

# ZEPHYR MIDCO 2 LIMITED

Registered number: 11346641

**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 30 SEPTEMBER 2020

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Zephyr Midco 2 Limited

## Company information

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<b>Directors</b>	Charles Bryant Ulf Pagenkopf Simon Patterson
<b>Registered number</b>	11346641
<b>Registered office</b>	Zephyr Midco 2 Limited The Cooperage 5 Copper Row London SE1 2LH
<b>Independent auditor</b>	Deloitte LLP 1 New Street Square London EC4A 3HQ

# Strategic report

For the year ended 30 September 2020

The Directors present their Strategic report of Zephyr Midco 2 Limited ("Midco 2" or "the Company") and its subsidiaries (together "the Group") for the year ended 30 September 2020. Previously, the financial statements were prepared from the incorporation of the entity on the 4 May 2018 to 30 September 2019.

This Strategic report has been prepared to provide shareholders of the Company with additional information to assess the Company's strategies and the potential for those strategies to succeed. The Strategic report contains certain forward-looking statements. These statements are made by the Directors in good faith based on the information available to them up to the time of their approval of this report and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

The Directors, in preparing this Strategic report, have complied with s414C of the Companies Act 2006.

## Principal activities

The principal activities of the Group in the period under review were the operation of online property portals and household comparison websites as well as providing residential property software and data analytics. The Group's operations comprise Property and Comparison divisions, both of which generate revenues through services described below.

Property	Comparison
<ul style="list-style-type: none"> <li>- Marketing, which represents revenue generated from the provision of marketing services including portal and print revenues;</li> <li>- Software, which represents revenue generated from the provision of software services focused on property professionals and websites; and</li> <li>- Data, which represents revenue generated from the provision of residential property data, insight and analysis.</li> </ul>	<ul style="list-style-type: none"> <li>- Energy, which represents revenue generated from energy switching services, business energy and boiler cover;</li> <li>- Communications, which represents revenue generated from mobile, broadband, pay TV and home phone switching services; and</li> <li>- Finance, which represents revenue generated from financial product switching services including loans and credit cards.</li> </ul>

The principal activity of the Company was to act as a holding company for the Group's consolidated business and as a reporting entity per the Group's debt facilities.

## Business model and strategy

The Group owns and operates some of the UK's most trusted property and household related digital brands including Zoopla, uSwitch, PrimeLocation, Money, Hometrack and The Property Software Group as well as Calcasa in the Netherlands. The Group's proposition helps consumers and partners across the property lifecycle.

The Group drives growth by investing in people, products and marketing to create the most innovative and engaging home related platforms which help deliver greater transparency for consumers and provide increased efficiency for partners throughout the property lifecycle. The two-sided proposition benefits from powerful network effects, which, in turn, generate increased engagement and an enhanced consumer and partner proposition.

Consumers	Partners
Able to access near whole of market data with real-time alerts to remain up to date and make the most informed decisions about everything related to finding, moving or managing their homes.	Benefit from access to a highly engaged audience via the Group's market-leading property and comparison portals, generate additional revenues and deliver better service by using the Group's software and data insights.

## Strategic report (continued)

For the year ended 30 September 2020

### Business and finance review

Zephyr Midco 2 Limited ("Midco") was incorporated on 4 May 2018 and was dormant until its subsidiary Zephyr Bidco Limited ("Bidco") completed its acquisition of ZPG Plc on 11 July 2018.

The Group reported revenue of £288.8 million (2019 (15 months period): £383.6 million) of which £279.7 million (2019 (15 months period): £372.1 million) was in the UK and £9.1 million (2019 (15 months period): £11.5 million) in the Netherlands.

In the year ended 30 September 2020, the Group offered free period contracts to its agents at the beginning of the Covid-19 pandemic (April and May 2020) in exchange for its agents committing to long term contracts.

The Group made an operating profit of £18.9 million (2019 (15 months period): loss of £17.0 million) after depreciation, amortisation and acquisition-related costs. The Group generated operating cash-flows before working capital of £110.6 million (2019 (15 months period): £150.7 million). See note 3 for disclosure of costs accounting within operating loss.

The Group made a total comprehensive loss for the period of £47.4 million (2019 (15 months period): comprehensive loss of £107.9 million) after interest and income tax.

### Key Financial Performance Indicators (KPIs)

The Group's primary financial KPIs are revenue, profit, and operating cash.

### Net debt and borrowings

As at 30 September 2020 the Group had net debt of £806.8 million (2019: £808.4 million) after capitalised loan fees, which is defined as loans and borrowings less cash and cash equivalents and other short-term investments as per the statement of financial position.

In addition to the term loans, the Group also has access to a revolving credit facility of £150 million as part of the same debt arrangement, which can be accessed by the Group. As at 30 September 2020, this facility was undrawn. Refer to Note 19 for more details on the Group's loans and borrowings.

### Intangible assets

Intangible assets have been valued by an independent expert following the acquisition of ZPG Plc and are shown at net book value of £2,589m (2019: £2,660m) following amortisation of acquired intangibles over the period since acquisition. The details of intangible assets are set out in Note 12. Impairment analysis concludes that the carrying values do not require impairment.

### Cash flow

The Group continues to be highly cash generative with net cash flows from operating activities of £96.2 million (2019 (15 months period): £87.8 million). Net cash outflows from investing activities were £29.6 million (2019 (15 months period): £2,264.7 million); whilst net cash outflows from financing activities were £52.1 million (2019 (15 months period): inflow of £2,277.4 million) leaving a cash and other short-term investments of £114.9 million (2019: cash of £100.5 million) as at 30 September 2020.

### Key performance indicators (KPIs)

The Group measures its performance through the following financial and non-financial KPIs.

	2020	2019 (15 months period)
Revenue	£288.8m	£383.6m
Total Comprehensive Loss for the period	£(47.4)m	£(107.9)m
Visits <sup>1</sup>	778 million	700 million
Leads <sup>2</sup>	51 million	54 million

<sup>1</sup>Visits comprise individual sessions to the Group's websites or mobile applications by users for the year as measured by Google Analytics.

<sup>2</sup>Leads are measured at the point when a consumer shows intent to contact or switch, for property and comparison respectively via a form hosted on the Company's website.

## Strategic report (continued)

For the year ended 30 September 2020

### Our work in the community

We understand that we have a responsibility to make a positive impact on our environment, for charity and for our local communities.

We continue to be strong supporters of small charities that serve local communities and in 2020 we raised over £25,000, these were spread over a number of good causes including Crisis Homelessness, Great North Air Ambulance Service, Cornwall Air Trust and St. Richards Hospital Trust, plus multiple smaller charities.

Beyond fundraising efforts taking place by individual teams and colleagues, we also help support its charity partners through a number of initiatives:

**Donation Matching:** We will match up to £500 per employee, per year, raised from fundraising events and activities in aid of its six employee-nominated charity partners, and up to £250 per employee, per year, for any other charity.

**Good Deed Day:** Employees are entitled to a full day's annual leave to volunteer for a registered charity or non-profit organisation that is close to their heart.

**Payroll Giving:** We match employees' monthly donations to charity by up to £40 a month for its main charity partners, or up to £20/month for any other charity.

### Working with us

We want our people to feel supported, motivated and inspired across everything they do.

We believe our transformative learning culture is one of our defining features and aim to foster in our people a thirst for knowledge, eagerness to learn and give them the opportunities to thrive. This is highlighted by the fact we are on the Government Register of Approved Training Providers.

Diversity, equity and inclusion is at the heart of our culture. We are making constant assessments to ensure we provide equal and fair access for all. We believe that all current and future employees should have fair and equal access to opportunities regardless of age, sexual orientation, gender, disability, race, nationality, ethnic origin, trade union affiliation, belief or religion.

Human rights are not a material issue for the company. As such, there are no incidents or necessary actions to report.

### Gender mix across the Group as at 30th September 2020

	Number		Percentage	
	Female	Male	Female	Male
Directors	0	3	0%	100%
Senior Management	33	63	34%	66%
All Employees	391	541	42%	58%

### Gender mix across the Group as at 30th September 2019

	Number		Percentage	
	Female	Male	Female	Male
Directors	0	5	0%	100%
Senior Management	29	65	31%	69%
All Employees	357	500	42%	58%

### Risk management, internal control and principal risks

The Company's internal control framework is aligned to the "three lines of defence" model: Operational Management are the first line and they are primarily responsible for the direct management of risk, ensuring that appropriate mitigating controls are in place and that they are operating effectively. The second line is formed of the Company's internal governance functions such as compliance, commercial finance, legal, internal controls and risk. The third line includes other third-party advisors and experts and any other independent consultants reporting to the Board.

Risk is managed functionally and at a consolidated Group level. This structure enables the Company to ensure that risks are identified across its range of operations. The risks are then escalated in a manner which is consistent and aligned with the strategic goals.

The Group will continue to assess its risk management processes to ensure that they remain fit for purpose.

## Strategic report (continued)

For the year ended 30 September 2020

### Risk management, internal control and principal risks (continued)

The Group maintains a strategic risk register which is reviewed regularly by the Directors. The likelihood and impact of each risk are both scored and combined to provide an overall risk score. Each risk within the register is scored twice: firstly, excluding the existence of mitigating controls (the inherent risk score) and then again once mitigating controls have been taken into account (the residual risk score). The difference between these scores allows Management and the Directors to gain an understanding of the level of control the Company has over each risk.

The analysis contained within the risk register forms the basis of the principal risks and uncertainties detailed below. The risk factors described are not an exhaustive list or an explanation of all risks. Additional risks and uncertainties relating to the Company, including those that are not currently known to the Company or that the Company currently deems immaterial, may individually or cumulatively also have a material adverse effect on the Company's business operations, results and / or financial condition.

Key risk	Description and impact	Management and mitigation
<b>Macroeconomic conditions</b>  The Company derives a material share of its revenues from the UK, with the only international operation in the Netherlands being a small component of the revenue. The Company is therefore largely dependent on the macroeconomic conditions in the UK as well as being exposed to changes in macroeconomic conditions internationally.	<p>Changes in the UK and European and economies have the potential to adversely impact the demand for our products and services in the markets we operate in. Such changes could affect the average property prices, the number of mortgage approvals and the volume of transactions in the UK housing market.</p> <p>Subsequently, the marketing, data and software purchasing budgets of the Company's partners could decrease, which could reduce demand for the Company's services.</p> <p>Specific considerations on withdrawal of UK from the European Union have been outlined on page 5.</p> <p>Impact of Covid-19 could see lockdowns within the UK and lead to disruption in the housing market. Whilst the pandemic has had an impact on the Group's financial performance, this was primarily due to a strategic decision made to invest in its customers through the free of charge contracts. There has been no change in the Group's business model, underlying operations or overall strategy as a result of Covid-19 and the Directors remain assured of the Group's strong financial position and prospects.</p>	<ul style="list-style-type: none"> <li>• Regularly reviewing market conditions and indicators.</li> <li>• Analysis performed by CFO and Internal Controls Manager to understand the risks of Brexit to Property division and the mitigating actions required.</li> <li>• Building consumer and partner brand loyalty with a business model based on subscription.</li> <li>• Maintaining a flexible cost base that can respond to changing conditions.</li> <li>• Diversifying risk by maintaining a balance between different revenue streams in order to provide protection against volatility within markets.</li> <li>• Developing revenue streams in other related / adjacent markets.</li> <li>• Promoting the benefit and potential savings for consumers of home and financial services switching.</li> <li>• Investing in the web portal to enhance the estate agents' experience.</li> </ul>
<b>Competitive environment</b>  The Company operates in market places which are highly competitive. The actions of the Company's competitors, and / or our own inaction, can have a significant and adverse impact on the Company.	<p>If new or existing competitors can provide, or are perceived to provide, an enhanced partner or consumer service then there is a risk to the Company's forecasted revenue. The Company invests significantly in marketing to build brand awareness and drive traffic to its websites. Increased digital marketing expenditure by competitors, or general price increases, may cause the Company to incur additional marketing spend to ensure that it can continue to compete effectively.</p>	<ul style="list-style-type: none"> <li>• Ensuring partners understand the unique value proposition that can be provided through our websites, products and services.</li> <li>• Offering attractive and competitive pricing packages to partners.</li> <li>• Diversifying risk through multiple revenue streams.</li> <li>• The Property division is largely subscription based and is therefore less susceptible to short term fluctuations in the market.</li> </ul>

**Strategic report** (continued)

For the year ended 30 September 2020

Key risk	Description and impact	Management and mitigation
<b>Integration of acquisitions</b>  Historically, the Company has been highly acquisitive, which presents inherent operational, strategic and cultural challenges.	<p>The challenges surrounding integrating different cultures, working practices and locations could impact team retention and performance.</p> <p>The inability to successfully integrate acquisitions may adversely affect consumer and / or partner experience with a resulting impact on strategic cross-sell opportunities and the Company's future revenues.</p> <p>In addition, there is the possibility that the financial and operational control environments of acquired entities are not as established as those of the Company.</p>	<ul style="list-style-type: none"> <li>• Centralised shared service functions across group finance, facilities and IT.</li> <li>• Functions within the organisation, particularly shared services, have focused on aligning processes and systems.</li> <li>• Projects initiated to develop a streamlined approach across the various segments for products and technology.</li> <li>• Communicating the benefits of acquisitions to both partners and consumers.</li> </ul>
<b>IT systems and cyber security</b>  Various IT systems within the Company are interdependent and a failure in one system or a security breach may disrupt the efficiency and functioning of the Company's operations. The Company holds consumer and partner data which could be susceptible to loss or theft.	<p>Any failure of the Company's IT infrastructure through error or attack could impair the operation of the Company's websites and services, the processing and storage of data and the day-to-day management of the Company's business.</p> <p>In addition, any theft or misuse of data held within the Company's databases could have both reputational and financial implications for the Company.</p>	<ul style="list-style-type: none"> <li>• Regularly testing the security of the IT systems and platforms, including penetration testing and testing of Distributed Denial of Service (DDoS) attack procedures.</li> <li>• Maintaining separate platforms for portals, websites, software and data services.</li> <li>• Restricting access to data, systems and code and ensuring all systems are secure and up to date.</li> </ul>
<b>Data hacks and PII exposure</b>  The Company is susceptible to an external hack which could lead to a loss of data, including personally identifiable information (PII).	<p>The Company holds PII data in various systems, therefore any loss of data through an external or internal hack could lead to a significant financial and / or reputational damage.</p>	<ul style="list-style-type: none"> <li>• Experienced Head of IT in place to review the security environment.</li> <li>• Voluntarily engaged independent experts to perform a data governance audit.</li> <li>• Training schemes being coordinated related to data hacks / governance.</li> <li>• Business Continuity Plan being coordinated ensuring mitigation plans are formalised in the event of a data hack.</li> </ul>
<b>Data protection</b>  Non-compliance with various data protection related acts could lead to significant penalties for the organisation	<p>Data protection entails various elements such as ensuring compliance with GDPR, cookie laws, and direct marketing.</p>	<ul style="list-style-type: none"> <li>• Data protection officer ("DPO") positions in both divisions.</li> <li>• Privacy plan formalised by DPO.</li> <li>• Independent experts engaged to independently assess data governance structure.</li> <li>• Training for wider business being coordinated for data protection.</li> </ul>
<b>Retention and recruitment</b>  Success depends on the continued retention and performance of the Company's valued employees. Skilled development, technical, operating, sales and marketing personnel are essential for the business to meet its strategic goals and the Company operates in markets with a high demand for high calibre personnel.	<p>Competition for qualified talent is intense and an inability to attract highly skilled employees could adversely impact the Company's operations, financial condition or prospects.</p> <p>Similarly, an inability to motivate, develop and retain key team members could adversely impact the Company's operations, financial condition and prospects.</p> <p>The Company has a track record of growth through acquisition – an inability to retain key team members from these businesses could increase business risk in the event of reliance on their business-critical knowledge.</p>	<ul style="list-style-type: none"> <li>• Reorganisation and expansion of the Talent team, including hiring of more senior talent members.</li> <li>• Terms have been amended for agencies to positively impact recruitment process.</li> <li>• Careers website running for both divisions.</li> <li>• New schemes launched to define purpose and behaviours.</li> <li>• Share schemes in place to improve staff retention.</li> <li>• Regular and ongoing learning &amp; development activities field across the Company.</li> <li>• The Group has utilised the Furlough scheme provided as part of the government business support scheme during the Covid-19 pandemic.</li> </ul>



**Strategic report** (continued)

For the year ended 30 September 2020

Key risk	Description and impact	Management and mitigation
<b>Regulatory environment</b>  The Company operates in a number of regulated environments. Certain revenue streams within the Comparison division are regulated by the FCA.	There is a risk that changes to the regulatory environment could require the Company to revise its strategy, operations or business model.  Changes in regulation may also impact the Company's profitability via increased compliance costs or a fall in revenues as a result of subsequent changes in consumer or partner behaviour.	<ul style="list-style-type: none"> <li>• Maintaining regular open and constructive dialogue with all significant regulatory bodies.</li> <li>• Dedicated regulatory team in-house.</li> <li>• Implementing processes to ensure compliance with all mandatory reporting obligations including a dedicated Regulation and Compliance team.</li> <li>• Regular monitoring of regulatory risks by the Board, the Audit Committee, the legal function and internal control and throughout the business.</li> </ul>
<b>Reputational and brand damage</b>  The Company operates several identifiable and respected brands which could be damaged by factors such as unethical or unlawful activity, poor customer service or negative press.	Damage to any of the Company's brands could lead to a fall in consumer confidence, reducing traffic and leads for the Company's partners and in turn impacting the Company's revenue.  There is also a risk that the Company's partners may choose to terminate their existing relationship with the Company as a result of any reputational damage, which would directly impact the Company's revenues.	<ul style="list-style-type: none"> <li>• Embedding a culture of transparency, social awareness and ethical behaviour throughout the Company.</li> <li>• Regularly reviewing the Company's risks and reviewing and developing internal control frameworks to mitigate the risk of error or fraud.</li> <li>• Executing the Company's strategy, which has both consumers and the Company's partners at its core.</li> <li>• Continually investing in the Company's brands.</li> </ul>
<b>Foreign exchange risk</b>  Potential Foreign Exchange volatility due to macroeconomic factors which impacts the business.	Since the result of the Brexit referendum, Sterling has devalued due to the uncertainty in the macroeconomic environment. This has significance as the Group issued € denominated debt. Along with some supplier payments, interest is paid in €.	<ul style="list-style-type: none"> <li>• Close monitoring of the EUR v GBP currency exposure in Finance team.</li> <li>• Spot rate trading being put in place to minimise Sterling outflows on interest and supplier payments.</li> <li>• Hedging strategy being implemented.</li> </ul>

**Macroeconomic conditions - Withdrawal from the European Union**

The result of the UK's EU referendum in 2016 increased the level of macroeconomic uncertainty, increasing the likelihood of the impacts outlined under "macroeconomic conditions" above.

Consistent with 2019 the Directors believe that the Company's multi-channel, multi-brand strategy creates a diverse revenue base which means it is well placed to mitigate any negative impacts resulting from the UK's withdrawal from the European Union. In particular:

- the increasingly diversified market position resulting from the Company's acquisitions;
- the customer base of the Company is UK centric and is therefore less impacted by the withdrawal from the European Union;
- the Property division is largely subscription based and is therefore less susceptible to short-term shocks or variations in the property market or wider economy;
- a large proportion of Property partners are engaged in both sales and lettings, which reduces the risk of any downturn in the property market on their businesses;
- an economic downturn increases the propensity for consumers to search Comparison platforms for the best deals to save money on their household expenses;
- a weaker Pound Sterling may lead to higher price inflation in areas such as energy bills, which may benefit the Comparison division; and
- an impact on house prices could improve current affordability pressures providing a positive impact on revenue streams.

## Strategic report (continued)

For the year ended 30 September 2020

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### Covid-19 pandemic

At the date of approval of the annual report and financial statements there remains uncertainty in relation to the future impact that the Covid-19 pandemic will have on the global economy, and on the Group as a consequence. The Directors' considered view is that principal risk of the Covid-19 pandemic crisis to the Group is that some customers stop, or delay, payments. Overall, the Group's performance has been resilient throughout the pandemic to date, albeit the Directors have taken precautionary measures to conserve cash resources where possible. Additionally, the Directors have a range of further mitigating actions that can be taken in order to both maintain the Group's operating capabilities and to enable it to meet its future liabilities as they fall due. The Group has utilised government business support schemes during the year including VAT deferral and Furlough schemes. Business continuity plans are in place, with measures to manage employee absences, the efficiency of the Company's operations and the ability for home working. Leadership teams and working groups led by senior managers are in place to support operational resilience and taking common-sense precautions with a view to ensuring the wellbeing of colleagues. Whilst the pandemic has had an impact on the Group's financial performance, this was primarily due to a strategic decision made to invest in its customers through the free of charge contracts. There has been no change in the Group's business model, underlying operations or overall strategy as a result of Covid-19 and the Directors remain assured of the Group's strong financial position and prospects. The potential impacts of the Covid-19 pandemic crisis are set out in more detail in the Going concern section of the Directors' report.

### Changes in 2020

The risk identified above was the main change noted by the Group. No other material changes to the business have been identified in the year.

The Directors are satisfied that the Group has identified sufficient actions that seek to manage, rather than eliminate risk, so as to provide reasonable mitigation against material misstatement or loss within the business.

## Strategic report (continued)

For the year ended 30 September 2020

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### Section s172(1) statement

The Directors of Zephyr Midco 2 Ltd consider, in the context of a constitution of a Board, that they have acted in good faith, to promote the success of the company for the benefit of its members with specific reference to Companies Act 2006 S172 (1a–1f), in the decisions taken during the year ending 30 September 2020 including:

#### Shareholders

- the Directors were (and continue to be) able to perform their duty under section 172 (1) with unique and direct access to the perspectives and interests of its shareholder, which itself fully endorses and supports the importance of the Board having due regard to a broad range of matters including those referred to in section 172(1) (a) to (f)
- The Directors are committed to openly engaging with its shareholders through attendance of Board meetings, so that shareholders understand the strategy and objectives of the Group
- The Group provides regular reports and maintains regular dialogue with shareholders to ensure their involvement in the Group's decision-making.
- As per previous years the Directors approve an annual budget, prepared by Group's senior management. The Directors are then able to monitor performance against annual budget and plan through the year ended 30 September 2020.

#### Employees

- The Group is passionate about attracting, engaging, developing and retaining the best talent in the industry. The Group is always open to feedback and seeks to provide as many opportunities for discussion as possible.
- The Group engages through Peakon, an employee survey tool, to regularly measure employee net promoter score (eNPS) and key engagement drivers. We also have an Employee Engagement Manager who formalises and leads engagement and internal communications strategy.
- The Group has a strong focus on its employees' wellbeing and has introduced numerous schemes in the year which focus on improving mental health and specifically, to help employees adapt to new working practices caused by the Covid-19 pandemic. The Group has introduced Group-wide weekly calls with the CEO, weekly HR support calls and a working from home budget for every employee.
- As part of the Group's commitment to creating an inclusive and diverse workforce, Employee Resource Groups have been set up, providing employees with a community and a safe space to meet and support one another.
- The Group is one of the founding members of 'The Tech She Can Charter' commitment and in the year launched an apprenticeship programme, to improve accessibility into the industry.
- One of the Group's brands – Zoopla – was recently named one of London's top ten tech employers in Hired's Annual Brand Health survey. We believe this proves our appeal as an employer of choice

#### Suppliers

- The Group is committed to working with suppliers who share the Group's values. Before commencing a business relationship with a supplier, the Group will review the supplier's labour practices. The Group is committed to The Prompt Payment Code and has also supported suppliers through the Covid-19 pandemic by continuing contracts which could otherwise have been terminated (such as some facilities contracts).

#### Customers

- The Group aims for its customers, including estate agents, new home developers, lenders and providers of energy, communications and financial services products, to benefit from access to a highly-engaged audience via the Group's market-leading property and comparison portals, generating additional revenues and delivering better service by using the Group's software and data insights. The Group has a dedicated Product and Tech team who are committed to innovating these products so that our customers have a data-driven platform which will help their businesses succeed.
- The Group supported and engaged with the Property division's customers directly through the offering of free-period contracts to help them navigate the market conditions brought about by the Covid-19 pandemic.

#### Consumers

- The Group aims for consumers to be able to access market data with real-time alerts to make the most informed decisions about everything related to finding, moving or managing their homes.
- The Group engaged with consumers directly through the 'Build a fort' challenge in the Property division and numerous published articles across various social media channels.
- Expert, authoritative content provided guidance and support to help consumers navigate this year's challenging personal finance landscape, and new Comparison TV creative encouraged them to 'get more of what matters' with the time and money saved by switching.
- The Group also provided support to the Comparison division by simplifying the switching process, making it even quicker and easier to save money.

## Strategic report (continued)

For the year ended 30 September 2020

### Social Responsibility

- The Group recognises the impact it may have on the environment as a business and as individuals, particularly and most currently, the wasteful behaviour across the globe surrounding disposable, single use plastics.
- The Group is collaborating with Clean Up Britain, City to Sea and Surfers Against Sewage to help put a stop to further plastic pollution.
- The Group encourages positive behaviour and attitudes from within the business by providing long life, refillable and reusable options to employees and eliminating the purchase of single use plastic within the offices. Informative tools and advice are provided to all employees on how to prevent further unnecessary waste ending up in the environment and damaging ecosystems.
- The Group's 'Pay it Forward' programme, providing hands-on help to a range of causes close to the hearts of our employees, has gathered momentum over the year. The Group's involvement has included working with students from low socioeconomic backgrounds to prepare them for career success, volunteering on a free helpline for young people and sorting donations at local food banks.

### Regulators / Industry bodies

- The Group operates in a number of regulated environments. Certain revenue streams within the Comparison division are regulated by the FCA. The Group therefore needs to ensure that it engages with the regulators and professional bodies to comply with all regulatory responsibilities.
- The details of the policies implemented, and their outcomes are covered in more detail in the 'Risk Management, Internal control and principal risks' section of the Strategic report.
- Led by the Board, the Group has a high integrity culture, with appropriate policies, training and processes relating to anti bribery and corruption along with substantial business control functions such as Internal Control and Site Reliability Engineering (the latter covering Cyber Security operations).
- The Directors through the attendance of Board meetings provide information to shareholders.

The Strategic report is approved by the Board of Directors ("Board") on 23 December 2020 and signed on behalf of the Board by

*Charlie Bryant*

Charlie Bryant, Director, Board of Directors

Director

Charles Bryant

## Directors' report

For the year ended 30 September 2020

The Directors present their report of Zephyr Midco 2 Limited ("Midco" or "the Company") and its subsidiaries (together "the Group") for the year ended 30 September 2020 ("2020").

### Directors

The Directors who held office during the year and up to the date of signing these financial statements were as follows:

- Neil Edwards – Appointed on 31 July 2019 and resigned on 6 March 2020
- Ulf Pagenkopf
- Simon Patterson
- Charles Bryant – Appointed on 6 March 2020

### Directors' indemnities and insurance

In accordance with the Companies Act 2006 and the Company's Articles, the Company has purchased and maintains Directors' and officers' liability insurance cover, which remains in place as at the date of this report. A review is carried out on an annual basis to ensure that the Board remains satisfied that an appropriate level of cover is in place.

As at the date of this report, indemnities are in force under which the Company has agreed to indemnify the Directors, to the extent permitted by law and the Company's Articles of Association, in respect of all losses arising out of, or in connection with, the execution of their powers, duties and responsibilities, as Directors of the Company or any of its subsidiaries.

### Results

The Group total comprehensive loss for the year after tax was £47.4 million (2019 (15 months period): £107.9 million loss). Refer to the Strategic Report for further discussions of the Group's results and performance for the period.

### Dividend

The Directors do not recommend a final dividend in respect of the year ended 30 September 2020.

### Future developments

The Group has enjoyed strong financial operating results in the period since acquiring ZPG Plc, across both divisions. In Property, the Group is encouraged by the strong sales pipeline as well as the rate of returning UK agents to the Group's property portals. The Comparison business continues to trade well despite competition in the market and has continued to identify and invest in processes to further improve operating profit margin in the coming financial year. The Group experienced a short term impact in the financial results resulting from the Covid-19 pandemic. The Group reacted immediately and implemented cost saving activities detailed in the Going concern section below.

The Group aims to continue its mission of being the platform of choice for consumers and partners engaged in property and household decisions. The Group will continue to innovate and actively improve current products and develop new products to further improve the consumer and partner experience. The Directors look forward to launching more innovative products and services in the year ahead.

### Going concern

The Group consolidated statement of financial position shows a positive net current asset position of £124.9m with significant cash resources and the Group continues to generate positive net cash flows of £96.2m from operating activities. Although the Group posted a total comprehensive loss after tax of £47.4 million in the period, this is after £75.1 million of non-cash intangible asset amortisation costs, share-based payments costs of £7.5 million, and charges to deferred consideration of £0.4 million. Therefore, despite the loss in the period the Directors believe that the Group is well placed to manage its business and financial risks successfully going forward. Net cash generated in the year was £14.5m, resulting in a year-end cash position of £114.9m (which includes £20m in short-term investment accounts). The Revolving Credit Facility of £150m was undrawn at the reporting date.

The Coronavirus crisis is likely to have a continuing impact on the Group's operations over the next 12 months. Therefore, in order to gain comfort over the Group's ability to continue as a going concern, the Directors have modelled the Group's cash flow position in relation to the current situation for the 12 months following the date of the signing of these accounts. The model includes the new subscription free offers the Property business gave to its customers in May 2020 and their changes to the Group's financial position. The new contracts offer customers a subscription free period of 5–9 months dependent on customers; following the free period, the customers will enter a 12-month contract period with the Group paying full subscription fees. The model has included the return in cash receipts for subscription revenue following the end of the free period in October 2020 for the majority of customers. The remainder of customers will commence payments in February 2021, which is factored in the cash flow model. This 12-month cash flow forecast shows an increase in the Group's cash reserves from current levels and a continued increase in cash throughout the remainder of 2021. Through the forecast period, the Group has the ability to deliver cost savings to offset any short-term revenue downturns, consistent with what was achieved in the current year.

## Directors' report (continued)

For the year ended 30 September 2020

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### Going concern (continued)

The Group is subject to covenants under its current debt structure. The financial covenant under the debt structure is only required to be tested if the revolving credit facility of £150m is drawn upon £60m or more; the revolving credit facility remains undrawn as at 30 September 2020. Throughout the cash flow forecast period, there is sufficient headroom on the financial covenant and no plans to draw upon the revolving credit facility.

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, thus they continue to adopt the going concern basis of accounting in preparing the financial statements. The Director's consideration of uncertainties that the business will face in the next 12 months are captured within the principal risks disclosed in the Strategic report.

### Financial risk management

Refer to Note 24 for details of the Group's financial risk management which includes information on the Group's exposure to credit risk, market risk and liquidity risk.

### Research and development

The Group continues to incur expenditure on research and development in order to develop new products and enhance the existing websites. The Group accounting policies on research and development are discussed in Note 1 to the consolidated financial statements.

### Overseas branches

The Group has one overseas entity, with an office in the Netherlands. Calcasa B.V. continues to operate as a separate legal entity registered in the Netherlands.

### Political contribution and charitable donation

No political contributions were made in 2020 (2019: £nil).

Total charitable contributions made to all registered charities during the period was £26,353 (2019: £74,350).

### Employees

The Group is passionate about attracting, engaging, developing and retaining the best talent in the industry and has invested significantly to improve its talent attraction and recruitment. This includes offering an extensive and varied range of benefits for every life stage and lifestyle and competitive salaries and market-leading benefits, which the Group continually monitors, reviews and evolves in response to industry changes, benchmarking exercises and employee feedback.

The Group is always open to feedback and seeks to provide as many opportunities for discussion as possible. It is vital that every employee feels they have a voice, and this is achieved through Peakon, an employee survey tool, to help the Group regularly measure employee net promoter score (eNPS) and key engagement drivers. Then, there is an Employee Engagement Manager who helps to formalise and lead engagement and internal communications strategy.

The Group is focused on keeping up to date with current best practice when it comes to self-development. This is achieved by having a dedicated learning and development facility that offers a wide selection of opportunities for employees to truly optimise their potential. This includes a range of interactive soft skills workshops where employees can sign up and learn with other colleagues in a "Meet Up" style fashion as well as a large selection of self-learning materials.

### Diversity and inclusion

The Directors believe that all current and future employees should have fair and equal access to all opportunities regardless of their age, sexual orientation, parental responsibilities, disability, race, nationality, ethnic origin, membership of a trade union, religion, belief or gender and this is reflected throughout all of the Group's employment policies and practices, including recruitment, selection, training, promotion, salary reviews and flexible working.

The Group's equal opportunities policy is contained in the employee handbook which is available to all employees. This sets out that it is the Group's policy to select the most qualified person for each position within the organisation and it is the Group's intent and resolve to comply with the requirements and spirit of all laws in the implementation of all facets of equal opportunity. This policy applies to all employment practices and personnel actions including, but not limited to, recruitment, selection, training, promotion, pay rates, discipline and dismissal.

## Directors' report (continued)

For the year ended 30 September 2020

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### Environmental matters

The Group recognises the impact it may have on environment as a business and as individuals, particularly and most currently, the wasteful behaviour across the globe surrounding disposable, single use plastics. The Group is collaborating with Clean Up Britain, City to Sea and Surfers Against Sewage to help put a stop to further plastic pollution.

Alongside external support, the Group encourages positive behaviour and attitudes from within the business by providing long life, refillable and reusable options to employees and eliminating the purchase of single use plastic within the offices. Informative and inspirational tools and advice are provided to all employees on how to prevent further unnecessary waste ending up in the environment and damaging the ecosystems.

The Group owns a number of property leases and company cars to support the business operation. The annual quantity consumption from the operation of property lease and company cars is 976,860 kWh (2019: 1,196,972 kWh). The annual quantity of carbon dioxide (CO<sub>2</sub>) emission resulting from the total UK energy used from electricity is 208 tonnes (2019: 272 tonnes). Emission is also calculated using an 'intensity metric', which will enable the Group to monitor how well we are controlling emissions on an annual basis. The Group considers the most suitable metrics as 'emission per employee', based on average number of employees. The carbon emission per employee is 0.2 tonnes of CO<sub>2</sub> per employee (2019: 0.3 tonnes of CO<sub>2</sub> per employee).

### Subsequent events

The Group has noted three subsequent events after the reporting date of 30 September 2020.

- The Group entered into an agreement on the 4 November 2020 to dispose Ravensworth Printing Services Limited ("Ravensworth") for consideration of £1. The disposal was completed on 30 November 2020. The Group has impaired the acquired intangible assets and intangible assets under the Ravensworth entity;
- The Group started group restructuring with the new structure effective from 30 November 2020; and
- On 21 December 2020, the Group completed its acquisition of EDM Group's Decision Automation Mortgage Lender solutions business.

The Ravensworth closure, the group restructuring, and the acquisition of EDM's MSL Limited is set out in more detail in the subsequent events in Note 25 to the financial statements.

## Directors' report (continued)

For the year ended 30 September 2020

### Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation, and applicable law, and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period.

In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the Group and Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006 and as regards the Group financial statements, Article 4 of the IAS Regulation.

The Directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Statement of disclosure to the auditor

Each of the Directors at the date of this report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- he/she has taken all the reasonable steps that he / she ought to have taken as a Director to make himself / herself aware of any relevant audit information and to establish that the Company's auditor is aware of the information.

The confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006. Pursuant to section 485 of the 2006 Companies Act Deloitte LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be proposed for re-appointment as auditor in the absence of an Annual General Meeting.

The Directors' report is approved by the Board of Directors ("Board") on 23 December 2020 and signed on behalf of the Board by:

*Charlie Bryant*

Director  
Charles Bryant



# Independent auditor's report to the members of Zephyr Midco 2 Limited

For the year ended 30 September 2020

## Report on the audit of the financial statements

### Opinion

In our opinion:

- the financial statements of Midco 2 Limited (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 30 September 2020 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and IFRSs as issued by the International Accounting Standards Board (IASB);
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated and company statements of comprehensive income;
- the consolidated and company statements of financial position;
- the consolidated statement of cash flows;
- the consolidated and company statements of changes in equity; and
- Notes to the consolidated and company financial statements

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework"

### Basis for opinion

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

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

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

We have nothing to report in respect of these matters.

### Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in respect of these matters.

# Independent auditor's report to the members of Zephyr Midco 2 Limited

(continued)

For the year ended 30 September 2020

## Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/whatwedo/ourresponsibilities](http://www.frc.org.uk/whatwedo/ourresponsibilities). This description forms part of our auditor's report.

## Report on other legal and regulatory requirements

### Opinions on other matters prescribed by the Companies Act 2006

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

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

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

### Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

### Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Jim Brown (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

London

23 December 2020

# Consolidated statement of comprehensive income

For the year ended 30 September 2020

	Notes	2020 £000	03/05/2018 – 30/09/2019 £000
<b>Revenue</b>	2	<b>288,793</b>	<b>383,608</b>
Administrative expenses		(269,858)	(400,558)
<b>Operating profit/(loss)</b>	3	<b>18,935</b>	<b>(16,950)</b>
Finance income		1,856	458
Finance costs	4	(64,562)	(86,567)
Fair value gain arising on hedging instruments during the period	11	5,440	-
<b>Loss before tax</b>		<b>(38,331)</b>	<b>(103,059)</b>
Income tax expense	8	(9,996)	(5,000)
<b>Loss for the period</b>		<b>(48,327)</b>	<b>(108,059)</b>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified to profit or loss:</i>			
Fair value movements – Financial assets at fair value through other comprehensive income	14	900	110
<b>Total comprehensive loss for the period</b>		<b>(47,427)</b>	<b>(107,949)</b>

**Consolidated statement of financial position**

As at 30 September 2020

	Notes	2020 £000	2019 £000
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	12	2,589,059	2,660,350
Property, plant and equipment	13	35,084	38,471
Financial assets at fair value through other comprehensive income	14	7,141	6,205
Derivative financial instruments	11	5,440	-
		<b>2,636,724</b>	<b>2,705,026</b>
<b>Current assets</b>			
Trade and other receivables	15	67,188	58,590
Current tax assets	8	14,375	-
Cash and cash equivalents		94,939	100,489
Other short term investments		20,000	-
		<b>196,502</b>	<b>159,079</b>
<b>Total assets</b>		<b>2,833,226</b>	<b>2,864,105</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	16	56,337	44,963
Deferred and contingent consideration	17	9,839	22,536
Short-term lease liabilities	16	5,469	4,326
Current tax liabilities	8	-	6,291
Provisions	18	-	101
<b>Total current liabilities</b>		<b>71,645</b>	<b>78,217</b>
<b>Total assets less current liabilities</b>		<b>2,761,581</b>	<b>2,785,888</b>
<b>Non-current liabilities</b>			
Loans and borrowings	19	921,783	908,840
Long-term lease liabilities	16	27,617	27,756
Deferred and contingent consideration	17	6,529	15,786
Provisions	18	1,975	2,284
Deferred tax liabilities	20	220,038	206,227
		<b>1,177,942</b>	<b>1,160,893</b>
<b>Total liabilities</b>		<b>1,249,587</b>	<b>1,239,110</b>
<b>Net assets</b>		<b>1,583,639</b>	<b>1,624,995</b>
<b>Equity attributable to owners of the parent</b>			
Share capital	21	1,719,800	1,719,800
Share-based payment reserve	22	15,485	8,309
Other reserves		900	0
Retained earnings		(152,546)	(103,114)
<b>Total equity</b>		<b>1,583,639</b>	<b>1,624,995</b>

The consolidated financial statements of Zephyr Midco 2 Limited were approved by the Board of Directors on 18 December 2020 and were signed on its behalf by:

*Charles Bryant*  
Director

Charles Bryant  
Director

# Consolidated statement of cash flows

For the year ended 30 September 2020

	2020 £000	03/05/2018 – 30/09/2019 £000
<b>Cash flows from/(used in) operating activities</b>		
Loss before tax	(38,331)	(103,059)
Adjustments for:		
<i>Depreciation of property, plant and equipment</i>	5,121	5,951
<i>Amortisation of intangible assets</i>	75,061	90,827
<i>Finance income</i>	(1,818)	(458)
<i>Finance costs</i>	64,524	86,567
<i>Share-based payments</i>	7,544	8,349
<i>Impairment of available for sale and other assets</i>	-	431
<i>Charge for contingent and deferred consideration</i>	(404)	15,683
<i>Transaction costs incurred on purchase of ZPG</i>	-	38,577
<i>Other impairments</i>	4,367	7,792
<i>Changes in fair value on financial instrument</i>	(5,440)	-
Operating cash flows before changes in working capital	<b>110,624</b>	<b>150,660</b>
Increase in trade and other receivables	(8,598)	(13,196)
Increase/(decrease) in trade and other payables	11,374	(41,417)
Decrease in provisions	(410)	(92)
Cash generated from operating activities	<b>112,990</b>	<b>95,955</b>
Income tax paid	(16,809)	(8,193)
<b>Net cash flows from operating activities</b>	<b>96,181</b>	<b>87,762</b>
<b>Cash flows used in investing activities</b>		
Acquisition of subsidiaries, net of cash acquired	-	(2,205,367)
Settlement of other deferred and contingent consideration	(21,550)	(46,376)
Interest received	1,818	458
Acquisition of available for sale financial assets	(36)	-
Acquisition of property, plant and equipment	(1,808)	(930)
Acquisition and development of intangible assets	(8,064)	(12,440)
<b>Net cash flows used in investing activities</b>	<b>(29,640)</b>	<b>(2,264,655)</b>
<b>Cash flows (used in)/from financing activities</b>		
Proceeds on the issue of shares, net of issue costs	-	1,719,800
Payments on finance leases	(1,916)	(4,058)
Drawings on revolving credit facility, net of fees	150,000	-
Repayment of borrowings	(150,000)	(264,000)
Proceeds from external debt, net of capitalised fees	-	901,189
Interest paid	(49,807)	(75,549)
Cash settlement in warrants	(368)	-
<b>Net cash flows from financing activities</b>	<b>(52,091)</b>	<b>2,277,382</b>
<b>Net increase in cash and cash equivalents</b>	<b>14,450</b>	<b>100,489</b>
<b>Cash and cash equivalents at beginning of the period (acquired cash)</b>	<b>100,489</b>	<b>-</b>
<b>Cash and cash equivalents and other short-term investments at end of the period</b>	<b>114,939</b>	<b>100,489</b>

The cash and cash equivalents and other short-term investments at the end of the period consist of the following:

	2020 £000	03/05/2018 – 30/09/2019 £000
Cash and cash equivalents	94,939	100,489
Other short-term investments	20,000	-
	<b>114,939</b>	<b>100,489</b>

**Consolidated statement of changes in equity**

For the year ended 30 September 2020

	Notes	Share capital £000	Share based payment reserve £000	Other reserves	Retained earnings £000	Total equity £000
At 1 October 2019		1,719,800	8,309	-	(103,114)	1,624,995
Loss for the period		-	-	-	(48,327)	(48,327)
<i>Other Comprehensive Income:</i>						
Fair value movements	13	-	-	900	-	900
<i>Transactions with owners recorded directly in equity:</i>						
Share-based payments charges	22	-	7,544	-	-	7,544
Warrant settlement		-	(368)	-	-	(368)
Cumulative translation adjustment		-	-	-	(58)	(58)
Deferred tax liability on transitional adjustment		-	-	-	(1,047)	(1,047)
<b>At 30 September 2020</b>		<b>1,719,800</b>	<b>15,485</b>	<b>900</b>	<b>(152,546)</b>	<b>1,583,639</b>

	Notes	Share capital £000	Share based payment reserve £000	Retained earnings £000	Total equity £000
At 4 May 2018		-	-	-	-
Loss for the period		-	-	(108,059)	(108,059)
<i>Other Comprehensive Income:</i>					
Fair value movements	13	-	-	110	110
<i>Transactions with owners recorded directly in equity:</i>					
Shares issued		1,719,800	-	-	1,719,800
Share-based payments charges	22	-	8,309	-	8,309
Cumulative impact of IFRS 16		-	-	5,515	5,515
Cumulative impact of IFRS 15		-	-	(643)	(643)
Cumulative translation adjustment		-	-	(37)	(37)
<b>At 30 September 2019</b>		<b>1,719,800</b>	<b>8,309</b>	<b>(103,114)</b>	<b>1,624,995</b>

## Notes to the consolidated financial statements

For the year ended 30 September 2020

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### 1. Accounting policies

Zephyr Midco 2 Limited (the "Company") is a private company limited by shares, incorporated and domiciled in the UK under the Companies Act 2006 and registered in England and Wales. The address of the registered office is The Cooperage, 5 Copper Row, London SE1 2LH.

The consolidated financial statements incorporate the accounts of the Company and entities controlled by the Company ("its subsidiaries") (together "the Group").

#### 1.1 Basis of preparation

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below for the period from 1 October 2019 to 30 September 2020.

##### *Compliance with IFRS*

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and IFRIC Interpretations (collectively IFRS) issued by the International Accounting Standards Board (IASB) as adopted by the European Union ("adopted IFRS"). They are prepared on the historical cost basis.

The preparation of consolidated financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates. It also requires Management to exercise judgement in applying the Group's accounting policies.

##### *Presentational currency*

The presentational currency of the financial statements is Pound Sterling (£). Amounts included in the consolidated financial statements are shown in round thousands unless otherwise indicated.

#### 1.2 New standards and interpretations not yet adopted

There are no IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group for the financial period beginning 1 October 2019.

#### 1.3 Basis of consolidation

The consolidated financial statements incorporate the accounts of Zephyr Midco 2 Limited and entities controlled by the Company. Control is achieved where the Company:

- has the power over the entity;
- is exposed, or has rights, to variable return from its involvement with the entity; and
- has the ability to use its power to affect its returns.

The results of subsidiaries are included in the consolidated financial statements from the date control commences.

On consolidation, intercompany transactions, balances and unrealised gains on transactions between Group entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

For the period ended 30 September 2019, the Group had acquired ZPG Plc. The results of this acquisition have been consolidated from the date of acquisition as set out in Note 10.

##### *Foreign subsidiaries*

At the year end, the Company has one trading subsidiary that uses a functional currency which is different to the presentational currency of the Group. Calcasa B.V.'s functional currency is the Euro as it is the currency of the primary economic environment in which it operates.

Assets and liabilities for Calcasa B.V. are translated into Pound Sterling using the exchange rate at the statement of financial position date and the consolidated statement of comprehensive income statement translated using the average exchange rate for the year. Exchange differences on translation into the presentational currency are recognised within other comprehensive income. The principal exchange rates for the Euro against Pound Sterling used in these consolidated financial statements are: average: 0.8782, closing: 0.9099.

**Notes to the consolidated financial statements** (continued)

For the year ended 30 September 2020

**1.4 Going concern**

The Group consolidated statement of financial position shows a positive net current asset position of £124.9m with significant cash resources and the Group continues to generate positive net cash flows of £96.2m from operating activities. Although the Group posted a total comprehensive loss after tax of £47.4 million in the period, this is after £75.1 million of non-cash intangible asset amortisation costs, share-based payments costs of £7.5 million, and charges to deferred consideration of £0.4 million. Therefore, despite the loss in the period the Directors believe that the Group is well placed to manage its business and financial risks successfully going forward. Net cash generated in the year was £14.5m, resulting in a year-end cash position of £114.9m (which includes £20m in short-term investment accounts). The Revolved Credit Facility of £150m was undrawn at the reporting date.

The Coronavirus crisis is likely to have a continuing impact on the Group's operations over the next 12 months. Therefore, in order to gain comfort over the Group's ability to continue as a going concern, the Directors have modelled the Group's cash flow position in relation to the current situation for the 12 months following the date of the signing of these accounts. The model includes the new subscription free offers the Property business gave to its customers in May 2020 and their changes to the Group's financial position. The new contracts offer customers a subscription free period of 5 – 9 months dependent on customers; following the free period, the customers will enter a 12-month contract period with the Group paying full subscription fees. The model has included the return in cash receipts for subscription revenue following the end of the free period in October 2020 for the majority of customers. The remainder of customers will commence payments in February 2021 which is factored in the cash flow model. This 12-month cash flow forecast shows an increase in the Group's cash reserves from current levels and a continued increase in cash throughout the remainder of 2021. Through the forecast period, the Group has the ability to deliver cost savings to offset any short-term revenue downturns, consistent with what was achieved in the current year.

The Group is subject to covenants under its current debt structure. The financial covenant under the debt structure is only required to be tested if the revolving credit facility of £150m is drawn upon £60m or more; the revolving credit facility remains undrawn as at 30 September 2020. Throughout the cash flow forecast period, there is sufficient headroom on the financial covenant and no plans to draw upon the revolving credit facility.

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, thus they continue to adopt the going concern basis of accounting in preparing the financial statements. The Director's consideration of uncertainties that the business will face in the next 12 months are captured within the principal risks disclosed in the Strategic report.

**1.5 Finance income and costs**

Finance income represents interest receivable on cash and deposit balances and gains recognised on foreign currency transactions. Interest receivable is recognised as it accrues using the effective interest method.

Finance costs represent interest charges and certain fees charged on the Group's external borrowings and revolving credit facility. This includes the amortisation of upfront establishment fees paid on the Group's debt. In adhering to the updated leasing standard IFRS 16 there is cost relating to the unwind of the discount provision on all identified lease liabilities also included within finance costs.

Foreign exchange gains and losses are recognised annually based on the translation of assets and liabilities held in foreign currencies to Pound Sterling and realised gains and losses on transactions recorded in the period. The Group's principal exposure is to the Euro, through its Netherlands subsidiary and a tranche of its external borrowings which is denominated in Euro.

**1.6 Property, plant and equipment**

Items of property, plant and equipment are initially recognised at cost. This cost includes the purchase price, directly attributable costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognised within provisions. Items of property, plant and equipment are subsequently measured at cost less accumulated depreciation and are not revalued.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful economic lives, using the straight-line method, as follows:

Fixtures and fittings	–	over 2 to 5 years
Computer equipment	–	over 2 to 5 years
Leasehold improvements	–	over the lease term
Freehold property	–	over 50 years

The Directors review the residual values and useful economic lives of assets on an annual basis.



## Notes to the consolidated financial statements (continued)

For the year ended 30 September 2020

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### 1.7 Business combinations and disposals

The acquisition of subsidiaries and businesses is accounted for using the acquisition method in accordance with IFRS 3. The consideration for each acquisition is measured at the aggregate of fair values of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquired company, net of cash acquired. Acquisition-related costs, other than those associated with the issue of debt or equity securities, are recognised in the consolidated statement of comprehensive income as incurred.

Gains or losses on disposals of businesses are recognised within exceptionals where the consideration received is higher or lower than the carrying value of the net assets disposed of. Prior to disposal an asset or disposal group is classified as held for sale and is measured at the lower of carrying amount and fair value less costs to sell where the disposal group is available for immediate sale in its present condition and the sale is highly probable. Following classification as held for sale non-current assets in the disposal group are not depreciated.

The results of operations held for sale are included in the consolidated statement of comprehensive income up to the date of disposal. Where a disposal represents an independent cash generating unit or material component of the Group the disposal will be considered a discontinued operation for the purposes of reporting its financial performance for the period.

### 1.8 Goodwill

Goodwill arising on a business combination represents the difference between the fair value of the consideration paid and the fair value of assets and liabilities acquired and is recorded as an intangible asset. Goodwill is not subsequently subject to amortisation but is tested for impairment annually and whenever the Directors have an indication that it may be impaired. For the purposes of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the combination. Any impairment in carrying value is charged to the consolidated statement of comprehensive income.

### 1.9 Intangible assets

Purchased intangible assets with finite lives are initially recorded at cost. Intangibles arising on acquisition are recorded at fair value. All intangibles are subsequently stated at initial value less accumulated amortisation and accumulated impairment losses. Amortisation is charged to the consolidated statement of comprehensive income on a straight-line basis over the estimated useful lives of the intangible assets as follows:

Brand	– 5 to 25 years
Customer relationships	– 14 to 22 years
Technology and software	– 3 to 8 years

### 1.10 Impairment of tangible and intangible assets

Tangible and intangible assets are tested for impairment when an impairment indicator has been identified. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Where the asset does not generate cash flows that are independent from other assets, the recoverable amount of the cash-generating unit to which the asset belongs is estimated. Any impairment loss is recognised immediately in the consolidated statement of comprehensive income.

Goodwill and intangibles are tested for impairment by comparing the carrying amount of the groups of cash-generating unit (CGU) with its recoverable amount, which represents the higher of its estimated fair value less cost to sell and value-in-use. An impairment loss is recognised when the carrying value of the asset exceeds its recoverable amount.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount to the extent that this increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior years. A reversal of an impairment loss is recognised immediately in the consolidated statement of comprehensive income.

## Notes to the consolidated financial statements (continued)

For the year ended 30 September 2020

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### 1.11 Research and development

The Group incurs expenditure on research and development in order to develop new products and enhance the existing websites. Research expenditure is expensed in the period in which it is incurred. Development costs are expensed when incurred unless they meet certain criteria for capitalisation. Development costs whereby research findings are applied to creating a substantially enhanced website or new product are only capitalised once the technical feasibility and the commercial viability of the project has been demonstrated and they can be reliably measured. Capitalised development costs are presented in these financial statements as additions to software assets and are only amortised once the asset is available for use at which point it is then depreciated on a straight-line basis over their expected useful economic life.

Once the new website enhancement or product is available for use, subsequent expenditure to maintain the website or product, or on small enhancements to the website or product, is recognised as an expense when it is incurred.

Research and Development tax credit claims made in the UK are recognised as a credit to administrative expenses in the financial year relevant to the claim. Research and Development tax credits in the Netherlands are recognised in accordance with local legislation and are accounted for as a deduction to the relevant tax expense.

## Notes to the consolidated financial statements (continued)

For the year ended 30 September 2020

### 1.12 Financial instruments

Financial assets and financial liabilities are recognised on the statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Full details of financial instruments are included in Note 24.

IFRS 9 "Financial Instruments" prescribes the rules for recognition and measurement of financial instruments. The impact of the new standard on the Group is limited to the measurement of provisions raised in relation to revenue received by the Group. The standard requires the use of an expected loss model when determining an appropriate provision related to trade receivables. The Group has applied this model and uses both historical analysis and macroeconomic factors in determining the resulting provisions against trade receivables.

Investments in unlisted securities not meeting the definition of associates, joint ventures or subsidiaries are classified as Financial assets at fair value through other comprehensive income and are initially recorded at fair value plus transaction costs. The investments are then remeasured at each subsequent reporting date to fair value. Changes in the fair value of the unlisted securities are recognised in other comprehensive income, with the exception of impairment losses. On disposal of the asset any gains and losses recorded within other comprehensive income are realised and are reclassified to the consolidated statement of comprehensive income.

Other short term investments are the term deposit held at the Company and measured at amortised costs. The interest income from the short term investments are recognised through the profit and loss account.

Trade and other receivables are designated as loans and receivables. They are recognised at amortised cost, which is net of any allowance for expected credit losses. This is deemed to be a reasonable approximation of their fair value. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition through detailed analysis of historical payment profiles and past default experience. When a trade receivable is deemed uncollectable, it is written off against the allowance account. The Group receives interest income on certain amounts held in escrow.

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Trade and other payables are not interest bearing and are designated as other financial liabilities. They are recognised at their carrying amount, which is deemed to be a reasonable approximation of their fair value.

Loans and borrowings are measured at amortised cost, net of direct costs. Direct costs are released through the consolidated statement of comprehensive income under the effective interest method, along with interest charged, over the life of the instrument.

Deferred and contingent consideration is recognised as financial liabilities carried at fair value and gains or losses arising from changes in fair value are recognised in the statement of comprehensive income.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The Company's Ordinary Shares are classified as equity instruments and are recognised at the proceeds received, net of any direct issue costs. Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial instruments are not used for speculative purposes.

A large majority of the Group's cash and cash equivalents are held in in the Group's current accounts and are available for immediate use.

The information set out below provides information about how the Group determines fair values of various financial assets and financial liabilities that are measured subsequent to initial recognition at fair value:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Details of the type of fair value input used is included within the relevant note.

## Notes to the consolidated financial statements (continued)

For the year ended 30 September 2020

### 1.12 Financial instruments (continued)

#### *Derivative financial instruments*

The Group enters into cross-currency interest rate swaps to manage its exposure to foreign exchange rate risks. Further details of derivative financial instruments are disclosed in note 1.1.

Derivatives are recognised initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. Derivatives are not offset in the financial statements unless the Group has both a legally enforceable right and intention to offset. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not due to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Hedge accounting is not adopted by the Group.

### 1.13 Current tax

Current income tax comprises UK income tax and is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the statement of financial position date. Current tax is recognised in the consolidated statement of comprehensive income except to the extent that it is required to be recognised directly in equity.

### 1.14 Deferred tax

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the consolidated statement of financial position differs from its tax base, except for differences arising on:

- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit; and
- investments in subsidiaries and jointly controlled entities where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised. Deferred tax is recognised in the consolidated statement of comprehensive income except to the extent that it is required to be recognised directly in equity.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax assets are recovered.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle balances on a net basis.

### 1.15 Provisions

Provisions are recognised when the Group has a present obligation, legal or constructive, as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate of the amount of the obligation can be made. Provisions are measured at Management's best estimate of the expenditure required to settle the obligation at the statement of financial position date and are discounted to present value where the impact is material. The unwinding of any discount is recognised in finance costs.

Dilapidation provisions are recognised based on Management's best estimate of costs to make good the Group's leasehold properties at the end of the lease term.

### 1.16 Employee benefits: defined contribution benefit scheme

The Group operates a defined contribution pension scheme which is a post-employment benefit plan under which the Group pays fixed contributions into a fund. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Contributions payable to the fund are charged to the statement of comprehensive income in the period to which they relate.

## Notes to the consolidated financial statements (continued)

For the year ended 30 September 2020

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### 1.17 Share-based payments

The Group provides equity-settled share-based incentive plans whereby ZPG Property Services Holdings Limited and ZPG Comparison Services Holdings Limited grants shares at unrestricted market value to its employees of its subsidiaries for their employment services. Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date. Vesting happens over a five-year period with all shares vesting at the date of an exit event if earlier than five years. The fair value for employee-based schemes is measured using the Black-Scholes valuation model and is charged to the consolidated statement of comprehensive income over the vesting period on a straight-line basis.

The Group also issues warrants over shares in ZPG Property Services Holdings Limited to a number of third parties. Fair value is determined by using discounted cashflows of the benefits accruing to the Group and charged to the consolidated statement of comprehensive income based on the expected value accrued over the life of the assets.

Details regarding the determination of the fair value of equity-settled share-based payment transactions are set out in Note 22.

### 1.18 Revenue recognition

In applying the principles laid out within IFRS 15, the Group accounts for revenue by spreading revenue received over the periods in which the obligations have been satisfied. Revenue for the Group is recognised by two key divisions based on operations being Comparison and Property.

Comparison revenue is largely sourced by providing a service that allows users to compare prices among different service providers in the energy, communications and finance sectors. Revenue is then recognised at the point in time when a lead is generated. Where revenue is received for meeting obligations rather than for generating leads the revenue is recognised over the period in which the obligation is expected to be met.

Revenue from the Property division derives principally from subscription to the Group's property websites and from the provision of property software to UK domestic, overseas and commercial estate agents along with the provision of property data to financial and other institutions. Where revenue relates to a subscription or licence fees the total expected revenue from each contract including the initial fees charged for the installation of the software is spread across the life of the that particular contract. Revenue that is tied to the delivery of separable and identifiable obligations such as portfolio valuations performed by the property data business is recognised when the obligations are met, and the piece of work has been delivered. All other revenue is spread out over the life of the contract. Where contracts are modified during their initial term, Management have concluded that the services satisfy the criteria in IFRS 15 paragraph 22 (b) for the services to be accounted for as a series of distinct services that should be accounted for as a single performance obligation.

## Notes to the consolidated financial statements (continued)

For the year ended 30 September 2020

### 1.19 Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The leases relate to vehicles and properties. To assess whether a contract conveys the right to control the use of an identified asset, the group assesses whether:

- The contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive subscription right then the asset is not identified;
- The group has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and
- The group has the right of direct use of the asset. The group has the right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the group has the right to direct the use of the asset if either:
  - The group has the right to operate the asset; or
  - The group designed the asset in a way that predetermines how and for what purpose it will be used.

The group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of cost to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the length of lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commitment date, discounted using the interest rate, implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments include in the measurement of the lease liability comprise the following

- Fixed payments, including in substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value or guarantee; and
- The exercise price under a purchase option that the group is reasonably certain to exercise, lease payments in an optional renewal period if the group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the group is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payment arising from a change in an index or rate, if there is a change in the group's estimate of the amount expected to be payable under a residual value guarantee, or if the group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loan and borrowing' in the statement of the financial position.

#### *Short-term and leases of low value assets*

The group has made use of the practical expedient available to not recognise right-of-use assets and lease liabilities for short term leases of computer equipment that have a lease term of twelve months or less and leases of low value assets, including IT equipment. The group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

## Notes to the consolidated financial statements (continued)

For the year ended 30 September 2020

### 1.20 Government grant

The Group placed a number of employees on the Furlough scheme provided by the Government to support the business through Covid-19 pandemic during the reporting period. Government grants are recognised in profit or loss on a systematic basis against the related costs for which the grants are intended to compensate. Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. The Group confirmed that all the necessary conditions of the Government furlough scheme have been met. The Group recognised the grant as a credit against staff costs in the profit and loss account as permitted under section 29, IAS 20. The government grant amount is disclosed in Note 6.

### 1.21 Sources of estimation uncertainty

The preparation of financial statements requires the Company's management to make judgements, assumptions and estimates that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### *Recognition and valuation of earn-out agreements*

Consideration for the acquisition of Hometrack included a commercial earn-out agreement which is contingent upon the future performance of a ten-year licence agreement entered at the point of acquisition. The settlement of the commercial earn-out will be in the range of £nil to £25 million payable over the ten-year period post acquisition. The earn-out is measured at fair value using unobservable inputs (level 3) at the point of acquisition using discounted future cashflows under a range of weighted scenarios requiring an estimation of the future performance of the licence agreement. At each reporting period the earn-out will be measured at fair value using the same method with any changes from revaluation being recognised in the statement of comprehensive income. If an equal weighting was applied across the different scenarios in the model estimating the fair value of the earn-out, the liability as at 30 September 2020 would increase by £2.2 million.

A total charge of £0.9 million (2019: £14.9 million) was recognised with regards to fair value movements on earn-outs in the year as detailed in Note 17.

### *Impairment of goodwill and intangibles*

The Group holds goodwill and intangibles on the statement of financial position in respect of business acquisitions made. Acquired intangibles include acquired goodwill, brands, customer relationships, and software of which £2,589 million (2019: £2,660 million) has been recognised as at 30 September 2020. The Group is required to review these assets annually for impairment. Determining whether goodwill and intangible assets are impaired requires an estimation of the recoverable value of the relevant cash-generating unit, which represents the higher of fair value and value in use. The value in use calculation requires an estimation of future cash flows expected to arise from the cash-generating unit, discounted using a suitable discount rate to determine if any impairment has occurred.

The impairment review has concluded that the carrying value of the Group's intangible assets is supported by the value in use of the respective cash-generating units. Details of the impairment analysis, including key estimates and assumptions, and sensitivity over the estimates used, are included in Note 12.

## Notes to the consolidated financial statements (continued)

For the year ended 30 September 2020

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### 1.22 Key accounting judgements

#### *Accounting for warrants*

The Group has historically entered into agreements with certain third parties whereby the Group offers warrants over its own shares or its subsidiaries' shares. During the prior period, the Group signed new warrant agreements with third parties and judgement is required to determine the appropriate accounting treatment. With the assistance of independent third-party experts Management has performed an extensive exercise to demonstrate that the service provided under the warrant agreements is both distinct from the obligations under the existing commercial service agreements and that the agreements have a reliably measurable fair value. Consequently, the Directors have concluded that the warrant agreements should be accounted for under IFRS 2, as a share-based payments charge, and not as a deduction to revenue under IFRS 15.

Share based payment charges are calculated using discounted cash flows of the accrued benefit of the Group. The share based payment is charged to the consolidated statement of comprehensive income based on the expected value accrued over the life of the assets.

#### *Recognition of acquired intangibles on acquisition*

During the prior period, the Group completed its acquisition of ZPG Plc. The process of determining the fair value of intangible assets acquired in the acquisition involves reviewing the past performance of the acquiree and future forecasts to ascertain the intangible assets which the purchase price should be allocated to. The details of assets and liabilities recognised upon acquisition is set out in Note 10.

The Group engaged third party valuation experts for ZPG Plc following the acquisition to mitigate the risk associated with the valuation of assets and liabilities upon acquisition. Intangibles recognised are subsequently amortised over their useful economic lives; as such, no future revaluation of the assets recognised will be made except for the purposes of impairment reviews.



## Notes to the consolidated financial statements (continued)

For the year ended 30 September 2020

**2. Revenue**

The Group's revenue is derived from the territories in which the Group operates as listed in the table below.

	2020 £000	03/05/2018 – 30/09/2019 £000
UK	279,673	372,070
Netherlands	9,120	11,538
<b>Total</b>	<b>288,793</b>	<b>383,608</b>

**3. Operating loss**

	2020 £000	03/05/2018 – 30/09/2019 £000
Operating profit/(loss) is stated after charging:		
Depreciation of property, plant and equipment (Note 13)	5,121	5,951
Amortisation of intangible assets arising on acquisitions (Note 12)	75,061	90,827
Share-based payments (Note 22)	7,544	8,349
Asset write-offs	4,367	7,792
Acquisition related costs	-	38,577
Deferred consideration (Note 17)	866	15,683

**4. Finance costs**

	2020 £000	03/05/2018 – 30/09/2019 £000
Interest costs	49,436	71,699
Amortisation of capitalised fees	3,652	9,182
Other finance costs	234	306
Interest expense on leases	1,949	1,892
Unrealised foreign exchange loss	9,291	3,310
Realised foreign exchange loss	-	178
<b>Total finance costs</b>	<b>64,562</b>	<b>86,567</b>

**Notes to the consolidated financial statements** (continued)

For the year ended 30 September 2020

**5. Auditor's remuneration**

	2020 £000	03/05/2018 – 30/09/2019 £000
Fees payable to the Group's auditor and its associates:		
– for the audit of Zephyr Midco 2 Limited and the consolidated financial statements	112	163
– for the audit of subsidiaries of Zephyr Midco 2 Limited	289	212
<b>Total audit fees</b>	<b>401</b>	<b>375</b>
Fees payable to the Group's auditor and its associates for other services to the Group:		
– Audit related assurance services	6	6
– Other services	275	519
<b>Total non-audit fees</b>	<b>281</b>	<b>525</b>

Included within other services are the tax advisory works performed during the year (2019: acquisition related restructuring work).

**6. Employee costs**

	2020 £000	03/05/2018 – 30/09/2019 £000
Staff costs (including Directors) comprise:		
Wages and salaries	45,114	55,597
Social security costs	5,570	6,599
Defined contribution pension costs	1,885	2,119
Share-based payments (Note 22)	1,785	844
	<b>54,354</b>	<b>65,159</b>

The Group has placed a number of employees on Furlough scheme provided by the Government to support the business in Covid-19 pandemic during the reporting period. Included in the staff costs is a credit of £1.2m relating to the Furlough scheme claim.

The average monthly number of Directors and employees in Administration and Management during the year was:

	2020 Number	03/05/2018 – 30/09/2019 Number
Administration	884	859
Management	5	5
	<b>889</b>	<b>864</b>

**7. Remuneration of key management personnel**

	2020 £000	03/05/2018 – 30/09/2019 £000
Salary, benefits and bonus	845	1,776
Defined contribution pension cost	-	12
Termination benefits	127	740
	<b>972</b>	<b>2,528</b>

Key management personnel during the period comprise the Chairman, the Directors, the Chief Financial Officer and the Managing Directors of Property and Comparison.

The highest paid Director received remuneration including pension contributions and compensation for loss of office of £0.7 million.

## Notes to the consolidated financial statements (continued)

For the year ended 30 September 2020

## 8. Income tax expense

	2020 £000	03/05/2018 – 30/09/2019 £000
<b>Current tax</b>		
Current period	5,310	20,410
Adjustments in respect of pre-acquisition periods for acquired entities	-	(324)
Adjustment in respect of prior periods	(8,078)	-
<b>Total current tax</b>	<b>(2,768)</b>	<b>20,086</b>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	(10,793)	(15,086)
Adjustment in respect of prior periods	(3,491)	-
Effect of tax rate change on opening balance	27,049	-
<b>Total deferred tax</b>	<b>12,764</b>	<b>(15,086)</b>
<b>Total income tax expense</b>	<b>9,996</b>	<b>5,000</b>

Corporation tax is calculated at 19% of the taxable loss for the period. The charge for the period can be reconciled to the loss in the statement of comprehensive income as follows:

	2020 £000	03/05/2018 – 30/09/2019 £000
Loss before tax	(38,331)	(103,059)
Current corporation tax rate of 19%	(7,283)	(19,582)
Fixed asset differences	24	257
Non-deductible expenses	2,908	21,487
Income not taxable for tax purposes	(1,149)	-
R&D expenditure credits	54	-
Capital gains	146	4,275
Adjustments in respect of prior periods	(8,078)	(324)
Adjustments in respect of prior periods (deferred tax)	(3,491)	-
Impact of deferred tax rate changes	27,049	(508)
Difference in overseas tax rates	-	(114)
Other movements	(184)	(491)
<b>Total income tax expense</b>	<b>9,996</b>	<b>5,000</b>

The prior year adjustments are mainly due to changes in estimates in two areas, namely change in Corporation Interest Restriction ("CIR") estimate and warrants market value estimate which incurred £8.8m and £1.9m prior year adjustments respectively. The change in CIR estimate is due to the election for the group ratio rule as opposed to fixed ratio rule. The change in warrant market value estimate is resulting from a different valuation approach used to the provisional stage. The prior year adjustments arose due to the changes in estimates to the provisional stage in the abovementioned areas rather than any errors incurred in the period.

Finance Bill 2016 enacted provisions to reduce the main rate of UK corporation tax to 17% from 1 April 2020. However, in the March 2020 Budget it was announced that the reduction in the UK rate to 17% will not occur and the Corporation Tax Rate will be held at 19%. As the UK tax rate remains at 19%, the Group's deferred tax liabilities recorded in the United Kingdom have been revalued at the higher 19% rate. The Group recorded a tax expense of £27.1m during the year, associated with the change in tax rates.

The Group's effective tax rate for the year ended 30 September 2020 is 28.8% (2019: 4.9%).

## Notes to the consolidated financial statements (continued)

For the year ended 30 September 2020

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### 9. Investment in subsidiaries and joint ventures

Details of the Company's direct and indirect subsidiaries and joint ventures as at 30 September 2020 are shown below. All of the entities listed are consolidated in the consolidated accounts of Zephyr Midco 2 Limited, the ultimate parent company of the Group.

The percentage of Ordinary Share capital of each subsidiary listed is owned entirely by the direct parent indicated other than in respect of Websky Limited where 75% of Ordinary Share capital is owned by W New Holdings Limited with Zoopla Limited owning the remaining 25%.

Zephyr Bidco Limited is the only direct subsidiary of Zephyr Midco 2 Limited.

All subsidiaries incorporated in the UK are registered at The Cooperage, 5 Copper Row, London SE1 2LH.

The subsidiary incorporated in Netherlands, namely Calcasa B.V., is registered at Koommarkt 41, 2611EB Delft, The Netherlands.

HLIX Limited did not trade in the period.

## Notes to the consolidated financial statements (continued)

For the year ended 30 September 2020

## 9. Investment in subsidiaries and joint ventures (continued)

Name	Direct parent	Country of incorporation	Ownership of Ordinary Shares and voting interest 2020
<b>Active</b>			
Zephyr Bidco Limited*	Zephyr Midco 2 Limited	United Kingdom	100%
ZPG Limited*	Zephyr Bidco Limited	United Kingdom	100%
ZPG Property Services Holdings Limited	ZPG Limited	Cayman Islands	100%
ZPG Property Services Holdings UK Limited*	ZPG Property Services Holdings Limited	United Kingdom	100%
ZPG Comparison Services Holdings Limited	ZPG Limited	Cayman Islands	100%
ZPG Comparison Services Holdings UK Limited*	ZPG Comparison Services Holdings Limited	United Kingdom	100%
Zoopla Limited	ZPG Limited	United Kingdom	100%
Ravensworth Printing Services Limited*	Zoopla Limited	United Kingdom	100%
W New Holdings Limited*	Zoopla Limited	United Kingdom	100%
Websky Limited*	W New Holdings Limited / Zoopla Limited	United Kingdom	100%
TechnicWeb Limited*	Zoopla Limited	United Kingdom	100%
uSwitch Limited	ZPG Limited	United Kingdom	100%
Property Software Holdings Limited*	ZPG Limited	United Kingdom	100%
Jupix Limited*	Property Software Holdings Limited	United Kingdom	100%
MoveIT Network Limited*	Jupix Limited	United Kingdom	100%
Property Software Limited*	Property Software Holdings Limited	United Kingdom	100%
Core Estates Limited*	Property Software Limited	United Kingdom	100%
CFP Software Limited*	Property Software Limited	United Kingdom	100%
Vebra Investments Limited*	Property Software Limited	United Kingdom	100%
Vebra Limited*	Vebra Investments Limited	United Kingdom	100%
Vebra Solutions Limited*	Vebra Limited	United Kingdom	100%
Hometrack.co.uk Limited*	ZPG Limited	United Kingdom	100%
Hometrack Data Systems Limited	Hometrack.co.uk Limited	United Kingdom	100%
Dot Zinc Holdings Limited*	ZPG Limited	United Kingdom	100%
Dot Zinc Limited	Dot Zinc Holdings Limited	United Kingdom	100%
ZPG Property Services Limited*	ZPG Limited	United Kingdom	100%
Calcasa B.V.	ZPG Property Services Limited	Netherlands	100%
<b>Dormant</b>			
PSG Web Services Limited*	Vebra Limited	United Kingdom	100%
Real Estate Technology Limited*	Vebra Limited	United Kingdom	100%
<b>Joint ventures</b>			
HLIX Limited	Hometrack Data Systems Limited	United Kingdom	25%

\*For the period or year ended 30 September 2020 these entities were entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies. The members of these companies have not required them to obtain an audit of their financial statements for the period or year ended 30 September 2020.

**Notes to the consolidated financial statements** (continued)

For the period ended 30 September 2019

**10. Acquisitions – ZPG Plc**

On 11 July 2018 Zephyr Bidco Limited ("Bidco") completed its acquisition of ZPG Plc through the purchase of 100% of the issued share capital of ZPG Plc for a total consideration of £2,430.4 million (net of cash acquired) as measured in accordance with IFRS 3.

The Group has completed its assessment of the fair value of assets acquired as set out below. In calculating the goodwill arising on acquisition the fair value of net assets acquired was assessed and no material adjustments from book value were made to existing assets and liabilities other than the recognition of liabilities arising directly as a result of the acquisition.

The Group has also recognised a number of separately identifiable intangibles as part of the acquisition, details of which are set out in the table below.

Since the acquisition date, the acquired companies have contributed £383.6m to Group revenue and £103.1m to Group loss before tax for the period ended 30 September 2019.

	£m
Property, plant and equipment	11.3
Trade and other receivables	46.0
Trade and other payables	(90.6)
Investments held at fair value	6.5
Corporation tax asset	5.7
Provisions	(2.5)
Intangible software assets	14.2
Deferred and contingent consideration	(69.0)
Deferred tax asset	2.6
<b>Total net liabilities acquired</b>	<b>(75.8)</b>
Intangible assets recognised on acquisition:	
– Brand	713.9
– Customer relationships	545.6
– Technology and software	49.1
Deferred tax liability arising on intangible assets	(223.9)
Goodwill on acquisition	1,421.5
	<b>2,430.4</b>
Satisfied by:	
Cash consideration	2,213.8
Net debt assumed	216.6
<b>Total consideration</b>	<b>2,430.4</b>

Brand are the brand names owned and utilised by the Group, in particular but not limited to Zoopla, uSwitch and Money.

Customer relationships are developed by working with real estate agents, developers, lenders, and utilities for many years providing access to its portals and providing software and valuation products and services.

The Technology and Software asset incorporates the underlying core technology of the products, methods, and processes reflected in the technology and software of the Group.

The following table sets out the amounts included in the consolidated statement of cash flows:

	£000
Cash consideration, net of cash acquired on acquisition	(2,166,790)
Cash expenses incurred on acquisition	(38,577)
<b>Cash outflow on acquisition of subsidiaries</b>	<b>(2,205,367)</b>

## Notes to the consolidated financial statements (continued)

For the year ended 30 September 2020

## 11. Derivative financial assets

	2020 £000	2019 £000
<b>Derivative financial assets</b>		
Cross-currency interest rate swap contracts	5,440	-
	<b>5,440</b>	<b>-</b>

## 12. Intangible assets

	Goodwill £000	Brand £000	Customer relationships £000	Technology and software £000	Other software £000	Total £000
<b>Cost</b>						
At 1 October 2019	1,421,564	713,852	545,585	74,632	200	2,755,833
Additions	-	-	-	8,061	3	8,064
Disposals	-	-	-	-	-	-
Impairment	-	(1,057)	(3,058)	(1,077)	-	(5,192)
<b>At 30 September 2020</b>	<b>1,421,564</b>	<b>712,795</b>	<b>542,527</b>	<b>81,616</b>	<b>203</b>	<b>2,758,705</b>
<b>Amortisation</b>						
At 1 October 2019	-	38,581	39,810	17,048	44	95,483
Charge for the period	-	31,277	32,274	11,442	68	75,061
Disposals	-	-	-	-	-	-
Impairment	-	(235)	(400)	(263)	-	(898)
<b>At 30 September 2020</b>	<b>-</b>	<b>69,623</b>	<b>71,684</b>	<b>28,227</b>	<b>112</b>	<b>169,646</b>
<b>Net book value</b>						
At 30 September 2019	1,421,564	675,271	505,775	57,584	156	2,660,350
<b>At 30 September 2020</b>	<b>1,421,564</b>	<b>643,172</b>	<b>470,843</b>	<b>53,389</b>	<b>91</b>	<b>2,589,059</b>

Goodwill and intangibles are tested for impairment by comparing the carrying amount of the groups of cash-generating unit (CGU) with its recoverable amount, which represents the higher of its estimated fair value less cost to sell and value in use. An impairment loss is recognised when the carrying value of the asset exceeds its recoverable amount.

The Group has impaired £3.5m of acquired intangible assets related to Ravensworth customer relationships and brand in the year. The intangible assets held within Ravensworth Printing Services Limited totalling £0.4m were fully impaired.

The intangible assets relate to four separate business units being Comparison, Property Marketing, Property Software and Property Data. Goodwill and intangibles are monitored at this level and allocated to each business unit per the table below:

	Goodwill £000	Other intangibles £000	Total £000
Property Marketing	558,186	461,678	1,019,864
Property Software	154,290	77,578	231,868
Property Data	329,505	121,486	450,991
Comparison	379,583	506,753	886,336
<b>At 30 September 2020</b>	<b>1,421,564</b>	<b>1,167,495</b>	<b>2,589,059</b>

The recoverable amounts of intangible assets and goodwill are based on their value in use, which is determined using cash flow projections for each business unit. The projections are based on a five-year forecast that reflects the Directors expectation of revenue, EBITDA growth, capital expenditure, working capital and operating cashflows. Cash flows beyond the five-year forecast have been extrapolated using a long-term growth rate.

## Notes to the consolidated financial statements (continued)

For the year ended 30 September 2020

### 12. Intangible assets (continued)

The key assumptions for the value in use calculations are those regarding discount rates, cash flow forecasts and the long-term growth rates. The post-tax discount rate used for Property Marketing, Property Software, Property Data and Comparison were 9.5%, 9.0%, 9.0% and 10.0% respectively (2019: 8.5%, 9.5%, 8.5% and 10.0%). The post-tax adjusted discount rate is derived from the weighted average cost of capital ("WACC"). The Group has used the Capital Asset Pricing Model ("CAPM") approach to estimate the WACC for each separate business units.

The long-term growth rates beyond the five-year period have been determined with reference to the long term growth for each business unit in the PPA exercise, long term growth rates in the technology industry and other relevant data points to each business unit. The long term growth rate used for Property Marketing, Property Software, Property Data and Comparison were 4.0%, 4.7%, 3.7% and 3.5% respectively (2019: 4.0%, 5.6%, 4.8% and 3.5%).

The cash flow forecast is derived based on the forecast EBITDA of each business unit. The forecast cash flow has factored in the financial impact from the free of charge contract offered in property marketing during the period, VAT deferral scheme and other impacts from Covid-19 pandemic.

The analysis performed calculates that the recoverable amount of each business unit's assets exceeds their carrying value, as such no impairment was identified. Headroom is noted in all business units.

The Group has performed a sensitivity analysis on forecast EBITDA and WACC.

- For Property Marketing and Software, the headroom would be removed if the pre-tax WACC increases by 0.3% and 1.8% respectively. Should the pre-tax WACC increase by 0.5%, Property Marketing will incur negative headroom of £47m whilst Property Software will retain a positive headroom of £40m.
- For Property Marketing and Software, the headroom would be removed if the EBITDA growth rate for the next five years reduced by 5% and 6% against forecast respectively. Should the EBITDA growth rate for the next five years reduce by 7% against forecast, Property Marketing and Property Software will incur a negative head room of £106m and £9m respectively.

The Group believes the above scenarios are unlikely to occur and therefore no impairment should be recognised.

Management will continue to review the forecasts and the WACC on an ongoing basis to confirm that the carrying value is not impaired.



## Notes to the consolidated financial statements (continued)

For the year ended 30 September 2020

## 13. Property, plant and equipment

	Fixtures and fittings £000	Freehold property £000	Computer equipment £000	Leasehold improvements £000	Right-of-use leases £000	Total £000
<b>Cost</b>						
At 1 October 2019	2,116	383	3,075	6,224	34,424	46,222
Additions	311	-	397	78	1,022	1,808
Disposals	(232)	-	(80)	(102)	-	(414)
<b>At 30 September 2020</b>	<b>2,195</b>	<b>383</b>	<b>3,392</b>	<b>6,200</b>	<b>35,446</b>	<b>47,616</b>
<b>Accumulated depreciation</b>						
At 1 October 2019	1,114	189	1,856	1,154	3,438	7,751
Charge for the period	385	4	697	437	3,598	5,121
Disposals	(172)	-	(80)	(88)	-	(340)
<b>At 30 September 2020</b>	<b>1,327</b>	<b>193</b>	<b>2,473</b>	<b>1,503</b>	<b>7,036</b>	<b>12,532</b>
<b>Net book value</b>						
<b>At 30 September 2020</b>	<b>868</b>	<b>190</b>	<b>919</b>	<b>4,697</b>	<b>28,410</b>	<b>35,084</b>
At 30 September 2019	1,002	194	1,219	5,070	30,986	38,471

The carrying value of vehicle and property right-of-use assets at 30 September 2020 are £0.5 million and £27.9 million respectively.

## 14. Investments held at fair value through other comprehensive income

	2020 £000	2019 £000
At 1 October	6,205	6,521
Additions	36	100
Fair value movements	900	111
Disposals	-	(96)
Impairment	-	(431)
<b>At 30 September</b>	<b>7,141</b>	<b>6,205</b>

Financial assets at fair value through other comprehensive income assets represent the Group's strategic partnerships with a number of UK PropTech and Fintech companies and other equity investments which do not give the Group significant influence over that entity.

## 15. Trade and other receivables

	2020 £000	2019 £000
Trade receivables	18,084	25,117
Accrued income	45,084	28,350
Prepayments	3,397	4,440
Other receivables	623	683
	<b>67,188</b>	<b>58,590</b>

All trade and other receivables are classified as current assets. The increase in accrued income is driven by the new free of charge contracts in the year.

Details of the Group's exposure to credit risk are given in Note 24.

**Notes to the consolidated financial statements** (continued)

For the year ended 30 September 2020

**16. Trade and other payables**

	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
Trade payables	18,092	10,642
Accruals	16,277	18,193
Other taxation and social security payments	18,446	8,840
Deferred income	2,383	5,057
Other payables	1,139	2,231
	<b>56,337</b>	<b>44,963</b>

The Directors consider that the carrying value of trade and other payables is approximate to their fair value. Details of the Group's exposure to liquidity risk are given in Note 24. All trade and other payables are considered current liabilities.

<b>Lease liabilities</b>	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
Current	5,469	4,326
Non-current	27,617	27,756
	<b>33,086</b>	<b>32,082</b>

During the reporting period, £1.9m (2019: £4.0m) in financial liabilities were paid in the period and £1.9m (2019: £1.9m) of interest was charged to the profit and loss account in the period.

During the reporting period, the Group has deferred lease payments of £1.4 million as part of cost savings activities in response to Covid-19. The Group has taken the practical expedient which allows a lessee to elect not to assess whether a Covid-19-related rent concession is a lease modification. The amount recognised in profit or loss which reflects the changes in lease payments arising from rent concessions is nil.

## Notes to the consolidated financial statements (continued)

For the year ended 30 September 2020

### 17. Deferred and contingent consideration

The Group's acquisition of ZPG Plc did not include any deferred consideration payments. The table below details the movements in deferred consideration from acquisitions made by ZPG Plc prior to the 11 July 2018.

A further £0.4 million was recognised in respect of Calcasa B.V ("Calcasa") in the period. A release of the contingent consideration on the Calcasa acquisition of £21.3m was recognised on the settlement of the agreement.

Judgement is made on the Hometrack earn-out with eight potential outcomes being weighted based on probability of realisation. Detailed disclosure on the judgement is disclosed in Note 1.22. A fair value movement of £0.4m was recognised in respect of Hometrack earn-out. If all eight scenarios were weighted equally the deferred consideration on that agreement would be an additional £2.2m.

During the year the Group also settled £22.8 million due in respect of Hometrack, Ravensworth and Calcasa. Of the £22.8 million, £22.5 million of deferred and contingent consideration settled during the year was conditional on continued employment of Management.

	Deferred consideration £000	Contingent consideration earn-out £000	Total £000
At 1 October 2019	500	37,822	38,322
Changes in fair value	-	866	866
Hometrack payment	-	(1,279)	(1,279)
Ravensworth payment	(250)	-	(250)
Calcasa payment	-	(20,022)	(20,022)
Gain on foreign currency translation	-	(1,269)	(1,269)
<b>At 30 September 2020</b>	<b>250</b>	<b>16,118</b>	<b>16,368</b>
<b>Current</b>	<b>250</b>	<b>9,589</b>	<b>9,839</b>
<b>Non-current</b>	<b>-</b>	<b>6,529</b>	<b>6,529</b>

	Deferred consideration £000	Contingent consideration earn-out £000	Total £000
At 4 May 2018	-	-	-
Acquired	9,468	59,547	69,015
Charge in the period for amounts conditional on the continued employment of Management	798	-	798
Changes in fair value	19	14,866	14,885
Money payment	-	(18,386)	(18,386)
TechnicWeb payment	-	(589)	(589)
Expert Agent payment	(7,000)	-	(7,000)
Hometrack payment	(2,285)	(1,239)	(3,524)
Ravensworth payment	(500)	-	(500)
Calcasa payment	-	(16,377)	(16,377)
<b>At 30 September 2019</b>	<b>500</b>	<b>37,822</b>	<b>38,322</b>
<b>Current</b>	<b>250</b>	<b>22,286</b>	<b>22,536</b>
<b>Non-current</b>	<b>250</b>	<b>15,536</b>	<b>15,786</b>

**Notes to the consolidated financial statements** (continued)

For the year ended 30 September 2020

**17. Deferred and contingent consideration (continued)**

The fair values of the Group's liabilities in respect of deferred and contingent consideration arising on acquisitions are set out below and are considered equal to their carrying value.

	Deferred consideration £000	Contingent consideration earn-out £000	Total £000
Hometrack	-	7,108	7,108
Money	-	1,912	1,912
Calcasa	-	7,098	7,098
Ravensworth	250	-	250
<b>At 30 September 2020</b>	<b>250</b>	<b>16,118</b>	<b>16,368</b>

	Deferred consideration £000	Contingent consideration earn-out £000	Total £000
Hometrack	-	7,958	7,958
Money	-	1,912	1,912
Calcasa	-	27,952	27,952
Ravensworth	500	-	500
<b>At 30 September 2019</b>	<b>500</b>	<b>37,822</b>	<b>38,322</b>

**18. Provisions**

The movement in provisions can be analysed as follows:

	Dilapidation provisions £000	Other £000	Total £000
At 1 October 2019	2,284	101	2,385
Recognised in the period	300	-	300
Released in the period	(609)	(101)	(710)
<b>At 30 September 2020</b>	<b>1,975</b>	<b>-</b>	<b>1,975</b>
<b>Current</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Non-current</b>	<b>1,975</b>	<b>-</b>	<b>1,975</b>

	Dilapidation provisions £000	Other £000	Total £000
At 4 May 2018:	-	-	-
Acquired	1,720	757	2,477
Recognised in the period	564	101	665
Released in the period	-	(757)	(757)
<b>At 30 September 2019</b>	<b>2,284</b>	<b>101</b>	<b>2,385</b>
<b>Current</b>	<b>-</b>	<b>101</b>	<b>101</b>
<b>Non-current</b>	<b>2,284</b>	<b>-</b>	<b>2,284</b>

The dilapidation provisions relate to Management's best estimate of costs to make good the Group's leasehold properties at the end of the lease term. The amount recognised in the period represents a provision for dilapidations in the Group's office previously used by Money.co.uk. The dilapidations provision related to Money.co.uk was fully released following the end of the property lease in January 2020.

## Notes to the consolidated financial statements (continued)

For the year ended 30 September 2020

### 19. Loans and borrowings

The loans taken out by the Group are made up of the following;

- Multicurrency revolving credit facility capped at £150 million available to be drawn until December 2024 and maturing in January 2025 (facility remains undrawn as at 30 September 2020);
- Term loans denominated in GBP totalling £575 million, £395 million maturing in July 2025 at Libor + 4.25% and £180 million maturing in January 2024 at Libor + 7.5%; and
- Term loans denominated in Euro totalling €400 million maturing in July 2025 at 3.25%.

	2020 £000	2019 £000
Opening gross borrowings	930,023	-
Acquired borrowings	-	259,659
Repayment of Unsecured Senior Loan Notes	-	(200,000)
Repayment of old Revolving Credit Facility	-	(64,000)
Repayment of Revolving Credit Facility	(150,000)	-
Drawings on Revolving Credit Facility	150,000	-
Written off Capitalised Fees on Senior Loan Notes	-	4,341
Proceeds from External Borrowings	-	930,023
Unrealised FX Translation Loss on External Borrowings	9,291	-
Gross borrowings	939,314	930,023
Capitalised arrangement fees	(17,531)	(21,183)
Total loans and borrowings	921,783	908,840

The Group has no other loans or borrowings. Further detail on borrowings is provided in Note 24.

### Leases

As at 30 September 2020 the balance sheet contains the following amounts that relate to assets leased by the Group.

	2020 £000	2019 £000
<b>Right-of-use assets</b>		
Buildings	27,925	30,659
Vehicles	484	326
	<b>28,409</b>	<b>30,985</b>
<b>Lease liabilities</b>		
Current	5,469	4,326
Non-current	27,617	27,756
	<b>33,086</b>	<b>32,082</b>

The depreciation charge of the right-of-use assets is presented in Note 13. The interest expense of the lease liabilities and maturity of interest payments are presented in Note 4 and Note 24 respectively.

**Notes to the consolidated financial statements** (continued)

For the year ended 30 September 2020

**20. Deferred tax**

	Property, plant and equipment and computer software £000	Intangible assets £000	Share-based payments £000	Other £000	Total £000
Deferred tax (liability)/asset at 1 October 2019	(1,863)	(205,093)	(133)	862	(206,227)
(Charge)/credit to profit or loss	(220)	13,744	-	(2,731)	10,793
Charge to equity	-	-	-	(1,047)	(1,047)
Effect of tax rate change on opening balance	-	(27,049)	-	-	(27,049)
Prior year adjustment	(184)	-	133	3,542	3,491
<b>Deferred tax (liability)/asset at 30 September 2020</b>	<b>(2,267)</b>	<b>(218,398)</b>	<b>-</b>	<b>626</b>	<b>(220,039)</b>
Deferred tax (liability)/asset at 1 October 2018	-	-	-	-	-
On acquisitions & disposal	-	(223,880)	651	3,899	(219,330)
(Charge)/credit to profit or loss	(1,863)	18,787	(784)	(3,037)	13,103
<b>Deferred tax (liability)/asset at 30 September 2019</b>	<b>(1,863)</b>	<b>(205,093)</b>	<b>(133)</b>	<b>862</b>	<b>(206,227)</b>

Deferred tax assets and liabilities are offset where the Group has a legally enforceable right to do so. Deferred tax assets have been recognised in respect of all temporary differences giving rise to income tax assets because it is probable that these assets will be recoverable.

The following is an analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2020 £000	2019 £000
Deferred tax liabilities	(220,664)	(207,091)
Deferred tax assets	625	864
<b>Net deferred tax liabilities</b>	<b>(220,039)</b>	<b>(206,227)</b>

**21. Equity****Share capital**

	2020 £000	2019 £000
<b>Shares classified as capital</b>		
<b>Authorised</b>		
171,980,000,000 shares of £0.01 each	1,719,800	1,719,800
<b>Called-up share capital – allotted and fully paid:</b>		
171,980,000,000 Ordinary Shares of £0.01 each	1,719,800	1,719,800

**Ordinary shares**

The ordinary shares have full voting, dividend and capital distribution (including on winding up) rights; they do not confer any rights of redemption.

## Notes to the consolidated financial statements (continued)

For the year ended 30 September 2020

### 22. Warrants and Employee share schemes

The Group operates a number of share-based incentive schemes for both its employees and certain third parties.

The Group recognised a total share-based payment charge of £7.5 million (2019 (15 months period): £8.3 million) in the period.

#### Employee share schemes

**Management Equity Plan:** Selected management are invited to subscribe in cash to sweet shares in ZPG Property Holdings Limited and ZPG Comparison Holdings Limited. The subscription price is based on an unrestricted market value calculated on a quarterly basis by an independent expert.

**Value Incentive plan:** The remainder of the permanent workforce were invited to subscribe to the Value Incentive Plan to sweet shares in ZPG Property Holdings Limited and ZPG Comparison Holdings Limited in January 2019. The subscription price for employees who accepted the invitation to subscribe in January 2019 was funded by the Group in the form of a bonus expensed through payroll. Subscription for future entrants to this scheme is funded via a non-recourse loan. The subscription price is based on an unrestricted market value calculated on a quarterly basis by an independent expert.

**Hard Equity Plan:** A number of employees were invited to subscribe to shares in Zephyr Holdco Limited, the parent of the Group. Subscription to these shares was on a cash basis.

The share-based payment charges for the Management Equity Plan, the Value Incentive Plan and the Hard Equity Plan are calculated using the Black Scholes model and the charge is spread straight line over a five-year period. The volatility used in the model of 39.4% is based on volatility in the shares of a comparable listed company. The inputs are as follows.

Property Metrics					Comparison matrix					Group matrix	
Grant Date	Oct to Dec 19	Jan to Mar 20	Apr to Jun 20	Jul to Sept 20	Grant Date	Jan to Mar 19	Jan to Mar 19	Apr to Jun 19	Jul to Sept 19	Grant Date	Jan to Mar 19
Risk free rate	2.5%	2.5%	2.5%	2.5%	Risk free rate	2.5%	2.5%	2.5%	2.5%	Risk free rate	3.5%
Volatility	39.4%	39.4%	39.4%	39.4%	Volatility	39.4%	39.4%	39.4%	39.4%	Volatility	22.4%
Dividend yield	0	0	0	0	Dividend yield	0	0	0	0	Dividend yield	0
Stock price	18.72	19.58	18.26	18.67	Stock price	12.94	13.09	11.71	11.52	Stock price	0.02
Exercise price	1.40	1.42	1.22	1.20	Exercise price	1.17	2.21	2.62	3.18	Exercise price	0.01
Term	4.08	3.84	3.59	3.33	Term	4.08	3.84	3.59	3.33	Term	5.00

The Group has the right to repurchase the shares in the event of a participant leaving the employment of the Group.

	Management Equity Plan		Value Incentive Plan		Hard Equity Plan	
	Number '000	Weighted average exercise price £	Number '000	Weighted average exercise price £	Number '000	Weighted average exercise price £
Outstanding at the beginning of the period	506	1.15	121	1.12	218,176	0.01
Granted	184	1.47	25	1.75	-	-
Exercised during the period	-	-	-	-	-	-
Forfeited during the period	(119)	1.18	(31)	1.14	(2,943)	0.01
Outstanding options at the end of the period	571	1.25	115	1.25	215,233	0.01

**Warrants:** The Group granted warrants to third parties in the year. The charge for the period amounted to £5.8m. A cash settlement of £0.4m was paid in year. The Group has granted 58,738 (2019 (15 months period): 1m) warrants to third parties during the year ended 30 September 2020.

## Notes to the consolidated financial statements (continued)

For the year ended 30 September 2020

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### 23. Related party transactions

#### *Key management personnel*

The following were considered to be key management personnel of the Group during the period: The Chairman, the Directors, the Chief Financial Officer, the Managing Directors of Property and Comparison.

#### *Other Group companies*

Details of transactions with subsidiaries are outlined in the Company's financial statements. Transactions with other consolidated entities have been eliminated on consolidation.

#### *Other related parties*

During the period the Group settled invoices for services provided from Silver Lake Management Company V and Red Ventures Limited and AEC Holdings Limited who are all related parties, for the provision of staff and commercial services in the period during and following the acquisition. The total of these invoices was £15.6m excluding VAT.

There were no material transactions with any other related party in the period.

### 24. Financial instruments

#### *Carrying amount and fair value of financial assets and liabilities*

The Group has shareholdings and commercial arrangements with a number of other entities. Where these holdings do not give the Group significant influence over the entity the holdings are classified as financial assets at fair value through other comprehensive income. Details for financial assets at fair value through other comprehensive income are included in Note 14. The valuation of financial assets at fair value through other comprehensive income are based on level 2 inputs and level 3 inputs. £2.0 million of the investments held at fair value through OCI are measured using level 3 inputs, and £5.2 million of the investments held at fair value through OCI are measured using level 2 inputs. The Group uses publicly available financial information for level 2 asset and the last available financial information for level 3 asset to determine the fair value of its shareholding and any warrants held. The fair value of these assets is equal to their carrying value.

All other financial assets, including cash and cash equivalents, are designated as "Loans and receivables" and are held at amortised cost. All financial liabilities are classified as other liabilities and are measured at amortised cost except for deferred and contingent consideration which have been classified as financial liabilities carried at fair value. The Directors consider that the carrying amounts of financial assets and liabilities recorded at amortised cost in the consolidated financial statements are approximate to their fair values.

#### *Financial risk management*

The Group is exposed to the following risks from financial instruments:

- credit risk;
- market risk; and
- liquidity risk.

#### *Credit risk*

Credit risk is the risk of financial loss to the Group if a customer or bank ("counterparty") fails to meet its contractual obligations. The Group's maximum exposure to credit risk at the end of each period was equal to the carrying amount of financial assets recorded in the consolidated financial statements. The exposure to credit risk is influenced by the individual characteristics of each counterparty. When calculating the expected credit loss, the Group has considered forward looking and macroeconomic factors such as the potential UK recession.

The potential for customer default varies between the Group's two divisions. The customer base of the Property division is large, so there is no significant concentration of credit risk. The Comparison division operates in a market with a small number of customers, which creates a concentration of debtor balances, and from time to time the amounts due from one or a number of suppliers may be material. However, customers within this market are often large energy and telecommunications organisations



# Notes to the consolidated financial statements (continued)

For the year ended 30 September 2020

## 24. Financial instruments (continued)

with high credit ratings and access to significant funds. The Group's largest customer contributed 9.7% of the Group's trade receivables balance as at period end date.

The Group manages counterparty risk on its trade receivables and accrued income through strict credit control quality measures and regular aged debt monitoring procedures. The Group reserves the right to charge interest on overdue receivables, although it does not hold collateral over any trade receivable balances. Overdue amounts are regularly reviewed, and impairment provisions are created where necessary. This provision is reviewed regularly in conjunction with a detailed analysis of ageing profile, historical payment profiles and past default experience. The Group has long-standing relationships with its key customers and extremely low historical levels of customer credit defaults.

The ageing of trade receivables at the period end is as follows:

	2020		
	Expected credit loss rate	Estimated total gross carrying amount at default £000	Lifetime ECL £000
0–30 days	0.56%	14,900	(84)
31–60 days	6.23%	1,649	(103)
61–90 days	13.48%	1,228	(165)
91+ days	13.14%	3,131	(411)
Total		20,908	(763)

  

	2019		
	Expected credit loss rate	Estimated total gross carrying amount at default £000	Lifetime ECL £000
0–30 days	0.32%	14,514	(46)
31–60 days	1.86%	4,784	(89)
61–90 days	3.31%	1,874	(62)
91+ days	12.1%	4,712	(570)
Total		25,884	(767)

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was granted up to the period end date.

Receivables written off during the period to 30 September 2020 totalled £0.8m. As at 30 September 2020 receivables of £17.5m (2019: £10.6m) were past due but not impaired.

The credit risk associated with bank and deposit balances is mitigated by the use of banks with good credit ratings.

### Market risk

Market risk is the risk that changes in foreign exchange and interest rates will affect the income and financial management of the Group. The Group is exposed to foreign exchange risk as a result of the €400 million term debt it holds which was part of the funding taken out in order to acquire the Group.

	2020	2019
	Impact on post-tax profit £000	Impact on post-tax profit £000
GBP/EUR exchange rate – increase 10%	(36,431)	(35,502)
GBP/EUR exchange rate – decrease 10%	36,431	35,502

As at 30 September 2020 the Group's borrowings are detailed in Note 19.

**Notes to the consolidated financial statements** (continued)

For the year ended 30 September 2020

**24. Financial instruments (continued)****Liquidity risk**

Liquidity risk refers to the ability of the Group to meet the obligations associated with its financial liabilities that are settled in cash as they fall due. Management regularly reviews performance against budgets and forecasts to ensure sufficient cash funds are available to meet its contractual obligations.

The Group's activities are highly cash generative allowing it to effectively service working capital requirements and meet its interest payments. As at 30 September 2020 the Group held total cash and cash equivalents of £94.9m, short-term investments of £20.0m and net debt of £806.8m with access to an undrawn £150m RCF facility.

The following tables detail the Group's remaining contractual maturities for undiscounted financial liabilities, including interest. The contractual maturity is based on the earliest date on which the Group may be required to settle.

	Effective interest rate	Within 1 year £000	1 to 2 years £000	2 to 5 years £000	More than 5 years £000	Total contractual amount £000
<b>At 30 September 2020</b>						
Trade payables		18,092	-	-	-	18,092
Lease liabilities		5,469	3,049	8,222	16,346	33,086
Borrowings	5.32%	49,074	49,074	1,069,006	-	1,167,154
<b>Total</b>		<b>72,635</b>	<b>52,123</b>	<b>1,077,228</b>	<b>16,346</b>	<b>1,218,332</b>

	Effective interest rate	Within 1 year £000	1 to 2 years £000	2 to 5 years £000	More than 5 years £000	Total contractual amount £000
<b>At 30 September 2019</b>						
Trade payables		10,642	-	-	-	10,642
Lease liabilities		4,326	4,633	12,587	22,997	44,543
Borrowings	5.88%	48,828	48,862	146,721	985,797	1,230,208
<b>Total</b>		<b>63,796</b>	<b>53,495</b>	<b>159,308</b>	<b>1,008,794</b>	<b>1,286,393</b>

**Treasury and capital risk management**

The Group's policy is to actively manage its cash and capital structure to ensure that it complies with its parent loan agreements and minimises the Group's interest payments by paying down its debt where possible. Management will consider the use of excess cash, including the payment of special dividends to shareholders and merger and acquisition activity, based on the risks and opportunities of the Group at that time. The Directors believe that the current debt to equity ratio remains appropriate but continue to monitor the efficiency of the capital structure on an ongoing basis.

The Group capital structure is as follows:

	2020 £m	2019 £m
Equity	1,586	1,625
Loans and borrowings	(922)	(909)
Cash and cash equivalents	115	100

## Notes to the consolidated financial statements (continued)

For the year ended 30 September 2020

## 24. Financial instruments (continued)

*Cross-currency interest rate swaps*

It is the policy of the Group to enter into cross-currency interest rate swaps to manage the foreign currency risk associated with the external Euro loan held at the Group.

In the current year, the Group has the intention to mitigate the currency risk and interest risk of its EUR loan of €400 million, which has Euro as its functional currency. The Group's policy has been reviewed and, due to the increased volatility in Euro, it was decided to enter €80 million for cross-currency interest rate swaps to mitigate the risks arising on translation of the Euro loan. Upon the maturity of the swap contract, the Group has the option to enter into a new contract. Derivatives are classified as Level 2 financial instruments.

The following tables detail the cross-currency interest rate swaps at the end of the reporting period. Cross-currency interest rate swaps contract assets and liabilities are presented in the line 'Derivative financial instruments' (either as asset or as liabilities) within the statement of financial position:

<u>Cross-currency interest swaps</u>	Notional principal: Foreign currency	Notional principal: Local currency	Rate received	Rate paid	Maturity date	Fair value of the derivative instrument assets/ (liabilities)
	€'000	£'000			£'000	£'000
<b>At 30 September 2020</b>						
Swap 1	40,000	34,064	EURIBOR + 3.50%	LIBOR + 3.94%	23 Jan 2023	2,245
Swap 2	40,000	33,252	EURIBOR + 3.50%	LIBOR + 3.86%	23 Jan 2023	3,196

## 25. Subsequent events

**Ravensworth disposal**

On 4 November 2020, an asset purchase agreement was signed by one of the Group's subsidiaries, Zoopla Limited, the immediate parent company of Ravensworth Printing Services Limited, for the sale of Ravensworth Printing Services Limited assets to The Print Group Limited. The completion date of the sale was 30 November 2020.

Ravensworth Printing Services Limited revenue and comprehensive loss for the year end 30 September 2020 were as follows, £2.4m (2019: £4.2m) and £1.3m (2019 £0.5m) respectively.

The Group has impaired £3.5m of acquired intangible asset related to Ravensworth customer relationships and brand in the year ended 30 September 2020.

The intangible assets held within Ravensworth Printing Services Limited totalling £0.4m were fully impaired during the year ended 30 September 2020.

**Group restructuring**

In August 2020, a Group parent company, Zephyr Holdco 2, Ltd sought to amend an existing investors agreement dated July 2018. The updated New Investors Agreement, would provide a related party with additional interest (after restructuring the Group for tax purposes) in the Group's business in return for providing additional expertise and guidance over the property side of the Group's business being operated by ZPG Limited.

## **Zephyr Midco 2 Limited**

The ultimate controlling party of the Group is still deemed to be Silver Lake (Offshore) AIV GP V Ltd. Additionally, the Group is changing their financial year end date from 30 September to 31 December from 31 December 2020.

### **Acquisition**

On 21 December 2020, one of the Group's subsidiaries, Hometrack Data Systems Limited, completed its acquisition of EDM Group's Decision Automation Mortgage Lender solutions business (acquiring the entire issued share capital of EDM MSL Limited) for consideration of £41 million.

### **26. Ultimate controlling party**

The direct parent of the Company is Zephyr Midco 1 Limited which is a company registered in England and Wales at The Cooperage, 5 Copper Row, London. The smallest and largest consolidated group financial statements are of which Zephyr Midco 2 is a part are Zephyr Luxco S.a.r.l. The consolidated financial statement of Zephyr Luxco S.a.r.l can be obtained from 2, rue Edward Steichen, L-2540 Luxembourg. The ultimate controlling party of the Company is Silver Lake (Offshore) AIV GP V Ltd.

Zephyr Midco 2 Limited

## Company statement of financial position

As at 30 September 2020

	2020 £000	2019 £000
<b>Assets</b>		
<b>Non-current assets</b>		
Investments in subsidiaries	1,719,800	1,719,800
<b>Total assets</b>	<b>1,719,800</b>	<b>1,719,800</b>
<b>Equity</b>		
Share capital	1,719,800	1,719,800
<b>Total equity</b>	<b>1,719,800</b>	<b>1,719,800</b>

The Company reported a profit for the year ended 30 September 2020 of £nil.

The financial statements of Zephyr Midco 2 Limited (company number 11346641) were approved and authorised for issue by the Board of Directors on 23 December 2020 and were signed on its behalf by:

*Charles Bryant*

Charles Bryant  
Director

## Company statement of changes in equity

For the year ended 30 September 2020

	Share capital £000	Retained earnings £000	Total equity £000
At 1 October 2019	1,719,800	=	1,719,800
Profit and total comprehensive income for the period	-	-	-
Shares issued	-	-	-
<b>At 30 September 2020</b>	<b>1,719,800</b>	<b>-</b>	<b>1,719,800</b>

	Share capital £000	Retained earnings £000	Total equity £000
At 4 May 2018	-	-	-
Profit and total comprehensive income for the period	-	-	-
Shares issued	1,719,800	-	1,719,800
<b>At 30 September 2019</b>	<b>1,719,800</b>	<b>-</b>	<b>1,719,800</b>

## Notes to the Company financial statements

For the year ended 30 September 2020

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### 1. Accounting policies and basis of accounting

The financial statements of Zephyr Midco 2 Limited (the Company) have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings and derivative financial assets and financial liabilities measured at fair value through profit or loss, and in accordance with the Companies Act 2006.

The Company is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the Company's registered office is shown on page 17.

The Company's principal activity is to act as an investment holding company that provides management services to its subsidiaries.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payment, financial instruments, presentation of a cash flow statement, standards not yet effective, and certain related party transactions.

Where required, equivalent disclosures are given in the consolidated financial statements.

The principal accounting policies adopted are the same as those set out in note 1 to the consolidated financial statements except as noted below.

### 2. Critical accounting judgements or key sources of estimation uncertainty

There were no critical accounting judgements that would have a significant effect on the amounts recognised in the parent company financial statements or key sources of estimation uncertainty at the balance sheet date that would have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

### 3. Profit for the period

As permitted by s408 of the Companies Act 2006, no separate profit and loss account or statement of comprehensive income is presented in respect of the parent company. The profit attributable to the Company is disclosed in the footnote to the Company's balance sheet.

The auditor's remuneration for audit and other services is disclosed in note 5 to the consolidated financial statements.

The Company had no employees during the year (2019: no employees).

### 4. Investments in subsidiaries

Investments in subsidiaries are valued at cost less any provision for impairment. Further information about subsidiaries, including disclosures about non-controlling interests, is provided in note 9 to the consolidated financial statements.

### 5. Share capital

The movements on these items are disclosed in note 21 to the consolidated financial statements.

### 6. Subsequent events

#### Group restructuring

In August 2020, a Group parent company, Zephyr Holdco 2, Ltd sought to amend an existing investors agreement dated July 2018. The updated New Investors Agreement, would provide a related party with additional interest (after restructuring the Group for tax purposes) in Group's business in return for providing additional expertise and guidance over the property side of the Group's business being operated by ZPG Limited.

The ultimate controlling party of the Group is still deemed to be Silver Lake (Offshore) AIV GP V Ltd.

### 7. Ultimate controlling party

The direct parent of the Company is Zephyr Midco 1 Limited. The ultimate controlling party of the Company is Silver Lake (Offshore) AIV GP V Ltd.