

Zzoomm Group Limited

Zzoomm Group Limited Consolidated Accounts

Company number 11734368

For the year ending 31st December 2021

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Zzoomm Group Limited

Contents

| | |
|--|----|
| Strategic Report | 2 |
| Directors Report | 8 |
| Directors Report - Section 172 of the Companies Act 2006 | 11 |
| Statement of Directors' responsibilities | 15 |
| Independent Auditors Report | 16 |
| Consolidated Profit and Loss Account | 19 |
| Balance Sheet – Consolidated and Company | 20 |
| Consolidated Statement of Changes In Equity | 21 |
| Company Statement of Changes in Equity | 22 |
| Consolidated Statement of Cashflows | 23 |
| Notes to the Financial Statements | 24 |

Zzoomm Group Limited

Strategic Report

Strategic Report

Strategic overview and outlook

Zzoomm is an established and rapidly growing Full Fibre network operator, providing FTTP (fibre to the premises) in nine market towns where there is no widespread access to a Full Fibre network. Zzoomm is building communications infrastructure for consumers and businesses for the long term.

Zzoomm's standout challenger brand is synonymous with excellent customer focus, transparency, quality of service and product reliability as well as connection speeds innovation. Zzoomm was the first operator to deliver 10Gbps (10,000 Mbps).

There are approximately 31 million properties in the UK, of which approximately eight million have access to Full Fibre broadband connectivity. The demand for Full Fibre and gigabit-capable networks which provide fast, reliable and future-proofed connections with excellent service, both for homes and businesses, has increased rapidly over the last few years. This has been driven by the migration of entertainment and communication to the internet and the requirement that the myriad of devices used are all connected all the time to the internet.

Although many homes and businesses benefit from a choice of broadband connections, which deliver superfast or higher speeds, there are large areas of England where faster services are not available yet. Within that, Zzoomm has identified an addressable market of 4.5 million homes and businesses located in UK market towns with over 180 potential areas identified.

In addition to its rapid organic roll out programme, Zzoomm is also monitoring this dynamic marketplace with a view to M&A activity of other Full Fibre network operators.

Zzoomm, which is backed by Oaktree Capital Management, is headquartered in Oxford and has five regional offices to drive infrastructure planning and build at a local level in its target market towns. As at March 2022 Zzoomm has c.500 people, of which 359 are construction related, working in the business and plans to continue to increase this number.

During 2021, the Group received further funding from Oaktree Capital Management and arranged a £100m secured Bank financing facility from ING, Hamburg Commercial Bank and Kommunalkredit.

Now in its third year of operating, the business' rate of development is accelerating with the subscription revenue stream rapidly growing. The demand for Full Fibre across the market towns served by Zzoomm remains strong and revenues will continue to grow rapidly. The Zzoomm board expects there to be continued disruption to the supply chain during 2022 and significant inflationary pressures on components and labour costs.

Zzoomm is ramping up its roll out programme and plans to provide service to up to 1 million properties over the next five years. The Group plans to commence build in more market towns and will also continue to fundraise in 2022.

Zzoomm Group Limited

Strategic Report

Operational highlights

Zzoomm fully owns and operates its asset and is building its own Full Fibre network. A Zzoomm connection allows each customer to connect up to 150 devices, with symmetrical upload and download services from 150Mbs.

All residential services and the majority of business services use XGS-PON technology to deliver the Zzoomm broadband service at symmetrical speeds from 150Mbps up to 10,000Mbps to homes and businesses. Zzoomm delivers very high capacity dedicated communications services for enterprises using point-to-point fibre across the same network routes.

Zzoomm directly employs its own construction, installation, sales and service staff, many from within the local community, in order to deliver its outstanding consumer focused service. Local offices drive infrastructure planning and deployment to meet the requirements of the local authority and to minimise resident disruption

The immediate focus is on serving the needs of customers directly through a great value and high quality broadband service. The Zzoomm Full Fibre network is built using a combination of new built and wholly owned underground ducts and sub-ducts within the BT Openreach network and overhead fibre on BT Openreach poles.

In 2021, the Group commenced network construction in Hereford, Thirsk, Easingwold, Northallerton, Cannock, Crewe, Crowthorne and Sandhurst having completed the network in Henley-on-Thames in 2020.

The Group has continued to add customers onto its first network in Henley-on-Thames. During late 2021 and early 2022 it has started to add customers across all its other networks as each phase of build has completed and the properties have become Ready For Service.

As the end of 2021, there were circa 10,000 properties ready for service with circa 1,400 customers connected to the Zzoomm network with planning well underway for a number of new towns where construction will commence in 2022.

At the end of March 2022, these numbers had significantly increased to circa 28,500 properties ready for service and circa 1,900 customers.

Financial Results

In the 12 months to 31 December 2021, Group revenue jumped to £0.4m (2020: £0.1m) as the recurring subscription revenue began to pick up from customers in Henley-on-Thames.

The Group made an operating loss of £8.1m (2020: operating loss of £5m) in the period, driven by the continued overhead investment required to recruit employees and create regional and head offices as well as fundraising fees for the additional investments.

Building commenced in September 2019 and continued to the end of 2021, £25.5m had been spent on network build as at 31 December 2021 (2020: £6.4m as at 31 December 2020). This is in line with expectations.

At the end of the year, the Group cash balance was £6.5m (31 Dec 20: £2.0m).

Zzoomm Group Limited

Strategic Report

Key Performance Indicators

The Group has a number of key performance indicators that are used to track the performance of its business and include:

- Cost Per Property Passed: This is the cost of building past each available property in the network
- Average revenue per customer (excluding VAT): The average revenue per customer per month
- Cost Per Customer Acquired
- Cost Per Property Connected: This is the cost of build and connection to a property connected to and operating on the network
- Number of customers acquired as a proportion of the properties ready for service.
- Number of properties ready for service, defined as a customer being able to be connected to our network in that property within 4 hours.

Environmental, social and governance (ESG)

The Group is governed by a Board distanced from the day to day running of the business and an experienced Senior Leadership team. We seek to reduce our impact on the environment across our businesses and support the teams and communities we serve. We do this with supporting policies, contracts, systems and processes. The Board is also extremely focused on all aspects of the Health and Safety of our staff.

Zzoomm is committed to challenging the large ISP's operating in its locality by offering superb customer service and product reliability, in an industry where customer fairness and transparency is not the norm. It is also committed to ensuring that both new prospects and existing customers have access to the best offers and propositions in the market and to investing in areas without Full Fibre given the importance of connectivity so everyone can participate in an increasingly digital society.

Zzoomm's ESG activities are summarised below:

Environmental

- Minimise waste internally through recycling, reusing and reducing our overall consumption in our offices as well as in the field.
- Minimise waste with our supply chain by asking for recyclable materials, less packaging and encouraging re-use of materials where possible.
- Minimise energy usage through low energy office lighting and technology and throughout our network we use low power with a passive network.
- Using recycled aggregate and materials and recycling our spoil where practical.
- Seek to use energy suppliers who are taking steps to become zero carbon organisations by 2025.

Social

- We transform the opportunity for the community by deploying a future proof Full Fibre network to every property in the community covering all aspects of society and businesses.
- Our network is able to be expanded as the community grows and population changes, ensuring no-one is unconnected.
- We engage frequently and openly with the local stakeholders to ensure we are working to benefit the community as well as minimizing the disruption during the build process.
- We educate the community on the benefits of fibre and internet connectivity.
- We work with local colleges and schools to educate and build digital skills through lectures and workshops with students.
- We ensure our money and effort is put behind local initiatives of value to the community.
- We recruit locally.
- We source locally, everything from printing to catering to building supplies and local services.

Zzoomm Group Limited

Strategic Report

Governance

- Our operationally separated board leads the business.
- We have an experienced Senior Leadership team providing operational governance and oversight.
- We report our key measures openly and continuously across the business.
- We have clear division of responsibilities internally that increase control in the business and mitigate risk.
- We're externally audited with board level oversight and reporting on behalf of the shareholders.
- We comply with CDM 2015 and comply with Principal Designer and Principal Contractor obligations.
- Personal data is handled in line with ICO guidelines.
- Our systems ensure we take steps to protect data by limiting user access and data encryption.
- Health and Safety is an important consideration and is always top of the agenda to ensure we build a network that is in an environment that is safe for our employees, our customers and the general public.

The Full Fibre to the Premises Market

During 2021 the rate of new Full Fibre build in the UK has accelerated significantly. The market has seen a significant number of new entrants, some of whom have a similar business strategy to The Group.

The result of the ongoing investment into Full Fibre has meant that the UK has moved from 10% to 30%* Full Fibre availability during the year. Despite this activity, there remains significant opportunity for development and success for Full Fibre operators with well-focused business strategies.

*Source thinkbroadband.com

Principal Risks and Uncertainties

General

The principal risks and uncertainties are summarised below. These do not necessarily comprise all of those that are potentially faced by the Group and are not intended to be presented in any assumed order of priority. The Directors believe that, in particular, readers of this report should be aware of these risks and uncertainties, and that the Directors take reasonable steps to mitigate and minimise the impact of the risks on the Group. However, these risks cannot be eliminated entirely without incurring costs that the Board considers to be excessive. If any of these risks and uncertainties, together with possible additional risks and uncertainties of which the Directors are currently unaware or which they consider not to be material in relation to the Group's business, actually occur, the Group's business, financial position or operating results could be materially and adversely affected.

Our relatively small size and age in comparison to competitors may be considered negatively by prospective customers who may wish to remain with an inferior system with an established brand name.

Our competitors may be able to offer products bundled with internet access such as on-demand, television style services or fixed/mobile telecoms that are more attractive to the consumer.

A key risk to any Group in the Full Fibre industry will stem from any Full Fibre overbuild that could arise from competitors. The Group has assessed overbuild risk based on consideration of Full Fibre operator build rates in the UK, likely investment strategies and known movements of market players, and likely broadband penetration levels. We conclude that the risk of overbuild is low but finite, and is a key risk that must be considered.

Zzoomm Group Limited

Strategic Report

Funding

The business activity of the Group requires significant expenditure. In the event that the Group will not be able to raise the financing required for the planned expenditures then the Group will have to reduce its planned expenditures or reduce the scale of its operations.

Inflation

The end of 2021 saw a marked increase in cost inflation caused by a number of supply side issues. The emergence of the country from the Covid restrictions has released some of the restrictions on the economy but the anticipated workforce has not been available to return to the pre-pandemic conditions.

In part this is due to individuals simply leaving the UK workforce. A significant, expected and intended impact of Brexit was to remove labour from the UK. This has succeeded and the expected outcome is to introduce significant inflation into the salary payments.

Additionally, the post pandemic relaunch of many economies coupled with the war in Ukraine has introduced huge price increases for fuel and energy more widely.

Equipment Supply

The events in Ukraine in Q1 2022 are likely to have a significant impact on the European electronics market place and the ongoing Covid pandemic in the Far East is likely to continue to disrupt component supply chains. At the time of this document the impact of these has been felt in terms of longer order lead times. The Group maintains a careful watching brief to ensure that any shortfall is identified in time for an alternative source to be obtained.

Staffing

The anticipated impact of Brexit on the UK labour force contraction possibly accelerated by the Covid- pandemic has all but removed any influx of new labourers available for the Group to carry out the construction activities. The Group attempts to ameliorate this shortage by operating its own training facilities and to maintain a constant recruitment process to fill gaps caused by the inevitable churn in the labour force.

Currency Risk

There is minimal exposure to currency risk, the Group's operations are entirely in the United Kingdom and tries to ensure that significant purchases from outside of the UK have been negotiated in Pounds Sterling to avoid currency risk. Therefore, no sensitivity analysis of currency risk has been shown.

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligation as they fall due. As part of its overall prudent liquidity risk management, the Group actively manages its operating cash flows and does not commit to expenditure that it does not have immediate access to settle.

Market Risk

Market risk is that risk that the fair value or cash flows of financial instruments will fluctuate as a result of market forces outside the control of the group, including interest rate risk arising from the effect of changes in market interest rates on cash at bank, overdrafts, investments in debt instruments, borrowings and obligations under finance leases.

The Group has taken out hedging instruments to mitigate the interest rate risk on the borrowings.

Zzoomm Group Limited

Strategic Report

COVID 19

During 2021, the UK has moved towards living with COVID. The impact of COVID has continued to be challenging for all businesses and industries and Zzoomm has seen both positives and challenges as a result of the pandemic.

- Continuing to operate a safe office working environment that complies with COVID regulations and guidance.
- The perception of the public, mainly at the height of the pandemic, of seeing our manual workers working in close groups in their neighbourhoods.
- Disruptions to the supply chain across a wide range of both mundane components (e.g. vehicles) and specialist components, in particular electronic components (e.g. routers) and FTTH specific supplies (e.g. duct).
- Installation into customer's properties.
- Recruiting new employees.

The Group issued updated guidance internally to all staff, and externally on our website to the general public to explain our working practices during the COVID impacted times. Prospective customers received details about how we would safely operate within their premises.

The Group will continue to operate in a responsible way at all times and comply with all appropriate laws, regulations and guidance.

On behalf of the Board



Matthew Hare
Director
29th April 2022

Zzoomm Group Limited

Directors Report

The Directors present their annual report and the audited consolidated financial statements for the period ended 31st December 2021.

Principal activity

The principal activity of the group in the period was that of a telecommunications service provider.

The Company's business activities, together with the factors likely to affect its future development, performance and position and the principal risks and uncertainties over expenditure, funding and liquidity are set out in the Strategic Report on pages 2 to 7.

Directors

The Directors who held office during the period were:

Matthew Hare

Massimo Prelz-Oltramonti

Richard Sinclair

Martin Graham

Pablo Velez-Calvo (resigned 27th April 2022)

Josef Mattar (appointed 28th April 2022)

Dividends

No dividends were paid or declared during the period (2020: None).

Disclosure of information to auditors

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

RSM UK Audit LLP were re-appointed as the Group's statutory auditors in 2021.

Going Concern

At the time of approving the financial statements, the directors have a reasonable expectation that the Group has access to adequate resources to continue in operational existence for the foreseeable future as a minimum for a period of at least 12 months from the date of approval of these financial statements. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

The Group is dependent upon significant external funding to start future network builds and to complete existing network builds. In September 2020, Oaktree Capital Management L.P ("Oaktree") invested in the Group and a subscription agreement was signed by both Zzoomm and Oaktree for £100m to execute its business plan.

At 31st December 2021, with the agreement of Oaktree, the group has drawn down £24.3m of the £100m and had drawn down a total of £34.8m at the date of signing these accounts. The use of the going concern assumption is dependent on the ability of Zzoomm to draw down the required funding from the remaining £100m of agreed funding and, although this needs the agreement of Oaktree, the directors are confident that Oaktree will continue to provide the planned funding in accordance with the subscription agreement.

In Q4 2021 a debt facility was raised from a combination of 3 banks providing access to up to £100m to accelerate the growth of the Group and bring forward planned network build commencement dates. In the event that funding

Zzoomm Group Limited

Directors Report

is not as large as expected or required then the Group would reduce its planned expenditures or reduce the scale of operations.

Events subsequent to the year end

In Q1 2022 three regions went live to customers, being Sandhurst, Crewe and Cannock. We have a strong order pipeline and customer sign-ups to date have been promising. We expect these numbers to increase as the build continues to progress in these regions.

At the end of March 2022, these numbers had significantly increased to circa 28,500 properties ready for service and circa 1,900 customers.

How Directors have engaged with employees and taken account of their interests

Employee engagement

Attracting, developing, and advancing talent at all levels at the Group is essential to our business and our inclusive and agile workplace. We are dedicated to creating an environment in which our employees can be themselves, whilst productively contributing to the success of our business, each other, and themselves in a manner that remains true to our core values of being responsive, open, agile and reliable.

We provide employees with comprehensive training for their specific roles and career development opportunities. We also focus on providing our employee base with the necessary soft skills. In particular, we continue to assist our managers develop their management skills to manage their teams effectively, so that we can achieve the quality we desire and provide an environment in which our employees can thrive.

The Group actively maintains a culture of diversity and inclusion, ensuring that all our people, irrespective of backgrounds, are treated fairly and can fully contribute to the growth and success of our business and themselves. We are an equal opportunity employer. We have established a group where diversity and inclusion matters are discussed regularly, including a forum where any action points can be identified and assessed to enhance our workplace environment further.

We engage with our employees through various methods – mainly emails and weekly all hands staff video meeting updates and other department and team meetings. For our non-office based employees, we provide notice boards and regular briefing meetings. These notices contain QR codes, enabling these employees to find more information about a specific topic on our intranet from their mobile phones. We also ask our people to complete surveys on a regular basis, which helps us to review processes and identify any shortcomings we can address to further enhance our employee satisfaction and engagement.

The Group is committed to providing our employees with a safe environment. Our construction colleagues have an inherently higher risk to their physical safety. We therefore have various policies and procedures in place to minimise this risk and we continually reassess these policies and procedures to reduce the risk even further. We are also committed to supporting the mental health of our employees. We have various programmes and initiatives which can be accessed without fear and trepidation by any team member that suffers from mental health issues.

We consider any grievances and complaints to be a serious matter and deal with them in a timely and comprehensive manner. Our mandatory policies include anti-discrimination, anti-harassment and anti-retaliation policies which are easily accessible to all employees. Besides the internal grievance process and the ability of employees to directly contact the Group's chairman, we also provide a third party, independent hotline that employees may use to report any concerns anonymously.

Zzoomm Group Limited

Directors Report

How Directors have engaged with suppliers, customers and others in a business relationship with the Group

The Directors of the Group have a duty to promote the success of the Group, and it relies on smooth operations and the support and joint efforts of stakeholders. The Group is aware of the importance of stakeholder opinions and understands and responds to relevant stakeholders and their concerns.

We have identified the most important stakeholders based on past stakeholder communications, and we contact these stakeholders through regular/ad hoc channels to ensure comprehensive communications.

Engagement with suppliers

The Group actively builds strong and long-lasting relationships with suppliers that share our values. We aim to maintain these relationships in the same way that we do any other relationship – through our core values of being responsive, open, agile and reliable.

The Group actively communicates with key suppliers on their approaches and their future plans for the environment and general sustainability. We also evaluate our suppliers against our core values and strategy to ensure that we mutually contribute to each other's success in an ethical and sustainable way.

We assess our suppliers in various key areas, including:

- Ethics and Compliance
- Labour and Human Rights, including modern slavery
- Environment and Sustainability
- Health and Safety
- General Data Protection Regulation (GDPR)

Prior to entering key supply chain relationships, the Group assesses prospective suppliers for alignment with our core values and the above areas.

Engagement with customers

The directors have the ultimate goal of creating satisfied customers. This requires a thorough understanding of our customers' needs and challenges and also keeping ahead of the changing landscape of internet connectivity.

We utilise our expertise and resources to identify, understand, and address unmet internet connectivity needs. We address this need through the effective deployment of high quality full fibre infrastructure which we then utilise to deliver quality services at a fair price.

The Group is agile and committed to our customers, which allows us to identify changing needs and develop and implement plans to address those needs. We continuously remain in contact with our current and prospective customers to provide the level of service to which we are committed.

In line with our core values, we are open and treat customers and prospective customers equally. Therefore, whenever a promotional event is executed, the offer is available to all prospective and current customers on the same basis, enabling us to attract new customers without negatively impacting current customers.

The Group continues to focus on growing the business and expanding its infrastructure footprint to reach a wider customer base without a reduction in the quality of services.

Engagement with others

Our other stakeholders include regulatory agencies and the government. The Group engages with all other stakeholders using the same core values of being responsive, open, agile and reliable which is the basis of everything we do. We also have an unwavering commitment to comply with all applicable laws and regulations.

Zzoomm Group Limited

Directors Report

Section 172 of the Companies Act 2006 - Duty to promote the success of the company

Statement of director's duties to stakeholders

This statement aligns to the Section 172 statement requirements contained in the Companies Act 2006.

The directors of Zzoomm are aware of their duty to act in the way that they consider, in good faith, would be most likely to promote the success of the Group and in doing so have regard to, amongst other matters:

- the likely consequences of any decision in the long term;
- the interests of the Group's employees;
- the need to foster the Group's business relationships with suppliers, customers, and others;
- the impact of the Group's operations on the community and the environment;
- the desirability of the Group to maintain a reputation for high standards of business conduct; and
- the need to act fairly between shareholders of the Group.

The Group is focused on having a positive impact on the communities in which we operate by providing reliable and fairly priced internet connectivity, a staple for modern life. We do so based on our four core values of being responsive, open, agile and reliable.

These values underpin all our actions and form the basis for our commitment to the wellbeing and safety of our employees and customers, acting with integrity and ethically at all times whilst remaining conscious of our impact on the wider community and the environment. Our success in these areas drives the value that our shareholders obtain from investing in the Group.

Long term consequences of actions

All of our actions are taken with proper consideration of their long term consequences. This consideration is not only consistent with our values, but also a necessity, given that our business requires a large capital outlay to establish the infrastructure necessary to provide services to current and prospective customers for years to come.

The decisions we make today enable us to provide the services we promise, whilst building a network that can withstand the test of time with minimal maintenance. We identify the needs of our customers; the trend of those needs; changes in the technological landscape; and changing best practice in construction and delivering of services, to ensure we make the appropriate decisions today that enhance everything we do, including the wellbeing and safety of our employees.

All of this has a positive impact to all our stakeholders – our customers, suppliers, employees, communities and their environment, and our investors.

The interests of Zzoomm's employees

The success and longevity of the Group is entrenched in the wellbeing and safety of our employees. Creating a safe and welcoming environment, as well as providing the necessary training and guidance, ensures our employees are able to contribute in a positive and meaningful way.

Our training programmes are focused on the technical and practical skills required. These skills are job specific, for example, construction techniques for our construction colleagues and the latest developments in networking equipment for our networking specialists. We also provide our employees with the necessary soft skills to find success in life. Especially for some of our less privileged employees, this type of training empowers them to grow personally and professionally.

Zzoomm Group Limited

Directors Report

In line with our core value of openness, we have weekly update sessions with all employees to provide them with insights on the success of the Group and communicate any action points identified to ensure the safety and wellbeing of employees and areas of improvement for the Group. We provide different employees the opportunity to present these updates, exposing them to a skillset which is often different from their day-to-day jobs.

The safety of our employees is not limited to physical safety, but also includes our employees' mental safety. We have various mental health and diversity and inclusion programmes which provide an environment in which our employees are able to be themselves or speak up when facing problems without fear.

Regarding physical safety, we continually monitor all incidents to identify shortcomings in our policies and procedures. Despite the inherent risk for our construction employees, the directors are proud not to have had any major incidents impacting our teams.

We regularly assess employee satisfaction on various indicators and identify key points where further action is needed. The high level of employee satisfaction and retention rates are an indication of the success we are achieving, but we remain conscious of any area where improvement can be made.

More information on our employee engagement is provided in the Directors Report.

Fostering Zzoomm's business relationships with suppliers, customers and others

Customers

Our business is centred around our customers. We go to great lengths to understand the needs of our current and future customers, which enables us to respond appropriately.

We aim to provide an exemplary level of service. Disruptions to our services are inevitable, despite active management and monitoring of our systems to reduce the possibility of them. Should a disruption occur, together with resolving the disruption as quickly as possible, we strive to provide our customers with timely, continuous and detailed information on the disruption, as well as keeping them apprised of progress on the restoration of full service.

Our customer satisfaction scores are a testament to our success. Nevertheless, we are not resting on our laurels and we continue to evaluate and build up useful resources, and enhance the communication channels available to current and prospective customers.

Suppliers

Our suppliers provide the Group with vital resources, expertise and other services that allow us to operate our business as intended and achieve the strategy we set out. We form close relationships with various key suppliers such that we have a mutually beneficial relationship in the long term. These discussions include current and planned programmes the suppliers undertake to reduce their impact on the environment.

New suppliers are appropriately assessed as legally required, but we go further by assessing prospective suppliers against our core values. We are in the process of standardising interactions with suppliers in the form of a statement of practice and a procurement policy, which will ensure suppliers are treated equally as the Group and our procurement group grows.

More information on our customer and supplier engagement is provided in the Directors Report.

Zzoomm Group Limited

Directors Report

Zzoomm's impact on the community and the environment

Community

Our main service delivery is the provision of high quality, reliable, and fairly priced internet services to areas with limited availability of full fibre broadband. Successful delivery of our services has a direct positive impact on the immediate community.

Whilst constructing the required infrastructure, we are conscious of the disruption it may cause. We are in continuous communication with the local community regarding proposed construction, estimated timelines, and provide them with regular updates on the progress made. In addition, we actively undertake construction practices that minimise the overall disruption.

Our impact is wider than the immediate communities in which we operate. We provide various opportunities for less privileged individuals through work opportunities and related training. We also participate in programmes by the Department for Work and Pensions and the Armed Forces to provide exposure to work and certain skillsets enabling participants to more easily contribute to their own communities and achieve personal growth.

Environment

We recognise the importance we play in reducing our environmental impacts. We have various programmes through which we maximise the use of recycled materials for construction and consumables such as uniforms. We further ensure disposal of waste that maximises the recycling potential of all waste generated. Waste that cannot be recycled at this time is disposed of so as to minimise the negative environmental impact. We assess non-recyclable waste to identify potential alternative solutions in a drive to reduce this type of waste.

We undertook a carbon footprint analysis of our business in accordance with ISO 14064-1:2018. This has helped us to better understand our impact on the environment and allows us to identify possible shortcomings in our processes. Any such shortcomings are assessed and, where possible, action points are put in place to reduce our environmental impact. We will continue to utilise this type of analysis, not only to identify further action points in relation to shortcomings, but also to assess the impact of programmes already started.

In the long term, one of our greatest potential impacts on the environment is through energy consumption. In combating this, we actively strive to obtain energy from providers with appropriate green credentials. This programme has recently taken a set-back due to the ongoing energy crisis, but we remain committed to it and continue to assess and change energy suppliers where possible to greener alternatives.

In the shorter term, in addition to recycling and waste management, we are also assessing the feasibility of exchanging our petroleum-based vehicles and equipment to electric versions. As we increase our energy supplies from green alternatives, the move to more electric vehicles and equipment will have an even larger positive environmental impact.

Further, we actively source certain construction materials and in particular aggregate locally to the construction site. This helps in reducing transportation distances and having a lower environmental impact. The local community also benefits from this approach through an additional economic injection.

When we expand our infrastructure, we may disrupt the environment through the nature of the construction process. As part of our commitment to the local communities that we serve, we take active steps to return the environment back to its original condition once our construction is complete.

Zzoomm Group Limited

Directors Report

Zzoomm's standards on business conduct

As mentioned before, the Group operates in accordance with our four core values of being responsive, open, agile and reliable. These values underpin the way we conduct ourselves and our business. The directors have the ultimate goal of creating satisfied customers.

Satisfied customers will validate and motivate our employees, since the satisfaction is created as a result of our collective contribution which adds value to the lives of our customers, providing meaning and purpose to the hard work put in by each Zzoomm team member. In combination with staying true to ourselves, this enables the Group to create long term value for all our stakeholders.

The Group has a formal whistle-blower policy and various channels for reporting potential violations of our duty, including communication channels independent of the Group.

We consciously create and promote a culture where concerns can be raised without any fear and in the knowledge that they will be addressed as a matter of urgency.

The Board, including its non-executive members, meets regularly to discuss and reflect on the Group's progress and strategic direction. The non-executive board members have an integral role in ensuring the effective execution of our strategy, whilst remaining true to our core values. The Board plays an active role in setting the 'tone at the top' for the Group and for our employees.

Acting fairly between shareholders of Zzoomm

The directors hold regular meetings with shareholders of the Group. These meetings may be attended in person or virtually for those shareholders that are unable to attend in person. This maximises the attendance opportunity for all our members.

These meetings provide a detailed overview of the business, plans of actions, strategy, and our trajectory. A question-and-answer session provides shareholders with the opportunity to gain further insight into the Group or challenge the directors on the operations. Most of our shareholders are seasoned within the industry, resulting in some very detailed and technical questions and challenges to the directors or senior management. The Board welcomes this process, which provides constant feedback to ensure that their strategies and policies are achieving the planned result.

On behalf of the Board



Matthew Hare
Director
29th April 2022

Zzoomm Group Limited

Statement of Directors' responsibilities in respect of the Strategic Report, Directors' Report and the financial statements

The directors are responsible for preparing the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and company financial statements for each financial year. Under that law the directors have elected to prepare the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

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 company and of the profit or loss of the company for that period.

In preparing the company financial statements, the directors are required to:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and accounting estimates that are reasonable and prudent;
- c. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditor's Report to the Members of Zzoomm Group Limited

Opinion

We have audited the financial statements of Zzoomm Group Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2021 which comprise Consolidated Profit and Loss, Consolidated and Company Balance Sheet, Consolidated and Company Statement of Changes in Equity, Consolidated Statement of Cashflows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2021 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities 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 parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's or the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 this regard.

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.

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements 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; or

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 15, 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.

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the group audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory frameworks that the group and parent company operate in and how the group and parent company are complying with the legal and regulatory frameworks;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, the Companies Act 2006 and tax compliance regulations. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures and inspecting correspondence with local tax authorities.

The group audit engagement team identified the risk of management override of controls as the area where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business and challenging judgments and estimates.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities> This description forms part of our auditor's report.

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.

Neil Mellor

Neil Mellor (Senior Statutory Auditor)

For and on behalf of RSM UK Audit LLP, Statutory Auditor

Chartered Accountants

Davidson House

Forbury Gardens

Reading

RG1 3EU

29 April 2022

Zzoomm Group Limited

Company Registration Number 11734368

Financial Statements

Consolidated Profit and Loss Account

Year ending 31st December

| | Notes | 2021 £'000 | 2020 £'000 |
|---|-------|---------------|---------------|
| Turnover | 3 | 417 | 141 |
| Cost of Sales | | (244) | (101) |
| GROSS PROFIT | | 173 | 40 |
| Administrative expenses | | (8,281) | (5,031) |
| Operating loss | | (8,108) | (4,991) |
| Fair Value Adjustment of Financial Instruments | | (6,312) | — |
| Interest Payable | 6 | (324) | (1) |
| Interest Receivable | | 8 | 8 |
| Loss before taxation | 7 | (14,736) | (4,984) |
| Tax on loss | 8 | — | — |
| Loss after taxation and loss for the financial period | | (14,736) | (4,984) |

Zzoomm Group Limited

Company Registration Number 11734368

Balance Sheet as at 31st December

| | Notes | Group 2021 £'000 | Group 2020 £'000 | Company 2021 £'000 | Company 2020 £'000 |
|--|-------|------------------------|------------------------|--------------------------|--------------------------|
| Fixed Assets | | | | | |
| Intangible assets | 9 | 413 | 134 | — | — |
| Tangible assets | 10 | 24,365 | 6,693 | — | — |
| Investments | 11 | — | — | 648 | 633 |
| | | 24,778 | 6,827 | 648 | 633 |
| Current Assets | | | | | |
| Stocks | 12 | 1,401 | 143 | — | — |
| Debtors | 13 | 1,992 | 717 | 33,554 | 12,969 |
| Cash at bank and in hand | | 6,486 | 1,980 | 770 | 923 |
| | | 9,879 | 2,840 | 34,324 | 13,892 |
| Creditors: | | | | | |
| Amounts falling due within one year | 14 | (2,992) | (1,556) | (42) | (801) |
| Net Current Assets | | 6,887 | 1,284 | 34,282 | 13,091 |
| Non Current Assets | 13 | 1,087 | 16 | — | — |
| Total assets less current liabilities | | 32,752 | 8,127 | 34,930 | 13,724 |
| Creditors: Amounts falling due after more than one year | 15 | (46,149) | (6,900) | (34,613) | (6,900) |
| Net Assets | | (13,397) | 1,227 | 317 | 6,824 |
| Capital and Reserves | | | | | |
| Called up share capital | 17 | 372 | 365 | 372 | 365 |
| Share premium account | 17 | 7,771 | 7,682 | 7,771 | 7,682 |
| Share Based Payment reserves | 18 | 548 | 533 | 548 | 533 |
| Cash Flow Hedge Reserve | 17 | 1 | — | — | — |
| Profit and loss account | 17 | (22,089) | (7,353) | (8,374) | (1,756) |
| Total Equity | | (13,397) | 1,227 | 317 | 6,824 |

The Company's loss for the period was £6.6m (2020: £1.5m).

The financial statements on pages 19 to 47 were approved by the board of directors and authorised for issue on 29th April 2022 and are signed on its behalf by:



Matthew Hare – Director

Zzoomm Group Limited

Company Registration Number 11734368

Consolidated Statement of Changes In EquityFor the year ending 31st December 2020 and year ending 31st December 2021

| | Share Capital £'000 | Share Premium £'000 | Share Based Payments £'000 | Cash Flow Hedge Reserve £'000 | Profit and Loss account £'000 | Total £'000 |
|--|---------------------------|---------------------------|-------------------------------------|--|--|----------------|
| Balance at 1 st January 2020 | 354 | 7,668 | 25 | — | (2,369) | 5,678 |
| Loss for the period | — | — | — | — | (4,984) | (4,984) |
| Total Comprehensive Loss for the period | — | — | — | — | (4,984) | (4,984) |
| Issue of shares | 11 | 14 | — | — | — | 25 |
| Issue of share options | — | — | 508 | — | — | 508 |
| Balance at 31 st December 2020 | 365 | 7,682 | 533 | — | (7,353) | 1,227 |
| Loss for the period | — | — | — | — | (14,736) | (14,736) |
| Total Comprehensive Loss for the period | — | — | — | — | (14,736) | (14,736) |
| Issue of shares | 7 | 89 | — | — | — | 96 |
| Issue of share options | — | — | 15 | — | — | 15 |
| Hedge of variable interest rate risk: | | | | | | |
| Fair value gains/(losses) on effective hedge | — | — | — | 1 | — | 1 |
| Balance at 31 st December 2021 | 372 | 7,771 | 548 | 1 | (22,089) | (13,397) |

Zzoomm Group Limited

Company Registration Number 11734368

Company Statement of Changes In EquityFor the year ending 31st December 2020 and year ending 31st December 2021

| | Share Capital £'000 | Share Premium £'000 | Share Based Payments £'000 | Profit and Loss account £'000 | Total £'000 |
|---|---------------------------|---------------------------|-------------------------------------|--|----------------|
| Balance at 1 st January 2020 | 354 | 7,668 | 25 | (289) | 7,758 |
| Loss for the period | — | — | — | (1,467) | (1,467) |
| Total Comprehensive Loss for the period | — | — | — | (1,467) | (1,467) |
| Issue of shares | 11 | 14 | — | — | 25 |
| Issue of share options | — | — | 508 | — | 508 |
| Balance at 31 st December 2020 | 365 | 7,682 | 533 | (1,756) | 6,824 |
| Loss for the period | — | — | — | (6,618) | (6,618) |
| Total Comprehensive Loss for the period | — | — | — | (6,618) | (6,618) |
| Issue of shares | 7 | 89 | — | — | 96 |
| Issue of share options | — | — | 15 | — | 15 |
| Balance at 31 st December 2021 | 372 | 7,771 | 548 | (8,374) | 317 |

Zzoomm Group Limited

Company Registration Number 11734368

Consolidated Statement of Cashflows

For the year ending 31st December 2020 and year ending 31st December 2021

| | Group 2021 £'000 | Group 2020 £'000 |
|---|------------------------|------------------------|
| Operating Activities (Note 19) | (9,330) | (3,846) |
| Cash generated from operations | (9,330) | (3,846) |
| Net Cash used in operating activities | (9,330) | (3,846) |
| Purchase of intangible assets | (339) | (32) |
| Purchase of tangible fixed assets | (18,449) | (5,512) |
| Proceeds on disposal of tangible assets | — | 1 |
| Interest Received | 8 | 7 |
| Net Cash used in investing activities | (18,780) | (5,536) |
| Financing Activities | | |
| Proceeds from issue of ordinary and ordinary A shares | 96 | 19 |
| Proceeds from issue of MIP shares | 2 | 5 |
| Proceeds of new borrowings | 11,442 | — |
| Proceeds from issue of preference shares | 21,400 | 6,900 |
| Interest Paid | (324) | (1) |
| Net Cash from Financing Activities | 32,616 | 6,923 |
| Net increase/(decrease) in cash and cash equivalents | 4,506 | (2,459) |
| Cash and cash equivalents at beginning of the period | 1,980 | 4,439 |
| Cash and cash equivalents at end of the period | 6,486 | 1,980 |
| Relating to balances included in "Cash at bank in hand" | 6,486 | 1,980 |

Zzoomm Group Limited

Notes to the Consolidated Financial Statements

1. Summary of Significant Accounting Policies

General Information

Zzoomm Group Limited ("the Company") is a private company limited by shares, and is registered and incorporated in England.

The address of the Company's registered office and principal place of business is C/O Gordon Dadds Corporate Services Limited Aldgate Tower, 2 Leman Street, London, United Kingdom, E1 8QN.

The Group consists of Zzoomm Group Limited and its subsidiary Zzoomm Plc.

The Company's and the Group's principal activities are the construction of a Full Fibre to the Premises (FTTP) network and telecommunications internet service provider.

2. Accounting Policies

Basis of Accounting

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006, including the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, and under the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value.

Monetary amounts in these financial statements are rounded to the nearest whole £1,000, except where otherwise indicated.

The Company has taken advantage of the exemption from disclosing the following information in its company only accounts, as permitted by the reduced disclosure regime within FRS 102:

- Section 7 'Statement of Cash Flows' – *Presentation of a Statement of Cash Flow and related notes and disclosures.*
- Section 26 'Share-based Payment' – Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements.
- Section 33 'Related Party Disclosures' – *Compensation for key management personnel.*

Zzoomm Group Limited

Notes to the Financial Statements

Company Profit and Loss Account

As permitted by s408 Companies Act 2006, the Company has not presented its own profit and loss account for the period as it prepares group accounts and the Company's individual balance sheet shows the Company's profit or loss for the financial period.

Basis of Consolidation

The consolidated financial statements incorporate those of Zzoomm Group Limited and all of its subsidiaries. All financial statements are made up to 31 December 2021.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

Going Concern

At the time of approving the financial statements, the directors have a reasonable expectation that the Group has access to adequate resources to continue in operational existence for the foreseeable future as a minimum for a period of at least 12 months from the date of approval of these financial statements. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

The Group is dependent upon continued additional significant external funding to start future network builds and to complete existing network builds. In September 2020 Oaktree Capital Management L.P ("Oaktree") entered in to a subscription agreement for £100m to execute its business plan, pursuant to which it commenced investing in the Group. At 31st December 2021 the group has drawn down £24.3m of the £100m and had drawn down a total of £34.8m at the date of signing these accounts. The use of the going concern assumption is dependent on the ability of Zzoomm to draw down the required funding from the remaining £100m of agreed funding and, although this relies on Oaktree, the directors remain confident that Oaktree will continue to provide the planned funding in accordance with the subscription agreement.

In Q4 2021 a debt facility was raised from a combination of 3 banks providing access to up to £100m to accelerate the growth of the Group and bring forward planned network build commencement dates. In the event that funding is not as large as expected or required then the Group would reduce its planned expenditures or reduce the scale of operations.

Functional and Presentational Currencies

The consolidated financial statements are presented in sterling which is also the functional currency of the Company.

Foreign Currencies

Transactions in currencies other than the functional currency (foreign currencies) are initially recorded at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate

Zzoomm Group Limited

Notes to the Financial Statements

ruling at the date of the transaction or, if the asset or liability is measured at fair value, the rate when that fair value was determined.

All translation differences are taken to profit or loss, except to the extent that they relate to gains or losses on non-monetary items recognised in other comprehensive income, when the related translation gain or loss is also recognised in other comprehensive income.

Turnover

Turnover is recognised at the fair value of the consideration received or receivable for sale of goods and services to external customers in the ordinary nature of the business. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates. Turnover is shown net of Value Added Tax.

Turnover is recognised in relation to separately identifiable components of a single transaction when necessary to reflect the substance of the arrangement and in relation to two or more linked transactions when necessary to understand the commercial effect.

Customers are invoiced monthly in advance for the provision of their subscribed broadband service and the revenue is recognised as the service is provided.

Employee Benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or are capitalised as an intangible fixed asset or a tangible fixed asset.

The best estimate of the expenditure required to settle an obligation for termination benefits is recognised immediately as an expense when the Group is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

Group Share Based Payments

The Group grants share options ("equity-settled share-based payments") to certain employees of the subsidiary of the Company.

The expense in relation to options over the Group's shares granted to employees of the subsidiary is recognised by the Group as equity-settled and shown as a capital contribution to the subsidiary by increasing the Company's investment.

Equity-settled share-based payments are measured at fair value at the date of grant by reference to the fair value of the equity instruments granted using the Black-Scholes model. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the estimate of shares that will eventually vest. A corresponding adjustment is made to equity.

Modifications and cancellations

When the terms and conditions of equity-settled share-based payments at the time they were granted are subsequently modified, the fair value of the share-based payment under the original terms and conditions (the

Zzoomm Group Limited

Notes to the Financial Statements

“original fair value”) and under the modified terms and conditions (the “modified fair value”) are both determined at the date of the modification. Any excess of the modified fair value over the original fair value is recognised over the remaining vesting period in addition to the grant date fair value of the original share-based payment. The share-based payment expense is not adjusted if the modified fair value is less than the original fair value.

Cancellations or settlements (including those resulting from employee redundancies) are treated as an acceleration of vesting and the amount that would have been recognised over the remaining vesting period is recognised immediately.

Retirement Benefits

Defined Contributions

The Group contributes into a Workplace Pension on behalf of employees using both employer and employee contributions.

Amounts charged to profit or loss represent the contributions payable in the period. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments.

Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current tax is based on taxable profit for the period. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is recognised on income or expenses from subsidiaries, associates, branches and interests in jointly controlled entities, that will be assessed to or allow for tax in a future period except where the Group is able to control the reversal of the timing difference and it is probable that the timing difference will not reverse in the foreseeable future.

Current and deferred tax, other than the tax effects of distributions to owners, is charged or credited in profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Zzoomm Group Limited

Notes to the Financial Statements

Intangible Fixed Assets (other than Goodwill)

Intangible assets are initially recognised at cost (which for intangible assets acquired in a business combination is the fair value at acquisition date) and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Intangible assets are amortised to profit or loss on a straight-line basis over their useful lives, as follows:-

Amortisation is revised prospectively for any significant change in useful life or residual value.

Domain names – 25 years. This being the assumed life of the build network that the domain name relates to.

Software and Systems = 5 years. This being the assumed useful life of the software and systems.

Tangible Fixed Assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses. Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost or valuation of each asset to its estimated residual value on a straight line basis over its expected useful life, as follows:-

| | |
|-----------------------------------|---|
| Fixtures and Fittings | over 3 years |
| Leasehold Improvements | over the lease term |
| Computer Equipment | between 2 and 5 years |
| Motor Vehicles | over 3 years |
| Owned plant, machinery, and tools | between 2 and 15 years |
| Build Network | between 7 and 25 years |
| Assets under construction | not depreciated as these are work in progress costs that will transfer to Build Network assets when they become active. |

Residual value is calculated on prices prevailing at the reporting date, after estimated costs of disposal, for the asset as if it were at the age and in the condition expected at the end of its useful life.

Subsequent costs

Subsequent costs, including replacement parts and major inspections, are capitalised only when it is probable that such costs will generate future economic benefits. The value of any replaced parts or remaining carrying amounts of previous inspections are then derecognised. Where it is impractical to identify the carrying amount of a replaced part, it is estimated using the current cost of the replacement part, adjusted for depreciation and impairment. All other costs of repairs and maintenance are charged to profit or loss as incurred.

Assets under construction

Network Build costs in the course of construction are carried at cost, less any identified impairment loss. Cost includes construction cost, parts and other directly attributable costs that are necessary to bring the network asset to its operating condition. Depreciation commences when the specific regional network build properties are ready for their intended use.

Leases

The Group as Lessee – Finance Leases

An asset and corresponding liability are recognised for leasing agreements that transfer to the Group substantially all of the risks and rewards incidental to ownership ("finance leases"). The amount capitalised is the fair value of the leased asset or, if lower, the present value of the minimum lease payments payable during the lease term, both determined at inception of the lease. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are expensed as incurred.

The Group as Lessee – Operating Leases

All other leases are operating leases and the annual rentals are charged to profit or loss on a straight line basis over the lease term. Rent free periods or other incentives received for entering into an operating lease are accounted for as a reduction to the expense and recognised, on a straight-line basis over the lease term.

Impairments of Fixed Assets

An assessment is made at each reporting date of whether there are indications that a fixed asset may be impaired or that an impairment loss previously recognised has fully or partially reversed. If such indications exist, the Group estimates the recoverable amount of the asset or, for goodwill, the recoverable amount of the cash-generating unit to which the goodwill belongs.

Shortfalls between the carrying value of fixed assets and their recoverable amounts, being the higher of fair value less costs to sell and value-in-use, are recognised as impairment losses. Impairments of revalued assets, are treated as a revaluation loss. All other impairment losses are recognised in profit or loss.

The carrying amount of the investments accounted for using the equity method is tested for impairment as a single asset. Any goodwill included in the carrying amount of the investment is not tested separately for impairment.

Hedge accounting

To qualify for hedge accounting, the Group documents the hedged item, the hedging instrument and the hedging relationship between them, and the causes of hedge ineffectiveness (such as different maturities, nominal amounts or variable rates, and counterparty credit risk).

The Group elects to adopt hedge accounting for interest rate swaps where:

- the interest rate swap is a qualifying hedging instrument with an external party that hedges interest rate risk on a loan, part of the nominal amount of a loan, or a group of loans managed together that share the same risk and that qualify as a hedged item;
- the hedging relationship between the interest rate swap and the interest rate risk on the loan is consistent with the risk management objectives for undertaking hedges (i.e. to manage the risk that fixed interest rates become unfavourable in comparison to current market rates or the variability in cash flows arising from variable interest rates); and
- the change in the fair value of the interest rate swap is expected to move inversely to the change in the fair value of the interest rate risk on the loan .

Fair value hedge - hedge of fixed interest rate risk

Where an interest rate swap that converts fixed rate debt into variable rate debt qualifies for hedge accounting, it is accounted for as a fair value hedge and changes in the fair value of the interest rate swap are recorded in profit or loss. The change in the fair value of the fixed rate debt that is attributable to the fixed interest rate risk is also recorded in profit or loss and adjusts the carrying amount of the fixed rate debt. Net cash settlements on the interest rate swap are recognised in profit or loss in the period(s) when the net settlements accrue

Zzoomm Group Limited

Notes to the Financial Statements

When a fixed to floating interest rate swap expires, is sold, terminated or exercised, or when the conditions for hedge accounting are no longer met or the Group documents its election to discontinue hedge accounting, any cumulative fair value gains or losses adjusted against the carrying amount of the fixed rate debt are amortised to profit or loss using the effective interest method.

Cash flow hedge - hedge of variable interest rate risk

Where an interest rate swap that converts variable rate debt into fixed rate debt qualifies for hedge accounting, it is accounted for as a cash flow hedge. The cumulative change in the fair value of the interest rate swap is recognised in other comprehensive income up to the amount of the cumulative fair value movement on the variable rate debt that is attributable to the variable interest rate risk. Any excess fair value gains or losses on the interest rate swap not recognised in other comprehensive income are recognised in profit or loss. The gains and losses recognised in other comprehensive income are recorded as a separate component of equity (the cash flow hedge reserve).

Net cash settlements on the interest rate swap are recognised in profit or loss in the period(s) when the net cash settlements accrue

Hedge accounting is discontinued when a floating to fixed interest rate swap expires, is sold, terminated or exercised, or when the conditions for hedge accounting are no longer met or the Group documents its election to discontinue hedge accounting. Any fair value gains or losses accumulated in the cash flow hedge reserve are reclassified to profit or loss, either when the future variable interest rate expense is recognised in profit or loss, or immediately on discontinuation of hedge accounting if future variable interest rate cash flows are no longer expected to occur

Fixed asset investments

Company

In the separate accounts of the company, interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. Interests in subsidiaries, associates and jointly controlled entities are assessed for impairment at each reporting date. Any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

Stocks

Stocks are valued at the lower of cost and estimated selling price less costs to complete and sell. Cost is determined using the FIFO (first in first out) basis and for work in progress, includes direct labour costs and overheads appropriate to the stage of manufacture.

Stocks include routers, fibre cables, cabinet components, toby boxes (highway pot connecting to the network) and duct and other spare parts.

At each reporting date, the Group assesses whether stocks are impaired or if an impairment loss recognised in prior periods has reversed. Any excess of the carrying amount of stock over its estimated selling price less costs to complete and sell, is recognised as an impairment loss in profit or loss. Reversals of impairment losses are recognised in profit or loss.

Provisions

Provisions are recognised when the Group has an obligation at the reporting date as a result of a past event which it is probable will result in the transfer of economic benefits and that obligation can be estimated reliably.

Zzoomm Group Limited

Notes to the Financial Statements

Provisions are measured at the best estimate of the amounts required to settle the obligation. Where the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised within interest payable and similar expenses.

Restructuring

Provisions for restructuring costs are recognised when the Group has a legal obligation or a constructive obligation arising from a detailed formal plan for the restructuring which has been notified to affected parties.

Onerous leases

Provisions are made against operating leases where the unavoidable costs of meeting the contractual lease obligations exceed the economic benefits expected to be received.

Financial Instruments

The Group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102, in full, to all of its financial instruments.

Recognition and measurement of financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Classification of financial instruments

Financial instruments are classified as liabilities and equity instruments according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Financial assets and liabilities at amortised cost

Trade, group and other debtors

Trade, group and other debtors (including accrued income) which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

Where the arrangement with a debtor constitutes a financing transaction, the debtor is initially measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument and subsequently measured at amortised cost, using the effective interest method. The effective interest rate is the market rate used to determine initial measurement adjusted to amortise directly attributable transaction costs.

A provision for impairment of trade debtors is established when there is objective evidence that the amounts due will not be collected according to the original terms of the contract. Impairment losses are recognised in profit or loss for the excess of the carrying value of the trade debtor over the present value of the future cash flows discounted using the original effective interest rate. Subsequent reversals of an impairment loss that objectively relate to an event occurring after the impairment loss was recognised, are recognised immediately in profit or loss.

Trade creditors, group and other creditors

Trade, group and other creditors (including accruals) payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being transaction price less any amounts settled.

Zzoomm Group Limited

Notes to the Financial Statements

Where the arrangement with a creditor constitutes a financing transaction, the creditor is initially measured at the present value of future payments discounted at a market rate of interest for a similar instrument and subsequently measured at amortised cost, being transaction price less any amounts settled and the cumulative amortisation (using the effective interest method) of any difference between the amount at initial recognition and the maturity amount. The effective interest rate is the rate that discounts estimated future cash payments to the carrying amount of the financial liability.

Borrowings

Borrowings are initially recognised at the transaction price and subsequently measured at amortised cost using the effective interest method. Interest expense is recognised on the basis of the effective interest method and is included in interest payable and other similar expenses.

Financial assets and liabilities at fair value

Preference shares

Preference shares issued by the group include an option to convert the preference shares into ordinary equity. The conversion option does not meet the requirements to be classified as equity and therefore the entire preference share obligation has been classified as a non-basic financial liability.

The financial liability is initially and subsequently measured at fair value.

Any fair value adjustment is charged or credited to the profit and loss account as appropriate.

Dividends on preference shares are presented within interest payable and similar expenses.

Equity

Equity instruments

Financial instruments classified as equity instruments are recorded at the fair value of the cash or other resources received or receivable, net of transaction costs, unless the equity instruments are issued to extinguish a financial liability due to a shareholder or a party under common control, or in accordance with the original terms of the financial liability.

Offset of financial instruments

Financial assets and financial liabilities are offset only when the Group currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Derecognition of financial assets and liabilities

A financial asset is derecognised only when the contractual rights to cash flows expire or are settled, or substantially all the risks and rewards of ownership are transferred to another party, or if some (but not substantially all) risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Zzoomm Group Limited

Notes to the Financial Statements

Accounting estimates and areas for judgement

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Share based payments – the estimates and assumptions made have been based on management's experience working in the industry and benchmarking versus similar companies.

Preference shares – the fair value of the preference shares, including the conversion option, have been based on management's experience for the input and review of a third party specialist firm engaged to perform the valuation.

Areas of judgement

In categorising leases as finance leases or operating leases, management makes judgements as to whether significant risks and rewards of ownership have transferred to the Group as lessee, or the lessee, where the Group is a lessor.

3. Revenue

| | Group 2021 £'000 | Group 2020 £'000 |
|---------------|------------------------|------------------------|
| Subscriptions | 415 | 140 |
| Other | 2 | 1 |
| | 417 | 141 |

4. Employees

| | Group 2021 | Group 2020 |
|---|---------------|---------------|
| The average number of persons (including directors) employed was: | | |
| Office and Management | 76 | 29 |
| Field Staff | 116 | 22 |
| Logistics | 7 | 3 |
| | 199 | 54 |

| | Group 2021 £'000 | Group 2020 £'000 |
|--|------------------------|------------------------|
| Staff costs for the above persons (including directors): | | |
| Wages and salaries | 8,607 | 2,874 |
| Social security costs | 776 | 251 |
| Other pension costs | 253 | 87 |
| Cost of employee share schemes (note 18) | 15 | 508 |
| | 9,651 | 3,720 |

Of this £6,092k was capitalised as fixed assets, either as assets under construction or build network assets (2020: £1,220k).

Zzoomm Group Limited

Notes to the Financial Statements

Directors

In respect of the directors of Zzoomm Group Limited

| | Group 2021 £'000 | Group 2020 £'000 |
|---|------------------------|------------------------|
| Staff costs for the above persons: | | |
| Wages and salaries | 750 | 511 |
| Social security costs | 97 | 64 |
| Other pension costs | 18 | 10 |
| Cost of employee share schemes (note 18) | 54 | 129 |
| | 919 | 714 |
| | | |
| | 2021 No. | 2020 No. |
| The number of directors to whom retirement benefits are accruing under money purchase schemes was | 2 | 3 |

Directors emoluments disclosed above include the following payments:

| | | |
|--|---------------|---------------|
| Highest paid director | 2021 £'000 | 2020 £'000 |
| Remuneration | 369 | 232 |
| Company contribution to money purchase pension schemes | 9 | 5 |
| | 378 | 237 |

5. Key Management Personnel

In respect of the key management personnel of Zzoomm Group Limited

| | Group 2021 £'000 | Group 2020 £'000 |
|------------------------------------|------------------------|------------------------|
| Staff costs for the above persons: | | |
| Wages and salaries | 1,236 | 817 |
| Social security costs | 159 | 105 |
| Other pension costs | 32 | 21 |
| Cost of employee share schemes | 54 | 271 |
| | 1,481 | 1,214 |

6. Interest payable and similar expenses

| | Group 2021 £'000 | Group 2020 £'000 | Company 2021 £'000 | Company 2020 £'000 |
|------------------------|------------------------|------------------------|--------------------------|--------------------------|
| Bank Interest Payable | — | 1 | — | — |
| Interest on Borrowings | 324 | — | — | — |
| | 324 | 1 | — | — |

Zzoomm Group Limited
Notes to the Financial Statements

7. Loss before taxation

| | 2021 £'000 | 2020 £'000 |
|--|---------------|---------------|
| Loss before taxation is stated after charging/(crediting): | | |
| Depreciation of tangible fixed assets (note 10) | | |
| - Owned | 629 | 332 |
| Share-based payments (note 18) | 15 | 508 |

Fees payable to RSM UK Audit LLP and its associates in respect of both audit and non-audit services are as follows;

| | 2021 £'000 | 2020 £'000 |
|--|---------------|---------------|
| Audit services - statutory audit of parent and consolidated accounts | 9 | 8 |
| Other services | | |
| Audit services - statutory audit of subsidiary of the Company | 59 | 24 |
| Taxation compliance services | 5 | 5 |
| Other services | 16 | 8 |

8. Taxation

| | 2021 £'000 | 2020 £'000 |
|--|---------------|---------------|
| Analysis of tax charge/(credit) for the period | | |
| Current tax | | |
| UK corporation tax at 19.00% | — | — |
| Deferred tax | | |
| Origination and reversal of timing differences | — | — |
| Tax on profit on ordinary activities | — | — |
| Deferred tax asset not recognised | 3,164 | 1,085 |
| Reconciliation of tax charge | | |
| Loss on ordinary activities before tax | (14,736) | (4,984) |
| Tax on loss on ordinary activities at standard CT rate of 19.00% | (2,800) | (947) |
| Effects of: | | |
| Fixed asset differences | 10 | — |
| Expenses not deductible for tax purposes | 1,397 | 269 |
| Income not deductible for tax purposes | — | (12) |
| Adjustments to brought forward values | 3 | — |
| Other permanent differences | 26 | — |
| Remeasurement of deferred tax for changes in tax rates | (775) | (42) |
| Deferred tax not recognised | 2,139 | 732 |
| Tax charge/(credit) for the period | — | — |

Zzoomm Group Limited
Notes to the Financial Statements

9. Other intangible assets

| | Software and Systems £'000 | Domain Names £'000 | Total £'000 |
|--------------------------------------|-------------------------------------|--------------------------|----------------|
| Cost | | | |
| At 1 st January 2020 | 134 | 6 | 140 |
| Additions | 32 | — | 32 |
| Transfer from Fixed Assets | 20 | — | 20 |
| Transfer to Fixed Assets | (17) | — | (17) |
| 31st December 2020 | 169 | 6 | 175 |
| Amortisation and Impairment | | | |
| At 1 st January 2020 | 7 | — | 7 |
| Charged in the period | 36 | 1 | 37 |
| Transferred to Fixed Assets | (3) | — | (3) |
| 31st December 2020 | 40 | 1 | 41 |
| Carrying Amount | | | |
| At start | 127 | 6 | 133 |
| 31st December 2020 | 129 | 5 | 134 |

| | Software and Systems £'000 | Domain Names £'000 | Total £'000 |
|--------------------------------------|-------------------------------------|--------------------------|----------------|
| Cost | | | |
| At 1 st January 2021 | 169 | 6 | 175 |
| Additions | 339 | — | 352 |
| 31st December 2021 | 508 | 6 | 514 |
| Amortisation and Impairment | | | |
| At 1 st January 2021 | 40 | 1 | 41 |
| Charged in the period | 60 | — | 60 |
| 31st December 2021 | 100 | 1 | 101 |
| Carrying Amount | | | |
| At 1 st January 2021 | 129 | 5 | 134 |
| 31st December 2021 | 408 | 5 | 413 |

The amortisation charge for the period, the impairment losses and reversals of past impairment losses, are recognised within administrative expenses.

The domain name zzoomm.com had no impairment indicators present at period end that determined the need for a full impairment review.

Zzoomm Group Limited
Notes to the Financial Statements

10. Tangible fixed assets

Group 2020

| | Assets Under Construction £'000 | Build Network Assets £'000 | Computer Equipment £'000 | Fixtures & Fittings £'000 | Plant, Machinery, Tools and Equipment £'000 | Leasehold Improvements £'000 | Motor Vehicles £'000 | Total £'000 |
|---------------------------------------|---------------------------------------|-------------------------------------|--------------------------------|------------------------------------|---|------------------------------------|----------------------------|----------------|
| Cost | | | | | | | | |
| At 1 st January 2020 | 1,190 | — | 63 | 17 | 264 | 2 | 17 | 1,553 |
| Additions | 116 | 5,301 | 34 | 1 | 52 | 8 | — | 5,512 |
| Disposals | — | — | (2) | — | — | — | — | (2) |
| Transfers | (1,170) | 1,170 | — | — | — | — | — | — |
| Transfer from/(to) | (20) | — | 17 | — | — | — | — | (3) |
| Intangible Assets | | | | | | | | |
| 31 st December 2020 | 116 | 6,471 | 112 | 18 | 316 | 10 | 17 | 7,060 |
| Depreciation | | | | | | | | |
| At 1 st January 2020 | — | — | (9) | (2) | (20) | — | (2) | (33) |
| Depreciation charged in the period | — | (181) | (38) | (6) | (97) | (4) | (6) | (332) |
| Disposals | — | — | 1 | — | — | — | — | 1 |
| Transfer from/(to) | — | — | (3) | — | — | — | — | (3) |
| Intangible Assets | | | | | | | | |
| 31 st December 2020 | — | (181) | (49) | (8) | (117) | (4) | (8) | (367) |
| Impairment | | | | | | | | |
| At 1 st January 2020 | — | — | — | — | — | — | — | — |
| Charged in the period | — | — | — | — | — | — | — | — |
| 31 st December 2020 | — | — | — | — | — | — | — | — |
| Carrying Amount | | | | | | | | |
| At 1 st January 2020 | 1,190 | — | 54 | 15 | 244 | 2 | 15 | 1,520 |
| 31 st December 2020 | 116 | 6,290 | 63 | 10 | 199 | 6 | 9 | 6,693 |

Zzoomm Group Limited
Notes to the Financial Statements

Group 2021

| | Assets Under Construction £'000 | Build Network Assets £'000 | Computer Equipment £'000 | Fixtures & Fittings £'000 | Plant, Machinery, Tools and Equipment £'000 | Leasehold Improvements £'000 | Motor Vehicles £'000 | Total £'000 |
|--------------------------------------|------------------------------------|-------------------------------|-----------------------------|------------------------------|--|---------------------------------|-------------------------|----------------|
| Cost | | | | | | | | |
| At 1 st January 2021 | 116 | 6,471 | 112 | 18 | 316 | 10 | 17 | 7,060 |
| Additions | 11,709 | 6,646 | 74 | 7 | 13 | — | — | 18,449 |
| Disposals | — | (90) | — | — | — | — | — | (90) |
| Transfers | (61) | 61 | — | — | — | — | — | — |
| 31st December 2021 | 11,764 | 13,088 | 186 | 25 | 329 | 10 | 17 | 25,419 |
| Depreciation | | | | | | | | |
| At 1 st January 2021 | — | (181) | (49) | (8) | (117) | (4) | (8) | (367) |
| Depreciation charged in the period | — | (441) | (66) | (8) | (103) | (5) | (6) | (629) |
| Disposals | — | — | — | — | — | — | — | — |
| 31st December 2021 | — | (622) | (115) | (16) | (220) | (9) | (14) | (996) |
| Impairment | | | | | | | | |
| At 1 st January 2021 | — | — | — | — | — | — | — | — |
| Charged in the period | (58) | — | — | — | — | — | — | (58) |
| 31st December 2021 | (58) | — | — | — | — | — | — | (58) |
| Carrying Amount | | | | | | | | |
| At 1 st January 2021 | 116 | 6,290 | 63 | 10 | 199 | 6 | 9 | 6,693 |
| 31st December 2021 | 11,706 | 12,466 | 71 | 9 | 109 | 1 | 3 | 24,365 |

The depreciation charge for the period and the impairment losses are recognised within administrative expenses.

The impairment losses are in relation to costs for network build regions not progressed and are recognised within administrative expenses.

Zzoomm Group Limited

Notes to the Financial Statements

11. Fixed asset investments

Company

| | 2021 £'000 | 2020 £'000 |
|--------------------------------|---------------|---------------|
| Balance at start of the period | 633 | 125 |
| Capital contributions | 15 | 508 |
| Balance at end of the period | 648 | 633 |

The capital contribution relates to a recharge of share options charges for employees of Zzoomm Plc for options in Zzoomm Group Limited.

Subsidiary undertakings

The Company's subsidiary undertakings are:

| Name of undertaking | Registered Office | Proportion of nominal value of ordinary shares held directly | Nature of Business |
|---------------------|---|--|-----------------------------------|
| Zzoomm Plc | C/O Gordon Dadds Corporate Services Limited Aldgate Tower, 2 Leman Street, London, United Kingdom, E1 8QN | 100% | Network infrastructure and ISP |

12. Stocks

| | Group 2021 £'000 | Group 2020 £'000 | Company 2021 £'000 | Company 2020 £'000 |
|---|------------------------|------------------------|--------------------------|--------------------------|
| Raw materials, consumables and network components | 1,289 | 92 | — | — |
| Routers | 112 | 51 | — | — |
| | 1,401 | 143 | — | — |

Stocks contains items that will be utilised in the network build, and routers that will be issued to customers as part of their installation.

Zzoomm Group Limited
Notes to the Financial Statements

13. Debtors

Amounts falling due within one year:

| | Group 2021 £'000 | Group 2020 £'000 | Company 2021 £'000 | Company 2020 £'000 |
|---|------------------------|------------------------|--------------------------|--------------------------|
| Trade Debtors | 149 | 7 | — | — |
| Amounts owed by subsidiary undertakings (note 11) | — | — | 33,554 | 12,968 |
| Prepayments and accrued income | 688 | 153 | — | — |
| VAT | 509 | 38 | — | 1 |
| Other Debtors | 89 | 25 | — | — |
| Director Loans | 365 | 357 | — | — |
| Rent Deposits | 44 | 21 | — | — |
| Tax Debtor | 119 | 116 | — | — |
| Hedging Asset | 29 | — | — | — |
| | 1,992 | 717 | 33,554 | 12,969 |

Amounts falling due greater than one year:

| | | | | |
|-------------------|--------------|-----------|----------|----------|
| Other Receivables | 87 | 16 | — | — |
| Restricted Cash | 1,000 | — | — | — |
| | 1,087 | 16 | — | — |

Director Loans

During the prior year a loan was provided by Zzoomm plc to one of the directors of Zzoomm Group Limited who is an employee of Zzoomm plc. The loan is repayable on the date that is the earlier of 10 years from the date of the agreement or 12 months from cessation of employment.

The principal amount is £350,000 (2020: £350,000) with interest charged at 0.25% per annum above the HMRC official rate for beneficial loans. As at 31st December 2021 the interest accrued was £16k (2020: £7k).

The tax debtor is s455 tax on the director loan being 35% of the outstanding loan amount including accrued interest.

Hedging Asset

The hedging asset relates to one of two hedging instruments taken out in relation to the borrowings. It is an interest swap option instrument where the Group have the option, but not the obligation, to swap the interest rate due on the variable element of the interest paid on the facility for a fixed rate. It was taken out in October 2021 and is available to be utilised at any point from 1st January 2022 until 23rd September 2023.

Other Receivables

The Group deposits sums externally with Network Fix Limited, whose Director is Matthew Hare, a Director of Zzoomm Group Limited. The sums are required by law to be held in a separate bank account of a separate legal entity to cover obligations to repair and make goods any roads that are damaged during the construction of new networks. See Note 23 for further details.

These are protected in the event the Group or any its subsidiaries enter into administration. At 31st December 2021 the balance held was £87,000 (2020: £16,000).

Zzoomm Group Limited

Notes to the Financial Statements

Restricted Cash

Zzoomm plc deposited a sum of £1m (2020: £nil) in to a restricted access bank account as a debt service reserve account in relation to the external bank loan that was drawn in the year ending 31st December 2021. This will be able to be accessed when the loan is satisfied or utilised by the debt provider in the event of a default on any payment in relation to the loan.

14. Creditors: amounts falling due within one year

| | Group 2021 £'000 | Group 2020 £'000 | Company 2021 £'000 | Company 2020 £'000 |
|--|------------------------|------------------------|--------------------------|--------------------------|
| Trade creditors | 1,217 | 305 | — | 124 |
| Other taxation and social security costs | 417 | 142 | — | — |
| Other creditors | 85 | 32 | — | — |
| Corporation tax creditor | 3 | 116 | — | — |
| Accrued Interest | 285 | — | — | — |
| Hedging liability | 28 | — | — | — |
| Accruals and deferred income | 957 | 961 | 42 | 677 |
| | 2,992 | 1,556 | 42 | 801 |

The hedging liability relates to one of two hedging instruments taken out in relation to the borrowings. It is an interest rate cap instrument and was taken out in October 2021 and is available to be utilised at any point from 1st January 2022 until 23rd September 2023. It was a liability at year end but was not written off to the profit and loss account as it was so early in its valuation.

15. Creditors: amounts falling due after more than one year

| | Group 2021 £'000 | Group 2020 £'000 | Company 2021 £'000 | Company 2020 £'000 |
|------------------------|------------------------|------------------------|--------------------------|--------------------------|
| Preference Shares | 34,613 | 6,900 | 34,613 | 6,900 |
| Borrowings | 11,442 | — | — | — |
| Contractual Retentions | 94 | — | — | — |
| | 46,149 | 6,900 | 34,613 | 6,900 |

Preference Shares

Preference shares treated as debt pertains to £28.3m of preference shares, containing £21.4m of preference shares issued during the year (2020: £6.9m).

The Preference shares are able to be converted to Ordinary shares at the holder's option after 31st December 2021. There are various conversion prices depending on company performance which are commercial in nature.

The conversion option does not qualify for recognition as an equity instrument and therefore the liability has been recognised as a non-basic liability. They have been accounted for at fair value at initial recognition, and are re-measured to fair value at each year end.

Any changes in fair value have been recognised in profit and loss. In 2021 there was a charge of £6,313k (2020: nil) giving a fair value of preference shares recognised as £34,613k (2020: £6,900k).

Zzoomm Group Limited

Notes to the Financial Statements

The shares carry a fixed cumulative preferential dividend with a coupon rate of 12.5% of the issue price per share, compounded on the anniversary of each issue. Any conversion to Ordinary shares will result in a waiver of any unpaid dividends.

The Preference shares each carry the right to one vote at general meetings of the Company.

On a return of capital event the preference shares rank behind MIP shares (see note 17) but ahead of all other classes.

| | 2021 Number | 2020 Number |
|---|----------------|----------------|
| Allotted, issued and fully paid: Preference Shares of £0.01 each | 2,830,000,000 | 690,000,000 |

Borrowings

The Group's subsidiary, Zzoomm Plc, contracted a bank borrowing facility on 30th September 2021 with access to up to £100m, as at 31st December 2021 the amount drawn and owed is £11.4m (2020: £nil).

The borrowings mature and become repayable in full in 2026, and bear fixed-rate interest of 4.5% above a variable SONIA rate (2020: Not applicable). The Group makes quarterly repayments of the interest incurred on the bank borrowings.

The Group incurs a 1.575% interest rate charge on any undrawn facility.

The Group is subject to externally imposed restrictions and must seek approval from the principal lending bank for any capital transactions that the Group wishes to enter into that are in excess of £1 million.

The financial instrument created a financial risk of interest rate movement to the Group due to the variable interest rate of SONIA so the Group purchased two hedging instruments to mitigate that risk.

The loan is a basic financial instrument and is measured at amortised cost using the effective interest method.

All bank borrowings are denominated and paid in pound sterling.

Contractual Retentions

Contractual retentions relate to monies held back contractually from sub-contractors as a warranty for 2 years from the invoice date to cover the cost of any potential remediation work. Any remaining balance is paid to the sub-contractor at the end of that period.

Zzoomm Group Limited
Notes to the Financial Statements

16. Financial instruments

| | Group 2021 | Group 2020 | Company 2021 | Company 2020 |
|--|---------------|---------------|-----------------|-----------------|
| Financial Assets | | | | |
| Financial assets measured at amortised cost | 8,222 | 2,406 | 34,325 | 13,892 |
| Financial assets measured at fair value through reserves | 29 | - | - | - |
| Financial Liabilities | | | | |
| Financial liabilities measured at amortised cost | 13,605 | 1,263 | 42 | 802 |
| Financial liabilities measured at fair value through the profit and loss | 34,640 | 6,900 | 34,613 | 6,900 |

Financial assets measured at amortised cost comprise of cash balances, trade debtors and other debtors at year end.

Financial assets measured at fair value through reserves comprise of the interest rate swap option hedging instrument.

Financial liabilities measured at amortised cost comprise of trade creditors, accruals, other creditors and bank loans.

Financial liabilities measured at fair value through the profit and loss comprise of preference shares and the interest rate cap hedging instrument.

17. Share capital and reserves

Share capital

| | 2021 Number | 2020 Number |
|----------------------------------|----------------|----------------|
| Allotted, issued and fully paid: | | |
| Ordinary shares of £0.01 each | 35,270,925 | 34,638,725 |
| Ordinary A shares of £0.01 each | 1,322,400 | 1,322,400 |
| MIP Shares of £0.01 each | 650,000 | 500,000 |

Ordinary share rights

The Company's ordinary shares, which carry no right to fixed income, each carry the right to one vote at general meetings of the Company.

Ordinary A share rights

The Company's ordinary A shares, which carry no right to fixed income, each carry the right to one vote at general meetings of the Company.

MIP share rights

The Company's MIP shares, which carry no right to fixed income, carry no rights to vote at general meetings of the Company.

Preference shares

The preference shares are classified as liabilities and their terms are set out in note 15.

Zzoomm Group Limited

Notes to the Financial Statements

Share issues

During the period 632,200 (2020: 225,600) Ordinary shares with a nominal value of £0.01 were issued for cash consideration of £95,504 (2020: £15,792) as a result of exercises of share options.

During the period zero (2020: 322,400) Ordinary A shares with a nominal value of £0.01 were issued (2020: for cash consideration of £3,224).

150,000 new MIP shares with a nominal value of £0.01 were issued for cash consideration of £1,500 (2020: 500,000 MIP shares with a nominal value of £0.01 were issued for cash consideration of £5,000). These shares were issued to incentivise management and reward in future growth in the value of shareholder equity.

120,000 MIP shares lapsed and were transferred to new MIP shareholders.

Share option scheme

The directors authority to grant options over 7,000,000 ordinary shares of the Company for £0.01 per ordinary share, to a maximum of £70,000 expired in the year ending 31st December 2020.

Reserves

Reserves of the Group represent the following:

Share Premium

Consideration received for shares issued above their nominal value net of transaction costs.

Share-based Payment Reserve (note 18)

The cumulative share-based payment expense.

Cash Flow Hedge Reserve

Gains and losses arising on interest rate swaps and rate cate which have been designated as hedges for hedge accounting purposes.

Profit and loss account

Cumulative profit and loss net of distributions to owners.

18. Share-based payments

Equity-settled share option plan

Under the Group plan, share options are granted at the most recent external issue price of the Company's shares at the grant date. The employee is entitled to exercise one third of their share options on each anniversary from the grant date (the "vesting period"). If options remain unexercised after a period of 10 years from the date of grant, the options expire. Furthermore, options are forfeited if the employee leaves the Group before they become entitled to exercise the share options. Any options eligible to be exercised at the leave date but not exercised will also be forfeited unless a "good leaver" status has been agreed by the Company.

The share options are in Zzoomm Group Limited and are issued to select employees of Zzoomm Plc.

Zzoomm Group Limited
Notes to the Financial Statements

| | Zzoomm 2019 Scheme | | Zzoomm 2020 Scheme | |
|------------------------------------|-------------------------|---------------------------------|-------------------------|---------------------------------|
| | Number of Share Options | Weighted Average Exercise Price | Number of Share Options | Weighted Average Exercise Price |
| Outstanding at start of the period | 1,450,000 | £0.32 | 1,344,000 | £0.07 |
| Granted during the prior period | — | £0.32 | 96,000 | £0.07 |
| Forfeited during the period | (545,000) | £0.32 | — | £0.07 |
| Exercised during the period | (205,000) | £0.32 | (427,200) | £0.07 |
| Outstanding at 31 December 2021 | 700,000 | £0.32 | 1,012,800 | £0.07 |
| Exercisable at 31 December 2021 | 291,000 | £0.32 | 1,012,800 | £0.07 |

The weighted average fair value of options granted in the period was determined using the Black-Scholes option pricing model. The Black-Scholes model is considered to apply the most appropriate valuation method due to the relatively short contractual lives of the options and the requirement to exercise within a short period after the employee becomes entitled to the shares (the "vesting date").

The expected life used in the model has been adjusted, based on management's best estimate, for the effect of non-transferability, exercise restrictions, and behavioural considerations.

Non-vesting conditions and market conditions are taken into account when estimating the fair value of the option at grant date. Service conditions and non-market performance conditions are taken into account by adjusting the number of options expected to vest at each reporting date.

The options have a vesting condition relating to service - where a grant of shares or share options is conditional on the employee being employed at the time of exercising vested share options.

The £15k (2020: £508k) share based payment charge in the period has been recharged 100% to the subsidiary Zzoomm Plc as the option holders are all employees of the subsidiary and their services provided to it.

The net charge is a result of a £57k charge for options vested in the period combined with a credit of £42k for options forfeited by leavers.

96,000 of options granted with an exercise price of £0.07 in the Zzoomm 2020 scheme were granted during the course of 2020 but omitted from the schedule in the prior year financial statements.

The total carrying amount at the end of the period for liabilities arising from share-based payment transactions is £548k (2020: £533k).

Zzoomm Group Limited
Notes to the Financial Statements

19. Reconciliation of loss after tax to net cash generated from/(used in) operations

| | Note | Group 2021 £'000 | Group 2020 £'000 |
|--|------|------------------------|------------------------|
| Loss after tax | | (14,736) | (5,172) |
| Adjustments for: | | | |
| Depreciation of tangible fixed assets | 10 | 629 | 335 |
| Impairment of tangible fixed assets | 10 | 58 | — |
| Amortisation of intangible assets | 9 | 60 | 34 |
| Share based payment expense | 18 | 15 | 508 |
| Fair Value Losses/(Gains) on Financial Instruments | | 6,313 | — |
| (Gain)/loss on disposal of tangible fixed assets | | 90 | — |
| Interest Receivable | | (8) | (7) |
| Interest Payable | | 324 | 1 |
| Operating cash flows before movements in working capital | | | |
| Decrease/(increase) in stock | | (1,259) | (39) |
| Decrease/(increase) in trade and other debtors | | (1,274) | (399) |
| Decrease/(increase) in non-current other receivables | | (1,071) | — |
| Increase/(decrease) in trade and other creditors | | 1,150 | 705 |
| Increase/(decrease) in preference share interest | | — | 188 |
| Increase/(decrease) in borrowings interest | | 285 | — |
| Increase/(decrease) in non-current liabilities | | 94 | — |
| Cash used in operations | | (9,330) | (3,846) |

20. Consolidated analysis of changes in net debt

| | 1 Jan 2021 £'000 | Cash Flow £'000 | Other non- cash movement £'000 | 31 Dec 2021 £'000 |
|--------------------------|---------------------|--------------------|---|-------------------------|
| Cash at bank and in hand | 1,980 | 4,506 | — | 6,486 |
| Preference Shares | (6,900) | (21,400) | (6,313) | (34,613) |
| Bank Loan | — | (11,441) | — | (11,441) |
| Debt Due after 1 year | (6,900) | (32,841) | — | (46,054) |
| Total Net Debt | (4,920) | (28,335) | (6,313) | (39,568) |

21. Financial commitments, guarantees and contingencies

| | Group 2021 £'000 | Group 2020 £'000 | Company 2021 £'000 | Company 2020 £'000 |
|--|------------------------|------------------------|--------------------------|--------------------------|
| The financial commitments, guarantees and contingencies not provided for comprise: | | | | |
| Commitments under operating leases | 4,208 | 122 | — | — |

Zzoomm Group Limited

Notes to the Financial Statements

22. Commitments under operating leases

The Group as a lessee

The total future minimum lease payments under non-cancellable operating leases are as follows

| Group | 2021 £'000 | 2020 £'000 |
|--|---------------|---------------|
| Amounts due: | | |
| Within one year | | |
| - Vehicles | 1,499 | 15 |
| - Property | 155 | 107 |
| | 1,654 | 122 |
| Between one and five years | | |
| - Vehicles | 2,508 | 15 |
| - Property | 46 | 107 |
| | 2,554 | 122 |
| Group | 2021 £'000 | 2020 £'000 |
| Amounts paid on operating leases | 868 | 260 |
| Amounts capitalised as part of the network build costs in the period | (818) | (202) |
| Amounts charged in the year to the Profit and Loss account | 50 | 58 |

23. Related party transactions

Transactions between the Group and its related parties are disclosed below:

During the period, group companies entered into the following transactions with related parties who are not members of the Group:

| | 2021 £'000 | 2020 £'000 |
|---|---------------|---------------|
| Amounts owed by related parties at period end (note 13) | 87 | 16 |

Network Fix Limited

Network Fix Limited are a related party of the Group because of Matthew Hare, a common director and shareholder. Network Fix Limited has a fixed charge over the assets of the subsidiary Zzoomm Plc as security for the performance of Zzoomm Plc's payment obligation in relation to network build quality.

Director Loans

During the prior year a loan was provided to one of the directors of Zzoomm Group Limited who is an employee of Zzoomm plc. The loan is repayable on the date that is the earlier of 10 years from the date of the agreement or 12 months from cessation of employment.

The principal amount is £350,000 (2020: £350,000) with interest charged at 0.25% per annum above the HMRC official rate for beneficial loans. As at 31st December 2021 the interest accrued was £15,500 (2020: £7,000).

24. Ultimate parent company and ultimate controlling party

The directors consider the ultimate controlling party to be OCM Luxembourg Fibre Holdings SARL, a company resident in Luxembourg.