PAYABLES

	Consolidated 31 December 2021 €000	Consolidated 31 December 2020 €000
Trade payables	250	372
Accrued interest	-	57
Other accruals	1,207	1,850
	1,457	**2,279**

	Company 31 December 2021 €000	Company 31 December 2020 €000
Trade payables	47	57
Payable to direct subsidiary	-	21,909
Other payables	-	169
Accruals	573	393
	620	**22,528**

18. BANK BORROWINGS

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

Until the disposal of Euskaltel, Zegona had drawn £10 million of a £15 million of a credit facility with Barclays Bank which was secured on its investment in Euskaltel (£10 million (€11.1 million) was also drawn at 31 December 2020). Interest was payable quarterly in arrears on the drawn amount at a rate of 2.6% per annum above the 3-month LIBOR interest rate. A commitment fee of 0.6% per annum was payable on the undrawn amount of £5 million.

The Company had the right to prepay the loan at any time and facility was due to mature on 14 October 2021. The facility was secured by a pledge over 32.2 million Euskaltel shares.

The facility was repaid and terminated on 13 August 2021 using the proceeds of the sale of the investment in Euskaltel.

19. 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[34] in each Calculation Period.

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

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

At 31 December 2021, 515,464 Management Shares in Zegona Limited remain allotted, issued and fully paid as shown in the table below:

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

The First Calculation Period

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

The Second Calculation Period

Accounting as an equity settled instrument:

The Second Calculation Period automatically began on 25 June 2020 with the starting value against which the growth in value and the Preferred Return are measured (**"Baseline Value Per Share"**) being set at £0.955 per share, however this renewal was subject to a vote of Zegona's shareholders at the 2021 AGM, which was duly passed with 91.17% of votes in favour.

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

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

In such circumstances, IFRS 2 requires the fair value of the award to be estimated at each balance sheet date, and an expense recognised from the date that holders begin to render services. This estimate is then recalculated and adjusted at each balance sheet date prior to the grant date (Zegona's 2021 AGM), and finally at the grant date. Zegona applied this treatment up to 24 May 2021, recording €0.8 million of share-based payment expense in 2020 and further €0.8 million in 2021, with a cumulative €1.6 million recognised in the Share-based payment reserve. On this date, Zegona concluded that the Management Shares no longer qualified as an equity settled instrument.

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

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

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

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

At the same time, an incremental liability was recorded to recognise the portion of the fair value of the Management Shares that had been earned on 24 May 2021. This liability was subsequently remeasured at each balance sheet date until the date of the successful Return of Capital when it was equal to the £25.7 million (€30.3 million on the transaction date) actually paid on 14 October 2021 when the holders of the Management Shares delivered a redemption notice and the liability was extinguished.

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

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

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 will not be until shareholders ratify the renewal of the scheme at Zegona's 2022 AGM. Until this date, Zegona will therefore estimate the fair value of the award at each balance sheet date and recognise an expense reflecting the date that holders began to render services. Zegona expects that any amounts due under the third calculation period will be settled in equity, therefore has concluded that the Management Shares are equity settled instruments.

Accordingly, Zegona engaged an independent valuation specialist to estimate the fair value of the award as at 31 December 2021.

The value of the award on the valuation date was £0.72 per Management Share which will be recognised in the Consolidated Statement of Comprehensive Income subject to any adjustments for future revaluations discussed above. For the period to 31 December 2021 a total expense of €31 thousand was recognised, with a corresponding amount recognised in the Share based payment reserve.

The fair value of the award was calculated using a Monte Carlo model. The fair value uses a volatility of between 50% and 60% depending on the acquisition size, 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 0.75% 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 - £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.

20. RETURN OF CAPITAL AND RELATED TRANSACTIONS

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

The first portion of this capital return was delivered on 23 July 2021 when Zegona paid a £5.7 million (€6.7 million) dividend which returned the full dividend received from Euskaltel on 17 June 2021. In order to deliver on the rest of its commitment, Zegona undertook the following transactions:

Tender Offer

On 13 August 2021, Zegona announced the publication of a circular for a Return of Capital of up to £329.3 million to shareholders by way of a tender offer (the **"tender offer"**) at a price of £1.535 per share. This tender offer was approved by shareholders on 6 September with 99.94% of votes cast in favour. Zegona successfully repurchased and cancelled 214,532,103 shares under the tender offer, returning the full balance of the £335 million, being £329.3 million, on 14 October 2021.

Reduction of share premium account

In order to complete a share buyback of at least £329.3 million, the Company needed to have distributable reserves of at least that amount and in order to achieve this, the Company announced on 29 July 2021 that it intended to reduce its share premium account from £95,339,759 to £100,000 (the **"Capital Reduction"**). In order to comply with applicable companies' legislation, the Capital Reduction required approval by the Shareholders at a General Meeting of the Company, confirmation by the High Court and the registration of the Court's order at Companies House.

On 20 August 2021, Shareholders approved the proposal with 100% of votes cast in favour. The Court confirmed the Capital Reduction on 7 September 2021, and it became effective on 8 September 2021. Upon the reduction of the share premium account, the balance was transferred to the Other reserve, which forms part of the distributable reserves of the Company.

Management Subscription

The Zegona management team committed to re-invest up to £4.0 million of the proceeds of the exercise of the Management Shares back into Zegona by subscribing for new shares. The subscription price was agreed as the adjusted net asset value per share of Zegona immediately prior to completion of the subscriptions. To the extent that the aggregate number of shares to be subscribed for would exceed 28.1% of the issued share capital of the Company immediately following the subscription, the subscriptions were to be scaled back pro rata. The subscriptions were also conditional on the admission to trading (**"Admission"**) of these shares by the Financial Conduct Authority (**"FCA"**) and Zegona had been advised that the company should not be required to issue a prospectus for Admission. The subscriptions were approved by Zegona's shareholders at a General Meeting of the Company on 30 June 2021.

Following the completion of the tender offer, the subscription price was confirmed as £1.438 per share, meaning the management team were able to subscribe for 1,734,451 shares which would have been 28.1% of the Company immediately following the subscription. The aggregate total investment would have been £2.5 million, which was paid by the management team on 14 October 2021. Following the investment, the Board and management team would have held 29.1% of Zegona's shares.

Upon applying for Admission of the new shares, Zegona was informed that Admission was limited to a maximum of 20% of its shares in issue immediately following its tender offer without publishing a prospectus. Zegona, together with Eamonn O'Hare and Robert Samuelson (the affected members of the management team), elected to issue and

Admit 887,594 shares on 27 October 2021[35] with the remaining 846,857 shares to be issued the next time Zegona prepares a prospectus[36]. Zegona entered into a revised Subscription Agreement (**"Subscription Agreement (as Amended)"**) with Eamonn O'Hare and Robert Samuelson that confirmed they were both committed to complete the subscription for the agreed number of shares at the agreed price under any circumstances.

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

The value of shares to be issued (being the cash paid) have therefore been recognised within a new reserve, Shares to be issued.

21. CALLED UP SHARE CAPITAL

Allotted, called up and fully paid	2021 Number	2021 €000	2020 Number	2020 €000
At 1 January	218,970,076	2,821	221,935,177	2,855
Shares issued	887,594	11	-	-
Shares repurchased and cancelled	(214,532,103)	(2,531)	(2,965,101)	(34)
At 31 December	**5,325,567**	**301**	**218,970,076**	**2,821**

The nominal value of the total ordinary shares is £0.01 and the total allotted, called up and fully paid equates to £53,256 (2020: £2,189,701).

On 13 August 2021, the Company announced the publication of a circular for a return of up to £329.3 million to shareholders by way of a tender offer. The tender offer completed on 14 October 2021 at a price of £1.535 per share, with a total of 214,532,103 ordinary shares tendered. Immediately following the completion of the tender offer, there were 4,437,973 shares outstanding.

During 2020 Zegona purchased and cancelled a total of 2,965,101 ordinary shares for a nominal value of £29,651. For more information on the share buyback programme refer to note 23.

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

22. RESERVES

Distributable reserves

Retained earnings

The retained earnings reserve includes cumulative net profits and permitted transfers from the share-based payment reserve. This is typically a distributable reserve.

Other reserve

The Other reserve is a distributable reserve which is comprised of transfers from the Share premium reserve in 2016 and 2021 following court approved reductions of capital (see note 20), net of all historical dividends paid and the total costs of buying back shares (the nominal value of the shares and any premium paid), which are charged against distributable reserves.

[35] Being the maximum number of shares that could be Admitted on that date.

[36] The remaining shares may also be Admitted without the need for a prospectus from 27 October 2023.

Following the completion of the tender offer (see note 20) the full amount then outstanding in the Other reserve was utilised to fund the tender offer. £178 million (€277.3 million at the rate applied to the transaction) was debited to reflect the utilisation of the whole of this distributable reserve to fund the tender offer.

Total distributable reserves

While the Other reserve continues to be distributable, its balance in Sterling is zero, therefore the Company's total distributable reserves are now solely the Retained earnings reserve. At 31 December 2021 the Company's Retained earnings reserve in Sterling (Zegona's functional currency) was £ 3.5 million, however a balance of €65.5 million remains in this reserve on translation to Euro (Zegona's presentational currency). This is because, in accordance with IAS 21 *The Effects of Changes in Foreign Exchange Rates,* equity items are translated each period at their historical exchange rates and not subsequently retranslated and the remaining balance reflects the difference between the Euro value of all previous amounts recorded in all distributable reserves and the Euro value of the amount debited to the Retained earnings reserve to fund the tender offer.

An offsetting amount is also recorded as a component of the foreign currency translation reserve, however it is not recycled on completion of the tender offer because as a component of the Company's equity it does not represent the disposal of a foreign operation. Distributable reserves at 31 December 2020 were £140 million.

Non – distributable reserves

Share-based payment reserve

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

The current balance of the reserve reflects the amortisation of a portion of the fair value of the third Calculation Period as discussed in Note 19.

Foreign currency translation reserve

The foreign currency translation reserve is a non-distributable reserve that includes the foreign exchange differences arising from the translation of the Consolidated Financial Statements functional currency of Sterling (**"£"**) to presentational currency euro (**"€"**). The movement in this reserve for the period is driven primarily by the movement in the closing €:£ exchange rates from 1.11 at 31 December 2020 to 1.19 at 31 December 2021.

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 2021, £2.1 million (€2.5 million at the rate prevailing at the transaction date) has been transferred to the capital redemption reserve which represents the nominal value of the 214,532,103 shares repurchased in the tender offer (see note 20).

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 2021, the share premium account of the Company was reduced to £100,000 (€114.1 thousand) with £95.239 million (€108.7 million) being transferred to the Other reserve (see note 20). This was offset by £1.2 million, being the proceeds received in excess of the nominal value of the 887,594 shares subscribed for by Eamonn O'Hare and Robert Samuelson on 27 October 2021 (see note 20).

Shares to be issued

The Shares to be issued reserve is a non-distributable reserve that relates solely to the £1.2 million (€1.4 million) of cash received from Robert Samuelson and Eamonn O'Hare to subscribe for shares which have not yet been admitted (see note 20).

23. SHARE BUYBACK

On 7 January 2020, Zegona commenced a share buyback programme to purchase its ordinary shares up to a maximum consideration of £10 million (€11.1 million). Zegona's Board set a buyback policy that allowed shares to be acquired at prices up to the Underlying Asset Value per Share[37]. This programme concluded on 31 March 2020 and 2,442,447 ordinary shares, with a nominal value of £24,424, (€28,369) were purchased and cancelled for a total of £2,461,592 (€2,869,090).

On 24 June 2020, Zegona announced a further share buy-back programme for the purchase of up to a maximum of £10 million (€11.1 million) of its ordinary shares. This programme concluded on 15 September 2020 and 522,654 ordinary shares, with a nominal value of £5,227 (€5,786), were purchased and cancelled for a total of £604,455 (€668,995).

During 2020 Zegona purchased and cancelled a total of 2,965,101 ordinary shares for a total of £3,066,047 (€3.4 million), representing 1.35% of the total shares in issue.

24. CAPITAL MANAGEMENT

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

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

The Company currently has authorisation to make market purchases of up to 32,823,614 ordinary shares (within specified price parameters) which was 15% of the issued ordinary share capital at the date of issuance of its 2020 Annual Report and is now significantly in excess of the total number of ordinary shares in issue. This authorisation will continue until the end of the 2022 AGM, at which point it is expected to revert to 15% of the issued ordinary share capital at the issuance of the 2021 Annual Report. Any shares repurchased by the Company pursuant to this authority may be held in treasury and subsequently resold for cash, cancelled or used for employee share scheme purposes.

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

25. 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 19, Management Shares in the share capital of Zegona Limited have been issued and, on exercise, the value of these shares is expected to be delivered by the Company issuing new ordinary shares. Hence, the Management Shares could have a dilutive effect, although the Company has the right at all times to settle such value in cash. No adjustment to EPS has been made in respect of the Management Shares as, (a) they were anti-dilutive for the years ended 31 December 2021 and 2020 and (b) the result from Continuing Operations in 2021 was a loss.

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[37] Defined as the value of Zegona's investment in Euskaltel, Zegona's cash and cash equivalents net of bank borrowings per share as discussed in the Nomination and Remuneration Report on page 29.

	2021	2020
Profit for the year attributable to equity holders of the parent – Total Operations (€000)	79,913	13,966
Loss for the year attributable to equity holders of the parent – Continuing Operations (€000)	(34,258)	(5,845)
Profit for the year attributable to equity holders of the parent – Discontinued Operations (€000)	114,171	19,811
Weighted average number of ordinary shares	**168,580,851**	**219,658,462**
Basic and diluted EPS - Total Operations (€)	0.47	0.06
Basic and diluted EPS - Continuing Operations (€)	(0.20)	(0.03)
Basic and diluted EPS - Discontinued Operations (€)	0.68	0.09

26. DIVIDENDS PAID

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

In the comparative period, the Company declared an interim dividend on 6 February 2020 at a rate of 2.0p per share, totalling £4.5 million (€5.3 million), which was paid on 6 March 2020. On 9 June 2020 the Company declared an interim dividend at the rate of 2.6p per share for a total of £5.7 million (€6.3 million). The dividend was paid on 31 July 2020.

27. RELATED PARTY TRANSACTIONS

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

Related party transactions of the Company in 2020

Mark Brangstrup Watts was a Non-executive Director of Zegona up until 12 May 2020 and is a designated member of Marwyn Capital LLP (**"Marwyn"**), which was compensated for various office services provided to the Company. During the period to 12 May 2020, services totalling €25k were received from Marwyn.

Mark Brangstrup Watts is an ultimate beneficial owner of Axio Capital Solutions Limited (**"Axio"**), which provided company secretarial, administrative and accounting services to Zegona during 2020. During the period to 12 May 2020, services totalling €173k were received from Axio.

There were no amounts owed to or from Marwyn or Axio at 31 December 2020.

Transactions with key management personnel

The Board considers the Executive Directors and Non-Executive Directors of the Company to be the key management personnel of Zegona. Details of the amounts paid to key management personnel are detailed in the Directors' Remuneration Report on pages 42 and 48. Holdings of Management Shares are detailed in note 19 and subscriptions for shares by management are detailed in note 20.

28. AUDITOR'S REMUNERATION

	2021	2020
	€000	€000
Fees for the audit of the Company's annual accounts	200	288
Total audit fees	200	**288**
Fees for procedures on interim financial statements	15	44
Agreed upon procedures	29	-
Total non-audit fees	**44**	**44**

29. POST BALANCE SHEET EVENTS

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

NOTICE is hereby given that the Annual General Meeting (the "**AGM**") of Zegona Communications plc (the "**Company**") will be held at the offices of Travers Smith LLP, 10 Snow Hill, London, EC1A 2AL on 28 June 2022 at 1.00 p.m. for the transaction of the following business:

To consider and, if thought fit, to pass the following resolutions, numbers 1 to 13 of which will be proposed as ordinary resolutions and numbers 15 to 18 of which will be proposed as special resolutions:

1. THAT the Company's financial statements for the year ended 31 December 2021, together with the Directors' report and the auditor's report on those financial statements and on the auditable part of the Directors' remuneration report, be received.

2. THAT Eamonn O'Hare be re-elected as a Director.

3. THAT Robert Samuelson be re-elected as a Director.

4. THAT Richard Williams be re-elected as a Director.

5. THAT Ashley Martin be re-elected as a Director.

6. THAT Kjersti Wiklund be re-elected as a Director.

7. THAT Suzi Williams be re-elected as a Director.

8. THAT KPMG LLP be re-appointed as auditor to the Company until the conclusion of the next annual general meeting of the Company.

9. THAT the Directors be authorised to fix the auditor's remuneration.

10. THAT the payment of the interim dividend, in lieu of a final dividend, of 2.6p per ordinary share to the Company's shareholders on 23 July 2021 be and is confirmed, approved and ratified for all purposes.

11. THAT the Directors' remuneration report, which is set out in pages 42 to 51 of the annual report of the Company for the year ended 31 December 2021, be approved.

12. THAT the Directors' remuneration policy, which is set out in pages 33 to 41 of the annual report of the Company for the year ended 31 December 2021, be approved.

13. THAT for the purposes of section 551 Companies Act 2006 (the "**Act**") (and so that expressions used in this resolution shall bear the same meanings as in the said section 551), the Directors be and are generally and unconditionally authorised to exercise all powers of the Company to allot:

    13.1 shares and to grant such subscription and conversion rights as are contemplated by sections 551(1)(a) and (b) of the Act respectively up to a maximum nominal amount of £17,751 to such persons and at such times and on such terms as they think proper; and further

    13.2 equity securities (as defined in section 560 of the Act) in connection with a rights issue in favour of the holders of equity securities and any other persons entitled to participate in such issue where the equity securities respectively attributable to the interests of such holders and persons are proportionate (as nearly as may be) to the respective number of equity securities held by them up to a maximum nominal amount of £17,751,

subject only to such exclusions or other arrangements as the Directors may consider necessary or expedient to deal with treasury shares, fractional entitlements or legal or practical problems under the laws of any territory or requirements of any recognised regulatory body or stock exchange in any territory, provided that such authority shall expire at the conclusion of the next annual general meeting of the Company or the date which is 18 months after the date on which this resolution is passed, whichever is the earlier, save that the Company be and is hereby authorised to make, prior to the expiry of such periods, any offer or agreement which would or might require such shares or rights to be allotted or granted after the expiry of the said periods and the Directors may allot such shares or grant such rights under any such offer or agreement as if the authority had not expired.

14. THAT the Company be and is hereby authorised to renew the rights attached to the Management Shares following the commencement of a new Calculation period.

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

15.1 the allotment of equity securities in connection with an issue or offering in favour of holders of equity securities (but in the case of an allotment pursuant to the authority granted under resolution 13.2, such power shall be limited to the allotment of equity securities by way of a rights issue only) and any other persons entitled to participate in such issue or offering where the equity securities respectively attributable to the interests of such holders and persons are proportionate (as nearly as may be) to the respective number of equity securities held by or deemed to be held by them on the record date of such allotment, subject only to such exclusions or other arrangements as the Directors may consider necessary or expedient to deal with treasury shares, fractional entitlements or legal or practical problems under the laws of any territory or requirements of any recognised regulatory body or stock exchange in any territory; and

15.2 the allotment (otherwise than pursuant to paragraph 15.1 above) of equity securities up to a nominal amount of £2,662,

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

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

16.1 limited to the allotment of equity securities or sale of treasury shares up to a nominal amount of £2,662; and

16.2 used only for the purposes of financing (or refinancing, if the authority is to be used within six months after the original transaction) a transaction which the Board of the Company determines to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this notice;

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

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

17.1 the maximum number of ordinary shares hereby authorised to be purchased is 798,302, being equal to 14.99 per cent. of the issued ordinary shares;

17.2 the minimum price (exclusive of expenses) which may be paid for such ordinary shares is £0.01 per share, being the nominal amount thereof;

17.3 the maximum price (exclusive of expenses) which may be paid for such ordinary shares shall be an amount equal to the higher of (i) 5% above the average of the middle market quotations for such shares taken from The London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the purchase is made and (ii) the higher of the price of the last independent trade of an ordinary share and the highest current independent bid for an ordinary share as derived from the London Stock Exchange Trading System (SETS);

17.4 the authority hereby conferred shall (unless previously renewed or revoked) expire on the earlier of the end of the next annual general meeting of the Company and the date which is 18 months after the date on which this resolution is passed; and

17.5 the Company may make a contract to purchase its own ordinary shares under the authority conferred by this resolution prior to the expiry of such authority, and such contract will or may be executed wholly or partly after the expiry of such authority, and the Company may make a purchase of its own ordinary shares in pursuance of any such contract.

18. THAT the Company be and is hereby authorised to provide notice to shareholders of general meetings of the Company of at least 14 clear days' notice.

BY ORDER OF THE BOARD
Secretary: Crestbridge Corporate Services Ltd
Date: 3 April 2022
Registered Office: 47 Esplanade, St Helier, Jersey, JE1 0BD

Notes:

(i) A member entitled to attend and vote at the Meeting convened by the above Notice is entitled to appoint a proxy to exercise all or any of the rights of the member to attend and speak and vote on his behalf. A proxy need not be a member of the Company. A member may appoint more than one proxy in relation to the Meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. The right to appoint a proxy does not apply to any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 (the "**Act**") to enjoy information rights (a "**Nominated Person**").

(ii) To appoint a proxy, you may:

(a) Submit your proxy online at www.signalshares.com (the "Website") by following the on-screen instructions, in particular at the "Proxy Voting" link, by no later than 1:00pm on 24 June 2022. In order to appoint a proxy using the Website, members will need to log into their Signal Shares account, or register if they have not previously done so. To register members will need to identify themselves with their Investor Code which is detailed on their share certificate or available from our Registrar, Link Group, on Tel: 0371 664 0300. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00 – 17:30, Monday to Friday excluding public holidays in England and Wales.

(b) You may request a hard copy form of proxy directly from our Registrar, Link Group, on Tel: 0371 664 0300 or by emailing shareholderenquiries@linkgroup.co.uk. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00 – 17:30, Monday to Friday excluding public holidays in England and Wales.

To be effective the completed and signed form of proxy must be lodged at the office to Link Group, PXS1 Central Square, 29 Wellington Street, Leeds, LS1 4DL (together with any power of attorney or other authority under which it is signed or a notarially certified copy of such power or authority) by no later than 1:00pm on 24 June 2022.

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

(c) if you hold your shares in uncertificated form, use the CREST electronic proxy appointment service as described in the CREST manual or in the Explanatory Notes to the resolutions set out below.

(iii) Completion of the Form of Proxy or appointment of a proxy through CREST will not prevent a member from attending and voting in person if he/she wishes to do so.

(iv) Any corporation which is a shareholder in the Company may appoint one or more corporate representatives who may exercise on its behalf all of that corporation's powers as a shareholder of the Company provided that, where there is more than one corporate representative appointed, they do not attempt to exercise the corporation's rights in respect of the same shares.

(v) Any member or his corporate representative or proxy attending the Meeting has the right to ask any question at the Meeting relating to the business of the Meeting.

(vi) Pursuant to section 360B of the Act and Regulation 41 of the Uncertificated Securities Regulations 2001 (as amended), only shareholders registered in the register of members of the Company as at close of business on 24 June 2021 shall be entitled to attend and vote at the AGM in respect of the number of shares registered in their name at such time. If the Meeting is adjourned, the time by which a person must be entered on the register of members of the Company in order to have the right to attend and vote at the adjourned Meeting is close of business, 48 hours before the time fixed for the adjourned Meeting. Changes to the register of members after the relevant times shall be disregarded in determining the rights of any person to attend and vote at the Meeting.

(vii) In the case of joint holders, the vote of the senior holder who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the relevant joint holding.

(viii) From the date of this notice, copies of the terms and conditions of appointment of the Non-Executive Directors and the service contracts of the Zegona Chairman and Executive Directors are available for inspection at the registered office of the Company, 8 Sackville Street, Mayfair, London, W1S 3DG, during usual business hours on any weekday (Saturdays, Sundays and public holidays excluded) until the conclusion of the AGM and will be available for inspection at the place of the AGM for at least 15 minutes prior to and during the Meeting.

(ix) Save as set out in these notes, members who have general queries relating to the AGM should contact Link Group on 0371 664 0300. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00 - 17:30, Monday to Friday excluding public holidays in England and Wales. Please note that you may not use any electronic address or other contact details provided in this notice of AGM, or any related documents (including the Chairman's letter and Form of Proxy), for any purpose other than those expressly stated.

(x) As at 19 April 2022 (being the last business day prior to the publication of this notice) the Company's issued share capital consists of 5,325,567 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 19 April 2022 are 5,325,567.

(xi) The information required to be published by section 311A of the Act (information about the contents of this notice and numbers of shares in the Company and voting rights exercisable at the AGM and details of any members' statements, members' resolutions and members' items of business received after the date of this notice) may be found at www.zegona.com. Subject to the limitations of the resolution approved at the AGM of the Company on 15 April 2016, the Company does not intend to post or email hard copies of shareholder related documents, such as this Report and Notice of Annual General Meeting, to shareholders. All documents will be made available on the Company's website, www.zegona.com.

(xii) A Nominated Person may under an agreement between him/her and the member who nominated him/ her, have a right to be appointed (or to have someone else appointed) as a proxy entitled to attend and speak and vote at the Meeting. Nominated Persons are advised to contact the member who nominated them for further information on this and the procedure for appointing any such proxy.

OTHER INFORMATION | EXPLANATORY NOTES TO THE RESOLUTIONS

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

Resolution 1 – To approve the Annual Report and Financial Statements
Resolution 1 proposes the receipt and adoption of the Annual Report, which includes the Financial Statements of the Company for the year ended 31 December 2020, together with the Directors' report and auditor's report on those Financial Statements.

The Company's Annual Report, including the Financial Statements for the year ended 31 December 2021, is available on the Company's website, www.zegona.com. The Annual Report was prepared in compliance with the requirements of the Act and the requirements of the Listing Rules of the Financial Conduct Authority that would apply if the Company was listed on the Premium segment of the Official List as at the date of their approval by the Board.

Resolutions 2 to 7 – Election of Directors
Resolutions 2 to 7 deal with the re-election of each Director of the Company that, subject to the Articles of Association of the Company (the "**Articles**"), is required to retire at every annual general meeting of the Company. All Directors on the Board will retire at the AGM for this reason. Each of such Directors is offering himself for re-election and resolutions 2 to 7 propose the re-election of such Directors. Biographies of each of the Directors retiring in accordance with the Articles are set out on pages 18 and 19 of the Annual Report. Suzi Williams is the chair of the Nomination and Remuneration Committee. Ashley Martin is the chair of the Audit and Risk Committee and, if re-elected, will continue in this role.

The Chairman has confirmed that, following a performance review in line with the UK Corporate Governance Code, all of the Directors continue to perform effectively and contributed positively to the Board meetings that they attended during 2021 as set out on page 21 of the Annual Report and subsequently to the date of this notice.

Resolutions 8 and 9 – Re-appointment and remuneration of auditor
The appointment of KPMG LLP as auditor of the Company, which started on 18 November 2016, terminates at the conclusion of the AGM. KPMG LLP has indicated its willingness to stand for re-appointment as auditor of the Company until the conclusion of the annual general meeting to be held in 2022. The Directors, as well as the Audit and Risk Committee, recommend that KPMG LLP be re-appointed and that its remuneration be fixed.

Resolution 10 – Dividend payment
This resolution seeks to ratify the payment by the Company of an interim dividend, in lieu of a final dividend, of 2.6 p per ordinary share to shareholders of the Company on 23 July 2021.

Resolution 11 – Directors' remuneration report
In accordance with the requirements under the Act, shareholders are being asked to approve the Directors' remuneration report set out on pages 42 to 51 of the Annual Report. The actual remuneration paid to Directors in 2021 was made within the boundaries of the Directors' remuneration policy approved by shareholders at the 2019 Annual General Meeting.

Resolution 12 – Directors' remuneration policy
In accordance with the requirements under the Act, shareholders are being asked to approve the Directors' remuneration policy set out on pages 33 to 41 of the Annual Report.

Resolution 13 – Directors' authority to allot shares
The existing power granted to the Directors to allot ordinary shares expires at the conclusion of the AGM. Accordingly, resolution 13 is proposed to renew the Directors' authority to allot ordinary shares of up to a maximum nominal amount of (i) £17,715 (being one-third of the Company's issued ordinary share capital as at 3 April 2022) to such persons and upon such conditions as the Directors may determine; and (ii) a further maximum aggregate nominal amount of £17,715 (being one-third of the Company's issued ordinary share capital as at 3 April 2022) in connection with a rights issue (as defined in resolution 12 of the Notice), 3 April 2022, being the latest practicable date before the publication of this notice.

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

The authorities sought under resolution 13 will expire on the earlier of (i) the end of the next annual general meeting of the Company and (ii) the date which is eighteen months after the date on which this resolution is passed. The resolution replaces a similar resolution passed at the Annual General Meeting of the Company held on 30 June 2021. The Directors have no present intention of exercising such authority. However, the Directors consider it important to have the maximum ability and flexibility commensurate with good corporate governance guidelines to raise finance to enable the Company to respond to market developments and conditions. No shares are currently held by the Company in treasury.

Resolution 14 – Authorisation to renew the Management Incentive Scheme
This resolution seeks authority from shareholders for the Company to renew the rights attached to the Management Shares following the commencement of a new Calculation Period on 14 October 2021. A core feature of the Management Incentive Scheme is that there must be a shareholder vote to renew the rights attached to the Management Shares (as described in more detail in Note 19 to the financial statements) when a Calculation Period ends and another one automatically starts. If shareholders representing 75 per cent. or more of the shares vote against this resolution, the Management Shares will cease to have any rights and will be redeemed for no value.

Resolutions 15 and 16 – Disapplication of pre-emption rights
The Act requires that shares or other equity securities allotted for cash are offered first to existing shareholders in proportion to their existing holdings. The passing of resolutions 15 and 16 would allow the Directors to allot shares (or sell any shares which the Company may hold in treasury following a purchase of its own shares) without first offering the securities to existing shareholders.

Accordingly, resolution 15 allows the Directors to allot shares and sell treasury shares for cash (i) in connection with a pre-emptive offer or pre-emptive rights issue and/or (ii) otherwise up to a nominal value of £2,662, equivalent to 5 per cent. of the total issued ordinary share capital of the Company (excluding treasury shares) as at 3 April 2022, being the latest practicable date prior to the date of publication of this notice, without first having to offer them to existing shareholders in proportion to their holdings.

The Pre-Emption Group's Statement of Principles also supports the annual disapplication of pre-emption rights in respect of allotments of shares and sales of treasury shares for cash representing no more than an additional 5 per cent. of issued ordinary share capital (exclusive of treasury shares), to be used only in connection with an acquisition or specified capital investment. The Pre-Emption Group's Statement of Principles defines "specified capital investment" as meaning one or more specific capital investment related uses for the proceeds of an issue of equity securities, in respect of which sufficient information regarding the effect of the transaction on the Company, the assets the subject of the transaction and (where appropriate) the profits attributable to them is made available to shareholders to enable them to reach an assessment of the potential return.

Accordingly, resolution 16 authorises the Directors to allot new shares pursuant to the allotment authority given by resolution 13, or sell treasury shares, for cash up to a further nominal amount of £2,662, being an additional 5 per cent. of the entire issued share capital of the Company as at 3 April 2022, only in connection with an acquisition or specified capital investment which is announced contemporaneously with the allotment, or which has taken place in the preceding six-month period and is disclosed in the announcement of the allotment. If the authority given in resolution 16 is used, the Company will publish details of the allotment in its next annual report.

The authorities will expire on the earlier of: (i) the end of the next annual general meeting of the Company; and (ii) the date which is 18 months after the date on which this resolution is passed. This resolution replaces a similar resolution passed at the Annual General Meeting of the Company held on 30 June 2021.

Resolution 17 – Purchases of own shares by the Company
This resolution seeks authority from shareholders for the Company to make market purchases of its own ordinary shares, limited to the purchase of 14.99 per cent. of the ordinary shares in issue as at 3 April 2022.

The maximum and minimum prices payable are also limited in the resolution. The authority will only be exercised if the Directors consider that there is likely to be a beneficial impact on earnings per ordinary share and that it is in the best interests of the Company at the time. The Company will be able to hold the ordinary shares which have been repurchased as treasury shares and re-sell them for cash, cancel them or use them for the purposes of any employee share schemes. No options to subscribe for ordinary shares have been granted and are outstanding as at 3 April 2022, although shares issued in the Company's Management Incentive Schemes may be exchanged for ordinary shares in certain circumstances.

Resolution 18 – Reduction of notice period for general meetings of the Company
This resolution seeks authority from shareholders for the Company to call general meetings at 14 clear days' notice, as opposed to 21 clear days' notice. While the Company's Articles already provide that the Company can call any general meeting (other than an annual general meeting) at 14 clear days' notice, the Act requires that, in order to do so, the reduction from 21 days to 14 days must be approved by way of a special resolution of the Company's shareholders. It is the Company's intention to continue to call annual general meetings at 21 clear days' notice.

Action to be taken
You are asked to either:

1. If you hold your shares in certificated form, unlike previous years, and in order to reduce the Company's environmental impact, you will not receive a hard copy form of proxy for the 2022 Annual General Meeting in the post automatically. Instead, you will be able to appoint a proxy electronically using the link www.signalshares.com by no later than 1:00pm on 24 June 2022. Details of how to appoint a proxy in this way are set out on page 101 of this document.

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

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

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

In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "**CREST Proxy Instruction**") must be properly authenticated in accordance with Euroclear UK & Ireland's specifications and must contain the information required for such instructions, as described in the CREST Manual (www. euroclear.com/CREST). The message must be transmitted so as to be received by the issuer's agent, Link Group (ID RA10), by 1:00 p.m. on 24 June 2022. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

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

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

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