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ZEGONA COMMUNICATIONS PLC ("Zegona")

LEI: 213800ASI1VZL2ED4S65

27 SEPTEMBER 2023

ZEGONA ANNOUNCES INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

London, England, Zegona Communications PLC (LSE: ZEG) announces its results and publishes its Interim Financial Statements for the six months ended 30 June 2023.

Enquiries

Zegona Communications plc

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Kim Lowe: kim@zegona.com

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.

ZEGONA COMMUNICATIONS PLC

Unaudited Condensed Consolidated Interim
Financial Statements

For the six months ended 30 June 2023

Identifying the right acquisition target within European TMT to deliver attractive returns to shareholders

Over the last 6 months we have continued to focus on identifying and pursuing the right opportunity within the European telecommunications market where we can again successfully apply our proven “buy-fix-sell” strategy to generate attractive returns for our shareholders. We remain patient and disciplined in our approach and are encouraged by the stabilisation in both the economic outlook and telecommunications market trends, which contribute to the confidence we have in our ability to find the right next investment for Zegona.

The major geo-political and macro-economic challenges from 2022 have continued to impact European economies in 2023, affecting consumer confidence, the cost of capital and medium-term growth expectations. The telecommunications sector has shown its strong defensive qualities but has not been immune to the broader economic and political trends. In particular, the market for mergers and acquisitions in European TMT assets has continued to be affected with lower deal volumes and values than in the previous three years.

During the first 6 months of 2023 we have seen a significant improvement particularly in the debt capital markets, with much greater availability of funding for businesses such as Zegona to finance their acquisitions. We have also recently seen reduced volatility in the equity markets with valuations, including in the telecommunications market, now stabilising at more attractive levels. This combination is positive for Zegona, creating the right environment for finding attractive investment opportunities which can also be delivered. We are committed to maintaining our strong financial discipline and will not be prepared to proceed with an acquisition if it does not meet our strict financial criteria.

We are in discussions with Vodafone Group plc ("Vodafone") in connection with the potential acquisition of Vodafone's Spanish business (the "Potential Acquisition"), and with banks in relation to its financing, but the Potential Acquisition remains subject to, amongst other things, agreement on final terms with Vodafone, completion of its due diligence exercise and formalisation of the funding arrangements. Therefore, there is no certainty that the Potential Acquisition will proceed, nor as to the final terms of any such Potential Acquisition.

Zegona’ s performance

Zegona made a loss for the period from continuing operations of €1.8 million, compared to a loss of €1.9 million in the comparative period in H1 2022. The €1.8 million loss during the first half of 2023 is related to the corporate operating costs of Zegona. Corporate costs principally represent the salary and benefit costs of Zegona’s employees and other professional fees, are lower than the equivalent costs in 2022, and are in line with expectations for the six months ended June 30, 2023. Zegona has continued to finance itself from its cash reserves and had €3.8 million as of 11 September 2023. As discussed in note 4 to the interim financial statements, Zegona has maintained its €5.1 million income tax receivable in respect of amount paid by Company to HMRC against charging notices in light of European Commission’s decision that UK Controlled Foreign Company legislation constituted illegal state aid.

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

Risks

The principal and emerging risks and uncertainties faced by Zegona have not changed significantly since our annual report for the year ended 31 December 2022 (the "2022 Annual Report").

Risk title	Risk rating	Change in risk assessment since the 2022 Annual Report	
Ability to maintain sufficient resources to identify and complete new acquisitions	High	↔	No change
Ability to create value in acquired businesses	Moderate	↔	No change
Loss of key management	Low	↔	No change
Foreign exchange	Moderate	↔	No change

These risks have the potential to affect Zegona's results and financial position during the remainder of 2023. A more detailed explanation of risks and uncertainties is set out on pages 6 to 7 of the 2022 Annual Report

Statement of Directors' Responsibility

We confirm to the best of our knowledge:

- the unaudited condensed consolidated interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted for use in the UK; and

- the interim management report includes a fair review of the information required by DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

- DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

Neither the Company nor the directors accept any liability to any person in relation to the half-year financial report except to the extent that such liability could arise under English law. Accordingly, any liability to a person who has demonstrated reliance on any untrue or misleading statement or omission shall be determined in accordance with section 90A and schedule 10A of the Financial Services and Markets Act 2000.

Details on the Company's Board of Directors can be found on the Company website at www.zegona.com.

By order of the Board
Eamonn O'Hare
Chairman and CEO
27 September 2023

Independent review report to Zegona Communications plc

Conclusion

We have been engaged by Zegona Communications PLC ("the Company") to review the Condensed Consolidated Interim financial statements in the half-yearly financial report for the six months ended 30 June 2023 which comprises the Condensed Consolidated Statement of Comprehensive Income, Condensed Consolidated Statement of Financial Position, Condensed Consolidated Statement of Changes in Equity, Condensed Consolidated Statement of Cash Flows and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the Condensed Consolidated Interim financial statements in the half-yearly financial report for the six months ended 30 June 2023 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted for use in the UK and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

Material uncertainty related to going concern

We draw attention to note 2(b) to the Condensed Consolidated Interim financial statements which indicates that Zegona remains actively searching for investment opportunities, whilst meeting working capital requirements from cash balances held. These events and conditions, along with the other matters explained in note 2(b), constitute a material uncertainty that may cast significant doubt on the group's ability to continue as a going concern.

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity ("ISRE (UK) 2410") issued for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Whilst the company has previously produced a half-yearly report containing a condensed set of financial statements, those financial statements have not previously been subject to a review by an independent auditor. As a consequence, the review procedures set out above have not been performed in respect of the comparative period for the six months ended 30 June 2022.

Conclusions relating to going concern

The directors have prepared the Condensed Consolidated Interim financial statements on the going concern basis. As stated above, they have concluded that a material uncertainty related to going concern exists.

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention that causes us to believe that the directors have inappropriately adopted the going concern basis of accounting, or that the directors have identified material uncertainties relating to going concern that have not been appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410. However, future events or conditions may cause the Group to cease to continue as a going concern, and the above conclusions are not a guarantee that the Group will continue in operation.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with UK-adopted international accounting standards.

The directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted for use in the UK.

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

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review. Our conclusion, including our conclusions relating to going concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion section of this report.

The purpose of our review work and to whom we owe our responsibilities

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have reached.

S. Richardson

Simon Richardson
for and on behalf of KPMG LLP
Chartered Accountants
15 Canada Square, London, E14 5GL
27 September 2023

		For the six months ended 30 June	
		Unaudited	**Unaudited**
		2023	**2022**
	Notes	**€000**	**€000**
Administrative and other operating expenses:			
Corporate costs		(1,691)	(1,834)
Incentive scheme costs	5	(35)	(34)
Significant project costs	6	(55)	(26)
Operating loss		**(1,781)**	(1,894)
Finance income		12	-
Finance costs		(3)	-
Net foreign exchange loss		(2)	-
Loss for the period before income tax		**(1,774)**	(1,894)
Income tax expense		**-**	-
Loss for the period		**(1,774)**	(1,894)
Loss for the period attributable to equity holders of the parent		**(1,774)**	(1,894)
		€	**€**
Earnings per share – total operations			
Basic and diluted earnings per share attributable to ordinary equity holders of the parent		(0.33)	(0.36)
Earnings per share			
Basic and diluted earnings per share attributable to ordinary equity holders of the parent		(0.33)	(0.36)

The accompanying notes are an integral part of the unaudited condensed consolidated interim financial statements.

	Note	For the six months ended 30 June Unaudited 2023 €000	Unaudited 2022 €000
Loss for the period		**(1,774)**	**(1,894)**
Other comprehensive profit/(loss) – items that will or may be reclassified subsequently to profit or loss			
Exchange differences on translation	7	359	(313)
Total comprehensive loss for the period, net of tax, attributable to equity holders of the parent		**(1,415)**	**(2,207)**

The accompanying notes are an integral part of the unaudited condensed consolidated interim financial statements.

	Notes	Unaudited As at 30 June 2023 €000	As at 31 December 2022 €000
Assets			
Non-current assets			
Property, plant and equipment		7	13
Income tax receivable	4	5,121	4,961
		5,128	**4,974**
Current assets			
Prepayments and other receivables		49	75
Cash and cash equivalents		4,307	5,890
		4,356	**5,965**
Total assets		**9,484**	**10,939**
Equity and liabilities			
Equity			
Share capital	7	311	311
Capital redemption reserve	7	2,565	2,565
Share premium reserve	7	3,049	3,049
Share-based payment reserve	7	100	65
Foreign currency translation reserve	7	(6,563)	(6,922)
Retained earnings	7	9,695	11,469
Total equity attributable to equity holders of the Parent		**9,157**	**10,537**
Current liabilities			
Accruals and other payables		327	402
Total liabilities		**327**	402
Total equity and liabilities		**9,484**	**10,939**

The accompanying notes are an integral part of the unaudited condensed consolidated interim financial statements.

(Unaudited)	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	Total equity €000
Balance at 1 January 2023		**311**	**65**	**(6,922)**	**11,469**	**2,565**	**3,049**	**10,537**
Loss for the period		-	-	-	(1,774)	-	-	**(1,774)**
Other comprehensive income		-	-	359	-	-	-	**359**
Share-based payment expense	5	-	35	-	-	-	-	**35**
Balance at 30 June 2023		**311**	**100**	**(6,563)**	**9,695**	**2,565**	**3,049**	**9,157**

The accompanying notes are an integral part of the unaudited condensed consolidated interim financial statements.

(Unaudited)	Note	Share capital €000	Share-based payment reserve €000	Foreign currency translation reserve €000	Retained earnings €000	Capital redemption reserve €000	Share premium reserve €000	Shares to be issued €000	Total equity €000
Balance at 1 January 2022		**301**	**31**	**(6,284)**	**14,782**	**2,565**	**1,616**	**1,443**	**14,454**
Loss for the period		-	-	-	(1,894)	-	-	**-**	**(1,894)**
Other comprehensive income		-	-	(313)	-	-	-	**-**	**(313)**
Share-based payment expense	5	-	34	-	-	-	-	**-**	**34**
Balance at 30 June 2022		**301**	**65**	**(6,597)**	**12,888**	**2,565**	**1,616**	**1,443**	**12,281**

The accompanying notes are an integral part of the unaudited condensed consolidated interim financial statements.

	For the six months ended 30 June	
	Unaudited 2023 €000	**Unaudited 2022 €000**
Operating activities		
Loss before income tax	(1,774)	(1,894)
Adjustments to reconcile profit before income tax from continuing operations to operating cash flows:		
Depreciation of property, plant and equipment	6	7
Share based payment expense	35	34
Net foreign exchange gains/(losses)	2	-
Finance income	(12)	-
Finance costs	3	-
Working capital adjustments:		
Decrease/ (Increase) in Prepayments and other receivables	26	(97)
Decrease in trade and other payables	(75)	(663)
Interest received	12	-
Interest paid	(3)	-
Net cash flows used in operating activities	**(1,780)**	(2,613)
Financing activities		
Proceeds from bank borrowing	-	412
Net cash flows (used in) financing activities	**-**	412
Net decrease in cash and cash equivalents	(1,780)	(2,201)
Net foreign exchange differences	197	(186)
Cash and cash equivalents at 1 January	5,890	10,556
Cash and cash equivalents at 30 June	**4,307**	8,169

The accompanying notes are an integral part of the unaudited condensed consolidated interim financial statements.

1. GENERAL INFORMATION

The unaudited condensed consolidated interim financial statements of Zegona Communications plc (the "**Company**" or the "**Parent**") and its subsidiaries (collectively, "**Zegona**") for the six months ended 30 June 2023 (the "**Interim Financial Statements**") were authorised for issue in accordance with a resolution of the Directors on 25 September 2023. The Company is incorporated and domiciled in England and has its registered office at 8 Sackville St, Mayfair, London W1S 3DG.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

This condensed set of financial statements (the "**Interim Financial Statements**") has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted for use in the UK. The annual financial statements of the group are prepared in accordance with UK-adopted international accounting standards. As required by the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority, the condensed set of financial statements has been prepared applying the accounting policies and presentation that were applied in the preparation of the company's published consolidated financial statements for the year ended 31 December 2022. The Interim Financial Statements do not constitute statutory accounts within the meaning of section 434(3) of the Companies Act 2006 (the "**Companies Act**").

The Interim Financial Statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with Zegona's annual financial statements as at 31 December 2022 which are available on the Company's website, www.zegona.com. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in Zegona's financial position and performance since the last annual financial statements.

The comparative figures for the financial year ended 31 December 2022 are not the company's statutory accounts for that financial year. Those accounts have been reported on by the company's auditor and delivered to the registrar of companies. The report of the auditor was (i) unqualified, (ii) drew attention by way of emphasis without qualifying their report to a material uncertainty in respect of going concern, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act.

(b) Going concern

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

Zegona's Directors have assessed the going concern assumptions during the approval of the Interim Financial Statements. The assessment includes the review of Zegona cashflow forecast and budget, which included considerations on expected developments in liquidity, debt and capital. The Directors have also considered sensitivities in respect of potential severe but plausible downside scenarios in concluding that Zegona is likely to be able to continue in operation for a period of at least twelve months from the date of approving the Interim Financial Statements.

Zegona is continuing to execute its Buy-Fix-Sell strategy which currently involves actively searching for another attractive investment opportunity within the European TMT sector and it now meets its day to day working capital requirements while it does this from cash balances. During this period, Zegona's ongoing costs are reasonably predictable and controllable and in 2022 and 2023 Zegona also performed a comprehensive review of operating costs to ensure the business is operating as efficiently as possible by eliminating expenditure where possible, reducing headcount and re-negotiating key supplier terms. Following this review, the Directors are reasonably comfortable that provided Zegona does not incur any material unforeseen costs, Zegona's cash holdings of £3.3 million at 11 September 2023 should be sufficient to fund the business until at least the first quarter of 2025, which is more than twelve months after the approval of these Consolidated Financial Statements.

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

1. While Zegona currently believes the European TMT market does provide for a number of attractive investment opportunities in the coming years, it is still possible that Zegona may be unable, for a number of reasons, to:

    a) identify and successfully negotiate an acceptable agreement to acquire a new investment that it feels is able to meet its financially disciplined criteria for attractive returns to its investors in a reasonable period of time
    b) Secure sufficient equity and/or debt financing for the identified acquisition on terms that still allow Zegona to create sufficient value to deliver those attractive investor returns.

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

2. Zegona may incur costs in connection with an unsuccessful deal or deals ("abort costs") large enough to exhaust its cash reserves. The Directors' going concern review suggests that without taking any other cost saving actions, Zegona could absorb approximately £0.8 million in such abort costs during the next twelve months without exhausting its cash reserves. The Directors considered this unlikely, since expenditure at this level would only happen on a relatively small sub-set of transactions and Zegona has historically been successful in minimizing transaction fees and controlling them during the negotiation and diligence phase such that costs are only incurred when the likelihood of success is high. It is however possible in some larger and more complex transactions which fail at a very late stage that fees in excess of £0.8 million could be incurred, or that Zegona could have multiple failed transactions with cumulative abort costs in excess of this level.

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

(c) New standards, interpretations and amendments adopted by Zegona

The accounting policies adopted in the preparation of the Interim Financial Statements are consistent with those followed in the preparation of Zegona's annual consolidated financial statements for the year ended 31 December 2022, which were prepared in accordance with UK-adopted international accounting standards and with those parts of the Companies Act as applicable to companies reporting under international accounting standards. Zegona has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Standards, amendments and interpretations effective and adopted by Zegona:

The accounting policies adopted in the presentation of the Interim Financial Statements reflect the adoption of the following amendments for annual periods beginning on or after 1 January 2023, none of which had a material effect on Zegona.

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

(d) Critical accounting judgements and estimates

The preparation of the Interim Financial Statements requires the Directors to consider estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. 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. Actual results may differ from these estimates.

There have been no material changes to the significant judgements and estimates made by the Directors as at and for the year ended 31 December 2022. The main judgements and estimates used by the Directors in applying the accounting policies of Zegona that had the greatest impact on the Interim Financial Statements are as follows:

- The recoverability of the income tax receivable (note 4)
- Going concern (note 2(b))

3. SEGMENT INFORMATION

Following the disposal of Euskaltel in 2021, Zegona and its subsidiaries are organised as a single business which seeks to generate shareholder returns by applying its Buy-Fix-Sell strategy to European TMT assets. The chief operating decision maker is considered to be the Board, who only receive consolidated information which does not include an analysis of either profit and loss or assets and liabilities to any lower level. Zegona has therefore concluded that it only has a single operating segment for which the measure of performance is Zegona's consolidated loss for the period from continuing operations and all amounts required to be disclosed in accordance with paragraph 23-24 of IFRS 8 *Operating Segments* are the same as the equivalent consolidated amounts disclosed elsewhere in these financial statements. All non-current assets are domiciled in the United Kingdom.

4. INCOME TAX RECEIVABLE

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

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

The UK Government is required to recover the state aid in the meantime and Zegona paid two charging notice issued by HMRC in February and June of 2021 for £4.4 million, (€5.1 million) which is 100% of the CFC tax relief received and interest thereon. These notices are a charging mechanism only and if the decision is annulled the money will be repaid.

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

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

Despite the decision of the General Court, based on its current assessment and also supported by external professional advice, Zegona believes that the UK Government's appeal will likely be successful. As a result, Zegona continues to believe that it has no liability. A long-term current tax receivable of €5.1 million (2022: €4.9 million) has therefore continued to be recognized in respect of the amounts paid. Any appeal of the General Court decision to the Court of Justice, and the progress of the UK Tax Authority challenge into the historic financing arrangements of the Group, will continue to be monitored by Management.

5. 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"**).

At 30 June 2023, a total of 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**

During the period to 30 June 2023, no new awards were granted or forfeited or cancelled and there were no changes to assumptions or estimates compared to Zegona's annual financial statements as at 31 December 2022. A total expense of €35 thousand was recognised for the period ended 30 June 2023, with a corresponding amount recognised in the share-based payment reserve.

6. ADMINISTRATIVE AND OTHER OPERATING EXPENSES – SIGNIFICANT PROJECT COSTS

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

The €55 thousand (2022: €26 thousand) of significant project costs recognised were principally professional fees in relation to potential acquisition opportunities.

7. 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 aggregate amortisation of a portion of the fair value of the third Calculation Period.

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 1.13 at 31 December 2022 to 1.17 at 30 June 2023.

Retained earnings

The retained earnings reserve includes cumulative net profits and permitted transfers from the share-based payment reserve. Amounts in the retained earnings reserve are typically distributable profits.

Capital redemption reserve

The capital redemption reserve is a requirement under s692 of the Companies Act 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.

Capital redemption reserve represents the nominal value of the 214,532,103 shares repurchased in the tender offer.

Share premium reserve

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

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

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 were not admitted in 2021. These shares were issued on 9 November 2022 and the balance on the reserve was reduced to zero.

8. RELATED PARTY TRANSACTIONS

There were no related party transactions during the period to 30 June 2023 other than key management personnel compensation.

9. POST BALANCE SHEET EVENTS

The Company notes the press speculation regarding the potential acquisition of Vodafone Group plc's Spanish business (the "Potential Acquisition").

The Company confirms that it is in discussions with Vodafone Group plc ("Vodafone") in connection with the Potential Acquisition, and with banks in relation to its financing, but the Potential Acquisition remains subject to, amongst other things, agreement on final terms with Vodafone, completion of its due diligence exercise and formalisation of the funding arrangements. Therefore, there is no certainty that the Potential Acquisition will proceed, nor as to the final terms of any such Potential Acquisition.