

## **Zzoomm Group Limited**

### **Zzoomm Group Limited Consolidated Accounts**

Company number 11734368

For the year ending 31<sup>st</sup> December 2022

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## **Zzoomm Group Limited**

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## **Zzoomm Group Limited**

### **Strategic Report**

#### ***Strategic overview and outlook***

Zzoomm is an established and rapidly growing Full Fibre network operator, building and providing FTTP (fibre to the premises) in market towns and other small urban communities where there is no widespread or minimal access to a Full Fibre network.

Zzoomm is building communications infrastructure for consumers and businesses which will generate long term returns. In addition to its rapid organic roll out programme, Zzoomm is actively looking to acquire other Full Fibre network operators.

The Group's focus is on serving the needs of customers directly through a great value and high-quality broadband service. Zzoomm's standout challenger brand continues to be synonymous with excellent customer focus, transparency, quality of service and product reliability as well as connection speeds innovation.

As at March 2023, Zzoomm was operating in 14 towns and has over 110,000 homes and businesses Ready for Service and over 10,000 customers under contract. Customer take-up continues at a steady pace, and the first network to be completed in November 2020 in Henley-on-Thames has better than 27% penetration.

Zzoomm, which is backed by Oaktree Fibre Holdings S.à r.l. ("Oaktree"), is headquartered in Oxford and has seven regional offices to drive infrastructure planning and build at a local level in its target market towns.

During 2022, the Group received further funding from Oaktree and drew down from the £100m secured Bank financing facility from ING, Hamburg Commercial Bank and Kommunalkredit. As at 31<sup>st</sup> December 2022 £75m of the facility had been utilised.

#### ***Outlook***

Now in its fourth 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.

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 other urban communities in 2023.

#### ***Markets***

There are approximately 31 million properties in the UK, of which approximately fourteen 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. As at March 2023, Zzoomm has over 110,000 homes and businesses Ready for Service and over 10,000 customers under contract.

## **Zzoomm Group Limited**

### **Strategic Report**

#### *Network and infrastructure*

Zzoomm 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 at speeds typically from 150Mbps to 2000 Mbps.

All residential services and the majority of business services use XGS-PON technology to deliver the Zzoomm broadband service. Zzoomm also delivers very high capacity dedicated communications services over 10Gbps or 100Gbps bearers for enterprises using point-to-point fibre across the same network routes.

The Zzoomm Full Fibre network is built using a combination of new build and wholly owned underground ducts, Zzoomm utility poles with overhead fibre and also sub-ducts within the BT Openreach network and overhead fibre on BT Openreach poles.

Zzoomm has regional offices covering for the management of the network roll-out. These local offices drive infrastructure planning and deployment to meet the requirements of local residents and the local authority and to minimise resident disruption.

#### *Construction*

Over the last three years, Zzoomm has employed its own construction teams alongside third-party contractors, to build the infrastructure needed in the larger towns – such as Hereford, Crewe and Cannock. Most other alt net operators use third party contractors alone.

During 2023, Zzoomm is shifting to a principally contractor-based construction business model as the numerous new towns, where there is the opportunity to build the first full fibre network, are smaller and more spread out. This will enable the roll out programme to continue to accelerate whilst being more flexible.

This is resulting in a reduction in the number of direct employees in its own build teams during the year to date in 2023.

#### *Towns, customers and service*

In 2022, the Group commenced network construction in Wombourne, Winsford, Stokesley, Great Ayton, Northwich and South Elmsall as well as settlements surrounding the on-going builds of Hereford, Northallerton, Cannock, Crewe. Zzoomm has completed the core build of networks in Crowthorne, Sandhurst, Thirsk & Easingwold in 2021 and Henley-on-Thames in 2020. In 2023, the company has commenced construction in the surrounding towns and settlements of the existing core building areas.

As at the end of 2022, there were circa 94,000 properties ready for service (2021: 10,000) with circa 6,300 customers connected to the Zzoomm network (2021: 1,400) with planning well underway for a number of new towns where construction will commence in 2023.

At the end of April 2023, these numbers had increased to circa 135,000 properties ready for service (March 2022: 28,500) and circa 11,000 customers (March 2022: 1,900).

Zzoomm is actively recruiting new people in the customer and field service functions, sales and marketing.

## **Zzoomm Group Limited**

### **Strategic Report**

#### **Financial Results**

In the 12 months to 31 December 2022, Group revenue increased to £1.1m (2021: £0.4m) as the recurring subscription revenue began to accelerate in all regions.

The Group made an operating loss of £12.3m (2021: operating loss of £8.1m) in the period, driven by the continued overhead investment required to expand the building progress.

Building continued and increased to the end of 2022; £90.2m had been spent on network build as at 31 December 2022 (2021: £25.5m as at 31 December 2021). This is in line with the Board's roll out plans.

At the end of the year, the Group cash balance was £18.3m (31 Dec 21: £6.5m).

#### **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:** The cost of advertising and acquiring a customer to connect to the network.
- **Cost Per Property Connected:** This is the cost of build and connection to a property on the network.
- **Penetration:** Number of customers acquired as a proportion of the properties ready for service.
- **Number of properties Ready For Service,** defined as a property served by the network where a customer can be connected and given an operational service 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.

The Group is committed to challenging the large ISPs 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.

The Group'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.

## **Zzoomm Group Limited**

### **Strategic Report**

#### **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 minimalizing 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.

#### **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 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 2022 the rate of new Full Fibre build in the UK has accelerated significantly. The market has seen further new entrants to the industry, 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 to 45%\* 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

## **Zzoomm Group Limited**

### **Strategic Report**

#### **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 but 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.

##### ***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***

In 2022 and continued into 2023 we have seen a marked increase in cost inflation caused by a number of supply side issues and the impact of the Cost of Living crisis.

This has resulted in salary increases by the Group to its employees and also seen supplier price increases across the board.

##### ***Equipment Supply***

The ongoing events in Ukraine in 2023 are likely to have a significant impact on the European electronics marketplace and the continued impact of the 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 Group attempts to proactively avoid staff shortages by focusing on staff development and retention. The Group maintains a constant recruitment process to fill gaps caused by any churn in the labour force.

## **Zzoomm Group Limited**

### **Strategic Report**

#### ***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.

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

DocuSigned by:

*Matthew Hare*

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Matthew Hare

Director

5<sup>th</sup> June 2023



## **Zzoomm Group Limited**

### **Directors' Report**

The Directors present their annual report and the audited consolidated financial statements for the period ended 31<sup>st</sup> December 2022.

The Company has chosen in accordance with Companies Act 2006, s.414C(11) to set out in the company's Strategic Report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in Directors' Report. It has done so in respect of 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.

### ***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 (resigned 18<sup>th</sup> April 2023)

Martin Graham

Pablo Velez-Calvo (resigned 27<sup>th</sup> April 2022)

Josef Mattar (appointed 28<sup>th</sup> April 2022)

Julian Smith (appointed 18<sup>th</sup> May 2022)

### ***Dividends***

No dividends were paid or declared during the period (2021: None).

### ***Disclosure of information to auditors***

The Directors who held office at the date of approval of the 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 2022.

## Zzoomm Group Limited

### Directors' Report

#### Energy and Carbon Reporting

For the current reporting period Zzoomm Group Limited (including its subsidiaries) (Zzoomm) is classified as a large unquoted company under the definitions set in Section 465 and 466, Chapter 15 of Companies Act 2006, it needs to comply with the new government legislation implemented by The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 ("the 2018 Regulations") on Streamlined Energy and Carbon Reporting (SECR).

To fulfil this, we have measured our UK energy and greenhouse gas emissions as classified within Scope 1, Scope 2 and mandatory element of Scope 3 of the Streamlined Energy and Carbon Reporting (SECR) regulations, which are presented in tables 1 and 2 as these are material to our organisation's activities.

We are not reporting non-mandatory elements of Scope 3 energy and GHG emissions as these are not material to our organisation.

Prior period emissions are provided for comparative purposes.

#### Organisational and operational boundaries of the Company

Zzoomm's structural and operational boundaries are the same. Zzoomm currently operates from 13 locations (2021: 14) in the UK. The sites comprise head office, regional offices and yards. In addition, Zzoomm also operates 48 cabinets (2021: 18) which creates the Zzoomm internet network.

#### Environmental Performance

Zzoomm decided to follow and adapt, for SECR reporting, a widely recognised Greenhouse Gas Reporting Protocol – Corporate Standard methodology. As at 31 December 2022 the Company's energy usage and associated carbon emissions for the SECR year 1 (1 January to 31 December 2021) and SECR year 2 (1 January to 31 December 2022) were as follows:

**Table 1: Total energy consumption and associated greenhouse gas emissions from Scope 1, Scope 2 and Scope 3 for SECR Year 2 reporting period.**

Energy Type:		SECR Year 2: Reporting Period 2022			
		Energy Use (kWh)	% Split (kWh)	Emissions	% Split
				(tCO <sub>2</sub> e/yr.)	(tCO <sub>2</sub> e)
Combustion of Gas	(Scope 1)	10,749	0.09%	2.0	0.07%
Electricity	(Scope 2)	482,653	4.21%	93.3	3.39%
Transport – Fuel Cards & Red Diesel	(Scope 1)	9,951,151	86.71%	2,398.5	87.26%
Transport – Grey Fleet	(Scope 3)	1,031,905	8.99%	255.0	9.28%
<b>Total</b>	<b>(Scope 1, 2 and 3)</b>	<b>11,476,458</b>	<b>100.00%</b>	<b>2,748.8</b>	<b>100.00%</b>

**Table 2: Total energy consumption and associated greenhouse gas emissions from Scope 1, Scope 2 and Scope 3 for SECR Year 1 reporting period**

Energy Type:		SECR Year 1: Reporting Period 2021			
		Energy Use (kWh)	% Split (kWh)	Emissions	% Split
				(tCO <sub>2</sub> e/yr.)	(tCO <sub>2</sub> e)
Combustion of Gas	(Scope 1)	3,382	0.14%	0.6	0.11%
Electricity	(Scope 2)	145,879	5.95%	30.7	5.28%
Transport – Fuel Cards & Red Diesel	(Scope 1)	2,086,866	85.19%	497.2	85.53%
Transport – Grey Fleet	(Scope 3)	213,731	8.72%	52.8	9.08%
<b>Total</b>	<b>(Scope 1, 2 and 3)</b>	<b>2,449,858</b>	<b>100.00%</b>	<b>581.3</b>	<b>100.00%</b>

## Zzoomm Group Limited

### Directors' Report

#### Intensity ratio

Intensity ratios compare emissions data with an appropriate business metric or financial indicator. This allows a comparison of energy efficiency performance over time and with other similar types of organisation. Zzoomm has chosen to compare overall energy consumption and associated emissions against the total number of average full-time employees, the number of customers and the number of properties passed for the reporting period.

**Table 3 Intensity Ratio - Energy consumption and associated GHG emissions per the number of Full Time Employees (FTE)**

Reporting Year	Total Energy Consumption (kWh)	Total GHG emissions (tCO <sub>2</sub> e)	Number of Full Time Employees (-)	Intensity Ratio (kWh/ Full Time Employee)	Intensity Ratio (tCO <sub>2</sub> e/ Full Time Employee)
SECR Year 1 2021	2,449,858	581.35	199	12,310.8	2.921
SECR Year 2 2022	11,476,458	2,748.7	507	22,636.0	5.422

**Table 4 Intensity Ratio - Energy consumption and associated GHG emissions per number of customers**

Reporting Year	Total Energy Consumption (kWh)	Total GHG emissions (tCO <sub>2</sub> e)	Customers number (-)	Intensity Ratio (kWh/ Number of customers)	Intensity Ratio (tCO <sub>2</sub> e/ Number of customers)
SECR Year 1 2021	2,449,858	581.35	1,143	2,143.4	0.509
SECR Year 2 2022	11,476,458	2,748.7	7,187	1,596.84	0.382

**Table 5 Intensity Ratio - Energy consumption and associated GHG emissions per properties passed**

Reporting Year	Total Energy Consumption (kWh)	Total GHG emissions (tCO <sub>2</sub> e)	Properties Passed (-)	Intensity Ratio (kWh/ Number of properties passed)	Intensity Ratio (tCO <sub>2</sub> e/ Number of properties passed)
SECR Year 1 2021	2,449,858	581.35	10,291	238.1	0.056
SECR Year 2 2022	11,476,458	2,748.7	83,296	137.78	0.033

Energy intensity ratios are calculated and presented as advised by the Department of Business Energy and Industry Strategy (BEIS) recommendations.

## **Zzoomm Group Limited**

### **Directors' Report**

#### ***Energy Efficiency Actions***

Due to the ongoing COVID-19 pandemic, Zzoomm was limited in undertaking energy efficiency actions in the 2021 period.

Usage increased in 2022 as the business was in a major growth phase and due to the network and customer base expansion requiring an increase in the number of cabinets.

In 2022 where possible electricity accounts were opened with renewable energy suppliers, with smart meters to monitor usage.

2023 will be another growth year in which the carbon emissions will increase as the build continues and network and customer growth will necessitate further cabinets. Zzoomm will consider what actions it is able to carry out during the 2023 financial year to improve efficiency during this period.

#### **Methodology**

The methodology used for determining energy and carbon emissions comes from a number of sources of our greenhouse emissions

- Natural gas used for heating the building we occupy (Scope 1)
- Electricity used for lighting; heating, ventilation and air conditioning (HVAC), and the operation of internet network cabinets (Scope 2)
- Transport activities, consumption use by company cars, vans and plant machinery as well as by grey fleet operated for transport and business travel purposes (Scope 1 and Scope 3)

The electricity consumption for all our 48 internet network cabinets was determined from monthly invoices.

The electricity for the most of our offices was also determined from actual readings and monthly invoices. There was limited information available for electricity consumption in our yards. We used the information that was available to calculate the electricity used in the other yards based on the relative floor area. Where gas invoices were not available, we checked the energy performance certificates (EPC) for that office to see if they were electricity only offices.

Transport scope 3 emissions from the use of personal vehicles (grey fleet) on business travel was determined from mileage claims, engine size and fuel type held in our expenses system.

Transport scope 1 emission from company leased cars, vans and plant machinery was determined from fuel card reports and the accurate quantities of purchased petrol, diesel and red diesel fuels.

Greenhouse gas emissions have been calculated using the UK Government approved and published conversion factors for company reporting, 2021 and 2022 as appropriate.

## **Zzoomm Group Limited**

### **Directors' Report**

#### ***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, to complete existing network builds, and to fund on-going operational costs and capital investment. In September 2020 Oaktree entered in to a subscription agreement for £100m. At 31st December 2022, the Group has drawn down £62.8m of the £100m facility (2022: £24.3m), As at the date of signing the accounts a further £25.0m of additional funding has been provided by Oaktree.

In September 2021 the Group entered into a debt facility with three banks providing access to up to £100m to accelerate the growth of the Group and bring forward planned network build commencement dates. At the date of signing of these accounts the full £100m had been accessed.

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 the availability of additional funding by Oaktree. The directors are confident that Oaktree will continue to provide the required funding as Oaktree has provided written confirmation of their intention to provide continued financial support to the Group for the foreseeable future, defined as at least 12 months from the date of signing the Zzoomm Group Limited financial statements for the year ended 31 December 2022.

#### ***Events subsequent to the year end***

Over the last three years, Zzoomm has recruited and employed its own construction teams, to work alongside contractors to build the completed infrastructure needed in each town it targeted, such as Henley, Sandhurst, Hereford, Crewe, Cannock and Thirsk.

It is normal business practice for any network builder to leave a location once construction in that area is completed - and this can result in redundancies for employees unable to take on roles in new locations. Hereford and some towns in the North have reached the end of their build programme and thus a redundancy process is under way.

A combination of changing market conditions, where the numerous new business opportunities are more disparate in size and location, means that Zzoomm is now shifting even further to a contractor-based construction business model and away from having a large less geographically flexible directly employed workforce.

During Q2 2023 a restructure took place to align the headcount and operations to operate under this model. This will enable the roll out programme to be more flexible and cost effective. However, it will result in a reduction in the number of employees in its own build teams over the course of 2023. This has no impact on Zzoomm's existing network.

Zzoomm provides exemplary full fibre service and will continue to invest adding new people in the customer and field service functions to support all our existing happy customer's and within sales and marketing to help add many more new and happy customers onto the growing full fibre network.

## **Zzoomm Group Limited**

### **Directors' Report**

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

##### **Employee engagement**

Attracting, developing, and advancing talent at all levels of 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 in developing their leadership 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, equality 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, equality and inclusion 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-company 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 and wellbeing of our employees. We have various programmes and initiatives which can be accessed without fear and trepidation by any team member that may need support.

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.

#### **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.

## **Zzoomm Group Limited**

### **Directors' Report**

#### **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 directors' 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 on 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 a variety of 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, equality 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.

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'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.

## **Zzoomm Group Limited**

### **Directors' Report**

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.

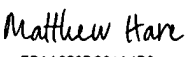
The Board, including its non-executive members, meets regularly to discuss and reflect on the Group's progress and strategic direction. The non-executive board members have an integral role in ensuring the effective execution of our strategy, whilst remaining true to our core values. The Board plays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

### **Acting fairly between shareholders of Zzoomm Group Limited**

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

DocuSigned by:  
  
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Matthew Hare  
Director  
5th June 2023

## **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 ZOOMM GROUP LIMITED**

### **Opinion**

We have audited the financial statements of Zoomm Group Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2022 which comprise Consolidated Profit and Loss, Consolidated and Company Balance Sheet, Consolidated and Company Statement of Changes in Equity, Consolidated Statement of Cash Flows 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 2022 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 19, 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 the group's tax advisers.

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 high-risk 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, 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.

*RSM UK Audit LLP*

Neil Mellor (Senior Statutory Auditor)

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

Chartered Accountants

Davidson House

Forbury Gardens

RG1 3EU

6 June 2023

**Zzoomm Group Limited**

Company Registration Number 11734368

**Financial Statements*****Consolidated Profit and Loss Account***Year ending 31<sup>st</sup> December

	Notes	2022 £'000	2021 £'000
Turnover	3	1,211	417
Cost of Sales		(835)	(244)
Gross Profit		376	173
Administrative expenses		(12,682)	(8,281)
Operating loss		(12,306)	(8,108)
Fair Value Adjustment of Financial Instruments		320	(6,312)
Interest Payable	6	(3,990)	(324)
Interest Receivable		8	8
Loss before taxation	7	(15,968)	(14,736)
Tax on loss	8	—	—
Loss after taxation and loss for the financial period		(15,968)	(14,736)



**Zzoomm Group Limited**

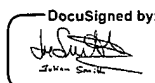
Company Registration Number 11734368

**Balance Sheet as at 31st December**

	Notes	Group 2022 £'000	Group 2021 £'000	Company 2022 £'000	Company 2021 £'000
<b>Fixed Assets</b>					
Intangible assets	9	830	413	—	—
Tangible assets	10	92,639	24,365	—	—
Investments	11	—	—	647	648
		93,469	24,778	647	648
<b>Current Assets</b>					
Stocks	12	9,230	1,401	—	—
Debtors	13	8,274	1,992	70,132	33,554
Cash at bank and in hand		18,320	6,486	1,098	770
		35,824	9,879	71,230	34,324
<b>Creditors:</b>					
Amounts falling due within one year	14	(7,397)	(2,992)	(327)	(42)
<b>Net Current Assets</b>		28,427	6,887	70,903	34,282
<b>Non Current Assets</b>	13	1,225	1,087	—	—
<b>Total assets less current liabilities</b>		123,121	32,752	71,550	34,930
<b>Creditors: Amounts falling due after more than one year</b>	15	(148,346)	(46,149)	(72,816)	(34,613)
<b>Net Assets</b>		(25,225)	(13,397)	(1,266)	317
<b>Capital and Reserves</b>					
Called up share capital	17	383	372	383	372
Share premium account	17	7,824	7,771	7,824	7,771
Share Based Payment reserves	18	547	548	547	548
Cash Flow Hedge Reserve	17	4,078	1	—	—
Profit and loss account	17	(38,057)	(22,089)	(10,020)	(8,374)
<b>Total Equity</b>		(25,225)	(13,397)	(1,266)	317

The Company's loss for the period was £1.6m (2021: £6.6m).

The financial statements on pages 23 to 52 were approved by the Board of Directors and authorised for issue on 5<sup>th</sup> June 2023 and are signed on its behalf by:

DocuSigned by:  
  
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Julian Smith – Director

**Zzoomm Group Limited**

Company Registration Number 11734368

**Consolidated Statement of Changes In Equity**For the year ending 31<sup>st</sup> December 2021 and year ending 31<sup>st</sup> December 2022

	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 <sup>st</sup> January 2021	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 <sup>st</sup> December 2021	372	7,771	548	1	(22,089)	(13,397)
Loss for the period	—	—	—	—	(15,968)	(15,968)
Total Comprehensive Loss for the period	—	—	—	—	(15,968)	(15,968)
Issue of shares	11	53	—	—	—	64
Issue of share options	—	—	(1)	—	—	(1)
Hedge of variable interest rate risk:						
Fair value gains/(losses) on effective hedge	—	—	—	4,077	—	4,077
Balance at 31 <sup>st</sup> December 2022	383	7,824	547	4,078	(38,057)	(25,225)

**Zzoomm Group Limited**

Company Registration Number 11734368

**Company Statement of Changes In Equity**For the year ending 31<sup>st</sup> December 2021 and year ending 31<sup>st</sup> December 2022

	Share Capital £'000	Share Premium £'000	Share Based Payments £'000	Profit and Loss account £'000	Total £'000
Balance at 1 <sup>st</sup> January 2021	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 <sup>st</sup> December 2021	372	7,771	548	(8,374)	317
Loss for the period	—	—	—	(1,646)	(1,646)
Total Comprehensive Loss for the period	—	—	—	(1,646)	(1,646)
Issue of shares	11	53	—	—	64
Issue of share options	—	—	(1)	—	(1)
Balance at 31 <sup>st</sup> December 2022	383	7,824	547	(10,020)	(1,266)

**Zzoomm Group Limited**

Company Registration Number 11734368

**Consolidated Statement of Cashflows**For the year ending 31<sup>st</sup> December 2021 and year ending 31<sup>st</sup> December 2022

	Group 2022 £'000	Group 2021 £'000
Operating Activities (Note 19)	(16,025)	(9,330)
Cash generated from operations	(16,025)	(9,330)
Net Cash used in operating activities	(16,025)	(9,330)
Purchase of intangible assets	(520)	(339)
Purchase of tangible fixed assets	(70,859)	(18,449)
Proceeds on disposal of tangible assets	28	—
Interest Received	8	8
Net Cash used in investing activities	(71,343)	(18,780)
Financing Activities		
Proceeds from issue of ordinary and ordinary A shares	62	96
Proceeds from issue of MIP shares	1	2
Proceeds of new borrowings	63,558	11,442
Proceeds from issue of preference shares	38,524	21,400
Interest Paid	(2,943)	(324)
Net Cash from Financing Activities	99,202	32,616
Net increase/(decrease) in cash and cash equivalents	11,834	4,506
Cash and cash equivalents at beginning of the period	6,486	1,980
Cash and cash equivalents at end of the period	18,320	6,486
Relating to balances included in "Cash at bank in hand"	18,320	6,486

## **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 Ince GD 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 Group's principal activities are the construction of a Full Fibre to the Premises (FTTP) network and operating as a telecommunications internet service provider.

The Company's principal activity is as a holding company.

#### **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**

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#### **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 2022.

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, to complete existing network builds, and to fund on-going operational costs and capital investment. In September 2020 Oaktree entered in to a subscription agreement for £100m. At 31st December 2022, the Group has drawn down £62.8m of the £100m facility (2022: £24.3m). As at the date of signing the accounts a further £25.0m of additional funding has been provided by Oaktree.

In September 2021 the Group entered into a debt facility with three banks providing access to up to £100m to accelerate the growth of the Group and bring forward planned network build commencement dates. At the date of signing of these accounts the full £100m had been accessed.

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 the availability of additional funding by Oaktree. The directors are confident that Oaktree will continue to provide the required funding as Oaktree has provided written confirmation of their intention to provide continued financial support to the Group for the foreseeable future, defined as at least 12 months from the date of signing the Zzoomm Group Limited financial statements for the year ended 31 December 2022.

#### **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

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### **Notes to the Financial Statements**

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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. The revenue is recognised as the service is provided.

Where an activation fee is charged this is recognised over the minimum contractual term of the customer.

#### **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 "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

## **Zzoomm Group Limited**

### **Notes to the Financial Statements**

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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.

##### **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:-



## **Zzoomm Group Limited**

### **Notes to the Financial Statements**

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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
Network assets	between 7 and 25 years
Assets under construction	not depreciated as these represent work in progress costs towards Network assets.

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.

#### **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 is associated.

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.

## **Zzoomm Group Limited**

### **Notes to the Financial Statements**

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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.

#### **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.

#### **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.

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.

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#### **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 impairments 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, and other parts required to construct and remain in the finished network.

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.

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.

## **Zzoomm Group Limited**

### **Notes to the Financial Statements**

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#### **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.

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

## **Zzoomm Group Limited**

### **Notes to the Financial Statements**

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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.

##### **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.

## **Zzoomm Group Limited**

### **Notes to the Financial Statements**

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#### **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.

Capitalised payroll and associated costs – the Group capitalises payroll and associated costs of employees directly working on build or installation projects.

Costs which are 100% attributable to build or install projects are capitalised.

Some centralised support costs are to support the build and this time spent should be capitalised, there is judgement in determining which costs are build related.

The Group apportions the head office costs based on estimates by the appropriate heads of departments of the time spent by the head office employee on build projects.

As a result of these judgemental costs, £0.40m has been capitalised out of £1.95m. This is included within the total additions value in tangible fixed assets.

The costs are amortised using the straight-line method from the end of the build project over the expected life of that build project network which is expected to be twenty-five years. Any work not related to build or install projects is charged to the profit and loss account.

#### **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.

## Zzoomm Group Limited

### Notes to the Financial Statements

#### 3. Revenue

	Group 2022 £'000	Group 2021 £'000
Subscriptions	1,096	415
Other	12	2
	<b>1,108</b>	<b>417</b>

#### 4. Employees

	Group 2022	Group 2021
The average number of persons (including directors) employed was:		
Office and Management	148	76
Field Staff	339	116
Logistics	20	7
	<b>507</b>	<b>199</b>

	Group 2022 £'000	Group 2021 £'000
Staff costs for the above persons (including directors):		
Wages and salaries	23,687	8,607
Social security costs	2,212	776
Other pension costs	727	253
Cost of employee share schemes (note 18)	7	15
	<b>26,633</b>	<b>9,651</b>

Of this £22,026k was capitalised as fixed assets, either as assets under construction or build network assets (2021: £6,092k).

#### Directors

In respect of the directors of Zzoomm Group Limited

	Group 2022 £'000	Group 2021 £'000
Staff costs for the above persons:		
Wages and salaries	1,177	750
Social security costs	160	97
Other pension costs	29	18
Cost of employee share schemes (note 18)	—	54
	<b>1,366</b>	<b>919</b>

## Zzoomm Group Limited

### Notes to the Financial Statements

	2022 No.	2021 No.
The number of directors to whom retirement benefits are accruing under money purchase schemes was	3	2

Directors emoluments disclosed above include the following payments:

Highest paid director	2022 £'000	2021 £'000
Remuneration	498	369
Company contribution to money purchase pension schemes	10	9
	<b>508</b>	<b>378</b>

#### 5. Key Management Personnel

In respect of the key management personnel of Zzoomm Group Limited

	Group 2022 £'000	Group 2021 £'000
Staff costs for the above persons:		
Wages and salaries	1,675	1,236
Social security costs	225	159
Other pension costs	46	32
Cost of employee share schemes	—	54
	<b>1,946</b>	<b>1,481</b>

#### 6. Interest payable and similar expenses

	Group 2022 £'000	Group 2021 £'000	Company 2022 £'000	Company 2021 £'000
Bank Interest Payable	—	—	—	—
Interest on Borrowings	3,990	324	—	—
	<b>3,990</b>	<b>324</b>	<b>—</b>	<b>—</b>



## Zzoomm Group Limited

### Notes to the Financial Statements

#### 7. Loss before taxation

	2022 £'000	2021 £'000
Loss before taxation is stated after charging/(crediting):		
Depreciation of tangible fixed assets (note 10)		
- Owned	2,357	629
Share-based payments (note 18)	(2)	15

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

	2022 £'000	2021 £'000
Audit services - statutory audit of parent and consolidated accounts	10	9
Other services		
Audit services - statutory audit of subsidiary of the Company	100	59
Taxation compliance services	7	5
Other services	7	16

#### 8. Taxation

	2022 £'000	2021 £'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	6,463	3,164
Reconciliation of tax charge		
Loss on ordinary activities before tax	(15,967)	(14,736)
Tax on loss on ordinary activities at standard CT rate of 19.00%	(3,034)	(2,800)
Effects of:		
Fixed asset differences	(266)	10
Expenses not deductible for tax purposes	931	1,397
Income not deductible for tax purposes	(61)	—
Adjustments to brought forward values	7	3
Other permanent differences	24	26
Remeasurement of deferred tax for changes in tax rates	1	(775)
Deferred tax not recognised	2,397	2,139
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 <sup>st</sup> January 2022	508	6	514
Additions	520	—	520
31 <sup>st</sup> December 2022	<b>1,028</b>	<b>6</b>	<b>1,034</b>
Amortisation and Impairment			
At 1 <sup>st</sup> January 2022	100	1	101
Charged in the period	102	1	103
31 <sup>st</sup> December 2022	<b>202</b>	<b>2</b>	<b>204</b>
Carrying Amount			
At 1 <sup>st</sup> January 2022	408	5	413
31 <sup>st</sup> December 2022	<b>826</b>	<b>4</b>	<b>830</b>

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

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 2022

	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
<b>Cost</b>								
At 1 <sup>st</sup> January 2022	11,764	13,088	186	25	329	10	17	25,419
Additions	19,383	51,151	137	5	182	—	—	70,858
Disposals	—	(46)	—	—	—	—	—	(46)
Transfers	(8,078)	8,078	—	—	—	—	—	—
31 <sup>st</sup> December 2022	<b>23,069</b>	<b>72,271</b>	<b>323</b>	<b>30</b>	<b>511</b>	<b>10</b>	<b>17</b>	<b>96,231</b>
<b>Depreciation</b>								
At 1 <sup>st</sup> January 2022	—	(622)	(115)	(16)	(220)	(9)	(14)	(996)
Depreciation charged in the period	—	(2,148)	(79)	(8)	(118)	(1)	(3)	(2,357)
Disposals	—	—	—	—	—	—	—	—
31 <sup>st</sup> December 2022	—	<b>(2,770)</b>	<b>(194)</b>	<b>(24)</b>	<b>(338)</b>	<b>(10)</b>	<b>(17)</b>	<b>(3,353)</b>
<b>Impairment</b>								
At 1 <sup>st</sup> January 2022	(58)	—	—	—	—	—	—	(58)
Charged in the period	(181)	—	—	—	—	—	—	(181)
31 <sup>st</sup> December 2022	<b>(239)</b>	—	—	—	—	—	—	<b>(239)</b>
<b>Carrying Amount</b>								
At 1 <sup>st</sup> January 2022	11,706	12,466	71	9	109	1	3	24,365
31 <sup>st</sup> December 2022	<b>22,830</b>	<b>69,501</b>	<b>129</b>	<b>6</b>	<b>173</b>	<b>—</b>	<b>—</b>	<b>92,639</b>

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

#### 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
<b>Cost</b>								
At 1 <sup>st</sup> 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	—	—	—	—	—	—
31 <sup>st</sup> December 2021	<b>11,764</b>	<b>13,088</b>	<b>186</b>	<b>25</b>	<b>329</b>	<b>10</b>	<b>17</b>	<b>25,419</b>
<b>Depreciation</b>								
At 1 <sup>st</sup> January 2021	—	(181)	(49)	(8)	(117)	(4)	(8)	(367)
Depreciation charged in the period	—	(441)	(66)	(8)	(103)	(5)	(6)	(629)
Disposals	—	—	—	—	—	—	—	—
31 <sup>st</sup> December 2021	<b>—</b>	<b>(622)</b>	<b>(115)</b>	<b>(16)</b>	<b>(220)</b>	<b>(9)</b>	<b>(14)</b>	<b>(996)</b>
<b>Impairment</b>								
At 1 <sup>st</sup> January 2021	—	—	—	—	—	—	—	—
Charged in the period	(58)	—	—	—	—	—	—	(58)
31 <sup>st</sup> December 2021	<b>(58)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(58)</b>
<b>Carrying Amount</b>								
At 1 <sup>st</sup> January 2021	116	6,290	63	10	199	6	9	6,693
31 <sup>st</sup> December 2021	<b>11,706</b>	<b>12,466</b>	<b>71</b>	<b>9</b>	<b>109</b>	<b>1</b>	<b>3</b>	<b>24,365</b>

## Zzoomm Group Limited

### Notes to the Financial Statements

#### 11. Fixed asset investments

##### Company

	2022 £'000	2021 £'000
Balance at start of the period	648	633
Capital contributions	(2)	15
Balance at end of the period	<b>646</b>	<b>648</b>

The capital contribution relates to a recharge of share options charges for employees of the Subsidiary for options in the Company.

##### 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 Ince GD Corporate Services Limited Aldgate Tower, 2 Leman Street, London, United Kingdom, E1 8QN	100%	Network infrastructure and ISP

#### 12. Stocks

	Group 2022 £'000	Group 2021 £'000	Company 2022 £'000	Company 2021 £'000
Raw materials, consumables and network components	7,363	1,289	—	—
Customer Premise Equipment	1,867	112	—	—
	<b>9,230</b>	<b>1,401</b>	<b>—</b>	<b>—</b>

Stocks contains items that will be utilised in the network build, and routers and ONT's 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 2022 £'000	Group 2021 £'000	Company 2022 £'000	Company 2021 £'000
Trade Debtors	33	149	—	—
Amounts owed by subsidiary undertakings (note 11)	—	—	70,118	33,554
Hedging Asset	4,078	29	—	—
Prepayments and accrued income	1,521	688	—	—
VAT	1,034	509	14	—
Supplier Deposits	794	—	—	—
Other Debtors	264	89	—	—
Director Loans	373	365	—	—
Rent Deposits	56	44	—	—
Tax Debtor	121	119	—	—
	<b>8,274</b>	<b>1,992</b>	<b>70,132</b>	<b>33,554</b>

##### Amounts falling due greater than one year:

Other Receivables	225	87	—	—
Restricted Cash	1,000	1,000	—	—
	<b>1,225</b>	<b>1,087</b>	<b>—</b>	<b>—</b>

#### Director Loans

In the year ending 31<sup>st</sup> December 2020 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 (2021: £350,000) with interest charged at 0.25% per annum above the HMRC official rate for beneficial loans. As at 31<sup>st</sup> December 2022 the interest accrued was £23k (2021: £16k).

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 the two hedging instruments that the Group uses to manage its exposure to interest rate movements on its borrowings.

One 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 of 2.0555%. It was taken out in October 2021 and is available to be utilised at any point from September 2023 until June 2026 against a nominal value of £67.9m, with a nominal value at 31<sup>st</sup> December 2022 of £nil (£nil 31<sup>st</sup> December 2021).

The cash flows in respect of the interest rate cap instrument occur quarterly from 31 March 2022 until the agreement expires in September 2023.

This was a hedging asset at both period ends.

## Zzoomm Group Limited

### Notes to the Financial Statements

The second is an interest rate cap instrument and was taken out in October 2021 and is available to be utilised at any point from 1<sup>st</sup> January 2022 until 23<sup>rd</sup> September 2023. It caps the interest at 1.5% on a nominal value of up to £45.5m in total, with a nominal value at 31<sup>st</sup> December 2022 of £25.2m (£8.9m 31<sup>st</sup> December 2021).

The cash flows in respect of the swap option instrument occur quarterly from 29 December 2023 until the agreement expires in June 2026.

It was a liability at 31<sup>st</sup> December 2021 but was not written off to the profit and loss account as it was so early in its valuation. At 31<sup>st</sup> December 2022 it was a hedging asset.

The fair values of the two instruments are determined from valuations received from the instrument provider.

Both instruments meet the conditions for hedge accounting, as set out in the accounting policies in Note 2.

The fair value movement of the instruments that are effective in offsetting the variable interest rate risk on variable rate borrowings of £75m has been recognised in other comprehensive income.

#### Other Receivables

The Group deposits sums 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 good 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 31<sup>st</sup> December 2022 the balance held was £225,000 (2021: £87,000).

#### Restricted Cash

Zzoomm plc deposited a sum of £1m (2021: £1m) in to a restricted access bank account as a debt service reserve account in relation to the external bank loan that was entered in to in the year ending 31<sup>st</sup> 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 2022 £'000	Group 2021 £'000	Company 2022 £'000	Company 2021 £'000
Trade creditors	1,676	1,217	36	—
Other taxation and social security costs	852	417	—	—
Other creditors	13	85	—	—
Corporation tax creditor	3	3	—	—
Accrued Interest	1,110	285	—	—
Hedging liability	—	28	—	—
Accruals and deferred income	3,743	957	291	42
	<b>7,397</b>	<b>2,992</b>	<b>327</b>	<b>42</b>

The hedging liability in the prior year related to one of two hedging instruments taken out in relation to the borrowings. It is an interest rate cap instrument taken out in October 2021 and is available to be utilised at any point from 1<sup>st</sup> January 2022 until 23<sup>rd</sup> 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. At 31<sup>st</sup> December 2022 it was a hedging asset, see Note 13 for details.

## Zzoomm Group Limited

### Notes to the Financial Statements

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

	Group 2022 £'000	Group 2021 £'000	Company 2022 £'000	Company 2021 £'000
Preference Shares	72,816	34,613	72,816	34,613
Borrowings	75,000	11,442	—	—
Contractual Retentions	530	94	—	—
	<b>148,346</b>	<b>46,149</b>	<b>72,816</b>	<b>34,613</b>

#### Preference Shares

Preference shares treated as debt pertains to £66.8m of preference shares, containing £38.5m of preference shares issued during the year (2021: £21.4m issued).

The Preference shares are able to be converted to Ordinary shares at the holder's option after 31<sup>st</sup> 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 2022 there was a £320k credit (2021: £6,313k charge) giving a fair value of preference shares recognised as £72,816k (2021: £34,613k).

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.

For voting rights purposes, the Preference shares total nominal value are divided by £0.36 to calculate the assumed number of ordinary shares they represent. Each one of these assumed ordinary shares 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.

	2022 Number	2021 Number
Allotted, issued and fully paid: Preference Shares of £0.01 each	6,682,436,700	2,830,000,000

#### Borrowings

The Group's subsidiary, Zzoomm Plc, contracted a bank borrowing facility on 30<sup>th</sup> September 2021 with access to up to £100m, as at 31<sup>st</sup> December 2022 the amount drawn and owed is £75.0m (2021: £11.4m).

The borrowings mature and become repayable in full in 2026, and bore a fixed-rate interest of .5% above a variable SONIA rate in 2022 (2021: 4.5%). Subsequent to year end the interest rate increased to 5.5% above a variable SONIA rate. The Group makes quarterly repayments of the interest incurred on the bank borrowings.

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



## Zzoomm Group Limited

### Notes to the Financial Statements

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.

### 16. Financial instruments

	Group 2022	Group 2021	Company 2022	Company 2021
<b>Financial Assets</b>				
Financial assets measured at amortised cost	21,066	8,222	71,216	34,325
Financial assets measured at fair value through reserves	4,078	29	-	-
<b>Financial Liabilities</b>				
Financial liabilities measured at amortised cost	80,334	13,605	327	42
Financial liabilities measured at fair value through the profit and loss	72,817	34,640	72,816	34,613

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

	2022 Number	2021 Number
Allotted, issued and fully paid:		
Ordinary shares of £0.01 each	36,151,668	35,270,925
Ordinary A shares of £0.01 each	1,322,400	1,322,400
MIP Shares of £0.01 each	780,000	650,000

## **Zzoomm Group Limited**

### **Notes to the Financial Statements**

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#### **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. Their terms, including voting rights, are set out in note 15.

#### **Share issues**

During the period 880,743 (2021: 632,200) Ordinary shares with a nominal value of £0.01 were issued for cash consideration of £61,652 (2021: £95,504) as a result of exercises of share options.

During the period zero (2021: zero) Ordinary A shares with a nominal value of £0.01 were issued.

140,000 new MIP shares with a nominal value of £0.01 were issued for cash consideration of £1,400 (2021: 150,000) MIP shares with a nominal value of £0.01 were issued for cash consideration of £1,500). These shares were issued to incentivise management and reward in future growth in the value of shareholder equity.

30,000 MIP shares lapsed and were transferred to new MIP shareholders.

10,000 MIP shares were re-purchased from a lapsed MIP shareholder for a cash consideration of £100 (2021: £0)

#### **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 31<sup>st</sup> 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**

The cumulative share-based payment expense. See note 18 for details.

##### **Cash Flow Hedge Reserve**

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

##### **Profit and loss account**

Cumulative profit and loss net of distributions to owners.

## Zzoomm Group Limited

### Notes to the Financial Statements

#### 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 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	700,000	£0.32	1,012,800	£0.07
Granted during the prior period	—	£0.32	—	£0.07
Forfeited during the period	(50,000)	£0.32	(132,057)	£0.07
Exercised during the period	—	£0.32	(880,743)	£0.07
Outstanding at 31 December 2022	650,000	£0.32	—	£0.07
Exercisable at 31 December 2022	490,000	£0.32	—	£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 £1k share based payment credit in the period (2021: £15k charge) 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 £7k charge for options vested in the period combined with a credit of £8k for options forfeited by leavers.

The total carrying amount at the end of the period for liabilities arising from share-based payment transactions is £547k (2021: £548k).

## Zzoomm Group Limited

### Notes to the Financial Statements

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

	Note	Group 2022 £'000	Group 2021 £'000
Loss after tax		(15,968)	(14,736)
Adjustments for:			
Depreciation of tangible fixed assets	10	2,357	629
Impairment of tangible fixed assets	10	181	58
Amortisation of intangible assets	9	103	60
Share based payment expense	18	(2)	15
Fair Value Losses/(Gains) on Financial Instruments		(320)	6,313
Fair Value Losses/(Gains) on Hedging Instruments		4,077	-
(Gain)/loss on disposal of tangible fixed assets		18	90
Interest Receivable		(8)	(8)
Interest Payable		2,943	324
Operating cash flows before movements in working capital			
Decrease/(increase) in stock		(7,829)	(1,259)
Decrease/(increase) in trade and other debtors		(6,280)	(1,274)
Decrease/(increase) in non-current other receivables		(138)	(1,071)
Increase/(decrease) in trade and other creditors		3,580	1,150
Increase/(decrease) in preference share interest		—	—
Increase/(decrease) in borrowings interest		825	285
Increase/(decrease) in non-current liabilities		436	94
Cash used in operations		(16,025)	(9,330)

#### 20. Consolidated analysis of changes in net debt

	1 Jan 2022 £'000	Cash Flow £'000	Other non-cash movement £'000	31 Dec 2022 £'000
Cash at bank and in hand	6,486	11,834	—	18,320
Preference Shares	(34,613)	(38,523)	320	(72,816)
Bank Loan	(11,441)	(63,559)	(1,110)	(76,110)
Debt Due after 1 year	(46,054)	(102,082)	(790)	(148,926)
Total Net Debt	(39,568)	(90,248)	(790)	(130,606)

#### 21. Financial commitments, guarantees and contingencies

	Group 2022 £'000	Group 2021 £'000	Company 2022 £'000	Company 2021 £'000
The financial commitments, guarantees and contingencies not provided for comprise:				
Commitments under operating leases	1,980	4,208	—	—

## 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	2022 £'000	2021 £'000
Amounts due:		
Within one year		
- Vehicles	1,209	1,499
- Property	161	155
	1,370	1,654
Between one and five years		
- Vehicles	519	2,508
- Property	91	46
	610	2,554
Group	2022 £'000	2021 £'000
Amounts paid on operating leases	3,814	868
Amounts capitalised as part of the network build costs in the period	(3,730)	(818)
Amounts charged in the year to the Profit and Loss account	84	50

#### 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:

	2022 £'000	2021 £'000
Amounts owed by related parties at period end (note 13)	225	87

##### Network Fix Limited

Network Fix Limited is a related party of the Group because of Matthew Hare, who is a common director and shareholder. Network Fix Limited has a fixed charge over the amounts deposited by Zzoomm Plc to Network Fix Limited as security for the performance of Zzoomm Plc's payment obligations to meet the relevant specified liabilities under regulation 16 of the Electronic Communications Code Conditions and Restrictions Regulations 2003.

##### Director Loans

In a 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 (2021: £350,000) with interest charged at 0.25% per annum above the HMRC official rate for beneficial loans. As at 31st December 2022 the interest accrued was £23,000 (2021: £15,500).

#### 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.