Annual Report and Accounts

For the period from incorporation to
31 December 2015

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ZEGONA COMMUNICATIONS

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I am pleased to present the consolidated audited financial statements for the period from incorporation on 19 January 2015 to 31 December 2015, consolidating the results of Zegona Communications plc ("Zegona" or the "Company") and its subsidiaries, including the Telecable Group* (together, the "Group") since its acquisition on 14 August 2015.

It has been an exciting and productive first year for Zegona. The Company was launched via an IPO in March 2015, with the objective of acquiring businesses in the European TMT sector with a 'Buy-Fix-Sell' strategy to deliver shareholder returns through fundamental business improvements.

Our first acquisition was the purchase of Telecable, the leading telecommunications operator in the Asturias region of Spain. Zegona acquired Telecable for €640 million in August 2015. Zegona believes Telecable represents a compelling investment because of, amongst other factors, Telecable's market leading position and strong cash generation, coupled with attractive dynamics in the Spanish telecoms market and a recovering Spanish economy. Since acquiring the business, Zegona has worked closely with the Telecable management team to further develop the business and the services it provides, and we have made significant progress in implementing a number of key strategic initiatives. These include driving growth in consumer revenue with broadband speed upgrades and innovative TV services, enhancing the mobile experience for all customers by doubling data allowances and expanding the Wifisfera WiFi service, a renewed focus on business clients with a comprehensive change in management and product portfolio, a Capital expenditure productivity improvement programme that is focused on reducing costs associated with sales distribution, network maintenance and home installations.

Beyond Telecable, we continue to see many attractive investment opportunities across the European TMT sector. The dynamic forces of consumer consumption, industry consolidation and convergence are creating significant opportunities for additional acquisitions, and long-term growth in Zegona shareholder value.

Eamonn O'Hare
Chairman and Chief Executive Officer
7 March 2016

* Refer to Note 14 for entities included in the Telecable Group

Strategy

Zegona's objective is to acquire a concentrated portfolio of businesses in the European Telecommunications, Media and Technology sector with enterprise values up to £3 billion. Zegona aims to utilise a "Buy-Fix-Sell" strategy, focussing on strategically sound businesses that require active change to realise full value, thereby creating significant long-term returns through fundamental business improvements. Zegona's first acquisition, which completed on 14 August 2015, is discussed further below. The Board of Directors continue to evaluate further acquisition opportunities in line with the Company's strategy.

Overview of the Period

Following incorporation on 19 January 2015, the Company raised £30 million through its admission to the AIM market of the London Stock Exchange ("AIM") on 19 March 2015.

During the period, the Directors identified and successfully pursued an attractive opportunity to acquire Telecable de Asturias S.A. ("Telecable"), a quad play telecommunications operator in Asturias, North West Spain. The €640 million acquisition was financed by a £250 million equity placing and €274 million of debt funding, following the general meeting of the Company held on 13 August 2015. The acquisition completed on 14 August 2015 when the Company's new shares were re-admitted to trading on AIM.

On 29 September 2015, the Company moved from AIM to a Standard Listing on the Main Market of the London Stock Exchange ("Main Market").

Financial Highlights

Zegona's 2015 consolidated financial statements include the results of Telecable from its acquisition on 14 August 2015 and the central costs incurred by Zegona in its operations from its incorporation on 19 January 2015. These central costs totalled €13.4 million and included the following items:

- €10.4 million related to one-off deal and project costs.
  - €3.3 million foreign exchange hedging costs (fixing the Euro FX rate for the acquisition of Telecable between SPA signature and deal close).
  - €7.1 million advisory and other professional fees, primarily in relation to the acquisition of Telecable.
- €3.0 million related to Zegona's underlying central costs in 2015.

Building on the strong start in 2015, Zegona continues to have great confidence in Telecable's business momentum, leading to expectations of accelerating growth in revenue and available cash during 2016. This confidence is based on the combination of:

- Product and service enhancements: These are driving increased growth in the number of products per customer across both the Consumer and Business divisions.
- Strong Q4 2015 performance: The financial performance achieved at the end of 2015 demonstrated the growing momentum in the business and the ability of Telecable to continue to generate significant cash flow and reduce its financial leverage through 2016.
- Industry price repair: As we anticipated when acquiring Telecable, we are seeing the early stages of price repair in the Spanish telecoms market. All major telecom operators increased consumer prices during 2015 and Telefonica, Vodafone and Orange have all recently announced further price increases for 2016. In addition, Telecable increased consumer prices in January 2016, with Consumer fixed-line and bundled offer prices rising by €2 per month.
- Further recovery of the Spanish economy: The European Commission has forecast Spanish GDP growth of 2.7% in 2016, well ahead of the Euro area average of 1.8%.

Risks

Both the Company's admission document, in relation to the acquisition of Telecable and its prospectus, in relation to the move from AIM to the Main Market, detailed risks applicable to both the Company and Telecable.

The Directors have carried out a robust assessment of the principal risks facing the Group including those that would threaten its business model, future performance, solvency or liquidity. Further detail in relation to the principal risks faced by the Group is set out below.

Financial Risks

The Group's activities expose it to market risk, principally interest rate risk and currency risk. Financial instruments affected by market risk include loans and borrowings and deposits.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with floating interest rates.

In the opinion of the Directors, a significant movement in EURIBOR would be required to have a material impact on the cash flow position of the Group. Whilst considered unlikely, should a significant negative impact arise, sufficient working capital is provided through the Group's access to a revolving credit facility of up to €20 million which at the date of the approval of the Annual Report remains undrawn. Cash balances are placed so as to maximise interest earned while maintaining the liquidity requirements of the business. The Directors regularly review the placing of cash balances.

Foreign Currency Risk

Foreign currency translation risk exists due to the Company operating with a different functional currency (GBP) to that of its subsidiaries (EUR). Whilst this results in FX gains/losses on consolidation, the principal impact is on the Company's ability to re-translate the cash generated by Telecable in EUR into GBP for the purposes of returning it to shareholders. Based on the anticipated cashflows of the Group and the Board's ability to reduce or delay any return to shareholders should it be necessary, the Board believe that this risk would not have a material effect on the cash position of the Group.

Howard Kalika (the Chief Financial Officer or "CFO"), the Board of Directors and the finance department of Telecable control and monitor financial risk management in accordance with the internal policy and the strategic plan defined by the Board of Directors. Further detail of risks, uncertainties and financial instruments are contained in note 15.

Non Financial Risks

The principal non financial risks to which the Company is exposed are set out below:

Acquisition of targets

There is a risk that the Company may not successfully identify further suitable acquisitions, or may be unable to complete desired acquisitions or fund operations of further targets if it does not obtain additional funding. The Board of Directors continually look for and consider potential acquisitions that they believe to be in the best interests of the Company which includes assessing the potential financing of any such acquisition. This risk is mitigated through ensuring that the Group retains a cost base commensurate with the Group's scale to avoid value erosion.

Key management

On a day-to-day basis, the Group is led by the executive Directors and the CFO. The absence of key management could result in the failure of the Group to achieve its objectives. The Group aims to retain its key staff by offering remuneration packages at market rates, and through long term incentivisation through the issue of Management Shares.

Economic downturn

There is a risk that deterioration in the Spanish economy, and more specifically the economy of the Asturias region, would have an adverse effect on the Group's business. Whilst this is outside of the Group's control, it is actively considered by the Board on an ongoing basis and influences the assessment of any further acquisition targets in the country.

Competitors

The Group faces significant competition from established and new competitors that provide residential fixed-line telecommunications, mobile telecommunications, broadband internet and television services, as well as business telecommunications services in Spain. Any actions taken by these competitors may pose a threat to the Group. The Group also faces potential competition from new entrants. To mitigate these risks, the Board of Directors and senior managers of Telecable actively monitor the actions of their competitors, and any new entrants into the market, and ensure they have an understanding of the manner in which they conduct business. The Board aims to act swiftly and appropriately in response to any new ventures of current competitors or new entrants which they believe pose a significant threat to the Group.

Technology
The sectors in which Telecable competes are subject to rapid and significant changes in technology which are difficult to predict. If the Group fails to introduce new or enhanced products, and keep pace with technological change, this could potentially have an adverse effect on its revenues, margins and market share. To compete effectively, the Group aims to successfully design and market its services, and anticipate and respond to various competitive factors affecting its markets utilising the extensive market experience of its management team.

Key business inputs
Key contracts, key suppliers including equipment and service suppliers, permits, licences and authorisations, are essential for the ongoing operation of Telecable's business. Management are continually evaluating the business' requirements to ensure there is no adverse effect on the business' operations or profitability.

Detailed consideration is given to all of these risk factors at meetings of both Telecable senior management and the Zegona Board of Directors.

Viability Statement

The Directors have considered the principal risks and the Company's prospects and believe that the Company will be able to continue in operation and meet its liabilities as they fall due over the coming three years.

The Directors consider a three year assessment to be appropriate as, although planning for the Group reaches further than three years, the Board is of the opinion that appropriate estimates input into this plan are more reliable over the next three years due to the nature of the fast changing telecommunications industry.

The Board have assessed the prospects of the Company by considering the strategic plan and the forecast performance of the Group including consideration of severe but plausible downside effects of the Group's principal risks.

Employees

The Group's employees are fundamental to the long-term success of the business.

The Board aims to ensure that all employees work in an environment that supports diversity and fosters a culture of dignity and respect. We are committed to supporting employment policies and practices that support equal opportunities, non-discrimination, and that comply with relevant local legislation and accepted employment practice codes. The Group's policies and practices of equal opportunities and non-discrimination ensure that an individual's ability, aptitude and talent are the sole determinants in recruitment, training, career development and progression opportunities, rather than their age, beliefs, disability, ethnic origin, gender, marital status race, religion or sexual orientation.

Breakdown of employees as at 31 December by gender and seniority

	2015		
	Male	Female	Total
Zegona Board Directors	5	-	**5**
Subsidiary Board Directors	3	2	**5**
Telecable Senior Management	3	-	**3**
Staff of Telecable	120	59	**179**
Staff of Zegona	-	1	**1**
Total	**131**	**62**	**193**

Senior management is per the definition in Section 414C of the UK Companies Act 2006.

The Zegona executive Directors and senior management are incentivised through ownership of "A" Ordinary Shares ("Management Shares") in the Company's wholly owned subsidiary Zegona Limited (refer note 24).

Corporate social responsibility

The Company recognises its obligations to act responsibly, ethically and with integrity in its dealings with staff, customers, neighbours and the environment as a whole. We are committed to being a socially responsible business.

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

Our employees are encouraged to actively engage with charitable activities and are supported in any such efforts.

Human Rights
As part of our effort to conduct business in an ethical manner, we have not engaged in and will not engage

in business practices or activities that compromise fundamental human rights.

Environmental Matters

We are committed to minimising our impact on the environment and seek to encourage our employees to recycle and do their part to ensure that the Group as a whole acts responsibly.

This section has been prepared in accordance with our regulatory obligation to report greenhouse gas emissions pursuant to Section 7 of The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

Group GHG emissions data for period 19 January 2015 to 31 December 2015

	Global tonnes of CO_2e
Scope 2 (electricity)	977.2
Scope 3 (water, business travel)	28.5
Tonnes of CO_2e per €m revenue	18.99

We have used emission factors from the UK Government's GHG Conversion Factors for Company Reporting 2015 to calculate the above disclosures.

The strategic report was approved by the Board of Directors on 7 March 2016 and is signed on its behalf by:

Eamonn O'Hare
Chairman and Chief Executive Officer

The Board of Directors

The Group is led and controlled by an effective board that comprises two executive Directors and three non-executive Directors, details of the Directors are set out below.

The Chairman and CEO is primarily responsible for the running of the Board and for the day to day running of the Group. The Board meets formally a minimum of six times per year. All Board members have full access to the Group's advisers for seeking professional advice at the Company's expense and the Group's culture is to openly discuss any important issues. The Group's wider organisational structure has clear lines of responsibility. Operating and financial responsibility for all subsidiary companies is the responsibility of the Board.

Board interaction

The Board meet formally at least six times a year. Meetings are prepared for using a standing agenda which is updated to incorporate any ad-hoc business or matters of interest. The Board is presented with papers from management to support their discussions including financial information, investor relations, subsidiary management reporting and details of acquisition targets and deal progress.

The executive Directors actively and constructively encourage challenge and seek input from the non-executive Directors to draw on their extensive experience and knowledge. They believe that the role of the non-executive Directors in providing independent challenge is a vital component of an effective board.

The Articles of Association of the Company require each Director to retire from office and offer himself for re-election or election, as the case may be, at each annual general meeting of the Company. This is subject to an exception for those Directors in office at the date the Articles of Association were adopted (being 25 February 2015), being Eamonn O'Hare, Robert Samuelson and Mark Brangstrup Watts. Pursuant to the Articles of Association, these Directors are not required to retire from office until the second annual general meeting of the Company.

Accordingly, each of Murray Scott and Richard Williams will retire from office at the Company's annual general meeting and seek to be elected by the Company's shareholders.

Eamonn O'Hare and Robert Samuelson have service contracts which may be terminated on no less than 12 months' notice by either party.

Mark Brangstrup Watts, Murray Scott and Richard Williams each have current service contracts which expire on 31 December 2019, 1 August 2016 and 9 November 2016 respectively, but these can be terminated on 6 months' notice.

The Directors of the Company who served during the period and subsequent to the date of this report are:

Eamonn O'Hare, Chairman and CEO (appointed 19 January 2015)

Eamonn has spent over two decades as a Board member and senior executive of some of the world's fastest growing consumer and technology businesses. From 2009 to 2013 he was CFO and main board director of the UK's leading entertainment and communications business, Virgin Media Inc. Eamonn helped lead the successful transformation of this business and its strategic sale to Liberty Global for US$24 billion, crystallising US$14 billion of incremental shareholder value. From 2005 to 2009, he served as the UK Chief Financial Officer of one of the world's largest retailers, Tesco plc. Before joining Tesco, Eamonn was CFO and main board director of Energis Communications and helped lead the turnaround of this high profile UK telecommunications company. Prior to this, he spent 10 years at PepsiCo Inc. in senior executive roles in Europe, Asia and the Middle East. Eamonn's early career was spent in the Aerospace industry with companies that included Rolls-Royce and British Aerospace.

Eamonn is a non-executive Director of Tele2 AG, one of Europe's fastest growing telecom operators offering mobile, fixed telephony, broadband and content services. He also serves as a non-executive Director on the main board of Dialog Semiconductor Plc, a leading edge consumer technology business that provides critical components for the world's most successful mobile device brands. Eamonn earned and retained non-executive Director fees in relation to these positions of £121,591 in 2015.

Eamonn has a degree in Aerospace Engineering from the Queen's University Belfast and an M.B.A from the London Business School.

Robert Samuelson, executive Director and COO (appointed 19 January 2015)

Robert Samuelson was Executive Director Group Strategy of Virgin Media Inc. from 2011 to 2014, during which time he was centrally involved in the sale of the business to Liberty Global and in the post merger integration process.

Prior to this, Robert was a Managing Partner at Virgin group with global responsibility for developing and realising returns from Virgin's telecommunications and media businesses. Before joining Virgin group, Robert was a Director at Arthur D Little Ltd, where he co-led the European Corporate Finance practice, providing strategic advice to major European telecommunications operators. His early career was spent with British Aerospace and Royal Ordnance in engineering and production management roles. Robert earned no non-executive Director fees in relation to his position on the board of Samuelson Consultancy Limited and Kew Properties Limited.

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

Mark Brangstrup Watts, non-executive Director (appointed 19 January 2015)

Mark Brangstrup Watts founded Marwyn, the asset management and corporate finance group, in 2002 with James Corsellis. Mark is joint managing partner of Marwyn Capital LLP, which provides corporate finance advice, and Marwyn Investment Management LLP, which provides asset management solutions and investment advisory services. Mark is a director of Marwyn Asset Management Limited, a regulated fund manager and also a trustee of the Marwyn Trust, a charity focused on initiatives supporting education and entrepreneurship for young people in disadvantaged communities.

Marwyn has launched 15 companies in partnership with experienced management teams across a variety of sectors, typically executing buy and build strategies. Mark has held board positions on several Official List and AIM listed companies, including Entertainment One Limited, Advanced Computer Software plc, Inspicio plc and Talarius plc.

Mark was educated at London University and serves on the Committee of the Royal Academy School.

Murray Scott, Independent non-executive Director (appointed on 31 July 2015)

Murray has spent almost 20 years in the telecommunications industry, most recently with BT Global Services, who he joined when Infonet was acquired by BT in 2006. His most recent role was Finance Director UK and Global Products.

Murray was also the finance representative on the Portfolio board, tasked with optimising the performance of the Global Services division. During his time with BT Global Services, he also acted in two further roles; as head of finance to the Converged Services division and as chief financial officer of the Enterprise division. Murray's prior experience in the data and telecommunications sector includes acting as finance director EMEA for Equant NV (now Orange Business Services) and as group financial controller for Interoute Telecommunications plc, managing the global finance function.

Murray studied Natural Sciences at Cambridge University and qualified as a Chartered Accountant with KPMG in London.

Richard Williams, Independent non-executive Director (appointed on 9 November 2015)

Richard has spent most of is career in European Telecommunications, most recently as a Director of Investor Relations at Altice, and prior to that, Virgin Media. Richard is a qualified Chartered Accountant and has held financial planning roles at Walt Disney and ITV Digital. He joined Telewest Communications in 1999 in an Investor Relations role, which later merged with NTL and was rebranded to Virgin Media. Richard led Virgin Media's Investor Relations activity through to the acquisition of the company by Liberty Global in 2013. Richard then joined Altice, where he supported the company's IPO and Altice's acquisition of SFR and Portugal Telecom.

Conflicts of Interest

The Articles of Association of the Company provide for a procedure for the disclosure of and management of risks associated with Directors' conflicts of interest. Notwithstanding that no material conflict of interest has arisen in the period, the Board considers these procedures to have operated effectively.

Appointment of Directors

Eamonn O'Hare, Robert Samuelson and Mark Brangstrup Watts were appointed at incorporation.

Murray Scott and Richard Williams were identified by the Board during the period, through personal recommendations, as having extensive experience within the telecommunications, media and technology sector and, in respect of Richard Williams, significant investor relations experience. Both individuals were approached directly by the Board. The Board will continue to consider the need for further Independent non-executive Directors as the business grows and evolves.

Both non-executive Directors appointed during the period have been provided with extensive written information on the Group through investor presentations, admissions documents, the prospectus, budgets and other board pack material as required. Each non-executive Director has also spent considerable time with the Company's executive Directors discussing the Group's strategy, the universe of opportunities and operating and financial results and plans. Meetings take place in London and at the locations of the Group's subsidiaries from time to time.

The terms and conditions in relation of appointment of the non-executive Directors are available at the Company's registered office during normal business hours.

	Formal Board Meetings		Nomination and Remuneration Committee Meetings		Audit and Risk Committee Meetings	
	Held*	Attended	Held*	Attended	Held*	Attended
Eamonn O'Hare	30	30	–	–	–	–
Robert Samuelson	30	29	1	1	2	2
Mark Brangstrup Watts	30	18	1	1	2	0
Murray Scott	10	7	1	1	2	2
Richard Williams	3	2	1	1	1	1

*The number held has been shown for each individual to reflect the number of meetings held since the date of their appointment.

Although Mark Brangstrup Watts has been absent for a number of Board meetings due to conflicting work engagements, he has attended the majority of the scheduled Board meetings and those relating to the acquisition of Telecable. During the period, in order to ensure that Mr Brangstrup Watts remained fully abreast of the current activities of the Group, regular informal meetings and calls took place with the executive Directors. In Mark's absence, Murray Scott was appointed as Chairman of the Audit & Risk Committee for both meetings held in 2015.

Evaluation of the Board, Committees and individual Directors

The Code (defined below) requires the Board to undertake a formal rigorous annual evaluation of its own performance and that of its committees and directors. The Board proposes to conduct a review within the first year of the acquisition of Telecable, having regard to the balance of skills, experience, independence and knowledge contributed by its members, as well as the successful operation of the Board as a unit, its diversity and other factors relevant to its effectiveness.

The non-executive Directors will, at that time, carry out the individual review of the Chairman.

Advisers

Broker
J.P. Morgan Securities plc
25 Bank Street
London, E14 5JP
Telephone: +44 (0)20 7742 4000

Corporate Finance Adviser
Marwyn Capital LLP
11 Buckingham Street
London, WC2N 6DF
Telephone: +44 (0)20 7004 2700

Public Relations Adviser
Tavistock Communications Limited
131 Finsbury Pavement
London, EC2A 1NT
Telephone: +44 (0)20 7920 3150

Auditor
Deloitte LLP
2 New Street Square
London, EC4A 3BZ
Telephone: +44 (0)20 7936 3000

Company Secretary
Axio Capital Solutions Limited
One Waverley Place, Union Street
St Helier, Jersey, JE1 1AX
Telephone: +44 (0)1534 761 240

Solicitors to the Company
Travers Smith LLP
10 Snow Hill
London, EC1A 2AL
Telephone: +44 (0)20 7295 3000

Milbank, Tweed, Hadley & McCloy LLP
10 Gresham Street
London, EC2V 7JD
Telephone: +44(0)20 7615 3000

Registrar
Capita Registrars
The Registry, 34 Beckenham Road
Beckenham, Kent, BR3 4TU
Telephone: +44 (0)20 8639 3399

The Directors have pleasure in submitting their Report and the audited consolidated financial statements for the period from incorporation on 19 January 2015 to 31 December 2015.

Result
For the period to 31 December 2015, the Group's loss was €14,891,659.

Dividend Policy
The Company's policy is to pay a dividend on its ordinary shares of £0.01 each ("Ordinary Shares") of 4.5p per Ordinary Share in 2016, equivalent to a 3 per cent. yield on the 14 August 2015 placing price. It is anticipated that the first dividend payment will be an interim dividend for the six months to 30 June 2016 of 2.25p per Ordinary Share, which will be paid in October 2016. The balance of the dividend is expected to be paid in March 2017. This is a target, not a forecast, and there is no guarantee that this return will be made. Thereafter, the Company intends to implement a progressive dividend payment policy.

The Company will principally depend on dividends received on shares held by it in its operating subsidiaries, interest on intercompany loans provided to its subsidiaries or receipts from the future disposal of assets, in order to pay dividends to its shareholders. Payments of such dividends (including the targeted dividend of 4.5p per Ordinary Share in 2016) will be dependent on the availability of any dividends or other distributions from subsidiaries, or the successful completion of disposals. The Company can therefore give no assurance that it will be able to pay dividends going forward, or as to the amount or timing of such dividends, if any.

Additional Shareholder Remuneration
Zegona anticipates that Telecable will generate significant excess cash in 2016. This excess cash is the cash generated by the business after paying the Company's full year dividend in accordance with the dividend policy described above. In line with our strategic objectives, the Company continues to evaluate a number of potentially attractive investment opportunities in the European TMT sector. To the extent that excess cash is not required for executing these potential new opportunities, it is the Company's intention to distribute such excess cash to shareholders.

On 4 March 2016, the Board authorised Zegona to put in place the necessary mechanisms for a capital returns programme to enable the Company to distribute its excess cash to shareholders, through share repurchases or special distributions, or a combination of share repurchases and special distributions. The Company will seek formal shareholder approval for this mechanism at the annual general meeting of the Company.

Dividend Recommendation

Whilst the Board has approved the Company's dividend policy as described above, the Board does not recommend a dividend at this time. Future dividends will be considered by the Board on an ongoing basis in accordance with the Company's dividend policy as described above.

Important Events

Following incorporation on 19 January 2015, the Company raised £30 million through its admission to AIM on 19 March 2015.

During the period, the Directors identified and successfully pursued an attractive opportunity to acquire Telecable, a quad play telecommunications operator in Asturias, North West Spain. The €640 million acquisition was financed via a £250 million equity placing and €274 million of debt funding, following the general meeting held on 13 August 2015. The acquisition completed on 14 August 2015 when the Company's shares were re-admitted to trading on AIM.

On 29 September 2015, the Company moved from AIM to a Standard Listing on the Main Market.

Likely Future Developments

The Directors continue to see many attractive investment opportunities across the European TMT sector. The dynamic forces of consumer consumption, industry consolidation and convergence are creating significant opportunities for additional acquisitions. However, driving shareholder value will remain the priority of the Board, and as a result, the Directors are very disciplined as they evaluate these various opportunities.

Substantial shareholders

The Company has 196,044,960 Ordinary Shares in issue at the balance sheet date.

At the date of release of this report the Company had been notified under DTR 5 of the following holdings in 3% or more of the issued Ordinary Shares of the Company:

Asset Manager	Number of shares	%
Marwyn Value Investors LP	46,666,666	23.80
Invesco Asset Management	23,954,671	12.22
Fidelity Worldwide Investment	19,596,852	10.00
Wellington Management Co	17,056,225	8.70
Capital Research Global Investors	15,386,666	7.85
AXA Investment Managers UK	13,333,333	6.80
Taconic Capital Advisers	7,575,102	3.86
Tekne Capital Management	6,722,445	3.43

The Ordinary Shares held by the asset managers listed above are all held indirectly.

Subject to applicable statutes, rights attached to the Ordinary Shares may be varied with the written consent of the holders of at least 75% of nominal value of the issued shares, or by a special resolution passed at a separate general meeting of the shareholders.

Powers for the Company buying back its own shares

The Company intends to seek authority to make market purchases of up to ten per cent. of its current issued Ordinary Share capital (within specified price parameters) at its annual general meeting. It is intended that the Company will exercise this authority only if the Board considers that there is likely to be a beneficial impact on earnings per share and that it is in the best interests of the Company at the time. Any shares repurchased by the Company pursuant to this authority may be held in treasury and subsequently resold for cash, cancelled or used for employee share scheme purposes.

The Company also intends to seek shareholder authority to make off-market purchases of Ordinary Shares following a tender offer for the Company's shares. The Directors intend that these buy-back arrangements will provide the Board with additional flexibility to execute its strategic plans and thereby return value to shareholders.

Directors' Responsibilities

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial period. Under that law the Directors have prepared the Group and parent Company financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group for that period. In preparing these financial statements, the Directors are required to:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

The Directors consider that the annual report and accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's performance, business model and strategy.

Each of the Directors, whose names and functions are listed on pages 6 and 7, confirms that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and loss of the Group; and

- the Directors' report includes a fair review of the development and performance of the business and the position the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and loss of the Group; and of the Group, together with a description of the principal risks and uncertainties that it faces.

Independent Auditors

Deloitte LLP has expressed its willingness to continue to act as auditors to the Company and a resolution for its re-appointment will be proposed at the forthcoming annual general meeting. Deloitte LLP has confirmed that it remains independent of the Group.

Disclosure of information to Auditors

Each of the persons who is a Director at the date of approval of this report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and

- each Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Directors' indemnities

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the financial period and is currently in force. The Company also purchased and maintained throughout the period Directors' and Officers' liability insurance in respect of itself, its Directors and the Directors of Group Companies. This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Reappointment

Under the terms of the Articles of Association of the Company, Murray Scott and Richard Williams will be proposed for re-election at the forthcoming annual general meeting. All members of the Board have service contracts. Details of the unexpired terms of the service contracts are set out above in the Report of the Directors.

Amendment of the Company's Articles of Association

Amendment of the Company's Articles of Association is, in accordance with the Companies Act 2006, subject to the passing of a special resolution by the shareholders of the Company.

The Company does not have any additional rules regarding the amendment of its Articles of Association, nor does it have any intention to so amend its Articles of Association at this time.

Capital structure

As at the end of the period, the Company's capital structure is comprised of 196,044,960 Ordinary Shares. The holders of Ordinary Shares have the right to receive notice of, attend and vote at all general meetings of the Company. Holders of Ordinary Shares have the right to participate in dividends and any surplus capital on a winding up *parri passu* as amongst themselves. Where the winding up of the Company entails or is concurrent with the winding up of the Company's subsidiary, Zegona Limited, the assets available for distribution among the holders of Ordinary Shares will be reduced by such amount as is required to satisfy the rights (if exercised) of Management Shares and Core Investor Shares in Zegona Limited.

Compensation for loss of office following a change of control

The Directors and senior employees of the Company are not entitled to any special compensation for loss of office pursuant to their directorship or employment contracts following a change of control. However, certain changes of control will entitle the Directors and certain senior employees to exercise rights held by them as holders of Management or Core Investor Shares in Zegona Limited pursuant to the long-term incentive plan in force in respect of the Company.

Significant agreements subject to change of control provisions

The Company's subsidiary, Zegona Limited, has issued Management and Core Investor Shares as part of the Group's incentive arrangements. On a change of control of the Company, subject to the requirements of the Articles of Association of Zegona Limited, the Management and Core Investor Shares can be exercised with their value being delivered either through the issue of Ordinary Shares in the Company, or in cash. Further detail in relation to these shares is set out in note 24 to these financial statements.

Statement of going concern

The Directors have considered all available information, including specific consideration of forecast financial information, about the possible future outcomes of events and changes of conditions, and the realistically possible responses to such events and conditions that are available to the Directors. Based on their considerations, the Board consider that there are no material uncertainties affecting the ability of the Group to continue in business or meet its liabilities as they fall due for the next 12 months and therefore believe it is appropriate to prepare the financial statements on the going concern basis.

By order of the Board

Eamonn O'Hare
Chairman and Chief Executive Officer
7 March 2016

Robert Samuelson
Director and Chief Operating Officer
7 March 2016

Corporate Governance Report

This report is presented separately for the sake of clarity. Nevertheless, it forms part of the above Directors' Report and has been approved by the Board and signed on its behalf as though it were a part of the Directors' Report.

Corporate Governance

The Directors recognise the importance of sound corporate governance commensurate with the size of the Group and the interests of Shareholders. Whilst the Company is eligible for exemption from the Financial Reporting Council's requirements relating to corporate governance disclosures, the Directors have decided to provide such disclosures voluntarily and these are set out in these financial statements. The UK Corporate Governance Code sets out a number of principles in relation to board leadership, effectiveness, accountability, remuneration and relations with Shareholders.

A copy of the Code is available on the financial reporting council's website at www.frc.org.uk/corporate/ukcgcode.cfm.

Following Admission to the Main Market, save as set out below, the Board has voluntarily complied with the UK Corporate Governance Code dated September 2014 issued by the Financial Reporting Council for companies applicable to non-FTSE 350 companies (the "Code") so far as practicable.

- The Code recommends that the roles of Chairman and the Chief Executive should not be occupied by the same person; the Company does not comply with this requirement. The Board of Directors believe that Eamonn O'Hare's skills, knowledge and leadership enable him to effectively perform both roles and that, at this time, distinguishing between these roles would be of no additional benefit to the Group.

- In particular, the Board considers that, notwithstanding his role as CEO, Mr O'Hare is capable of promoting a culture of openness and debate by facilitating the effective contribution of non-executive Directors and ensuring constructive relations between the executive and non-executive members of the Board.

- The Board believes that it remains effective with sufficient challenge being provided both at formal Board meetings and through informal interactions, both with members of the Board and the separate CEO of the Telecable Group, to ensure that Mr O'Hare does not exercise unfettered powers of decision. In addition, the Company maintains a schedule of matters reserved to the Board which prevents Mr O'Hare from authorising certain corporate actions without a formal resolution of the Board. The Board will monitor the need to divide the role of Chairman and Chief Executive going forward, paying particular consideration to any shareholder concerns and the time commitments required for each role as the business grows.

- Until the appointment of Richard Williams on 9 November 2015, the Board, Audit and Risk Committee and Nomination and Remuneration Committee did not include two independent non-executive Directors, which is also a requirement of the Code. Further detail on the Company's committees is set out below.

- It is noted that the UK Corporate Governance Code recommends the appointment of a Senior Independent Director. Given the size and composition of the Board, the Board does not currently believe this is necessary. However, the Board will actively consider whether the appointment of a Senior Independent Director would be of benefit as the business grows and evolves.

Composition of the Board

One of the Code's main principles is that "the board and its committees should have the appropriate balance of skills, experience, independence and knowledge of the company to enable them to discharge their respective duties and responsibilities effectively".

In applying this principle, the Code specifies that the Board should identify each non-executive Director it considers to be independent and determine whether such directors are independent in character and judgement and whether there are relationships or circumstances which are likely to affect, or could appear to affect, the director's judgement. The Code also requires the Board to state its reasons why, if it determines that a director is independent notwithstanding the existence of relationships or circumstances which may appear relevant, including if the director:

- has been an employee of the company or group within the last five years;
- has, or has had within the last three years, a material business relationship with the company either directly, or as a partner, shareholder,

director or senior employee of a body that has such a relationship with the company;
- has received or receives additional remuneration from the company apart from a director's fee, participates in the company's share option or a performance related pay scheme, or is a member of the company's pension scheme;
- has close family ties with any of the company's advisers, directors or senior employees;
- holds cross-directorships or has significant links with other directors through involvement in other companies or bodies;
- represents a significant shareholder; or
- has served on the board for more than nine years from the date of their first election.

The Board considers that Murray Scott and Richard Williams are independent non-executive Directors for the purposes of the Code.

Each of them is considered by the Board to be independent in character and judgement. Until June 2013, Richard Williams had worked with the executive Directors when at Virgin Media, however, up to the date of Mr Williams' appointment, they have not worked together since this date.

Richard's role includes assisting the executive Directors in the design and delivery of the external investor relations strategy due to his extensive experience in this regard and the importance of this to the Company. Mr Williams' annual fee has reflected the additional time required for such assistance commensurate with his responsibilities; however, the Board do not believe that this affects his ability to act independently.

The Board strongly believes that he and Murray Scott have no relationships or circumstances which are likely to affect, or could appear to affect, their judgement as Directors.

The executive Directors actively and constructively encourage challenge and seek input from the non-executive Directors to draw on their extensive experience and knowledge. They believe that the role of the non-executive Directors in providing independent challenge is a vital component of an effective board.

Similarly, although Mr Brangstrup Watts represents a significant shareholder, is a partner in the Company's financial adviser and is interested in Core Investor Shares in Zegona Limited the Board considers that he nonetheless has the characteristics of an independent non-executive Director on the basis that:

- his wide experience as a non-executive Director means he is capable of maintaining the independent character and judgement necessary to fulfil the role;
- he does not fall within any of the other relationships or circumstances that are highlighted by the Code;
- he is independent of the executive Directors;
- as a non-executive Director, his role is to:
  - constructively challenge and develop proposals on strategy;
  - scrutinise the performance of management in meeting agreed goals and objectives and monitor the reporting of performance;
  - satisfy himself as to the integrity of financial information and that financial controls and systems of risk management are robust and defensible; and
  - determine appropriate levels of remuneration for executive Directors and have a prime role in appointing and removing executive Directors and succession planning, none of which is likely to be impacted by virtue of his relationship with the Company.

The Board is therefore confident that Mr Brangstrup Watts's ability to fulfil the role of non-executive Director and up to 4 March 2016, to fulfil his role as chairman of the Board's committees is not fettered.

The Board has established two committees: an Audit and Risk Committee and a Nomination and Remuneration Committee. If the need should arise, the Board may set up additional committees as appropriate. The terms of reference governing both committees can be found on the Company's website www.zegona.com.

To further strengthen the independence of the Board's committees, on 4 March 2016 the Board agreed to appoint Murray Scott as the chairman of the Audit and Risk Committee and Richard Williams as the chairman of the Nomination and Remuneration Committee. The Board believes that these changes further strengthen the corporate governance of these committees and demonstrate the positive intent of the Group to continue to challenge and enhance its corporate governance framework as the business grows and evolves.

Audit and Risk Committee

The Audit and Risk Committee's role is to assist the Board with the discharge of its responsibilities in relation to internal and external audits and controls, including reviewing the Group's annual financial statements, considering the scope of the annual audit and the extent of the non-audit work undertaken by external auditors, advising on the appointment and independence of external auditors and reviewing the effectiveness of the internal control and risk management systems in place within the Group.

The Audit and Risk Committee will normally meet not less than three times a year. From 4 March 2016 the Audit and Risk Committee is chaired by Murray Scott replacing Mark Brangstrup Watts at that date. Its other members are Robert Samuelson, Richard Williams and Mark Brangstrup Watts.

As noted above, although the Board considers that Mr Brangstrup Watts performs his role independently, since he is not formally an independent non-executive Director, prior to the appointment of Mr Williams, the Audit and Risk Committee did not satisfy the requirement of the Code to have at least two independent non-executive members. Following Mr Williams' appointment, the Board is satisfied that the Company is now in full compliance with this requirement.

During the period to date, the Audit and Risk Committee have reviewed and approved the application of suitable accounting policies specifically in relation to the application of IFRS 2 to share based payments, and IAS 21 in relation to the presentational currency applied in the preparation of these financial statements, IAS 18 in relation to revenue recognition and IFRS 3 in relation to the acquisition of Telecable. The committee has met with the external auditor to review and challenge the audit approach, their independence and the results of their audit.

It is the Company's policy to ensure that there are appropriate safeguards in place in order to mitigate threats to auditor independence. The committee has satisfied itself through discussions with the Company's auditor, Deloitte LLP, and through review of the non-audit fees paid that such non-audit fees are at levels commensurate with the nature of the services being provided and that there are appropriate safeguards in place. Details of fees paid for non-audit services are detailed in note 26.

As the audit relationship is in its first year, the Audit and Risk Committee will seek feedback from the various participants in the process (Audit and Risk Committee members, executive Directors, Telecable management and other participants) to consider its effectiveness. This will be discussed at the first Audit and Risk Committee meeting held after the finalisation of the financial statements. The assessment of effectiveness will include assessment of the audit partner, the audit team, their approach to the audits including planning and execution, communication, support and value.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee assists the Board in determining the composition and make up of the Board and recommends what policy the Company should adopt on executive remuneration, determines the levels of remuneration for each of the Directors and recommends and monitors the remuneration of members of senior management. Its aim is to attract, retain and motivate executive Directors and senior management to encourage commitment to the development of the Group and for long term enhancement of shareholder value.

It is also responsible for periodically reviewing the Board's structure and identifying potential candidates to be appointed as Directors as the need may arise, and for producing an annual remuneration report to be approved by the members of the Company at the annual general meeting.

On an annual basis, the committee will consider and evaluate the performance of the Board, its committees and its individual Directors and report its findings to the Board of Directors.

The Nomination and Remuneration Committee also determines succession plans for the Chairman and Chief Executive.

The Nomination and Remuneration Committee will meet when appropriate and not less than twice a year. From 4 March 2016 the Nomination and Remuneration Committee is chaired by Richard Williams who replaced Mark Brangstrup Watts at that date. Its other members are Robert Samuelson, Murray Scott and Mark Brangstrup Watts.

As noted above, although the Board considers Mr Brangstrup Watts to perform his role independently, since he is not formally an independent non-executive Director, prior to the appointment of Mr Williams, the Remuneration and Nomination Committee did not satisfy the requirement of the Code to have at least two independent non-executive members. Following Mr Williams' appointment, the Board is satisfied that the Company is now in full compliance with this requirement.

Whistleblowing policy

All employees of the Group are encouraged to raise genuine concerns about possible improprieties in the conduct of our business, whether in matters of financial reporting or other malpractices, at the earliest opportunity and in an appropriate way. The Group has put in a place a whistleblowing policy to facilitate this.

The aims of this policy are:

- to encourage workers to report suspected wrongdoing as soon as possible, in the knowledge that their concerns will be taken seriously and investigated as appropriate, and that their confidentiality will be respected;
- to provide workers with guidance as to how to raise those concerns; and
- to reassure workers that they should be able to raise genuine concerns in good faith without fear of reprisals, even if they turn out to be mistaken.

Share dealing

The Company has in place systems to ensure compliance by the Board, the Company, and its applicable employees in relation to dealings in securities of the Company and has adopted a share dealing code for this purpose. The Directors believe that the share dealing code adopted by the Board is appropriate for the Company's size and complexity. The Board will comply with provisions of Chapter 3 of the Disclosure and Transparency Rules relating to directors' dealings and will take all reasonable steps to ensure compliance by the Company's 'applicable employees'.

Relations with Shareholders

The Directors are always available for communication with Shareholders and all Shareholders have the opportunity, and are encouraged, to attend and vote at the annual general meetings of the Company during which the Board will be available to discuss issues affecting the Company. The Board stays informed of Shareholders' views via regular meetings and other communications they may have with Shareholders.

Internal control and risk management

The Board is responsible for establishing and maintaining the Company's system of internal control and reviewing its effectiveness. Internal control systems are designed to meet the particular needs of the Company and Group and the particular risks to which it is exposed. The procedures are designed to manage rather than eliminate risk and by their nature can only provide reasonable but not absolute assurance against material misstatement or loss.

The Group does not have a separate internal audit function as the Board of Directors does not feel this is necessary due to the nature and extent of internal controls, management and board oversight and involvement. On an annual basis, an independent review of the effectiveness of internal controls of Telecable will be independently performed, the results of which will be considered and acted upon as necessary by the Audit and Risk Committee.

Elements of the internal control system are aimed at ensuring the accuracy and reliability of consolidated financial information and enable the Group to prepare full and accurate information on an ongoing basis and to ensure that amounts are accurately recognised, measured and disclosed in the consolidated financial statements so that the financial statements provide reliable, comprehensive information.

Internal controls include oversight of the execution and control of important and/or complex transactions by different people of appropriate seniority.

On a monthly basis KPIs, budget versus actual results, summary financial statements, covenant calculations, capital expenditure and further breakdowns of financial information as required are reviewed by the Telecable CFO and CEO, the Steering Committee, Management Committee and on a quarterly basis, the Zegona Board of Directors. The separation of administrative executive, accounting and authorisation functions and their performance by different individuals reduces the risk of fraud.

Monthly financial information is prepared and made available to the executive Directors and CFO and discussed with senior management of Telecable and circulated for discussion by the full Board of Directors on a quarterly basis.

The Board has reviewed the Company's and Group's risk management and control systems and believes that the controls are satisfactory given the nature and size of the Company and Group.

Directors' Remuneration Report

The information included in this report is not subject to audit other than where specifically indicated. The aim and composition of the Nomination and Remuneration Committee is set out above on page 15. Details of Directors interests in the share capital of the Company are set out on page 27.

Annual statement

Overview from the Chairman of the Nomination and Remuneration Committee.

I am pleased to introduce the Directors' remuneration report for the period ended 31 December 2015, which includes my statement, the Directors' remuneration policy and the annual report on remuneration for the period. The Directors' remuneration policy sets out the policy on Directors' remuneration. We are required to propose that policy for approval at the annual general meeting. The annual report on remuneration details the amounts earned in the period ended 31 December 2015 in line with the regulations on the presentation and disclosure of Directors' remuneration and how the Directors' remuneration policy will be applied in 2016 (except that we have not included illustrations of the application of the remuneration policy). The annual report on remuneration will be subject to an advisory vote at the annual general meeting.

A key element of Zegona's remuneration framework is the Management Shares which have been in place since before the Company's initial IPO.

Our remuneration philosophy is that executive remuneration should be simple and transparent, support the delivery of the business strategy and pay for performance. This philosophy is reflected in our remuneration structure.

The committee feels very strongly that Directors' remuneration should be linked to the creation and delivery of real returns to shareholders. Although the committee feels it is important to remunerate and incentivise senior executives through their basic pay, benefits and annual bonus at market levels commensurate with their peers, the Management Shares were designed to provide ongoing remuneration in complete alignment with shareholders.

The structure is designed so that only once shareholders have received a compound annual growth (including distributions received) of greater than 5 per cent. per annum do the Management Shares have any value at all.

Rather than having successive one year long term incentive arrangements, we believe that an ongoing three to five year arrangement is preferable, given that it is closer to the expected typical ownership period of our businesses and the executive Directors intend to acquire multiple businesses over time.

The rights attached to the Management Shares may be exercised by the executive Directors at any time in the period from 14 August 2018 to 14 August 2020 or prior to that period under certain specific conditions, including a takeover or Board change of control.

By its nature, this means that value is likely to be received from the Management Shares only every three to five years and so the value received should not be regarded as an annual payment.

After an exercise of Management Shares, the incentive mechanism will be renewed, up to a maximum of four times, as set out below, on a similar basis such that management will continue to have rights to 15 per cent. of the future growth in value of the Company, subject to shareholders achieving their preferred return of 5 per cent. per annum.

Renewal of the management incentive mechanism is subject to shareholder approval. At the annual general meeting immediately following an exercise or five year anniversary, the Company will propose a resolution to continue the incentive arrangements on the same terms. If shareholders holding 75 per cent. or more of the Ordinary Shares voted on the resolution vote against it, the remaining Management Shares will immediately cease to have any rights or real value.

The committee strongly believes that this clear and transparent incentive framework is aligned with the Company's strategy for growth and provides a strong platform for the future success of the Company.

It is anticipated that the exercise of Management Shares will result in management receiving Ordinary Shares in Zegona. Those shareholdings could be substantial and would then further align management to shareholders.

As the above shows, proposing the remuneration policy, the committee has sought to ensure that the policy and practices drive behaviour aligned to the long term interests of the Company and our shareholders. The committee has also considered the Company's strategy, performance and shareholders' interests when setting the remuneration policy.

As well as setting out the committee's proposed remuneration policy, this remuneration report also sets out the major decisions that have been taken and significant changes that have occurred during the period as regards Directors' remuneration and the context in which those have occurred.

The Nomination and Remuneration Committee is mindful of the potential risks associated with our remuneration policy. The committee aims to provide a structure that encourages an acceptable level of risk taking (by benchmarking against shareholder returns) and an optimal remuneration mix. The committee intends to undertake annual evaluations to ensure our policy achieves the correct balance and does not encourage excessive risk taking. The committee has considered the risk involved in the Management Shares and is satisfied that the governance procedures mitigate these risks appropriately.

Since this is the committee's first remuneration report, we would very much welcome your feedback as a shareholder of the Company.

I hope we will receive your support on the remuneration-related votes at our annual general meeting.

On behalf of the Nomination and Remuneration Committee

Richard Williams
Non-executive Director and Chairman of the Nomination and Remuneration Committee
7 March 2016

Directors' remuneration policy

Overview

In setting the policy for Directors, the Nomination and Remuneration Committee has sought to promote the long-term success of the Company, applying incentives which are compatible with the Company's corporate strategy, risk policies and systems. In particular, the committee has been mindful of the potential concern of shareholders that undeserved remuneration will undermine the efficient operation of the Company, affect the Company's reputation and misalign the Directors' and shareholders' interests.

Directors' fixed remuneration

In setting the Directors' fixed remuneration, the committee considers that the Company should have regard to:

- the Group's objective to reward all employees fairly according to their role, experience and performance;
- the individual Director's performance, responsibility, skills and experience;
- the size and nature of the business and comparative general pay levels amongst the Group's peers, being global communications and media companies of a similar size and complexity to the Group (although the committee does not consider that formal comparative measures are appropriate);
- whether increases in fixed remuneration above inflation are appropriate or justifiable; and
- the pension consequences and associated costs to the Company of any basic salary.

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

Directors' short term incentive arrangements

The committee considers that the Company's remuneration policy should, as well as aligning the interests of the Directors with the long term success of the Company, also incentivise delivery of the Company's financial and strategic goals over a financial period. Accordingly, the committee has adopted an annual bonus policy for executive directors pursuant to which the maximum bonus opportunity is capped at 100 per cent. of base salary. The level of potential bonus award available to executive Directors when the bonus scheme is established will be set having regard to companies of similar size and complexity, in the context of the committee's overriding desire to ensure that remuneration is principally driven through the executive Directors ownership of Management Shares.

No annual bonus awards have been made for the period ending 31 December 2015 as the Nomination and Remuneration Committee only formally adopted the policy recently. If the financial and non-financial measures set by the committee are achieved, the committee may first award annual bonuses to executive Directors for the period ending 31 December 2016.

Directors' long term incentive arrangements

The committee considers that, having regard to the Group's buy-fix-sell approach, while executive Directors should be eligible for annual bonuses which are comparable to those of companies of a simular size and complexity, the executive Directors should be rewarded principally through participation in a long-term incentive scheme which enables them to participate in the growth in value of the Company, subject to shareholders achieving a preferred return, thereby aligning their interests with those of the Company's shareholders.

Executive Directors' future remuneration policy

Purpose and link to strategy	Operation	Opportunity	Performance metrics
Base salary *To reflect market value of the role and individual's performance and contribution and enable the Group to recruit and retain directors in the short term of sufficient calibre to drive the Company's ambitions and thereafter to retain those directors while looking forward to remuneration from the management incentive plan which is driven by the Company's long term goals*	Reviewed every twelve months following the acquisition of the Telecable Group. Base salary review will refer to items as set out above.	Base salary increases are applied in line with the outcome of the review, as part of which the committee also considers average increases across the Group. In respect of existing executive Directors, it is anticipated that salary increases will generally be in line with inflation, or those of salaried employees as a whole. In exceptional circumstances (including, but not limited to, a material increase in job size or complexity) the committee has discretion to make appropriate adjustments to salary levels to ensure they remain market competitive.	Company and individual performance will be considered in setting executive Director base salaries.
Pension *To provide a market competitive pension*	Pension contributions are made to the individual's private pension arrangements or paid to them in lieu of such arrangements.	Executive Directors receive a contribution of up to 20% of salary. This may be exceeded in exceptional circumstances (e.g. recruitment).	Not performance related.
Benefits *To provide market competitive benefits*	Benefits may include car allowances, private medical insurance, critical life and death in service cover. Other benefits may be awarded as appropriate, such as relocation benefits.	Benefits may vary by role and individual circumstance and will be reviewed periodically. The committee retains the discretion to approve a higher cost in exceptional circumstances (e.g. relocation) or in circumstances where factors outside of the Company's control have materially changed (e.g. increases in medical insurance premiums).	Not performance related.

Purpose and link to strategy	Operation	Opportunity	Performance metrics
Annual Bonus *To incentivise delivery of the Group's annual financial and strategic goals*	Performance is measured on an annual basis for each executive Director in respect of each financial period.	The maximum bonus available is 100 per cent. of base salary per annum. No award will be made in respect of threshold performance.	Performance measures and targets will be set annually by the committee to ensure that they are appropriately stretching and to ensure that they reflect the particular financial and strategic goals of the Company for the financial period in question. The Nomination and Remuneration Committee retains discretion to adjust payments up or down to reflect personal performance over the course of the period and where they otherwise feel this course of action is appropriate.

Purpose and link to strategy	Operation	Opportunity	Performance metrics
Management incentive arrangements *To drive performance, aid retention and align the interests of executive Directors and senior management with shareholders over the long term*	The committee may allocate executive Directors or other senior managers Management Shares in the Company's subsidiary, Zegona Limited. The rights attached to the Management Shares may be exercised by Management at any time in the period from 14 August 2018 to 14 August 2020. Holders of the Management Shares are required to exercise all their rights at a single time during this period. The rights may be exercised prior to that period under certain specific conditions, including a takeover or Board change of control.	The Group's management incentive arrangements entitle participants in aggregate to receive up to a maximum of 15 per cent. of the growth in value of the Company. The maximum amount available to participants in the incentive arrangements is capped at that level – irrespective of the number of participants in the scheme.	Subject to shareholders achieving a preferred return of five per cent. per annum on a compounded basis on their Net Invested Capital. Further details on the management incentive arrangements are set out in note 24.

Notes to the policy table

As noted above, the committee considers that, having regard to the Company's strategy, a long term incentive plan, such as the management incentive arrangement, as well as an annual bonus scheme is an appropriate way of ensuring that the interests of the executive Directors are aligned with those of the shareholders as it will reward executive Directors for delivering sustained, increased shareholder value as well as for meeting financial and non-financial targets set by the Nomination and Remuneration Committee from time to time having regard to the financial and strategic goals of the Company in a particular financial period.

In addition, the committee does not consider it necessary to include any provisions for sums paid to be recovered, or for any amounts to be withheld in respect of the base salary, benefits or management incentive arrangements. The committee will have discretion as to whether to apply malus or clawback provisions to annual bonuses.

As regards the management incentive arrangement, the committee considers that the preferred return condition clearly links the executive Directors' remuneration package to the creation of shareholder value and is designed to challenge the executive Directors without being unachievable. The preferred return condition is not automatically waived on a change of control. The arrangement was put in place to recruit a world class management team who might otherwise have been able to receive similar incentivisation packages as senior management of a private equity company.

The committee believes that the period during which the incentive arrangements may be exercised is appropriate to ensure that growth is achieved over a material period of time and that the applicable Directors are incentivised to remain with the business for the longer term.

An equivalent incentive arrangement is not in place for all employees of the Group as the committee does not consider this to be appropriate. However, certain senior members of Telecable's management team will in future

be entitled to participate in a separate management incentive plan, which is expected to be based on one or more shareholder return measures.

Non-executive Directors' future remuneration policy

Pursuant to the Company's Articles of Association, the Board determines the remuneration policy and level of fees for the non-executive Directors, within the limits set out in the Articles of Association (or as specified by the Company in a general meeting). The Nomination and Remuneration Committee recommends the remuneration policy and level of fees for the Board. The committee proposes the following policy for non-executive Directors:

Purpose and link to strategy	Operation	Opportunity	Performance metrics
Annual Fee *To reflect market competitive rates for the role, as well as individual performance and contribution*	Non-executive Directors receive a basic fee for their respective roles. It may be appropriate to pay additional fees to non-executive Directors for additional services, such as chairing a Board committee or supporting the Board on matters or projects that require significant time commitment beyond that typically expected of a non-executive Director. The committee will review fees annually, but there will be no obligation for fees to be increased. Payable in cash. The maximum fees payable to Directors in aggregate under the Articles of Association is £3 million per annum.	Fee increases are applied in line with the outcome of the annual review. There is no prescribed maximum fee (except that total aggregate Director fees under the Articles of Association is £3 million per annum), nor is there any requirement to increase fees where the committee does not consider an increase to be appropriate. It is expected that increases to non-executive Director fee levels will be in line with inflation, or salaried employees over the life of the policy. However, in the event that there is a material misalignment with the market or a change in the complexity, responsibility or time commitment required to fulfil a non-executive Director role, the committee has discretion to make an appropriate adjustment to the fee level.	N/A

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

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

Management incentive arrangements	New appointees may be invited to participate in the Company's long term incentive plan on the same terms as other executive Directors, as described in the future remuneration policy table.

There is no maximum value, other than it is noted that the total Directors remuneration is capped at £3 million per annum.

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

In the case of appointing a new non-executive Director, the committee will follow the Policy as set out in the table above. A base fee reflecting current competitive rates and the individual's anticipated contribution would be payable for Board membership, with additional fees payable for additional services, such as chairing a Board committee.

Notice periods and remuneration on loss of office

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

Notwithstanding the foregoing, no such payments will be made where the executive Director's appointment is terminated for (amongst other things) fraud or gross misconduct relating to the Group.

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

Executives' shareholdings

The committee recognises the importance of Directors and senior management aligning their interests with shareholders through building up a significant shareholding in the Company. The Company will consider adopting shareholding guidelines that require executive Directors and other executives to acquire over time a holding equal to a set percentage of base salary.

Illustrative application of the remuneration policy

The base salary, pension and benefits of each executive Director are not subject to performance criteria so there will be no difference in the amounts received by executive Directors in connection with these components of their remuneration based on whether or not the Company performs better or worse than expected.

In addition, since the performance linked proportion of the executive Directors' remuneration is satisfied by their holding of Management Shares in Zegona Limited, rather than under the terms of their service contracts (and since the Nomination and Remuneration Committee has not (i) awarded any annual bonuses to date or (ii) yet agreed the financial and non-financial targets to be met by individual executive Directors to be eligible for an annual bonus award for the period ending 31 December 2016), the committee does not consider it appropriate to include an illustrative application of the Management Shares or annual bonus at this time. Instead, audited

details of remuneration paid to the Directors to date have been included in the annual report on remuneration below.

During 2016, the committee will review the terms of the executive Directors' entire remuneration package including salary, benefits and annual bonus targets so that it is commensurate with the upper quartile of those provided by global communications and media companies of similar size and complexity to the Group.

Remuneration arrangements for the Group

Zegona's approach to annual salary reviews is consistent across the Group, with consideration given to the level of experience, responsibility, individual performance and salary levels in comparable companies.

In addition, the Board will be devising an incentive plan for certain senior members of Telecable's management team within a framework similar to that used for the management incentive arrangements, as well as a bonus programme.

The committee has not sought, or taken account of, the views of Group employees in drawing up the Directors' remuneration policy, however, as noted above, the committee must have regard to the Group's objective to reward all employees fairly according to their role, experience and performance when setting the Directors' fixed remuneration.

Consideration of shareholder views

We remain committed to open and transparent engagement with our investors on all matters, including remuneration. We believe that this remuneration report should communicate clearly how much our executive Directors are earning and how this is linked to performance. Next year and in the future, we will provide comparative data of their earnings over time and against shareholder returns in order to show how that is linked to performance.

To date, none of the Company's shareholders have expressed any views to the committee as regards Director's remuneration. However, we would welcome feedback and continuous engagement from the Company's shareholders in this regard.

Annual Report on Remuneration

Review of the period

On incorporation, Eamonn O'Hare, Robert Samuelson and Mark Brangstrup Watts were appointed as executive Directors to the Board. Mr O'Hare, Mr Samuelson and Mr Brangstrup Watts' remuneration was at the national minimum wage from the date of incorporation to the date of the initial IPO on 19 March 2015. From this date, Mr Brangstrup Watts became a non-executive Director with an annual fee in line with industry norm. Mr O'Hare and Mr Samuelson's remuneration was revised to align with industry levels commensurate with their roles and experience.

On 31 July 2015, the Board appointed Murray Scott as an independent non-executive Director with an annual fee equivalent to that paid to Mr Brangstrup Watts. On 9 November 2015, Richard Williams was appointed as a second Independent non-executive Director. It was agreed by the Board that Richard's expertise in Investor Relations was key to the Company's ability to more effectively engage with external investors and to ensure communications with investors are optimised. Richard's role includes assisting the executive Directors in the design and delivery of the external investor relations strategy. Mr Williams' annual fee was reflective of the additional time required for such assistance commensurate with his responsibilities.

During the period the Nomination and Remuneration Committee formally approved the adoption by the Company of an annual bonus policy of up to 100 per cent. of base salary for executive Directors. The committee considered that bonus awards under the scheme should be made having regard to financial and non-financial measures and considered that – in order to maintain flexibility – the committee should have discretion to set those measures annually, having regard to the Company's financial and strategic goals for the period, and to apply those measures on a Director by Director basis, provided that 100 per cent. awards should only be made where the committee considered that an executive Director had substantially exceeded the financial and non-financial measures considered by the committee.

No changes have been made to Directors' remuneration throughout the period and to the date of these financial statements other than set out above. If the Remuneration Policy is approved at the Company's next annual general meeting, it is not expected that there will be any significant change in the way that the Remuneration Policy will be implemented in the current financial year as compared to how it has been implemented in the reported year, save that annual bonuses may be paid to the executive Directors of up to 100 per cent. of base salary if the Nomination and Remuneration Committee considers it appropriate to do so.

Total remuneration (audited)

All Directors have entered into service agreements with the Company. Remuneration of the Directors during the period under the terms of their service agreements and the Management Shares with which they were issued are detailed in the table below. The table does not include comparative information for the previous financial period as the Company was newly incorporated on 19 January 2015.

	Fees/basic salary €	Taxable benefits €	Pension contribution €	Annual bonus €	Management Shares €	Total €
Chief Executive Officer						
Eamonn O'Hare	543,192	14,043	108,026	–	22,256	687,517
Executive Director						
Robert Samuelson	381,153	14,043	75,618	–	11,129	481,943
Non-Executive Directors						
Mark Brangstrup Watts	21,022	–	–	–	See *	21,022
Murray Scott	22,947	–	–	–	–	22,947
Richard Williams	11,968	–	–	–	–	11,968

* Mark Brangstrup Watts holds a beneficial interest in the 5 B Ordinary Shares issued by Zegona Limited to Marwyn Long Term Incentive GP as GP to Marwyn Long Term Incentive LP. The total value of the 5 B Ordinary Shares at the time of issue was €36,485.

The annual bonus scheme for executive Directors has not yet been finalised or implemented by the Nomination and Remuneration Committee so no awards have been made under this scheme to date. There is no equivalent annual bonus scheme for non-executive Directors. Further details on the arrangements provided through the issue of Management Shares are detailed below.

The Company does not operate any defined contribution or defined benefit schemes; pension contributions are made to the individual's private pension arrangements or paid to them in lieu of such arrangements.

Taxable benefits include car and healthcare allowances.

It is the intention that the Board are paid a Director fee commensurate with their role and position in the Company and that they are incentivised on a short term basis through the annual bonus scheme, and on a longer term basis through ownership of Management Shares as set out below. The Management Shares currently have no present day value as the Company's share price has fallen below the price at which the Company raised equity from shareholders. In any future year when the shares have present day value, we will prepare an illustrative example of the theoretical value of the Management Shares as if they had been exercisable at the period end (as opposed to pursuant to their terms).

Service contract key terms

	Contract Duration	Restrictive Covenants	Notice Period
Eamonn O' Hare	Unlimited	12 months	12 months
Robert Samuelson	Unlimited	12 months	12 months
Mark Brangstrup Watts	To 31 December 2019	–	6 months
Murray Scott	1 year from date of appointment	–	6 months
Richard Williams	1 year from date of appointment	–	6 months

Other than payments for notice periods, the service agreements contain no entitlements to termination payments.

There are no malus or clawback provisions in respect of base salary, pension contributions or benefits, however, the committee retains discretion to apply such provisions in the case of any bonus award paid to an executive Director whose appointment is subsequently terminated.

Under the arrangements pursuant to which the Management Shares were issued to executive Directors, the executive Directors are entitled to keep their Management Shares for a period of time if they are terminated, save if they are terminated for gross misconduct, fraud, certain criminal conduct or participation in market abuse. The time period is two exercise periods, save in the case of death or permanent disability when it is until the end of the current exercise period.

No Directors appointed to the Board have, to date, resigned or been removed. Accordingly, the Company has not made any payments to former Directors during the period.

Director interests in Management Shares

Eamonn O'Hare and Robert Samuelson hold 3,050 million and 1,525 million A Ordinary Shares respectively in the Company's wholly owned subsidiary, Zegona Limited. Details on these holdings are set out in note 24.

Mark Brangstrup Watts holds a beneficial interest in respect of the 5 B Ordinary Shares in the Company's wholly owned subsidiary, Zegona Limited held by Marwyn Long Term Incentive LP. Details on this holding are set out in note 24.

Particulars of Directors' remuneration, in respect of the A and B Ordinary Shares of Zegona Limited which, under the Companies Act 2006 are required to be audited, are given in note 24 to these financial statements.

Directors interests in Ordinary Shares

As set out in the remuneration policy, the Company intends to adopt formal guidelines in connection with the building of shareholdings in the Company by Directors and senior management. During the period, however, no such formal requirements or guidelines were in place. Nonetheless, the Directors have the following interests in the Ordinary Shares of the Company as set out below and in the Management Shares which are detailed in note 24.

Directors and senior management	Number of Shares	% of issued share capital
Eamonn O'Hare	1,524,999	0.78
Robert Samuelson	762,502	0.39
Howard Kalika	212,499	0.11
Richard Williams	56,000	0.03

No Director holds any option which is vested but unexercised.

External appointments

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

Reappointment

Under the terms of the Articles of Association of the Company, Murray Scott and Richard Williams will be proposed for re-election at the forthcoming annual general meeting. All Board members have service contracts. Details of the unexpired terms of the service contracts are set out above in the Report of the Directors.

Implementation of the Remuneration Policy

If the remuneration policy is approved by the shareholders at the annual general meeting, the Board intends to implement the policy by applying the principles, limits and criteria set out therein.

Consideration of remuneration matters

During the period and to the date of the Annual Report, the Nomination and Remuneration Committee met twice, once to consider the revision of the Executive Directors' remuneration upon completion of the Telecable acquisition, and the second time to approve the remuneration policy and this report. The committee is satisfied that its members have acted independently.

As detailed above, the committee and Board decided to change the Chairmanship and from 4 March 2016, Richard Williams took on the role of Chairman.

By order of the Board

This report was approved by the Board of Directors on 7 March 2016 and is signed on its behalf by:

Eamonn O'Hare
Chairman and Chief Executive Officer
7 March 2016

Opinion on financial statements of Zegona Communications plc

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 2015 and of the group's loss for the period then ended;**
- **the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;**
- **the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and**
- **the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.**

The financial statements comprise the Consolidated Statement of Profit and Loss, the Consolidated Statement of Other Comprehensive Income, the Consolidated and Parent Company Balance Sheets, the Consolidated and Parent Company Cash Flow Statements, the Consolidated and Parent Company Statements of Changes in Equity and the related notes 1 to 28. The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Going concern and the directors' assessment of the principal risks that would threaten the solvency or liquidity of the group

We have nothing material to add or draw attention to in relation to:

- the directors' confirmation on page 2 that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures on pages 2-4 that describe those risks and explain how they are being managed or mitigated;
- the directors' statement in note 2 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the group's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- the director's explanation on page 4 as to how they have assessed the prospects of the group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We agreed with the directors' adoption of the going concern basis of accounting and we did not identify any such material uncertainties. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.

Independence

We are required to comply with the Financial Reporting Council's Ethical Standards for Auditors and we confirm that we are independent of the group and we have fulfilled our other ethical responsibilities in accordance with those standards. We also confirm we have not provided any of the prohibited non-audit services referred to in those standards.

Our assessment of risks of material misstatement

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.

Risk	How the scope of our audit responded to the risk
Accounting for the acquisition of Telecable de Asturias (Telecable) Telecable was acquired by Zegona in the period for a consideration of €640 million. In accordance with IFRS 3 Business Combinations (IFRS 3), management has undertaken an exercise, using external advice, to determine the fair value of the assets and liabilities acquired. The results of this exercise are disclosed in note 5. The identification and valuation of assets and liabilities acquired is a key area of judgement and estimation.	To address this risk we performed the following procedures: • reviewed management's process for valuing the assets and liabilities acquired, including their appointment of external specialists; • used our own valuation specialists to review the output of the valuation exercise, including challenging the assumptions and estimates used by generating independent expectations and comparing these to the estimates; • assessed the competence of management's specialist; • used our own tax specialists to evaluate the deferred tax liability recorded; and • reviewed the disclosures made by management against the requirements of IFRS 3.
Revenue recognition Given the highly automated nature of Zegona's revenue recognition process and the high volume, low value nature of the transactions, we have identified risks in the accuracy and occurrence of fixed and mobile revenue. If the accuracy of the underlying tariff and billing data is incorrect then this could have a material impact on the financial statements. Similarly, if the customers who receive services are not billed, or if invalid revenue transactions are recorded, the revenue balance could also be materially misstated.	To address this risk we performed the following procedures: • used IT audit specialists to audit the general IT controls in respect of the revenue provisioning and billing system infrastructure and the interfaces between those systems; • used analytical tools to verify whether a complete set of billing data is captured by the general ledger; • tested the application controls in respect of the billing system; • traced a sample of tariffs back to contracts, and a sample of contracts to the system's tariff master data to provide assurance over the accuracy of revenue; • performed substantive analytical procedures in respect of the different revenue streams, using system-driven and tested data, such as subscriber numbers and tariff master data; and • reviewed the revenue accounting policies and their compliance with IAS 18 Revenue.

The description of risks above should be read in conjunction with the significant issues considered by the Audit and Risk Committee discussed on page 15.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Our application of materiality	We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work. The business is in a loss making position and we did not consider loss before tax an appropriate benchmark for our determination of materiality. We therefore determined materiality by considering a range of possible benchmarks and the figures derived from those, then selecting a materiality within that range that we considered appropriate. We determined materiality for the group on this blended basis to be €500,000, which is less than 1% of revenue and less than 1% of net assets for the period. The component audits are performed using a lower materiality of between €250,000 and €475,000. We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of €25,000, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.
An overview of the scope of our audit	Our audit was scoped by obtaining an understanding of the entity and its environment, including internal control, and assessing the risks of material misstatement. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team. The main operating component of the group is Telecable de Asturias, based in Spain. This represents 100% of group revenues and over 80% of group costs. This has been subject to a full-scope audit by Deloitte Spain, supervised closely by Deloitte UK. The audit engagement partner and senior members of the team visited the local audit team both before and after period end to plan the audit and review the audit work undertaken locally. We also discussed our findings with local management. In addition, the Deloitte UK audit team undertook a full scope audit of Zegona Communications plc and the remaining group businesses and consolidation process in London.
Opinion on other matters prescribed by the Companies Act 2006	In our opinion: • the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and • the information given in the Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have nothing to report in respect of these matters.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns. We have nothing to report arising from these matters.

Our duty to read other information in the Annual Report

Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the group acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.

Other matters

Although not required to do so, the directors have voluntarily chosen to make a corporate governance statement detailing the extent of their compliance with the UK Corporate Governance Code. We reviewed the part of the Corporate Governance Statement relating to the company's compliance with certain provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews.

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/or those further matters we have expressly agreed to report to them on in our engagement letter 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

David Griffin FCA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom

7 March 2016

	Note	Consolidated Period to 31 December 2015 €000
Revenue		52,966
Cost of sales		(31,737)
Gross profit		**21,229**
Other income		321
Selling and distribution expenses		(10,963)
Administrative expenses		(9,316)
Impairment losses and losses on disposal of assets		(1,703)
Other operating expenses		(7,229)
Operating Loss	7	**(7,661)**
Finance costs	8	(8,803)
Finance income	8	51
Exchange differences		(24)
Loss for the period before income tax		**(16,437)**
Income tax	10	1,545
Loss for the period attributable to equity holders of the parent		**(14,892)**
Earnings per share		
Basic and diluted loss per share attributable to ordinary equity holders of the parent (€)	22	(0.166)

The Group's activities derive from continuing operations.

The notes on pages 40 to 69 form an integral part of these consolidated financial statements.

	Consolidated Period to 31 December 2015 €000
Loss for the period	**(14,892)**
Other comprehensive income	
Exchange differences on translation of foreign operations	(263)
Other comprehensive loss for the period	**(263)**
Total comprehensive loss for the period, net of tax, attributable to equity holders of the parent	**(15,155)**

The notes on pages 40 to 69 form an integral part of these consolidated financial statements.

	Note	Consolidated as at 31 December 2015 €000	Company as at 31 December 2015 €000
Assets			
Non-current assets			
Property, plant and equipment	11	134,910	2
Intangible assets	12	575,445	–
Non-current financial assets	17	1,605	358,050
		711,960	**358,052**
Current assets			
Inventories	13	373	–
Trade and other receivables	16	10,148	2,436
Cash and cash equivalents		14,264	6,192
		24,785	**8,628**
Total assets		**736,745**	**366,680**
Equity and Liabilities			
Equity			
Share capital	20	2,738	2,738
Share premium	20	386,045	386,045
Share based payment reserve	21	25	–
Foreign currency translation reserve	21	(263)	(10,927)
Retained earnings	21	(14,892)	(11,294)
Total equity attributable to equity holders of the parent		**373,653**	**366,562**
Current liabilities			
Trade and other payables	19	24,352	118
Current financial liabilities	18	16,891	–
Deferred revenue	23	229	–
		41,472	**118**
Non-current liabilities			
Non-current financial liabilities	15	265,648	–
Deferred revenue	23	2,727	–
Deferred tax liabilities	10	53,245	–
		321,620	**–**
Total liabilities		**363,092**	**118**
Total equity and liabilities		**736,745**	**366,680**

The notes on pages 40 to 69 form an integral part of these consolidated financial statements.

The financial statements of Zegona Communications plc (registered number 09395163) were approved by the Board of Directors on 7 March 2016 and were signed on its behalf by:

Eamonn O'Hare
Director

Robert Samuelson
Director

ZEGONA COMMUNICATIONS

	Note	Share capital	Share premium	Share based payment reserve	Accumulated losses	Foreign currency translation reserve	Total equity
		€000	€000	€000	€000	€000	€000
At incorporation on 19 January 2015		–	–	–	–	–	–
Loss for the period		–	–	–	(14,892)	–	(14,892)
Other comprehensive loss		–	–	–	–	(263)	(263)
Issue of share capital	20	2,738	386,045	–	–	–	388,783
Share-based payments	24	–	–	25	–	–	25
Balance at 31 December 2015		**2,738**	**386,045**	**25**	**(14,892)**	**(263)**	**373,653**

The notes on pages 40 to 69 form an integral part of these consolidated financial statements.

	Note	Share capital	Share premium	Accumulated losses	Foreign currency translation reserve	Total equity
		€000	€000	€000	€000	€000
At incorporation on 19 January 2015						
Loss for the period		–	–	(11,294)	–	(11,294)
Other comprehensive loss		–	–	–	(10,927)	(10,927)
Issue of share capital	20	2,738	386,045	–	–	388,783
Balance at 31 December 2015		**2,738**	**386,045**	**(11,294)**	**(10,927)**	**366,562**

The notes on pages 40 to 69 form an integral part of these consolidated financial statements

	Consolidated for the period from 19 January 2015 to 31 December 2015	Company for the period from 19 January 2015 to 31 December 2015
	€000	€000
Operating activities		
Loss before income tax	(16,437)	(11,294)
Reconciliation of loss before income tax to operating cash flows:		
Depreciation and impairment of property, plant and equipment	10,656	–
Amortization of intangible assets	8,494	–
Share based payment expense	25	–
Net foreign exchange differences	24	–
Losses on derecognition or disposal of non-current assets	1,703	–
Finance income	(51)	–
Finance costs	8,803	–
Working capital adjustments		
(Increase)/decrease in trade and other receivables and prepayments	(10,148)	(2,436)
(Increase)/decrease in inventories	(373)	-
Increase/(decrease) in trade and other payables	311	118
Interest paid	(3,944)	–
Income tax paid	–	–
Net cash flows used in operating activities	**(937)**	**(13,612)**
Investing activities		
Purchase of property, plant and equipment	(6,598)	(2)
Purchase of intangible assets	(5,579)	–
Acquisition of a subsidiary, net of cash acquired	(632,585)	(360,691)
Net cash flows used in investing activities	**(644,762)**	**(360,693)**
Financing activities		
Proceeds from issue of share capital	392,417	392,417
Costs directly attributable to equity raise	(11,506)	(11,506)
Proceeds from loans and borrowings	282,539	–
Loss on extinguishment of FX option	(3,340)	–
Net cash flows from financing activities	**660,110**	**380,911**
Net increase in cash and cash equivalents	14,411	6,606
Net foreign exchange difference	(147)	(414)
Cash and cash equivalents at beginning of the period	–	–
Cash and cash equivalents at the end of the period	**14,264**	**6,192**

The notes on pages 40 to 69 form an integral part of these consolidated financial statements.

1. GENERAL INFORMATION

The consolidated financial statements of Zegona Communications plc (the "Company" or the "Parent") and its subsidiaries (collectively, the "Group") for the period ended 31 December 2015 were authorised for issue in accordance with a resolution of the directors on 7 March 2016. The Company is incorporated in England and Wales and domiciled in the United Kingdom. It is a public limited company with company number 09395163 and has its registered office at 20 Buckingham Street, London, WC2N 6EF.

Information on the Group's structure is provided in Note 14. Information on other related party relationships of the Group is provided in Note 25.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The Company was incorporated on 19 January 2015. The Consolidated Financial Statements represent the period from 19 January 2015 until 31 December 2015 and have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRIC) interpretations as adopted by the European Union, and with those parts of the Companies Act 2006 as applicable to companies reporting under IFRS.

The Consolidated Financial Statements are prepared in accordance with IFRS under historical cost convention and are presented in Euros. The functional currency of the Company is British pounds sterling. The Directors have chosen to present the consolidated financial statements of the Group in Euros as the Company's operational subsidiary, Telecable de Asturias, S.A., has a functional and presentational currency of Euros. All values are rounded to the nearest thousand (€000), except when otherwise indicated.

(b) Going concern

This Consolidated Financial Statements have been prepared on a going concern basis, which assumes that the Group will continue to be able to meet its liabilities as they fall due for the foreseeable future.

The Directors have considered all available information about the possible future outcomes of events and changes of conditions and the realistically possible responses to such events and conditions that are available to the Directors. Based on their considerations, the Board consider that there are no material uncertainties affecting the ability of the Group to continue in business or meet its liabilities as they fall due for the next 12 months and therefore believe it is appropriate to prepare the financial statements on the going concern basis.

(c) New standards and amendments to International Financial Reporting Standards

Standards, amendments and interpretation effective and adopted by the Group:
The accounting policies adopted in the presentation of these consolidated financial statements reflect the adoption of the following amendments for annual periods beginning on or after 1 January 2015.

Annual Improvements to IFRSs 2011–2013 Cycle which were not applicable to the Group.

Standards issued but not yet effective:
The following standards are issued but not yet effective. The Group intends to adopt these standards, if applicable, when they become effective. The effects of IFRS 15 and IFRS 16 are yet to be assessed. It is not expected that any of the remaining standards will have a material impact on the Group.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Standard	Effective Date
Amendments to IAS 19 – Defined Benefit Plans: Employee Contributions	1 February 2015
Annual improvements (2010-2012)	1 February 2015
Amendments to IFRS 11 – Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to IAS 1 – Disclosure Initiative	1 January 2016
Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to IAS 27 – Equity Method in Separate Financial Statements	1 January 2016
Annual improvements (2012-2014)	1 January 2016
Amendments to IAS 16 and IAS 41 – Bearer plants	1 January 2016
IFRS 14 Regulatory Deferral Accounts	1 January 2016*
Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities – Applying the Consolidation Exception	1 January 2016*
Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2016*
IFRS 15 – Revenue from Contracts with Customers	1 January 2018*
IFRS 9 – Financial instruments	1 January 2018*
IFRS 16 – Leases	1 January 2019*

*subject to EU endorsement

(d) Basis of consolidation

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

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

The principal accounting policies adopted in the preparation of the Consolidated Financial Statements are set out below. The policies have been consistently applied throughout the period presented.

(e) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with the changes in fair value recognised in the statement of profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests) and any previous interest held over the net identifiable assets acquired and liabilities assumed.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

(f) Fair value measurement

The Group measures financial instruments such as derivatives, and non-financial assets, at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Foreign currencies

The Group's consolidated financial statements are presented in Euros. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

On consolidation, the assets and liabilities of the Company and its subsidiary, Zegona Limited, are translated into Euros at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in other comprehensive income.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

(h) Revenue and expenses

Revenue and expense are recognised on an accrual basis, i.e. when the actual flow of the goods and services they represent occurs, regardless of when the resulting monetary or financial flow arises. Revenue is measured at the fair value of the consideration received, less any discounts and taxes.

Revenue

Revenue from sales are recognised when the Group has transferred to the buyer the significant risks and rewards of ownership of the goods, and neither continuing managerial involvement nor effective control is maintained over the goods sold.

Revenue associated with the provision of services is recognised by reference to the stage of completion of the transaction at the reporting date, provided that the outcome of the transaction can be estimated reliably.

Group revenue is generated from the provision of services in connection with landline phones, television, broadband internet, data and mobile phones for residential and corporate customers, chiefly as combined sales, and also from phone interconnection services to other operators.

The Group assesses its revenue agreements in line with specific criteria to determine whether it acts as principal or agent. The Group concluded that it acts as principal in all its revenue agreements.

Traffic revenue, both landline and mobile, is recognised in the period during which it is earned.

Regular monthly charges for services are taken to results on a straight-line basis in the period during which the service was provided. Variable consumption revenue is recognised in the period during which it is earned, and revenue from flat-rate consumption is recognised in the period covered by the rate concerned.

Interconnect revenue is recognised in the period during which phone traffic is generated.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provision of mobile devices – revenue is recognised at the time the devices are delivered. Moreover, depending on the handset model contracted by the customer and the rate plan associated with it, supplementary revenue is generated that is recognised on a straight-line basis in the period during which the service is provided. The cost of the handset is recognised at the time the devices are delivered to customers. Any other potential losses on a contract with a customer arising from provision of a handset or from the contract in general are taken to results at the outset.

Other operating income

The other operating income streams are related, mainly, to revenues associated with the provision of services, recognised in line with the policy stated above.

Finance income

Interest income from financial assets is recognised using the effective interest method, dividend income is recognised when the shareholder's right to receive payment has been established. In any event, interest and dividend revenue on financial assets accrued after the date of acquisition is recognised as income in the consolidated statement of profit or loss.

(i) Property, plant and equipment

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

The costs of upkeep and maintenance of property, plant and equipment are charged to the consolidated statement of profit or loss in the period in which they are incurred. Conversely, the costs of expansion, modernisation or improvements leading to increased productivity, capacity or efficiency or to a lengthening of the useful lives of the assets are capitalised as an increase in the cost of corresponding assets. Replacements or renewals are recorded as an addition to property, plant and equipment and the units replaced or renewed are derecognised.

Work carried out by the Group for its own assets is booked at the accumulated cost produced by adding the acquisition price of raw materials and other consumables, with other costs directly attributable to these items. Replacements or renewals are recorded as an addition to property, plant and equipment and the units replaced or renewed are derecognised.

The Group applies the criterion of transferring property, plant and equipment undergoing construction to property, plant and equipment in operation, depending on the time at which each facility is ready to provide a service.

Property, plant and equipment in operation is depreciated systematically on the basis of the estimated useful life of the items, and the cost of the assets is distributed on a straight-line basis over the estimated useful lives as follows:

	Years of estimated useful life
Plant and equipment	
Civil engineering work	20
Headend	5 to 10
Backbone	20
Distribution centres	8.3
Nodes	10
Distribution network	15
Installation in homes	10.5
Customer-home equipment	6.67
Fixtures and fittings	
Furnishings, tools	10
Computer hardware	4
Land and buildings	
Buildings and other structures	40

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derecognition of property, plant and equipment

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

(j) Intangible assets

Intangible assets are measured initially at acquisition or production cost. After initial recognition, intangible assets are carried at cost, less accumulated amortisation and any accumulated impairment. Amortisation of intangible assets is recognised within the following items in the consolidated statement of profit or loss:

Nature of asset	Recognition of amortisation
Intangible associated with services provided	Cost of sales
Customer relationships and branding	Selling and distribution expenses
Film rights	Other operating expenses

Development

An intangible asset generated internally as the result of development activities (or of the development phase of an internal project) will be recognised if, and only if, all the following aspects have been demonstrated:

- The technical feasibility of completing development of the intangible asset so that it will be available for use or sale;
- The intention to complete development of the intangible asset concerned, to use or sell it;
- Its ability to use or sell the intangible asset;
- The way in which the intangible asset will generate probable future economic benefits;
- The availability of technical, financial and other resources required to complete development and to use or sell the intangible asset;
- The ability to reliably measure the expenditure attributable to the intangible asset during its development; and
- The amount initially recognised as intangible assets generated internally is the sum of the expenses incurred since the date on which the intangible assets first met the aforementioned recognition criteria. When an intangible asset generated internally does not meet the criteria for recognition, the development costs are recorded as period expenses.

Following initial recognition, intangible assets generated internally are recognised at cost less accumulated amortisation and impairment losses, on the same criteria as intangible assets that are acquired separately. The maximum period of amortisation is five years.

Rights to use

This item represents rights to use Oviedo City Council's ducting systems, and concessions for private use of the public radio spectrum, amortised over a period of between 25 and 20 years respectively, in accordance with their durations.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Industrial property and trademarks

The Group recognises the value associated with the "Telecable" trademark under which it sells its products and which has been recognised in the context of the business combination completed in 2015.

Considering that telecommunications innovations are beginning to focus on multimedia services, and thus many companies are deciding to change their image and also their brand name, the Directors have estimated that the remaining useful life of the "Telecable" trademark is 30 years.

Computer Software

The Group recognises costs incurred to acquire or develop software programmes under this heading. Maintenance costs of computer applications are recognised with a charge to the statement of profit or loss for the year in which they are incurred. Computer software is amortised on a straight-line basis over three years unless a specific contract has a different duration when this will be used. This item includes Customer Management System usage rights, amortised in accordance with the duration of the contract, which is normally three years.

Other intangible assets

Optic fibre usage rights are amortised on a straight-line basis over ten years.

Film operating rights for six cinema productions are amortised over a period of between two and three years on a decreasing basis (sum-of-years' digits method), depending on periods during which Telecable will obtain earnings from these rights.

Cost of contracts with customers: the Group recognises a number of commissions paid to distributors in connection with the capture of new landline and mobile customers when there is a direct and unequivocal link and it is certain the costs can be recovered. This is amortised on a straight-line basis over a period of 12 months for commissions associated with landline services and a period of 18 months for commissions associated with mobile services, as this is the legal minimum contract period.

Customer relations intangibles have arisen from the acquisition of Telecable in 2015. These intangible assets are amortised over a period of twelve years.

Derecognition of intangible assets

An intangible asset is derecognised when it is disposed of, or no future economic benefits are expected when it is used or sold. The gain or loss on the derecognition of an intangible asset is calculated as the difference between the net profit on the sale and the carrying amount of the asset, and is recognised in the consolidated statement of profit or loss when the asset is derecognised.

(k) Impairment of non-financial assets

At the end of each reporting period (for goodwill and intangible assets with indefinite useful lives) or whenever there are indications of impairment, the Group tests its intangible assets and items of property, plant and equipment for impairment to determine whether their recoverable amount has fallen below their carrying amount. The recoverable amount is the greater of fair value less costs to sell and value in use. An impairment loss is recognised when the carrying amount exceeds the recoverable amount.

Value in use is the present value of expected future cash flows, calculated using a risk-free market rate of interest, adjusted for the risks specific to the asset. The recoverable amount of assets that do not generate cash flows, primarily independent of cash flows from other assets or groups of assets, is calculated for the cash-generating units to which the assets belong.

If an impairment loss has to be recognised for a cash-generating unit to which all or part of an item of goodwill has been allocated, the carrying amount of the goodwill relating to that unit is written down first. If the impairment loss exceeds the carrying amount of this goodwill, the carrying amount of the other assets in the cash-generating unit is then reduced, on the basis of their carrying amount, down to the limit of the greatest of the following values: fair value less costs to sell, value in use and zero.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Where an impairment loss subsequently reverses (not permitted in the specific case of goodwill), the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount; however, the increased carrying amount may not exceed the carrying amount that would have been determined had no impairment loss been recognised in previous years. This reversal of an impairment loss is recognised as income.

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

(l) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased asset. All other leases are classified as operating leases.

Finance leases

In finance leases in which the Group acts as lessee, the cost of the leased assets (depending on the nature of the leased assets) is presented in the consolidated balance sheet and, simultaneously, a liability is recognised for the same amount. This amount will be the lesser of the fair value of the leased assets and the present value, at the inception of the lease, of the agreed minimum lease payments, including the price of the purchase option when it is reasonably certain that it will be exercised. The calculation does not include contingent rent, the service cost or the taxes that can be passed on by the lessor. The total finance charge on the lease is recognised in the consolidated profit or loss for the period in which it is incurred, using the “effective interest rate method”. Contingent rent is recognised as an expense for the period in which it is incurred.

The assets recognised for these types of transactions are depreciated on the basis of their nature using similar criteria to those applied to other items of property, plant and equipment.

Operating leases

Costs arising from operating leases are recognised in the statement of profit or loss for the period when they are incurred.

Any collections or payments that might be made when arranging an operating lease will be treated as prepaid lease collections or payments, which will be allocated to profit or loss over the lease term in accordance with the time pattern in which the benefits of the leased asset are provided or received.

(m) Inventories

Inventories are chiefly comprised of mobile handsets, and are measured at their acquisition price on a “FIFO” basis or at their net realisable value, whichever is lower. Trade discounts, rebates, other similar items and interest included in the amount payable is deducted in determining the acquisition cost.

Net realisable value represents the estimated selling price less all estimated costs of completion and the costs to be incurred in the marketing, sale and distribution of the product.

The Group makes the appropriate valuation adjustments, and recognises them as an expense in the statement of profit or loss when the net realisable value of the inventories is lower than their acquisition cost.

(n) Cash and cash equivalents

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

(o) Investments

Investments are stated at cost less any provision for diminution in value.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in share premium as a deduction from the proceeds.

(q) Corporation tax

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

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

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

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

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

(r) Loss per ordinary share

The Group presents basic earnings per ordinary share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

(s) Share based transactions

Equity-settled share based payments to Directors and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value is expensed through administrative expenses, with a corresponding increase in equity through the share based payment reserve, on a straight line basis over the period that the employees or others providing similar services become unconditionally entitled to the awards.

(t) Pension benefits

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

3. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Consolidated Financial Statements under IFRS requires the Directors to consider estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The main judgements and estimates used by the Directors in applying the accounting policies of the Group that had the greatest impact on the consolidated financial statements are as follows:

- Useful lives of property, plant and equipment and intangible assets
- Assessment of the impairment of non-financial assets
- Accounting for deferred tax assets
- Identification and valuation of assets and liabilities acquired through business combinations

4. SEGMENT INFORMATION

For management purposes, the Group is organised into two segments, the Telecable Group and the remaining subsidiaries of the Group (the “Central Costs Segment”). The results of each segment are reported to the Board which is considered to be the chief operating decision maker. The information presented to the Board does not include a detailed analysis of the assets and liabilities of each segment and as such this information has not been presented.

The Chief Operating Decision Maker considers an adjusted earnings measure (“Adjusted EBITDA”) as the principal measure of profitability of Zegona, which is considered to represent the segment result in accordance with IFRS 8. This earnings measure is calculated as earnings before interest, tax, depreciation, amortisation, loss on disposal of property, plant and equipment (€1.7 million) and other non-recurring costs (€1.2 million) and resulted in Adjusted EBITDA of €24.5 million for the Telecable Group segment for the period from acquisition to 31 December 2015. The loss arising during the period in respect of the Central Costs was €3.0 million.

Segment performance is based on operating profit or loss.

The Telecable Group represents the operational side of telecommunications business of the Group, whereas the Central Costs Segment incorporates the remaining subsidiaries which represent the administrative segment of the Group and are mainly cost bearing entities and holding companies. Management receives information separately for each segment, as well as on a fully consolidated basis on a monthly basis.

4. SEGMENT INFORMATION (continued)

Information on reportable segments is set out below.

For the period to 31 December 2015	Telecable Group €000	Central Costs €000	Adjustments and eliminations €000	Consolidated €000
Revenue				
External customers	52,966	–	–	52,966
Inter-segment	–	355	(355)	–
Total revenue	**52,966**	**355**	**(355)**	**52,966**
Revenue by customer				
Handset sales	315	–	–	315
Services provided to residential customers	38,734	–	–	38,734
Services provided to business customers	13,917	–	–	13,917
Services to Group companies	–	355	(355)	–
Total revenue	**52,966**	**355**	**(355)**	**52,966**
Income/(expenses)				
Depreciation and amortisation	(19,149)	(1)	–	(19,150)
Interest income	34	5,015	(4,998)	51
Interest expense	(10,461)	–	4,998	(5,463)
Income tax	1,545	–	–	1,545
Loss for the period	**(6,841)**	**(8,051)**	**–**	**(14,892)**

Inter-segment revenues are eliminated upon consolidation and reflected in the 'adjustments and eliminations' column. All Revenues earned by the Telecable Group were generated in Spain, with all revenue earned by the Central Costs Segment generated in the United Kingdom.

5. ACQUISITIONS

The entire share capital of Telecable de Asturias, S.A. ("Telecable") was acquired on 14 August 2015. The results of the acquired entity have been consolidated in the Group's financial statements from 14 August 2015, and contributed €53 million of revenue and a loss of €6.8 million to the results of the Group.

If Telecable had been acquired on the incorporation of the Company on 19 January 2015 the Telecable Group would have increased Group revenues by €83.6 million and contributed further Group losses of €11.7 million.

The purchase price allocation as well as the aggregate consideration in respect of the purchase of interests in Telecable, net of cash acquired are set out in the table below:

Net Assets Acquired	**€000**
Identifiable intangible assets	233,400
Property plant and equipment	139,955
Other non-current assets	1,616
Working capital	(24,270)
Other current assets & liabilities	(2,506)
Government Grants	1,376
Deferred tax liabilities	(54,792)
Net Identifiable assets acquired	**294,779**
Goodwill	345,678
Total Consideration	**640,457**
Cash paid to exiting shareholders	360,712
Net debt on completion	271,873
Net cash paid on acquisition	**632,585**
Value of shares in management rollover	7,872
	640,457

Telecable is deemed to be one individual Cash Generating Unit ("CGU") due to services only being provided in one area of Spain. Results of the Telecable Group are presented in one segment for the purposes of management reporting. The services provided by Telecable are similar to each other and the management of Telecable operate the business as a whole.

Identifiable intangible assets of €233.4 million consisted of customer contracts and relationships of €208.9 million, brand of €18.6 million and software and other intangible of €5.9 million.

The Group incurred acquisition-related costs of €6.5 million of legal fees and due diligence costs which were not directly attributable to the equity raise and therefore these costs have been included in other operating expenses. Costs directly attributable to the equity raise have been taken against share premium as detailed in note 20.

The goodwill arising can be attributed to the growing momentum in the business, the Spanish economy and the wider telecoms market combined with the opportunity to accelerate growth in the mobile and business divisions alongside implementing a series of strategic initiatives to drive incremental value. No amount of goodwill is expected to be deductible for tax purposes.

6. CAPITAL MANAGEMENT

For the purpose of the Group's capital management, capital includes issued capital, share premium and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Group's capital management is to maximise shareholder value.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of any covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group monitors net debt, calculated in accordance with the terms of the Senior Facility Agreement. Net debt is calculated as long and short term borrowings before the effect of discounting (excluding accrued interest on the Senior Facility Agreement and amounts payable to fixed asset suppliers) less cash and short term deposits.

In order to achieve this overall objective, the Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaching the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches of the financial covenants of any interest bearing loans and borrowing in the current period. No changes were made in the objectives, policies or processes for managing capital during the period ended 31 December 2015.

	Consolidated 31 December 2015 €000
Interest-bearing loans and borrowings	274,860
Less: cash and short-term deposits	14,264
Net debt	**260,596**

7. OPERATING PROFIT/(LOSS)

Loss from operations is stated after charging or crediting:

	Consolidated Period from 19 Jan 2015 to 31 December 2015 €000
Total Revenue	**52,966**
Supply costs	(13,265)
Inventory costs	(2,456)
Other operating income	322
Depreciation of property, plant and equipment (Note 11)	(10,656)
Amortisation of intangible assets (Note 12)	(8,494)
Staff Costs	(5,286)
Loss on disposal of property plant and equipment	(1,703)
External services	(10,666)
Operating leases	(232)
Acquisition costs (Note 5)	(6,553)
Share based payment expense	(25)
Other operating expenses	(1,613)
Operating loss	**(7,661)**

An amount of €10.6m of depreciation of property, plant and equipment and amortisation of intangible assets are included within cost of sales in the consolidated statement of profit or loss.

8. FINANCE COSTS AND INCOME

	Consolidated Period from 19 January 2015 to 31 December 2015 €000
Interest on loans and receivables	51
Finance income	**51**
Bank borrowings	(5,412)
Other loans and borrowings	(51)
Cost of FX option	(3,340)
Finance costs	**(8,803)**

Loss on extinguishment of FX option

This amount relates to the premium paid for a foreign exchange option executed in relation to the acquisition of Telecable. The foreign exchange option was cancelled on the acquisition of Telecable.

9. EMPLOYEES AND DIRECTORS

Directors' emoluments

The Board considers the executive Directors and non-executive Directors of the Company to be the key management personnel of the Group.

The highest paid Director, Eamonn O'Hare, received emoluments of €665,261 (£483,194) during the period, of which €108,026 (£78,462) related to pension benefits. Eamonn received a fixed annual salary of £500,000 (€688,400) effective from the date of the Company's admission to AIM on 19 March 2015, payable monthly in arrears, plus an amount in lieu of pension contribution of 20 per cent. of fixed annual salary and a contribution of £13,000 (€17,898) per annum in relation to car allowance and private medical insurance.

Key management compensation

The following table details the aggregate compensation paid in respect of the members of the Board of Directors including the Executive Directors.

	For the period from 19 Jan 2015 to 31 December 2015 €000
Salaries and short term employee benefits	1,008
Post employment benefits	184
	1,192

Employed persons

The average number of people employed by the Group (including executive Directors, but excluding non-executive Directors) during the period was as follows:

	Number of employees	
By activity	**Telecable Group**	**Rest of Group**
Operations	66	5
Selling and distribution	61	–
Administration	54	1
	181	6

Pension benefits

The amount recognised as an expense for the payments made into employees private pension arrangements, or the Telecable occupational pension plan for its employees, established under the Spanish Regulation Law in relation to Funds and Pension Plans was €232,362. The amount paid in lieu of payment into a private pension arrangement was €108,025.

Employee costs

Staff costs relate to salaries of €5,131,828, taxes of €1,408,778 and pension contributions to employees amount to €340,387, less staff costs capitalised of €1,109,061. These costs include costs associated with the Directors.

10. TAXATION

	Consolidated For the period from 19 Jan 2015 to 31 December 2015 €000
Current tax expense	
Current period	–
Deferred tax expense	
Origination and reversal of temporary differences	1,262
Effect of changes in statutory tax rates	285
Expenses not deductable for tax purposes	(2)
Tax credit for the period	**1,545**

The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessments of many factors, including interpretations of tax law and prior experience.

Reconciliation of effective tax rate

	Consolidated For the period from 19 Jan 2015 to 31 December 2015 €000
Loss before tax from continuing operations	(16,437)
At UK statutory income tax rate (21%)	3,452
Effect of tax rate used in other jurisdictions	243
Unrecognised tax losses	(2,433)
Effect of changes in statutory tax rates	285
Expenses not deductable for tax purposes	(2)
Income tax credit	**1,545**

10. TAXATION (continued)

Movement in deferred tax balances

	Opening balance €000	Recognised in profit or loss €000	Acquired in business combinations €000	Net €000	Deferred tax Asset €000	Deferred tax liability €000
Property, plant and equipment	–	1,732	(8,918)	(7,186)	6,797	(13,983)
Intangible assets	–	1,716	(56,866)	(55,150)	–	(55,150)
Loans and borrowings	–	(1,858)	5,080	3,222	3,222	–
Other items	–	–	848	848	848	–
Tax incentives	–	(43)	5,064	5,021	5,021	–
Tax assets (liabilities) before offset	**–**	**1,547**	**(54,792)**	**(53,245)**	**15,888**	**(69,133)**
Offset tax	–	–	–	–	(15,888)	15,888
Net deferred tax						**(53,245)**

Deferred tax assets and liabilities in the above table relate entirely to the Group's subsidiary undertakings in Spain.

The deferred tax assets have been recognised and offset against deferred tax liabilities as the Group's Directors consider that, based on the best estimates of the Spanish tax group's future results, including certain tax planning measures, it is probable that these assets will be recovered.

Unrecognised deferred tax assets

Deferred tax assets of the Company of €2.4 million have not been recognised in respect of tax losses, because it is not probable that future taxable profit will be available against which the Company can utilise the benefits therefrom.

At 31 December 2015 the Spanish Group had finance costs of €7,265,097 which exceeded the 30% cap on operating profit applied to such costs when calculating the amount deductible for tax purposes. As such, no deferred tax asset has been recognised in relation to this balance.

11. PROPERTY, PLANT AND EQUIPMENT

Cost	Land and buildings €000	Plant and equipment €000	Fixtures and fittings €000	Under construction €000	Total €000
On incorporation	–	–	–	–	–
Business combinations	3,677	130,129	3,826	2,322	**139,954**
Additions	–	6,891	149	(442)	**6,598**
Disposals	–	(5,663)	(1)	–	**(5,664)**
Closing balance	**3,677**	**131,357**	**3,974**	**1,880**	**140,888**
Accumulated depreciation					
On incorporation	–	–	–	–	–
Charge for the period	(43)	(10,237)	(376)	–	**(10,656)**
Disposals	–	4,677	1	–	**4,678**
Closing balance	**(43)**	**(5,560)**	**(375)**	**–**	**(5,978)**
Net book value					
At 31 December 2015	**3,634**	**125,797**	**3,599**	**1,880**	**134,910**

12. INTANGIBLE ASSETS AND GOODWILL

Cost	Goodwill €000	Develop-ment costs €000	Patents, licences, trademarks and similar €000	Customer relation-ships €000	Other intangible assets €000	Under construc-tion €000	Total €000
On incorporation	–	–	–	–	–	–	–
Business combinations	345,678	2,232	18,580	208,893	3,058	635	579,076
Additions	–	1,266	1	–	4,696	(384)	5,579
Disposals	–	–	–	–	(785)	–	(785)
Impairment	–	–	–	–	(324)	–	(324)
Closing balance	**345,678**	**3,498**	**18,581**	**208,893**	**6,645**	**251**	**583,546**
Accumulated amortisation							
On incorporation	–	–	–	–	–	–	–
Amortisation	–	(353)	(237)	(6,629)	(1,275)	–	(8,494)
Impairment	–	–	–	–	–	–	–
Disposals	–	–	–	–	393	–	393
	–	**(353)**	**(237)**	**(6,629)**	**(882)**	**–**	**(8,101)**
Net book value							
At 31 December 2015	**345,678**	**3,145**	**18,344**	**202,264**	**5,763**	**251**	**575,445**

The main additions in the period were the cost of acquisition of contracts with customers amounting to €3.4 million, development of software necessary to Group activity amounting to €1.3 million and development costs on TV Everywhere projects amounting to €1.3 million.

12. INTANGIBLE ASSETS AND GOODWILL (continued)

The amortisation of patents, trade-marks and development costs and the amortisation of customer relationships is included in selling and distribution expenses in the consolidated statement of profit or loss.

Impairment recognised during the period corresponds to certain Film operating rights that the Group does not expect to recover.

13. INVENTORIES

Inventories are chiefly composed of mobile handsets, SIM cards and accessories for the mobile business.

14. INVESTMENTS

Subsidiary undertakings of the Company

The consolidated financial statements of the Group include:

Subsidiary	Nature of business	Country of incorporation	Ordinary shares held directly by Parent	Ordinary shares held indirectly by Parent
Zegona Limited (formerly Zegona Jersey Limited)	Incentive company	Jersey	100%	–
Zegona (Lux) S.A.R.L.	Financing company	Luxembourg	–	100%
Zegona (Ireland) Limited	Financing company	Ireland	–	100%
*Parselaya S.L.	Holding company	Spain	–	100%
*Telecable Capital Holding, S.L.U.	Holding company	Spain	–	100%
*Telecable de Asturias, S.A.	Telecommunications services	Spain	–	100%

* Together "Telecable", "Telecable Group" or "Spanish Group"

There are no restrictions on the Company's ability to access or use the assets and settle the liabilities of the Company's subsidiaries.

The registered offices of the subsidiary companies are as follows:

Company	Registered office
Zegona Limited (formerly Zegona Jersey Limited)	One Waverley Place, Union Street, St Helier, Jersey JE1 1AX
Zegona (Lux) S.A.R.L.	37A, Avenue J.F Kennedy,L-1885, Luxembourg
Zegona (Ireland) Limited	B3 Fitzwilliam Business Centre, 26 Upper Pembroke Street, Dublin 2, Ireland
Parselaya S.L.	Calle Zurbarán, 9 28010, Madrid
Telecable Capital Holding, S.L.U.	Calle Marqués de Pidal , 11 Oviedo
Telecable de Asturias, S.A.	Calle Marqués de Pidal , 11 Oviedo

15. FINANCIAL INSTRUMENTS

The Group's activities expose it to market risk, principally interest rate risk and currency risk. Financial instruments affected by market risk include loans and borrowings and deposits.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates, the Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with floating interest rates.

In the opinion of the Directors, a significant movement in EURIBOR would be required to have a material impact on the cash flow of the Group. Whilst considered unlikely, should a significant negative impact arise, sufficient working capital is provided through the Group's access to a revolving credit facility of up to €20 million which is currently undrawn. Cash balances are placed so as to maximise interest earned while maintaining the liquidity requirements of the business. The Directors regularly review the placing of cash balances.

Foreign Currency Risk

Foreign currency risk exists due to the Company operating with a different functional currency (GBP) to that of its subsidiaries (EUR).

The Chief Financial Officer, Board of Directors and the finance department of the Telecable Group controls and monitors financial risk management in accordance with the internal policy and the strategic plan defined by the Board of Directors.

The monetary assets and monetary liabilities denominated in a currency different to the presentational currency relate to carrying amounts of balances in Zegona Communications plc and Zegona Limited which are denominated in Sterling. Details of such monetary assets and monetary liabilities at the reporting date are as follows:

	€000
Financial Assets (denominated in GBP)	5,041
Financial Liabilities (denominated in GBP)	(219)
Net monetary assets	4,822

Foreign currency sensitivity analysis

The sensitivity analysis below details the impact of a 10% movement in Sterling against the Euro applied to the net monetary assets of the Group:

Currency Impact	**+/- 10% movement €000**
Profit before tax gain/loss	+/- 1,296
Equity gain/loss	+/- 1,950

15. FINANCIAL INSTRUMENTS (continued)

Credit risk

Credit risk arises from cash and cash equivalents, deposits at banks and financial institutions and trade receivables. The Group uses the ratings awarded by independent agencies with regard to banks and financial institutions. If customers have been rated independently, these ratings are used. Otherwise, if there is no independent rating, the Group assesses the customer's credit rating taking into account its financial situation, past experience and other factors. Individual credit limits are set on the basis of the external and internal credit ratings, and the use of these limits is monitored regularly.

There are no material financial assets that are past due or impaired as at 31 December 2015, and there is no collateral or other credit enhancement feature on the Group financial assets.

The amount of the write-downs on trade receivables recognised by the Group at 31 December 2015 was €559,256. These referred mainly to the trade receivables past due by more than 180 days at period-end for which the Group has doubts as to their collectability.

The relative weight that these write-downs represent as a percentage of the Group's sales in the period is 1%.

Liquidity risk

Prudent liquidity risk management implies holding sufficient cash and marketable securities and the availability of financing through a sufficient level of available credit lines. Management monitors the Group's liquidity reserve forecasts based on expected cash flows.

At 31 December 2015 the Group had cash and cash equivalents amounting to €14.3 million which were cash balances held with banks.

Financial instrument categories

The classification by category of the financial instruments held by the Group at 31 December 2015 is as follows:

	Group – Current €000	**Group – Non current €000**
Loan and receivables		
Loans (note 17)	–	1,557
Other financial assets	52	46
Trade and other receivables	7,174	–
Cash and cash equivalents	14,264	–
	21,490	1,603
Available for sale		
Investments (note 17)	–	2
Financial assets	**21,490**	**1,605**
Other financial liabilities		
Bank borrowings (note 18)	1,519	265,017
Trade and other payables (note 19)	24,352	–
Guarantees	–	19
Other borrowings (note 18)	15,372	612
Financial liabilities	**41,243**	**265,648**

15. FINANCIAL INSTRUMENTS (continued)

The Directors consider that the carrying amounts, mainly calculated at amortised cost, of the financial assets and liabilities recognised in the consolidated financial statements equate to their fair values.

The Group's assets and liabilities carried at fair value above at 31 December 2015 are categorised as Level 2 fair value measurement.

The classification by category of the financial instruments held by the Company at 31 December 2015 is as follows:

	Company – Current €000	Company – Non current €000
Loan and receivables		
Trade and other receivables	2,436	–
Cash and cash equivalents	6,192	–
Financial assets	8,682	–
Loan and payables		
Trade and other payables	118	–
Financial liabilities	118	–

The Group and Company's assets and liabilities carried at fair value above at 31 December 2015 are categorised as Level 2 fair value measurement.

16. TRADE AND OTHER RECEIVABLES

	Consolidated as at 31 December 2015 €000
Trade receivables	6,843
Other receivables	133
Prepaid football rights	2,499
Other prepayments	423
VAT Recoverable	60
Other receivables with Tax Authorities	138
Other current financial assets	52
Total	**10,148**

There is no material difference between the book value and the fair value of trade and other receivables.

16. TRADE AND OTHER RECEIVABLES (continued)

Current	**Company Only as at 31 December 2015** €000
Accrued income	349
Amounts due from subsidiary undertakings	1,451
Other receivables	492
Prepayments	84
VAT recoverable	60
Total	**2,436**

17. NON-CURRENT FINANCIAL ASSETS

	Consolidated as at 31 December 2015 €000
Investments	2
Loans	1,557
Guarantees	46
Total	**1,605**

Investments relate to investments in the capital of certain companies, which are measured at cost. All the companies are unlisted. The fair value of investments materially equates to cost.

Loans relate to a loan granted on 22 February 2013 and maturing in 2030 to certain members of the Telecable management team, amounting to €1,488,819 plus 5% annual interest accrued until 31 December 2015.

The Company only non-current financial assets balance of €358,049,838 comprises of the investment in Zegona Limited which is held at cost.

18. BORROWINGS

Carrying value of Group's short and long-term borrowings are as follows:

Short term borrowings	**Consolidated as at 31 December 2015 €000**
Bank borrowings	1,519
Advances refundable to the Spanish Ministry of Industry	139
Other borrowings	15,233
	16,891
Long term borrowings	
Bank borrowings	265,017
Advances refundable to the Spanish Ministry of Industry	612
	265,629
Total Borrowings	**282,520**

There is no material difference between the book value and the fair value of financial liabilities.

Information about Group's exposure to interest rate, foreign currency and liquidity risk is included in note 15.

Bank loans include a Senior Secured Facility Agreement signed on 27 of July by Parselaya, S.L (Spanish Group holding), effective on the acquisition of Telecable on 14 August 2015, which includes a facility of €274 million which matures in August 2020 and a revolving credit facility up to €20 million which was undrawn as at 31 December 2015 and remains undrawn at the date of this report. This revolving credit facility is available until 2021.

This facility bears a market interest rate plus a spread that varies depending on the achievement of certain ratios.

	Weighted average interest rate for the period
Senior Secured Facility Agreement	4.5%

The Senior Secured Facility Agreement is guaranteed by a pledge over Telecable's shares and certain receivables and would be executed should Parselaya not meet its payment commitments and /or financial performance ratios.

Other borrowings relate to amounts payable to the Group's fixed asset suppliers.

18. BORROWINGS (continued)

Maturity of borrowings

Maturity profile in relation to the Group's financial liabilities is as follows:

	€000		
	Bank Loans	**Other Financial Borrowings**	**Total**
Within one year	1,519	15,372	16,891
In one or two years	–	139	139
In two or three years	–	139	139
In three or four years	–	103	103
In four or five years	–	103	103
More than 5 five years	274,000	236	274,236
	275,519	**16,092**	**291,611**
Effect of discount/financing rates	(8,983)	(108)	(9,091)
	266,536	**15,984**	**282,520**

The Directors consider that the carrying amounts, mainly calculated at amortised cost, of the financial assets and liabilities recognised in the consolidated financial statements equate to their fair values.

19. TRADE AND OTHER PAYABLES

Current	**Consolidated as at 31 December 2015 €000**
Trade payables	9,876
Other payables	10,864
Accruals	1,357
Employment tax and social security	2,255
	24,352

The carrying amount of trade and other payables approximate their fair value.

Trade and other payables of the Company amount to €118 thousand.

20. CALLED UP SHARE CAPITAL

	As at 31 December 2015 £000	As at 31 December 2015 €000
Allotted, called up and fully paid		
196,044,960 ordinary shares of £0.01 each (in € at historic rate)	1,960	2,738
	1,960	2,738

On incorporation, 10 ordinary shares of £0.01 were issued at £1.20 per share resulting in share premium of £11.90. On 21 January 2015, a further 21,665 ordinary shares of £0.01 were issued at £1.20 resulting in total share premium of £25,793.25. On 19 March 2015, upon the Company's admission to AIM, a further 24,978,325 ordinary shares were issued at £1.20 per share resulting in total share premium of 29,750,000. Total transaction costs taken to share premium in relation to this issue of shares were £1,313,675, accordingly, the share premium account totalled £28,436,325 post admission to AIM.

On 25 February 2015 on conversion of the Company to a plc, the Company issued 50,000 redeemable preference shares of £1 each. On admission to AIM on 19 March 2015, they were redeemed in full. No cash was received or paid in this regard.

On 14 August 2015, in order to fund the acquisition of Telecable, a further 167,326,724 Ordinary Shares of £0.01 were issued for £1.50 per share and all Ordinary Shares were re-admitted to trading on the AIM market of the London Stock Exchange. Shortly following Admission, the Company issued a further 3,718,236 Ordinary Shares of £0.01 each as part consideration for the acquisition of Telecable (the "Consideration Shares"). The Consideration Shares were admitted to trading on AIM on 17 August 2015.

On 29 September 2015 the entire issued share capital of the Company was admitted to the Official List (by way of Standard Listing under Chapter 14 of the Listing Rules) of the United Kingdom Listing Authority, and was admitted to trading on the London Stock Exchange plc's main market for listed securities.

All issued shares are fully paid. The holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at general meetings of the Company.

Share premium

25,000,000 ordinary shares issued at a premium of £1.19 (£000)	29,750
171,044,960 ordinary shares issued at a premium of £1.49 (£000)	254,857
Total share premium (£000)	284,607
Less directly attributable costs (£000)	(8,238)
Total share premium (£000)	**276,369**
Converted into € at historic rate (€000)	**386,045**

21. RESERVES

The following describes the nature and purpose of each reserve within shareholders' equity:

Share premium

The amount subscribed for share capital in excess of nominal value less any costs directly attributable to the issue of new shares. Share premium has been translated into € at historic rate ruling on 14 August 2015, the date of the acquisition of Telecable.

Retained earnings

Cumulative net gains and losses recognised in the consolidated statement of comprehensive income.

Share based payment reserve

The share based payment reserve is the cumulative amount recognised in relation to the equity settled share based payment scheme as further described in note 24.

Foreign currency translation reserve

The foreign currency translation reserve includes the foreign exchange differences arising from the translation of the Company's accounts from functional currency to presentational currency, and the consolidation of subsidiaries.

22. LOSS PER ORDINARY SHARE

Basic earnings per ordinary share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Management Shares (refer note 24) and Core Investor shares (Refer note 24) have not been included in the calculation of diluted earnings per share because they are not dilutive for the period presented.

Group	For the period from 19 Jan 2015 to 31 December 2015 €
Loss attributable to the owners of the parent	(14,891,659)
Weighted average number of ordinary shares in issue	89,455,159
Diluted earnings per share	(0.166)

As more fully detailed in note 24, Management and Core Investor Shares in the share capital of the Company's subsidiary Zegona Limited have been issued during the period. On exercise, the value of these shares is expected to be delivered by the Company issuing new Ordinary Shares although the Company has the right at all times to settle such value in cash. Should the value be satisfied by the issue of Ordinary Shares, this will have a dilutive effect in the future.

23. DEFERRED REVENUE

Deferred revenue includes a twenty-year Optical Fibre lease agreement for which the total lease fee has been received in advance. Deferred revenue relating to this agreement has been split between current and non-current as follows:

Deferred Revenue	Consolidated as at 31 December 2015 €000
Current	229
Non-current	2,727
Total	**2,956**

24. SHARE BASED PAYMENTS

Arrangements were put in place shortly after the Company's inception to create incentives for those who are expected to make key contributions to the success of the Group. The Group's success depends upon the sourcing of attractive investment opportunities, the improvement of the target businesses, and their subsequent sale to realise attractive returns for shareholders. Accordingly, an incentive scheme was created to reward key contributors to the creation of value. At the period end, a total of €24,678 was recorded in the share based payment reserve in respect of this plan.

Management Shares

Eamonn O'Hare, Robert Samuelson and Howard Kalika have been issued Management Shares (A Ordinary Shares) in Zegona Limited pursuant to their employee arrangements with the Group.

Exercise

The holders of Management Shares may exercise their rights at certain dates. On exercise, Management Shares are entitled to a return of 15 per cent. of the growth in equity value of the Company subject to shareholders achieving a 5 per cent. preferred return per annum on a compounded basis on their net invested capital.

There are five measurement periods during which the exercise may occur; the first being from three to five years post the first acquisition by the Company (or any subsidiary thereof), the second and subsequent measurement periods, which are subject to shareholder approval, are three to five years from the earlier of the date of the exercise of the shares' rights to value and the end of the previous period if no such exercise has taken place.

The Management Shares' value is expected to be delivered by the Company issuing new Ordinary Shares of equivalent value although the Company has the right at all times to settle such value in cash. The rights of the Management Shares may be exercised at other specific times including winding up or takeover, or a change of control of the Company.

On a winding up or takeover

Management shares are entitled to a return of 15 per cent. of the growth in equity value of the Company subject to shareholders achieving a 5 per cent. preferred return per annum on a compounded basis on their net invested capital. The growth in equity value takes into account new shares issued, dividends and capital returned to shareholders.

Board change of control

In a situation where the majority of the Company's Board of Directors comprises individuals to whom 50 per cent. of the holders of the A shares have not consented (including at least two shareholders holding at least 5 per cent. of the Management Shares), the Management Shares are entitled to a return of 15 per cent. per annum of the growth in equity value of the Company regardless of whether the preferred return has been achieved.

24. SHARE BASED PAYMENTS (continued)

Holding of Management Shares

5,000,000,000 Management Shares have been allotted, issued and fully paid as shown in the table below.

	Participation in growth in equity value	Award Value	Number of Management Shares	Nominal value of Management Shares
Eamonn O'Hare	9.15%	£16,165	3,050,000,000	£305
Robert Samuelson	4.58%	£8,083	1,525,000,000	£153
Howard Kalika	1.27%	£2,253	425,000,000	£42
			5,000,000,000	£500

When the Management Shares were issued by the Company's subsidiary, Zegona Limited, the Company was an unlisted shell-company and had not entered into any transactions up to that date other than the issue of 21,675 Ordinary Shares for £26,010. The fair value estimation placed on the Management Shares took into account the lack of trading history of the Company, and the absence of any deals or transactions at that date.

At the period end, a total of €12,339 was recorded in the share based payment reserve in relation to Management Shares.

Core Investor Shares

Marywn Long Term Incentive LP ("MLTI") has been issued Core Investor Shares (5 B Ordinary Shares) in Zegona Limited. The B shares carry no voting rights.

The rights attached to the Core Investor Shares may be exercised by MLTI in the period from three to five years after the first acquisition or upon an earlier takeover, Board change of control (where the employment contracts with both Founder Directors have also terminated) or winding up of the Company. Core Investor Shares are entitled to a return of 5 per cent. per annum of the growth in equity value of the Company subject to shareholders achieving a 5 per cent. preferred return per annum on a compounded basis on their net invested capital.

The value is expected to be delivered by the Company issuing new Ordinary Shares of equivalent value although the Company has the right at all times to settle such value in cash.

If on the date that MLTI exercises its Core Investor Shares, the Core Investor holds an Equity Interest in which it has invested in aggregate an amount less than five times the investment cost of the Equity Interest it held at 19 March 2015, MLTI will only be entitled to exercise its Core Investor Shares for an aggregate value equivalent to up to a maximum of 3 per cent. of the growth in equity value.

At the period end, a total of €12,339 was recorded in the share based payment reserve in relation to Core Investor Shares.

25. RELATED PARTY TRANSACTIONS

In the opinion of the Directors, there is no one single controlling party.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party, or the parties are under common control or influence, in making financial or operational decisions.

Related party transactions of the Company

Mark Brangstrup Watts is a managing partner of Marwyn Capital LLP which provides corporate finance advice and various office and finance support services to the Company. During the period Marwyn Capital LLP was paid a total of £550,292 (€757,752) (net of VAT as applicable) of which £144,255 (€198,639) was included in placing costs and taken against share premium. The remaining amount relates to services provided for the period. The total cost taken to the statement of comprehensive income during the period was £406,037 (€559,113). Marwyn Capital LLP was owed an amount of £/€nil at the balance sheet date.

Mark Brangstrup Watts is an ultimate beneficial owner of Axio Capital Solutions Limited which provides company secretarial, administrative and accounting services to the Group. During the period Axio Capital Solutions Limited charged £302,395 (€416,398) in respect of services supplied, of which £161,709 (€222,674) was included in placing costs and taken against share premium. Axio Capital Solutions Limited was owed an amount of £18,663 (€25,325) at the balance sheet date.

Related party transactions of other Group companies

As detailed in Note 17, loans amounting to €1,488,819 were granted to certain member of the Telecable management team on 22 February 2013 which mature in 2030. The loans bear interest at 5% per annum.

26. AUDITOR'S REMUNERATION

In the period to 31 December 2015, the Company's auditor has charged non-audit fees totalling €1.8 million (£1.29 million) in relation to the Company's admission to AIM, the acquisition of Telecable, the move to the main market and VAT compliance. Group audit fees for the period ended 31 December 2015 amount to €172,100 (£125,000).

	Period ended 31 December 2015 €000
Fees payable for the audit of the Company's annual accounts	72
Fees payable for the audit of the Company's subsidiaries	100
Total audit fees	172
– Other taxation advisory services	12
– Corporate finance services	1,769
Total non-audit fees	1,781

27. COMMITMENTS AND CONTINGENT LIABILITIES

There were no commitments or contingent liabilities outstanding at 31 December 2015 that require disclosure or adjustment in these financial statements.

28. POST BALANCE SHEET EVENTS

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