# ZEPHYR MIDCO 2 LIMITED

## ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

Registered number: 11346641

# Company information

| | |
|---|---|
| **Directors** | Charles Bryant<br>Karen Maguire |
| **Registered number** | 11346641 |
| **Registered office** | Zephyr Midco 2 Limited<br>The Cooperage<br>5 Copper Row<br>London<br>SE1 2LH |
| **Independent auditor** | Deloitte LLP<br>1 New Street Square<br>London<br>EC4A 3HQ |

# Contents

# Strategic report

For the year ended 31 December 2022

The Directors present their Strategic report for Zephyr Midco 2 Limited ("Midco 2" or "the Company") and its subsidiaries (together "the Group") for the year ended 31 December 2022.

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

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

**Principal activities**

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

| Property | RVU |
|---|---|
| - Classifieds, which represents revenue generated from the provision of marketing services including portal revenues;<br>- Software, which represents revenue generated from the provision of software services focused on property professionals and websites; and<br>- Data, which represents revenue generated from the provision of residential property data, insight and analysis. | - Insurance, including Confused.com, which represents revenue generated from insurance switching (including motor and household insurance), B2B services and Tempcover, which represents revenue from short-term motor insurance;<br>- Uswitch, which represents revenue generated from energy and telecoms switching services;<br>- Money and Mortgages, which represents revenue generated from financial product switching services (including credit cards, loans and investments) and mortgage intermediary services;<br>- RVU International, which represents revenue generated from online broker and switching services in Spain, France, and Mexico. |

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

**Business model and strategy**

The Group owns and operates some of the UK's most trusted property and household related digital brands including Zoopla, Confused.com, Uswitch, PrimeLocation, Money.co.uk, Hometrack and Alto as well as Calcasa in the Netherlands. In 2022, the Group also added Tempcover, expanding its insurance footprint. Also in 2022, the Group agreed the sale of Le Lynx.fr, Rastreator and Preminen which completed in February 2023.

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

| Consumers | Partners |
|---|---|
| Able to access near whole of market data with real-time alerts to remain up to date and make the most informed decisions about everything related to finding, moving or managing their homes, as well as being able to make informed decisions in relation to switching key utility, insurance and other financial products. | Benefit from access to a highly engaged audience via the Group's property, comparison and financial services portals; generate additional revenues and deliver better service by using the Group's software and data insights. |

# Strategic report (continued)

For the year ended 31 December 2022

**Business and finance review**

The Group reported revenue from continuing operations of £391.0 million the year to 31 December 2022 (2021: £351.3 million) of which £376.4 million (2021: £340.8 million) was in the UK and £14.6 million (2021: £10.5 million) was generated overseas.

The Group made an operating loss from continuing operations of £630.1 million (2021: £34.6 million) after depreciation, amortisation, acquisition related costs and impairment. The Group recognised a goodwill and intangible asset impairment charge of £568.4 million (2021: £4.2 million), primarily due to adverse macro-economic conditions causing an increase in discount rates and a reduction in forecast short-term cash flows. The operating loss also includes restructuring costs of £4.0 million following a review of the Group's operating models. All business areas have been reviewed and operating models updated to reflect post-COVID and current macro-economic conditions, changes in customer demands and the completion of long-term transformation projects, with a view to ensuring operating models are appropriate for current and future trading. The Group generated operating cash-flows of £73.7 million (2021: £107.5 million). See note 3 for disclosure of costs accounted for within operating loss.

The Group made a total comprehensive loss for the year of £692.5 million (2021: £135.8 million) after interest, income tax and fair value movements on interest swaps.

On 29 July 2022, a Group subsidiary, Penguin Portals Limited, completed its acquisition of 100% of the share capital of Tempcover Holdings Limited ('Tempcover') for cash consideration of £78.7 million. Tempcover is a provider of short term insurance in the UK, specialising in connecting customers to short-term insurance policies for cars, vans and motorbikes. The acquisition of Tempcover extends the Group's footprint in the short-term motor insurance market.

On 28 August 2022, the Group entered into a Sale and Purchase Agreement ('SPA') with Gruppo Mutuionline S.P.A. to dispose of Preminen Price Comparison Holdings Limited and its subsidiaries, Rastreator.com Limited and its subsidiary and LeLynx SAS, which carries out its operations in Spain, France and Mexico. Concurrently, a Group subsidiary, Inspop.com Limited, entered into a Business Transfer Agreement ('BTA') for its Indian Branch, to transfer all the assets and liabilities to the newly formed Rastreator India branch; which was part of the transaction perimeter disposed via the SPA. The disposal was effected as a strategic decision to focus on the UK businesses. The SPA completed on 1 February 2023, and the BTA on 2 February 2023. Collectively, the SPA and BTA are referred to as the disposal of RVU International.

**Net debt and borrowings**

As at 31 December 2022 the Group had net debt of £1,140.3 million (31 December 2021: £1,046.1 million) after capitalised loan fees, which is defined as loans and borrowings less cash and cash equivalents as per the statement of financial position.

In addition to the term loans, the Group also has access to a revolving credit facility of £150.0 million as part of the same debt arrangement, which can be accessed by the Group. As at 31 December 2022, £127.0m of the facility was drawn down. Subsequent to 31 December 2022, £117.0m of the revolving credit facility was repaid with the proceeds from the sale of RVU International.

Refer to Note 20 for more details on the Group's loans and borrowings.

**Intangible assets and goodwill**

Intangible assets and goodwill arising from acquisitions of subsidiaries and capitalisation of software are shown at net book value of £2,438.9 million (31 December 2021: £3,091.0 million). The acquisition of Tempcover in the year resulted in the recognition of £83.0 million of intangible assets and goodwill.

In 2022, the Directors recognised impairment of goodwill of £52.8 million in RVU and £515.0 million in Property, due to a combination of macro-economic factors causing an increase in the discount rate assumption in the value in use calculations used to test for impairment and revision of a short-term outlook of the businesses due to macro-headwinds.

The details of intangible assets and related impairment assessments are set out in Note 13.

# Strategic report (continued)
For the year ended 31 December 2022

**Cash flow**

The Group continues to be cash generative on an operating activities level with £73.7 million for the year (2021: £107.5 million - restated). Net cash outflows from investing activities were £113.6 million (2021: £509.7 million - restated), whilst net cash inflows from financing activities were £7.6 million (2021: £426.6 million) leaving cash and cash equivalents of £43.2 million as at 31 December 2022 (2021: £74.7 million).

**Equity**

In order to finance the Tempcover acquisition, on 27 July 2022, the Company issued 3,750,000,000 £0.01 Ordinary shares for a total consideration of £60 million. This increased share capital by £37.5 million and share premium by £22.5 million.

**Key performance indicators (KPIs)**

The Group's performance can be measured through the following financial and non-financial KPIs.

| | Year ended 31 December 2022 | Year ended 31 December 2021 |
|---|---|---|
| Revenue[1] | £391.0 million | £351.3 million |
| Operating loss for the period[1] | £ (630.1) million | £ (34.6) million |
| Total comprehensive loss for the year | £ (692.5) million | £ (135.8) million |
| Visits[2] | 741 million | 861 million |
| Leads[3] | 68 million | 64 million |

[1]*From continuing operations*

[2]*Visits comprise individual sessions to the Group's Classifieds websites or mobile applications by users for the year as measured by Google Analytics.*

[3]*Leads are measured at the point when a consumer shows intent to contact or switch (for Property and RVU divisions, respectively) via a form hosted on the website of the relevant subsidiary.*

**Our work in the community**

We understand that we have a responsibility to make a positive impact on our environment, for charity and for our local communities. Our brands have different ways of interacting with the community, some key initiatives and highlights from 2022 are outlined below.

The Group continues to be a strong supporter of charities that serve local communities and, in the year ended 31 December 2022 we raised £85,699 (2021: £40,729) spread over a number of good causes. Through our payroll giving scheme, we match employees' monthly donations to charity and employees are entitled to donation matching on amounts raised from fundraising, events and activities (up to £500 per employee per year for the Group's charity partners and £250 per employee per year for other charities).

Our employees play an active role in volunteering; employees are entitled to a full day's annual leave to volunteer for a registered charity or non-profit organisation that is close to their heart. The Group additionally invests in educational programmes to support young people in the community. Some examples across the Group of our work in community include:

- In RVU, as a part of its 'Pay it Forward' programme, RVUni helps students from underprivileged backgrounds to upskill before making their university course decisions. In 2022, 24 high school students attended the Group's London office to learn about digital marketing and analytics for two weeks. In addition, a week long coding course called CodeF was run in partnership with SEO London to teach young women about different careers in tech and how to build a website from scratch.
- In RVU, a large group of employees from its Confused.com brand donated their time to Cardiff & Vale Health Charity Wales to do landscaping work.
- As part of the Property division's 'enabling change for tomorrow' initiative and though it's partnership with the Future Frontiers education charity, employees were trained to deliver career coaching and mentoring to students from underprivileged backgrounds to help them make better educational choices and to open their eyes to the wealth of careers available to them. Zoopla is a founding member of the

# Strategic report (continued)
For the year ended 31 December 2022

**Our work in the community (continued)**

Tech She Can Charity and employees in the Property division delivered 15 STEM sessions to local schools in 2022, helping to inspire girls to pursue STEM subjects and careers in the technology sector.

- In Property, through the division's strategic partnership with Crisis, a joint research report was published on high cost of rents and inability for those affected by homelessness to get their own home using housing benefit. The report contained a unique methodology that enabled reporting at local authority level and there has been strong demand for the data and analysis from housing providers, charities and corporate investors.

**Working with us**

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

We believe our transformative learning culture is one of our defining features and aim to foster in our people a thirst for knowledge, eagerness to learn and give them the opportunities to thrive.

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

**Gender mix across the Company and Group for the year ended 31st December 2022**

| | Number (average employees) | | Percentage | |
|---|---|---|---|---|
| | Female | Male | Female | Male |
| Company Directors | 1 | 2 | 33% | 67% |
| Senior Management | 88 | 130 | 40% | 60% |
| All Employees | 621 | 947 | 40% | 60% |

**Gender mix across the Company and Group for the year ended 31st December 2021**

| | Number (average employees) | | Percentage | |
|---|---|---|---|---|
| | Female | Male | Female | Male |
| Company Directors | 0 | 3 | 0% | 100% |
| Senior Management | 61 | 93 | 40% | 60% |
| All Employees | 587 | 890 | 40% | 60% |

**Risk management, internal control and principal risks**

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

Risk is managed functionally and at a consolidated Group level. This structure enables the Group to ensure that risks are identified across its range of operations. The risks are then escalated in a manner which is consistent and aligned with the strategic goals. The Group assesses its risk management processes on a continuous basis to ensure that they remain fit for purpose.

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

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

# Strategic report (continued)

For the year ended 31 December 2022

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

| Key risk | Description and impact | Management and mitigation |
|---|---|---|
| **Macroeconomic conditions – Energy wholesale prices**<br><br>**The Group is exposed to a number of macro-economic conditions including during 2021 and 2022 a more volatile global wholesale energy market. The impact of any increase in volatility could impact switching availability and behaviour with a knock-on effect on the Group's financial performance.** | Since the second half of 2021, due to a shortage of gas supplies and disruptions to other sources of energy, global wholesale gas prices have been volatile, reaching a record high gas price of £7.88 per therm on August 2022. The combination of the volatile energy wholesale prices, the price cap set by the Office of Gas and Electricity Markets (Ofgem) in the UK, and the Energy Price Guarantee (EPG) put in place by the UK government has temporarily stopped energy switching services which has an adverse impact on the Group's revenue.<br><br>High prices on their own are not a barrier to switching; the interplay between the high energy prices and the EPG is key to the performance of the switching market. As the EPG is currently lower than wholesale prices, suppliers removed their acquisition tariffs from the market and consumer switching is effectively paused.<br><br>In 2023, natural gas prices have fallen sharply close to the levels they were in September 2021 due to the alleviation of immediate supply issues; however, the EPG remains below the price of natural gas. | • Regularly reviewing market conditions and indicators with scenario analysis.<br>• Educating consumers about the energy market, the price cap and their options in uncertain conditions to maintain our reputation and brand awareness.<br>• Maintaining a flexible cost base that can respond to changing conditions.<br>• Diversifying risk by maintaining a balance between different revenue streams to provide protection against volatility within markets. |

# Strategic report (continued)

For the year ended 31 December 2022

| Key risk | Description and impact | Management and mitigation |
|---|---|---|
| **Competitive environment**<br><br>**The Group operates in marketplaces which are highly competitive. The actions of the Group's competitors, and / or the Group's inaction, can have a significant and adverse impact on the Group.** | If new or existing competitors can provide, or are perceived to provide, an enhanced partner or consumer service, this presents a risk to the Group's market share and consequently its financial results.<br><br>The Group invests in marketing to build brand awareness and drive traffic to its websites. Increased digital marketing expenditure by competitors, or general price increases, may cause the Group to incur additional marketing spend to ensure that it can continue to compete effectively. | • Focussing on strategic marketing and brand investment.<br>• Prioritising high margin/ low-cost marketing channels to minimise reliance on higher cost paid marketing channels.<br>• Ensuring partners understand the unique value proposition that can be provided through our websites, products, and services.<br>• Offering attractive and competitive pricing packages to partners, and agreeing longer-term contracts to provide assurance over forecasted revenue.<br>• Diversifying risk through multiple revenue streams.<br>• The Property division is largely subscription based and is therefore less susceptible to short term fluctuations in the market. |
| **Integration of acquisitions**<br><br>**The Group is highly acquisitive, which presents inherent operational, strategic and cultural challenges.** | The inability to successfully integrate acquisitions may adversely affect consumer and / or partner experience with a resulting impact on strategic opportunities and the Group's future revenues.<br><br>The challenges surrounding integrating different cultures, working practices and locations could impact team retention and performance.<br><br>In addition, there is the possibility that the financial and operational control environments of acquired entities are not as established as those of the Group. | • Centralised shared service functions across group finance, facilities, and IT.<br>• Ongoing integration of all acquired entities into the Group reporting software.<br>• Functions within the organisation, particularly shared services, have focused on aligning processes and systems.<br>• Projects initiated, which are now delivering, to develop a streamlined approach across the various segments for products and technology.<br>• Communicating the benefits of acquisitions to both partners and consumers. |
| **IT systems and cyber security**<br><br>**A failure in one system or a security breach may disrupt the efficiency and functioning of the Group's operations.** | Any failure of the Group's IT infrastructure through error or attack could impair the operation of the Group's websites and services, the processing and storage of data and the day-to-day management of the Group's business. | • Regularly testing the security of the IT systems and platforms, including penetration testing and testing of Distributed Denial of Service (DDoS) attack procedures.<br>• Projects initiated to secure the UK government backed certification, |

# Strategic report (continued)

For the year ended 31 December 2022

| Key risk | Description and impact | Management and mitigation |
|---|---|---|
| | In addition, any theft or misuse of data (consumer and partner) held within the Group's databases could have both reputational and financial implications for the Group. | Cyber Essentials, across the UK entities.<br>• Executive team training performed on ransomware scenarios. |
| **Data protection and exposure**<br><br>**Non-compliance with data protection and related requirements could lead to significant penalties for the organisation.**<br><br>**The Group may be susceptible to an external hack which could lead to a loss of data, including personally identifiable information (PII).** | Data protection entails various elements such as ensuring compliance with GDPR, cookie laws and direct marketing.<br><br>The Group holds PII data in various systems, therefore any loss of data through an external or internal hack could lead to a significant financial and / or reputational damage. | • Data protection officer ("DPO") positions in both divisions.<br>• Privacy plan formalised by DPO.<br>• Experienced IT staff in place to review the security environment.<br>• Training schemes coordinated related to data hacks / governance.<br>• Business Continuity Plan revisions ensuring mitigation plans are formalised in the event of a data hack. |
| **Retention and recruitment**<br><br>**The Group operates in markets with a high demand for high calibre personnel. Failure to attract and retain a skilled workforce may impact on the Group's financial performance.** | Competition for qualified talent is intense and an inability to attract highly skilled employees could adversely impact the Group's operations, financial position or prospects.<br><br>Similarly, an inability to motivate, develop and retain key team members, particularly through periods of business change, could adversely impact the Group's operations, financial condition and prospects.<br><br>The Group has a track record of growth through acquisition – an inability to retain key team members from these businesses could increase business risk in the event of reliance on their business-critical knowledge. | • Share schemes in place to improve staff retention.<br>• Learning & development activities held across the Group.<br>• Talent teams resourced with experienced senior members who can drive change.<br>• Recruitment agency partners well informed to positively impact the recruitment process and source the best candidates.<br>• Careers websites for both divisions.<br>• New schemes launched to define purpose and behaviours.<br>• Employee Value Proposition defined and embedded across the employee journey.<br>• Review of divisions' operating models ensures appropriate staffing levels and drives new opportunities. |

# Strategic report (continued)

For the year ended 31 December 2022

| Key risk | Description and impact | Management and mitigation |
|---|---|---|
| **Regulatory environment**<br><br>**The Group operates in several regulated environments, including the UK Financial Conduct Authority (FCA). Failure to meet regulatory requirements may impact the Group's financial performance.** | The Group monitors changes in the regulatory environments in which it operates to identify incoming changes that may have an impact on the strategy, operations, or business model of the Group. Key incoming changes in the industries in which the Group operates which are being actively monitored are:<br><br>• *Regulated products*: The FCA introduced a new Consumer Duty from 31 July 2023, which requires firms to act to deliver good outcomes for retail customers. These outcomes relate to products and services, price and value, consumer understanding and consumer support including understanding needs, characteristics, and objectives of consumers.<br>• *Insurance*: The FCA introduced Operational Resilience rules to be implemented from 31 March 2022 to 31 March 2025 to prevent the potential of disruption causing harm to consumers and/or financial services markets. The rules require businesses to identify important business services, set impact tolerances and carry out mapping and scenario testing of these processes. | • Maintaining regular open and constructive dialogue with all significant regulatory bodies.<br>• Dedicated regulatory teams in-house.<br>• Implementing processes, including training, to ensure compliance with all mandatory reporting obligations.<br>• Regular monitoring of regulatory risks by the Board, the Audit Committee, the legal function, and internal control and throughout the business. |
| **Reputational and brand damage**<br><br>**The Group operates several identifiable and respected brands which could be damaged by factors such as unethical or unlawful activity, poor customer service or negative press.** | Damage to any of the Group's brands could lead to a fall in consumer confidence, reducing traffic and leads for the Group's partners and in turn impacting the Group's revenue.<br><br>There is also a risk that the Group's partners may choose to terminate their existing relationship with the Group because of any reputational damage, which would directly impact the Group's revenues. | • Embedding a culture of transparency, social awareness, and ethical behaviour throughout the Group.<br>• Regularly reviewing the Group's risks and reviewing and developing internal control frameworks to mitigate the risk of error or fraud.<br>• Executing the Group's strategy, which has both consumers and the Group's partners at its core.<br>• Continually investing in the Group's brands. |

# Strategic report (continued)

For the year ended 31 December 2022

| Key risk | Description and impact | Management and mitigation |
|---|---|---|
| **Interest rate risk**<br><br>**The volatility of market interest rates due to macroeconomic factors may impact the Group's cashflows** | The Group is exposed to fluctuations in the Sterling Overnight Index Average (SONIA) and Euro Interbank Offered Rate (EURIBOR) on its external debt.<br><br>The volatility of market interest rates due to macroeconomic factors can impact the Group's cashflows. | • During the year, the interest rate volatility was monitored and a recommendation was taken to the board that interest rate hedges should be utilised to manage interest rate risk.<br>• Subsequent to 31 December 2022, the Group entered into interest rate swaps for 100% of its external debt (excluding the Revolving Credit Facility) to manage interest rate risk. |
| **Foreign exchange risk**<br><br>**Foreign Exchange volatility due to macroeconomic factors which may impact the Group's cashflows.**<br><br>**The Group holds term loans denominated in Euro and operates several businesses outside of the UK. Failure to manage foreign exchange volatility due to macroeconomic factors may impact the Group's cashflows.** | The Group is exposed to fluctuations primarily in the British Pound (GBP), the Euro (EUR) and U.S. Dollar (USD).<br><br>The Group's primary cash inflows are in GBP, with significant cash outflows in EUR (for interest payments on EUR denominated debt) and USD (for supplier payments).<br><br>The volatility of foreign exchange rates due to macroeconomic factors can impact the Group's cashflows. | • Monitoring foreign currency rate fluctuations.<br>• Implementing spot trading and movements prior to converting large amounts for interest and supplier payments.<br>• Employing an economic hedging strategy by entry in to cross-currency forward swaps.<br>• Repatriating cash from Euro earning subsidiaries to pay Euro interest as a natural hedge. |

**Changes in the year**

No other material changes to the business have been identified in the year that have not been considered further in this Strategic report.

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

### Section s172 statement

We have a broad range of stakeholders who influence or are affected by our day-to-day activities and have varying needs and expectations. Our aim is to try to ensure that the perspectives, insights, and opinions of stakeholders are understood and taken account of when key operational, investment or business decisions are being taken.

The Group's key stakeholder groups are our shareholders, employees, suppliers, customers and consumers, the community, and regulators. Here we explain how the Board engages with and manages our relationship with our key stakeholders:

**Shareholders**

- The Directors are committed to openly engaging with their shareholders through attendance at Board meetings, so that shareholders understand the strategy and objectives of the Group.
- The Group provides regular reports and maintains regular dialogue with shareholders to ensure their involvement in the Group's decision-making.
- As per previous years the Directors approve an annual budget, prepared by Group's senior management. The Directors were then able to monitor performance against this budget and plan through the year to 31 December 2022.
- The Directors worked closely with the shareholders during the highly acquisitive year under review to source targets that would best add value and returns to the shareholders in the long-term. Additionally, the Directors consulted with shareholders in regards to the goodwill impairment recognised during the year.
- The Directors proposed new operating models for a number of the businesses, and these were discussed in detail with the shareholders.

**Employees**

- The Group is passionate about attracting, engaging, developing and retaining the best talent in the industry. The Group is always open to feedback and seeks to provide as many opportunities for discussion as possible.
- The Group engages through employee survey tools (including Peakon and Great Places To Work) to regularly measure employee net promoter score (eNPS) and key engagement drivers. Various subsidiaries have either Head of Employee Engagement or Communications managers who formalise and lead engagement and internal communications strategy for their respective entities.
- The Group has a strong focus on its employees' wellbeing and introduced numerous schemes in the previous year which focus on improving mental health and specifically, to help employees adapt to new working practices caused by the Covid-19 pandemic. These included weekly calls with senior leadership, HR support calls and a working from home budget for every employee. The Group has continued to provide employees with these provisions in 2022, as well as introducing a number of new schemes to support employees through a variety of different life challenges. The Group has introduced a more generous paternity leave package, provides support and funding for fertility treatment and introduced a menopause policy and support line. The Group also continues to respond to employee feedback, adjusting the support and provisions available in line with what employees value.
- As part of the Group's commitment to creating an inclusive and diverse workforce, Employee Resource Groups have been set up, providing employees with a community and a safe space to meet and support one another, and led by volunteers from across the business. The aim of these groups is to help the Group put Diversity, Equity & Inclusion (DE&I) at the heart of its decisions – be that recruitment, talent development, engagement campaigns and marketing – to ensure the Group becomes more welcoming, fair and representative every day.
- The Group has subsidiaries who are founding members of 'The Tech She Can Charter' commitment and also has partnerships with charities supporting people from lower socioeconomic backgrounds at the start of their careers, as well as running coaching sessions for young women on how to learn to code.
- Two of the Group's brands – Zoopla and RVU – were named in the top ten for the UK's 'Winning Tech Talent' for medium-sized businesses in Hired's 2022 publication for the second year in a row. Confused.com was named as one of the UK's 2022 overall 'Best Workplaces' as well as 'Best Workplaces for Women' and 'Best Workplaces in Tech' by greatplacetowork.co.uk. These credentials prove the Group's appeal as an employer of choice across the divisions.
- The Group has engaged with employees as part of the restructuring of the Group's operating models, ensuring employees have been informed and supported during these reviews.

# Strategic report (continued)

For the year ended 31 December 2022

### Customers and consumers

- The Group aims for its customers, including estate agents, new home developers, lenders, brokers and providers of energy, communications, insurance and financial services products to benefit from access to a highly engaged audience via the Group's portals within the Property and RVU divisions, generating additional revenues and delivering better service by using the Group's software and data insights. The Group has dedicated Product and Tech teams, who are committed to innovating these products so that our customers have data driven platforms, which will help their businesses succeed.
- The Group aims for consumers to be able to access market data with real-time alerts to make the most informed decisions about everything related to finding, moving or managing their homes.
- The Group engaged with consumers directly through one of its brands – Zoopla – which in 2022 launched marketing campaigns that successfully evolved its consumer marketing proposition from purely searching listings (Search) to researching a broader set of moving and selling needs (Search & Research). This is the next stage on its journey to reimagine intelligent home decisions for all.
- Zoopla continued to register Homeowners to MyHome during 2022. MyHome is Zoopla's homeowner proposition where registered users can track the value of their homes over time.
- In RVU, new energy tracking app, Utrack by Uswitch, launched with an integrated 'check, track and change' marketing campaign. This allows users to track energy usage throughout the home and receive personalised insights and advice on ways to use less and pay less for their energy.
- Throughout 2022, RVU's expert content and PR continued to help customers navigate the cost of living crisis with advice and tips on savings and keeping bills down.
- In 2022, Confused.com launched its Money Saving Hub to provide advice and tools for customers to make savings during the cost of living crisis. Since its launch, thousands of customers have visited the hub, which provides cost-cutting advice across energy and insurance products.

### Suppliers

The Group is committed to working with suppliers who share the Group's values. Before commencing a business relationship with a supplier, the Group will review the supplier's labour practices. The Group complies with their statutory duty to report on payment practices and is committed to reducing the time taken to pay suppliers, particularly those who are smaller in size.

### Social responsibility

- The Group recognises the impact it may have on the environment as a business and as individuals, particularly and most currently, the issues surrounding disposable, single use plastics.
- The Group encourages positive behaviour and attitudes from within the business by providing long life, refillable and reusable options to employees and eliminating the purchase of single use plastic within the offices. Informative tools and advice are provided to all employees on how to prevent further unnecessary waste ending up in the environment and damaging ecosystems.
- The Group provides hands-on help to a range of causes close to the hearts of our employees, including working with students from low socioeconomic backgrounds to prepare them for career success and sorting donations at local food banks.
- The Group implemented a Carbon Accounting Tool and engaged with advisors to analyse its direct and indirect carbon emissions in detail. The analysis of data is still ongoing, and this will be utilised to inform the Group's emissions reduction targets and set a net zero strategy.

# Strategic report (continued)

For the year ended 31 December 2022

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**Section s172 statement (continued)**

**Regulators / Industry bodies**

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

The Strategic report is approved by the Board of Directors ("Board") on 31 March 2023 and signed on behalf of the Board by

Charles Bryant (Mar 31, 2023 18:14 GMT+2)

Charles Bryant
Director

# Directors' report

For the year ended 31 December 2022

The Directors present their report of Zephyr Midco 2 Limited ("Midco 2" or "the Company") and its subsidiaries (together "the Group") for the year ended 31 December 2022.

**Directors**

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

- Charles Bryant
- Karen Maguire (appointed 8 August 2022)
- Ulf Pagenkopf (resigned 8 August 2022)
- Simon Patterson (resigned 15 September 2022)

**Directors' indemnities and insurance**

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

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

**Results**

The Group total comprehensive loss for the year after tax was £692.5 million (2021: 135.8 million). Refer to the Strategic Report for further discussions of the Group's results and performance for the year.

**Dividend**

The Directors do not recommend a final dividend in respect of the year to 31 December 2022 (2021: £nil).

**Future developments**

Despite a challenging macro-economic environment, the Group's performance has been resilient. In Property, the Group is encouraged by the strong sales pipeline across property risk and valuation products, the Zoopla brand which continues to strengthen and offer market leading insights and feature expansions in the Group's flagship software SaaS platform, Alto. The sale of RVU International places the Group in a stronger position to intensify its focus on the UK market. The acquisition of Tempcover in the year will expand RVU's insurance footprint.

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

**Financial risk management**

Refer to Note 25 for details of the Group's financial risk management which includes information on the Group's exposure to credit risk, market risk and liquidity risk.

# Directors' report (continued)

For the year ended 31 December 2022

**Going concern**

The Group consolidated statement of financial position shows a positive net current asset position of £115.4 million with significant cash resources and the Group continues to generate positive net cash flows from operating activities of £73.7 million in 2022. Despite the loss in the year, which is largely driven by a non-cash impairment of £573.3m, given the positive net cash inflow and the net current asset position, the Directors believe that the Group is well placed to manage its business and financial risks successfully going forward. Net cash outflow for the year was £32.3 million before foreign exchange movements, which includes the cash consideration outflow paid for the business combination completed during the year and payments made for settlements for deferred and contingent consideration, offset by additional financing and equity issued by the Group. The year-end cash position was £43.2 million, including cash held for sale of £11.5 million. The Group has a Revolving Credit Facility ('RCF') of £150 million, which has been used to finance acquisitions, and this RCF was £127 million drawn at 31 December 2022, with £23 million available to draw. Subsequent to 31 December 2022, the availability on the RCF increased to £140 million following a £117 million repayment in February 2023, after the receipt of proceeds from the sale of RVU International (see note 26).

In order to gain comfort over the Group's ability to continue as a going concern, the Directors have modelled the Group's cash flow position for the 12 months following the date of the signing of these accounts. The Group is subject to covenants under its year-end debt structure and throughout the cash flow forecast period there is sufficient headroom on the financial covenants.

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

**Research and development**

The Group continues to incur expenditure on research and development in order to develop new products and enhance the existing websites. The Group accounting policies on research and development are discussed in Note 1 to the consolidated financial statements. The Group capitalised £31.2m (2021: £24.3m) in relation to technology development costs.

**Political contribution and charitable donation**

No political contributions were made in the period (2021: £nil).

Total charitable contributions made to all registered charities during the year was £85,699 (2021: £40,729).

**Employees**

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

The Group is always open to feedback and seeks to provide as many opportunities for discussion as possible. It is vital that every employee feels they have a voice, and this is achieved through employee survey tools, such as Peakon and Great Places To Work, to help the Group regularly measure employee net promoter score (eNPS) and key engagement drivers. Dedicated employees help to formalise and lead the engagement and internal communications strategy across the Group.

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

The Group has supported employees during the review of the Group's operating models, and where required, has provided additional post-employment support.

# Directors' report (continued)
For the year ended 31 December 2022

**Employees (continued)**

*Diversity and inclusion*

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

The Group's subsidiaries instil a culture of equal opportunities, and policies are contained within relevant employee guidance at the various subsidiary company levels. These set out that it is the relevant subsidiary company's policy to select the most qualified person for each position within the organisation and it is the intent and resolve to comply with the requirements and spirit of all laws in the implementation of all facets of equal opportunity. These policies apply to all employment practices and personnel actions including, but not limited to, recruitment, selection, training, promotion, pay rates, discipline, and dismissal. This includes giving full and fair consideration to applications for employment made by disabled persons and continuing the employment of, and arranging appropriate training, career development and the opportunity for promotion for, any of the Group's employees who are, or become, disabled.

**Environmental matters**

The Group recognises the impact it may have on the environment as a business and as individuals.

The Group's longer-term ambition is to operate as a Net Zero* business and several important steps towards this have been taken during 2022. The Group completed its first full carbon footprint analysis and the results were reviewed by the executive team in order to develop a clear, targeted and ambitious pathway to Net Zero operations. An annual employee sustainability survey was launched to facilitate better understanding of Scope 3 emissions.

All London-based staff have been relocated to one building to maximise the use of the main office space, resulting in an overall reduction in space occupied. In the Group's offices, the number of hours that heating, ventilation and air-conditioning systems are operating and occupancy sensors in meeting rooms have been re-programmed to maximise their efficiency. The number of food deliveries has been reduced by adjusting requests to office occupancy levels.
An employee electric vehicle leasing scheme has been introduced, via salary sacrifice.

Alongside external support, the Group encourages positive behaviour and attitudes from within the business by providing long life, refillable and reusable options to employees and eliminating the purchase of single use plastic within the offices.

The Group has entered into a number of property and company car leases to support business operations. The Group has measured its Scope 1 and 2 emissions using the Greenhouse Gas Protocol standard and the fuel-based: fuel type calculation method. The Group has followed the 2019 UK Government Environmental Reporting Guidelines and has used the GHG Protocol Corporate Accounting and Reporting Standard (revised edition) and emission factors from the UK Government's GHG Conversion Factors for Company Reporting 2022 to calculate the below disclosures.

Emission was also calculated using an 'intensity metric', which will enable the Group to monitor how well we are controlling emissions on an annual basis. The Group considers the most suitable metric as 'emission per employee', based on average number of employees, as the Group is an employee focussed business.

The Group is not required to disclose non-UK based emissions within these financial statements.

| | **Year ended 31 December 2022** | **Year ended 31 December 2021** |
|---|---|---|
| **Scope 1 (direct emissions)** | | |
| Fuel use from transport (tCO2e) | 31.6 | 52.1 |
| Combustion of natural gas | - | - |
| **Scope 2 (indirect emissions)** | | |
| Purchased electricity (tCO2e) | 218.3 | 116.0 |
| *Electricity consumption used to calculate above emissions (kWh)* | 1,207,063 | 1,115,687 |
| **Total gross Scope 1 & 2 emissions (tCO2e)** | 249.9 | 168.1 |
| Intensity ratio (tCO2e / employee) | 0.2 | 0.1 |

# Directors' report (continued)

For the year ended 31 December 2022

**Environmental matters (continued)**

As part of it's commitment to working towards operating as a Net Zero business, the Group started using a third party platform in 2022 to track carbon data more comprehensively. As a result, the emissions in tCO2e are not directly comparable year on year.

**The UK government definition of Net Zero is to reduce emissions to as close to zero as possible, with the small amount of remaining emissions absorbed through natural carbon sinks like forests, and new technologies like carbon capture.*

**Subsequent events**

The SPA with Gruppo Mutuionline S.P.A. to sell RVU International completed on 1 February 2023. The BTA to transfer all the assets and liabilities in the Inspop.com Limited Indian Branch to the Rastreator India branch completed on 2 February 2023.

On 3 February 2023, £117.0 million of the Group's revolving credit facility was repaid with the proceeds from the sale of RVU International.

On 12 January 2023, the Group entered into three new interest rate swap transactions on the Group's term loans to reduce the Group's exposure to volatility in SONIA and EURIBOR rates. On 23 January 2023, two of the Group's cross-currency interest rate swaps reached maturity, and were cash settled for £2.9 million. Refer to Note 25 for more details on the Group's hedging instruments.

On 23 January 2023 and 17 February 2023, the Group repurchased vested Warrants previously held by third parties for £1.3 million and £22.5 million respectively.

**Statement of Directors' responsibilities**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations. Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRSs) and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing the parent company financial statements, the directors are required to:
- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the United Kingdom, including FRS 101, have been followed for the Company financial statements, 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 company will continue in business.

In preparing the group financial statements, International Accounting Standard 1 requires that directors:
- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance; and
- make an assessment of the group's ability to continue as a going concern.

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

# Directors' report (continued)

For the year ended 31 December 2022

**Statement of Directors' responsibilities (continued)**

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**Statement of disclosure to the auditor**

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

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

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

The Directors' report is approved by the Board of Directors ("Board") on 31 March 2023 and signed on behalf of the Board by

Charles Bryant (Mar 31, 2023 18:14 GMT+2)

Director
Charles Bryant

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

For the year ended 31 December 2022

## Report on the audit of the financial statements

### Opinion

In our opinion:

- the financial statements of Zephyr Midco 2 Limited (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2022 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated statement of comprehensive income;
- the consolidated and parent company statements of financial position;
- the consolidated and parent company statements of changes in equity;
- the consolidated statement of cash flows;
- the statement of accounting policies; and
- the related notes 1 to 27 and parent company notes 1 to 7.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law, United Kingdom adopted international accounting standards and IFRSs as issued by the IASB. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom adopted International Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

### Basis for opinion

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

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

### Conclusions relating to going concern

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

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

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

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

For the year ended 31 December 2022

**Other information**

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

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

We have nothing to report in this regard.

**Responsibilities of directors**

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

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

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

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

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

**Extent to which the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the group's industry and its control environment, and reviewed the group's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the group operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the UK Companies Act and HMRC tax legislations; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty. These include General Data Protection Regulations ('GDPR'), Financial Conduct Authority regulations, health and safety, anti-bribery, and employment law regulations.

We discussed among the audit engagement team including relevant internal specialists such as tax, valuations and IT specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

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

For the year ended 31 December 2022

**Extent to which the audit was considered capable of detecting irregularities, including fraud (continued)**

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our specific procedures performed to address them are described below:

- Valuation and existence of accrued income of Uswitch: we tested the design and implementation of relevant controls which address the risk of material misstatement; we tested underlying transactions and obtained supporting documentation including workings, subsequent invoicing and confirmation from affilates to support the valuation of and existence of accrued income.
- Impairment of goodwill and the associated management estimates and judgements within the short term cash flow forecast: we tested the design and implementation of relevant controls which address the risk of material misstatement, we challenged and tested the key assumptions used in the calculation and performed appropriate sensitivities.
- Acquisition accounting – valuation of identified intangible assets: We identifed the valuation of identified intangible assets recorded as part of acquisiton as our significant risk due to the complexity and level of judgement involved. In addressing the risk we evaluated the design and implementation of controls around the valuation of acquired intangibles, engaged internal valuation specialists to understand and challenge the methodology and judgements deployed in the identification valuation of the intangible assets and challenged the assumptions which form the basis of management's third party specialists' valuation.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing correspondence with HMRC.

**Report on other legal and regulatory requirements**

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

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

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

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

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

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

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

We have nothing to report in respect of these matters.

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

For the year ended 31 December 2022

**Use of our report**

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

Rachel Argyle (Mar 31, 2023 19:00 GMT+1)

Rachel Argyle
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
31 March 2023

# Consolidated statement of comprehensive income

For the year ended 31 December 2022

| | Notes | Year ended 31 December 2022 | Year ended 31 December 2021 |
|---|---|---|---|
| ***Continuing operations*** | | **£000** | **£000** |
| **Revenue** | 2 | **391,030** | **351,346** |
| Administrative expenses | | (1,021,089) | (385,954) |
| **Operating loss** | 3 | **(630,059)** | **(34,608)** |
| Finance income | 4 | 7,550 | 5,860 |
| Finance costs | 4 | (87,358) | (66,827) |
| Realised and unrealised foreign exchange (loss) / gain | | (17,540) | 23,170 |
| Fair value gain / (loss) arising on cross-currency interest swaps during the year | 12 | 12,721 | (10,369) |
| **Loss before tax for the year** | | **(714,686)** | **(82,774)** |
| Income tax credit / (expense) | 8 | 21,909 | (51,616) |
| **Loss for the year from continuing operations** | | **(692,777)** | **(134,390)** |
| | | | |
| ***Discontinued Operations*** | | | |
| Loss for the year from discontinued operations | 9 | **(1,619)** | **(1,678)** |
| **Loss for the year from continuing and discontinued operations** | | **(694,396)** | **(136,068)** |
| | | | |
| **Other comprehensive income** | | | |
| *Items that may be reclassified to profit or loss:* | | | |
| Fair value gain – Investments in unlisted securities | 15 | 691 | 1,669 |
| Currency translation differences on translation of overseas subsidiaries | | 1,218 | (1,427) |
| **Total comprehensive loss for the year** | | **(692,487)** | **(135,826)** |

The consolidated statement of comprehensive income has been prepared on the basis that all results are derived from continuing operations.

# Consolidated statement of financial position

As at 31 December 2022

| | Notes | As at 31 December 2022 £000 | As at 31 December 2021 £000 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Intangible assets | 13 | 2,438,925 | 3,091,046 |
| Property, plant and equipment | 14 | 23,028 | 34,799 |
| Investments held in unlisted securities | 15 | 6,909 | 6,218 |
| Derivative financial instruments | 12 | 3,393 | - |
| Investments held in associates | | 5 | 30 |
| Deferred tax asset | 21 | - | 960 |
| **Total non-current assets** | | **2,472,260** | **3,133,053** |
| **Current assets** | | | |
| Trade and other receivables | 16 | 70,462 | 77,418 |
| Current tax assets | | 6,122 | 4,791 |
| Derivative financial instruments | 12 | 3,570 | - |
| Cash and cash equivalents | | 31,699 | 74,731 |
| Assets classified as held for sale | 9 | 102,083 | - |
| **Total current assets** | | **213,936** | **156,940** |
| **Total assets** | | **2,686,196** | **3,289,993** |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 17 | 76,963 | 86,008 |
| Deferred and contingent consideration | 18 | - | 6,390 |
| Current lease liabilities | 20 | 5,478 | 3,434 |
| Provisions | 19 | 540 | 102 |
| Liabilities directly associated with assets classified as held for sale | 9 | 15,582 | - |
| **Total current liabilities** | | **98,563** | **95,934** |
| **Total assets less current liabilities** | | **2,587,633** | **3,194,059** |
| **Non-current liabilities** | | | |
| Loans and borrowings | 20 | 1,183,424 | 1,120,799 |
| Non-current lease liabilities | 20 | 21,520 | 26,779 |
| Deferred and contingent consideration | 18 | - | 4,938 |
| Provisions | 19 | 1,778 | 2,424 |
| Deferred tax liabilities | 21 | 290,494 | 322,011 |
| Derivative financial instruments | 12 | - | 5,758 |
| **Total non-current liabilities** | | **1,497,216** | **1,482,709** |
| **Total liabilities** | | **1,595,779** | **1,578,643** |
| **Net assets** | | **1,090,417** | **1,711,350** |
| **Equity attributable to owners of the parent** | | | |
| Share capital | 22 | 1,926,800 | 1,889,300 |
| Share premium | 22 | 124,200 | 101,700 |
| Share-based payment reserve | | 40,211 | 28,593 |
| Cumulative translation reserve | | (209) | (1,427) |
| Other reserves | | 783 | 156 |
| Retained earnings | | (1,001,368) | (306,972) |
| **Total equity** | | **1,090,417** | **1,711,350** |

The consolidated financial statements of Zephyr Midco 2 Limited were approved by the Board of Directors on 31 March 2023 and were signed on its behalf by:

Charles Bryant (Mar 31, 2023 18:14 GMT+2)

Charles Bryant
***Director***

# Consolidated statement of cash flows

For the year ended 31 December 2022

| | Year ended 31 December 2022 £000 | Restated Year ended 31 December 2021 £000 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Loss before tax for continuing and discontinuing operations | **(716,905)** | **(84,560)** |
| Adjustments for: | | |
| *Depreciation and impairment of property, plant and equipment (see note 14)* | 11,480 | 6,034 |
| *Amortisation and impairment of intangible assets (see note 13)* | 693,470 | 110,090 |
| *Finance income* | (7,557) | (5,860) |
| *Finance costs* | 87,478 | 66,934 |
| *Realised and unrealised foreign exchange loss / (gain)* | 17,583 | (23,199) |
| *Share-based payments (see note 3)* | 12,379 | 11,028 |
| *Charge for contingent and deferred consideration (see note 18)* | 3,944 | 279 |
| *Changes in fair value on financial instrument* | (12,721) | 10,369 |
| *Other non-cash charges* | - | 148 |
| *Change in provisions* | 978 | (39) |
| **Operating cash flows before changes in working capital** | **90,129** | **91,224** |
| (Increase)/Decrease in trade and other receivables | (3,757) | 26,691 |
| Decrease in trade and other payables | (8,292) | (18,976) |
| **Cash generated from operating activities** | **78,080** | **98,939** |
| Income tax (paid) / received | (4,405) | 8,588 |
| **Net cash flows from operating activities** | **73,675** | **107,527** |
| **Cash flows used in investing activities** | | |
| Acquisition of subsidiaries, net of cash acquired (see note 11) | (73,858) | (500,836) |
| Settlement of deferred and contingent consideration (see note 18) | (15,304) | (9,882) |
| Transfer in from other short-term investments | - | 20,000 |
| Interest received | 7,557 | 5,860 |
| Acquisition of property, plant and equipment | (852) | (1,054) |
| Acquisition and development of intangible assets | (31,164) | (23,782) |
| **Net cash flows used in investing activities** | **(113,621)** | **(509,694)** |
| **Cash flows from / (used in) financing activities** | | |
| Payments on finance leases | (4,641) | (6,203) |
| Issue of bank borrowings, net of fees | - | 135,315 |
| Drawings on revolving credit facility (see note 20) | 40,000 | 106,000 |
| Repayment of borrowings (see note 20) | (7,301) | (19,000) |
| Interest paid | (79,659) | (60,362) |
| Cash settlement of share-based payments | (761) | (389) |
| Issue of share capital and premium (see note 22) | 60,000 | 271,200 |
| **Net cash flows from financing activities** | **7,638** | **426,561** |
| **Net (decrease) / increase in cash and cash equivalents** | **(32,308)** | **24,394** |
| **Foreign exchange movements** | **748** | **(391)** |
| **Cash and cash equivalents at beginning of the year** | **74,731** | **50,728** |
| **Cash and cash equivalents at end of the year** | **43,171** | **74,731** |

The cash and cash equivalents are reconciled to the balance sheet at the end of the year as follows:

| | 31 December 2022 £000 | 31 December 2021 £000 |
|---|---|---|
| Cash and cash equivalents | 31,699 | 74,731 |
| Cash held for sale | 11,472 | - |
| | **43,171** | **74,731** |

The consolidated statement of cash flows for the year to 31 December 2021 has been restated to decrease the net cash flows used in investing activities by £6,585k and decrease the operating cash flows before changes in working capital by £6,585k in relation to acquisition related costs incurred under IFRS. There is no change to the overall net increase in cash and cash equivalents of £24,394k for the year to 31 December 2021.

# Consolidated statement of changes in equity

For the year ended 31 December 2022

| | Notes | Share capital £000 | Share premium £000 | Share based payment reserve £000 | Cumulative translation reserve £000 | Other reserves £000 | Retained earnings £'000 | **Total equity £000** |
|---|---|---|---|---|---|---|---|---|
| At 1 January 2022 | | 1,889,300 | 101,700 | 28,593 | (1,427) | 156 | (306,972) | **1,711,350** |
| Loss for the period | | - | - | - | - | - | (694,396) | (694,396) |
| *Other comprehensive income:* | | | | | | | | |
| Fair value movements in unlisted securities | 15 | - | - | - | - | 691 | - | 691 |
| Cumulative translation reserve | | - | - | - | 1,218 | (62) | - | 1,156 |
| *Transactions with owners recorded directly in equity:* | | | | | | | | |
| Issue of share capital and share premium | 22 | 37,500 | 22,500 | - | - | - | - | 60,000 |
| Share-based payments charges | 23 | - | - | 12,379 | - | - | - | 12,379 |
| Share-based settlements | | - | - | (761) | - | - | - | (761) |
| Other | | - | - | - | | (2) | - | (2) |
| **At 31 December 2022** | | **1,926,800** | **124,200** | **40,211** | **(209)** | **783** | **(1,001,368)** | **1,090,417** |

# Consolidated statement of changes in equity (continued)

For the year ended 31 December 2022

| | Notes | Share capital £000 | Share premium £000 | Share based payment reserve £000 | Cumulative translation reserve £000 | Other reserves £000 | Retained earnings £'000 | **Total equity £000** |
|---|---|---|---|---|---|---|---|---|
| At 1 January 2021 | | 1,719,800 | - | 17,954 | - | (1,696) | (170,904) | **1,565,154** |
| Loss for the period | | - | - | - | - | - | (136,068) | **(136,068)** |
| Other comprehensive income: | | | | | | | | |
| Fair value movements in unlisted securities | 15 | - | - | - | - | 1,669 | - | **1,669** |
| Cumulative translation reserve | | - | - | - | (1,427) | - | - | **(1,427)** |
| Transactions with owners recorded directly in equity: | | | | | | | | |
| Issue of share capital and share premium | 22 | 169,500 | 101,700 | - | - | - | - | **271,200** |
| Share-based payments charges | 23 | - | - | 11,028 | - | - | - | **11,028** |
| Warrant payments | | | | (389) | - | | | **(389)** |
| Other reserves adjustments | | - | - | - | | 183 | - | **183** |
| **At 31 December 2021** | | **1,889,300** | **101,700** | **28,593** | **(1,427)** | **156** | **(306,972)** | **1,711,350** |

# Notes to the consolidated financial statements

For the year ended 31 December 2022

## 1. Accounting policies

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

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

The Group's principal activities and the nature of its operations are listed within the Strategic report on page 1.

### 1.1 Basis of preparation

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below for the period from 1 January 2022 to 31 December 2022 as well as the comparative period from 1 January 2021 to 31 December 2021.

*Compliance with IFRS*

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and IFRIC Interpretations (collectively IFRS) issued by the International Accounting Standards Board (IASB) as adopted by the United Kingdom ("adopted IFRS"), and in conformity with the requirements of the Companies Act 2006. The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. 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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

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

*Presentational currency*

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

### 1.2 New standards and interpretations not yet adopted

There were no new IFRSs or IFRIC interpretations that were effective during the financial year beginning 1 January 2022 that have had a material impact on the Group. At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

| | |
|---|---|
| IFRS 17 (including the June 2020 Amendments to IFRS 17) | Insurance Contracts |
| Amendments to IFRS 10 and IAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture |
| Amendments to IAS 1 | Classification of Liabilities as Current or Non-current |
| Amendments to IAS 1 and IFRS Practice Statement 2 | Disclosure of Accounting Policies |
| Amendments to IAS 8 | Definition of Accounting Estimates |
| Amendments to IAS 12 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction |

### 1.2 New standards and interpretations not yet adopted (continued)

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods, except as noted below:

*Amendments to IAS 1 Presentation of Financial Statements—Classification of Liabilities as Current or Non-current*

The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.
The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.

### 1.3 Basis of consolidation

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

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

The results of subsidiaries are included in the consolidated financial statements from the date control commences. Specifically, the results of subsidiaries acquired or disposed of during the year are included in the income statement from the date the Group gains control until the date when the Group ceases to control the subsidiary.

On consolidation, intercompany transactions, balances and unrealised gains on transactions between Group entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Where necessary, adjustments are made to the financial reporting from subsidiaries to bring the accounting policies used into line with the Group's accounting policies.

*Foreign subsidiaries*

At the year end, the Company had multiple trading subsidiaries that used a functional currency which is different to the presentational currency of the Group (GBP). These primarily relate to entities whereby the functional currency is the Euro as it is the currency of the primary economic environment in which it operates (primarily operating from the Netherlands, France and Spain).

Assets and liabilities for these entities are translated into Pound Sterling using the exchange rate at the statement of financial position date and the consolidated statement of comprehensive income statement translated using the average exchange rate for the year. Exchange differences on translation into the presentational currency are recognised within other comprehensive income. The principal exchange rates for the Euro against Pound Sterling used in these consolidated financial statements are: average: 0.857 EUR:GBP and closing: 0.838 EUR:GBP.

### 1.4 Going concern

The Group consolidated statement of financial position shows a positive net current asset position of £115.4 million with significant cash resources and the Group continues to generate positive net cash flows from operating activities of £73.7 million in 2022. Despite the loss in the year, which is largely driven by a non-cash impairment of £573.3m, given the positive net cash inflow and the net current asset position, the Directors believe that the Group is well placed to manage its business and financial risks successfully going forward. Net cash outflow for the year was £32.3 million before foreign exchange movements, which includes the cash consideration outflow paid for the business combination completed during the year and payments made for settlements for deferred and contingent consideration, offset by additional financing and equity issued by the Group. The year-end cash position was £43.2 million, including cash held for sale of £11.5 million. The Group has a Revolving Credit Facility ('RCF') of £150 million, which has been used to finance acquisitions, and this RCF was £127 million drawn at 31 December 2022, with £23 million available to draw.

**1.4 Going concern (continued)**

Subsequent to 31 December 2022, the availability on the RCF increased to £140 million following a £117 million repayment in February 2023, after the receipt of proceeds from the sale of RVU International (see note 26).

In order to gain comfort over the Group's ability to continue as a going concern, the Directors have modelled the Group's cash flow position for the 12 months following the date of the signing of these accounts. The Group is subject to covenants under its year-end debt structure and throughout the cash flow forecast period there is sufficient headroom on the financial covenants.

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

**1.5 Finance income and costs**

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

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

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

**1.6 Property, plant and equipment**

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

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

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

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

**1.7 Business combinations and disposals**

The acquisition of subsidiaries and businesses is accounted for using the acquisition method in accordance with IFRS 3. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree or assumed, and equity interest issued by the Group in exchange for control of the acquiree. Acquisition related costs, other than those associated with the issue of debt or equity securities, are recognised in the consolidated statement of comprehensive income as incurred.

Goodwill is measured as the excess of the sum of the consideration transferred.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognised in profit or loss.

# Notes to the consolidated financial statements

For the year ended 31 December 2022

### 1.7 Business combinations and disposals (continued)

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

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

### 1.8 Non-current assets held for sale and discontinued operations

Non-current assets and disposal groups classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

When the Group is committed to a sale plan involving disposal of an investment in an associate or, a portion of an investment in an associate, the investment, or the portion of the investment in the associate, that will be disposed of is classified as held for sale when the criteria described above are met. The Group then ceases to apply the equity method in relation to the portion that is classified as held for sale. Any retained portion of an investment in an associate that has not been classified as held for sale continues to be accounted for using the equity method.

A discontinued operation is a component of the business that has been disposed of or is classified as held for sale and represents a separate major line of business or is part of a single co-ordinated plan to dispose of such a line of business. The results of discontinued operations are presented separately in the Statement of Comprehensive Income. The result comprises the profit or loss after tax from discontinued operations and other comprehensive income attributable to discontinued operations.

### 1.9 Goodwill

Goodwill is initially recognised and measured as set out above in note 1.7.

Goodwill is not amortised but is reviewed for impairment at least annually, and whenever the Directors have an indication that it may be impaired. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) expected to benefit from the synergies of the combination. Cash-generating units or groups of cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

### 1.10 Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5.

Under the equity method, an investment in an associate or joint venture is recognised initially in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

### 1.11 Intangible assets

***Internally-generated intangible assets – research and development expenditure***

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following conditions have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Capitalised development costs are presented in these financial statements as additions to software assets and are only amortised once the asset is available for use at which point it is then depreciated on a straight-line basis over their expected useful economic life.

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

***Intangible assets acquired separately***

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives which are disclosed below. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

### 1.11 Intangible assets (continued)

***Intangible assets acquired in a business combination***

Intangible assets acquired in a business combination and recognised separately from goodwill are recognised initially at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Amortisation is charged to the consolidated statement of comprehensive income on a straight-line basis over the estimated useful lives of the intangible assets as follows:

| | | |
|---|---|---|
| Brand | – | 5 to 25 years |
| Customer relationships | – | 14 to 22 years |
| Listing relationships | – | 9 to 10 years |
| Non-compete agreements | – | 2 years |
| Technology and software | – | 3 to 8 years |

### 1.12 Impairment of tangible and intangible assets

At each reporting date, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with an indefinite useful life are tested for impairment at least annually and whenever there is an indication at the end of a reporting period that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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

### 1.13 Financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Full details of financial instruments are included in Note 25. Financial instruments are not used for speculative purposes.

IFRS 9 "Financial Instruments" prescribes the rules for recognition and measurement of financial instruments. The standard requires the use of an expected credit loss model when determining an appropriate provision related to trade receivables. The Group has applied this model and uses both historical analysis and macroeconomic factors in determining the resulting provisions against trade receivables. There has been no significant increase (2021: no significant increase) in credit risk in the year and credit risk under IFRS 9 is discussed further in Note 25. Expected credit losses are provided for utilising the simplified approach to trade receivables by recording lifetime expected credit losses for the financial instrument.

Investments in unlisted securities not meeting the definition of associates, joint ventures or subsidiaries are classified as financial assets at fair value through other comprehensive income through an irrevocable election and are initially

**1.13 Financial instruments (continued)**

recorded at fair value plus transaction costs. The investments are then remeasured at each subsequent reporting date to fair value. Changes in the fair value of the unlisted securities are recognised in other comprehensive income, including any impairment losses. Income from the short-term investments is recognised through the statement of comprehensive income.

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

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

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

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

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

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

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value.

Short-term investments in the prior period were the term deposit held by the Company and measured at amortised cost. The interest income from the short-term investments are recognised through the statement of comprehensive income.

The Group's cash and cash equivalents are held in in the Group's current accounts and are available for immediate use.

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

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

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

*Derivative financial instruments*

The Group enters into cross-currency interest rate swaps to manage its exposure to foreign exchange rate risks. Further details of derivative financial instruments are disclosed in note 12.

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

**1.13 Financial instruments (continued)**

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

Hedge accounting is not adopted by the Group.

**1.14 Current tax**

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

**1.15 Deferred tax**

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, a deferred tax liability is not recognised if the temporary difference arises from the initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

**1.16 Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material). When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received, and the amount of the receivable can be measured reliably.

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

**1.17 Employee benefits: defined contribution benefit scheme**

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

### 1.18 Share-based payments

*Equity-settled share-based payments to employees:*

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

Details regarding the determination of the fair value of equity-settled share-based payment transactions are set out in Note 23.

*Warrants to third parties:*

The Group issues warrants over shares in ZPG Property Services Holdings Limited, a subsidiary of the Group, to a number of third parties. At the grant date, the Group determined the fair value of the services received in exchange for the issuance of the warrants using a discounted-cash flow model. The charge is recognised over the contractual term of the warrants in a manner in which the Group receives the benefit of the service provided.

### 1.19 Revenue recognition

The Group recognises revenue from the following major sources:

| Property | RVU |
|---|---|
| - Property classifieds: monthly subscription revenue from UK domestic, overseas and commercial estate agents to list to the Group's Property portals<br>- Property software: Provision of software licensing and installations to UK domestic, overseas and commercial estate agents<br>- Data: Provision of property data services to financial and other institutions | - Comparison services: provision of a service that allows users to compare prices among different services providers in energy, telecom, financial services and insurance sectors<br>- B2B services: provision of data and white label services to third party organisations<br>- Mortgage broker intermediary services: delivering personalised mortgage recommendations through a hybrid of smart tech and human mortgage experts |

***Property:***

*Property Classifieds:*

Performance obligations are satisfied, and revenue recognised, from the point that a customer has access to the platform to allow them to list their properties. Subscription revenue is spread over the life of the contract. Customers have the option to enhance their property listings and presence on property websites through purchasing additional advertising products. For products that provide enhanced brand or property exposure across a period, revenue is recognised over the life of the product from the point the customer gains access to the product. For products which are one-off use, revenue is recognised when the benefit is received by the customer at a point in time.

Where contracts include different prices through-out the life of the contract, the total contract price is calculated and spread over the contract period. Where contracts are modified during their initial term, Management have concluded that the services satisfy the criteria in IFRS 15 paragraph 22 (b) for the services to be accounted for as a series of distinct services that should be accounted for as a single performance obligation.

*Property Software:*

Performance obligations are satisfied, and revenue recognised, from the point where the customer can use the software. Total expected revenue from each contract, including the initial fees charged for the installation of the software, is spread over the life of the contract. Other software revenues where the services were provided at a point in time (such as onboarding and training fees) are recognised in the period when the performance obligations are met.

**1.19 Revenue recognition (continued)**

*Data:*

The Data services provided are determined to be a series of distinct services that are homogenous and have the same pattern of transfer to the customer, and therefore represent one performance obligation that is recognised in a straight-line basis over the life of the contract. Revenue that is tied to the delivery of separable and identifiable obligations such as portfolio valuations is recognised when the obligations are met, and the piece of work has been delivered.

Customers pay for the data services in advance on a monthly, quarterly or annual basis. Therefore, deferred income is recognised when payment is received and unwound as the service is being delivered to the customer. For project based work where customers are billed in arrears, accrued income is recognised over the period during which the performance obligations are met.

***RVU:***

*Comparison services:*

Revenue is recognised at the point where the performance obligations identified in the contract has been fulfilled and where revenue can be reliably estimated. The performance obligation is satisfied at different points for different products. For Energy and Telecoms, the performance obligation is determined to be satisfied at when a lead is generated; for insurance products this is more commonly the point at which a policy is sold.

Revenue is recognised at the fair value of the consideration received or receivable for which the transaction price is fixed in accordance with the terms of the contracts in place, net of an estimate of cancellations or uncompleted switches. Where revenue is accrued, this is estimated based on underlying metrics of customer interactions and is subsequently validated through sales data submissions made by the Group’s partners.

*B2B (Business to business) services:*

These services provided are determined to be a series of distinct services that are homogenous and have the same pattern of transfer to the customer, and therefore represent one performance obligation that is recognised in a straight-line basis over the life of the contract.

Customers pay for the services on a monthly basis and revenue is recognised in the month of the fulfilment of the performance obligation. The revenue is measured as the fair value of consideration received or receivable, excluding discounts and any sales taxes.

*Mortgage broker intermediary services:*

Revenue is recognised at the point where the performance obligations identified in the contract has been fulfilled and where revenue can be reliably estimated. For mortgage revenue, this point has been identified at the point at the completion of a mortgage (i.e. executed by all counterparties). The revenue is measured as the fair value of consideration received or receivable, excluding discounts and any sales taxes.

**1.20 Leases**

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

- The contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- The group has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and

**1.20 Leases (continued)**

- The group has the right of direct use of the asset. The group has the right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the group has the right to direct the use of the asset if either:

  - The group has the right to operate the asset; or
  - The group designed the asset in a way that predetermines how and for what purpose it will be used.

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

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

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

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

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

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

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

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

*Short-term and leases of low value assets*

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

### 1.21 Sources of estimation uncertainty

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

***Impairment of goodwill and intangibles***

The Group holds goodwill and intangibles on the statement of financial position in respect of business acquisitions made. Acquired intangibles include acquired goodwill, brands, customer relationships, listing relationships, technology and software of which £2,439 million (2021: £3,091 million) has been recognised as at 31 December 2022. Determining whether goodwill and intangible assets are impaired requires an estimation of the recoverable value of the relevant cash-generating unit, which represents the higher of fair value less costs to sell and value in use. The value in use calculation requires an estimation of future cash flows expected to arise from the cash-generating unit, discounted using a suitable discount rate to determine if any impairment has occurred. The Group performed an assessment, following the recognition of specific impairments against brand names, looking at internal and external factors for each of the business unit to identify if there were any indicators of impairment. Details of the impairment analysis, including key estimates and assumptions, and sensitivity over the estimates used, are included in Note 13.

### 1.22 Key accounting judgements

***Accounting for warrants***

The Group has historically entered into agreements with certain third parties whereby the Group offers warrants over its own shares or its subsidiaries' shares. In the period to 30 September 2019, the Group signed new warrant agreements with third parties and judgement is required to determine the appropriate accounting treatment. With the assistance of independent third-party experts Management has performed an extensive exercise to demonstrate that the service provided under the warrant agreements is both distinct from the obligations under the existing commercial service agreements and that the agreements have a reliably measurable fair value. Consequently, the Directors have concluded that the warrant agreements should be accounted for under IFRS 2, as a share-based payments charge, and not as a deduction to revenue under IFRS 15.

During the period to 31 December 2020, the Group modified the warrants agreement with a strategic counterparty; the fair value of the agreement was increased, and term of the contract extended. As there is no specific guidance within IFRS 2 for the modification of contract measured in reference to the services provided, the Group used the principles under IAS 8:10 to develop an accounting policy that accurately reflects the facts and circumstances of the modification. Based on the analysis performed, the Group considers that there are two options for accounting for the modification – prospectively or through a cumulative catch-up approach. As the modification was made due to new information and was forward-looking in nature, the Group has determined that accounting for the modification prospectively more accurately reflects the commercial substance of the arrangement.

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

The Group has completed an acquisition during the year, as described in Note 11 of these consolidated financial statements. For this acquisition, the group must allocate the consideration paid to all identifiable assets acquired and liabilities assumed as at the date of the acquisition at fair value. The difference between the total consideration transferred and the identifiable net assets acquired is treated as goodwill. The directors have assessed whether the separately acquired intangibles should be recognised upon acquisition from the purchase price and have concluded that customer relationships, brand name and non-compete agreements should be recognised as separately acquired intangibles arising from business combination under IFRS3.

# Notes to the consolidated financial statements

For the year ended 31 December 2022

## 2. Revenue

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

| *Continuing operations:* | **Year ended 31 December 2022 £000** | **Year ended 31 December 2021 £000** |
|---|---|---|
| UK | 376,360 | 340,774 |
| Netherlands | 14,670 | 10,572 |
| Total | **391,030** | **351,346** |

Comparative amounts have been represented to reflect the classification of the RVU International business as a discontinued operation. See note 9 for further information.

## 3. Operating loss

| *Continuing operations:* | **Year ended 31 December 2022 £000** | **Year ended 31 December 2021 £000** |
|---|---|---|
| Operating loss is stated after charging/(crediting): | | |
| Depreciation of property, plant and equipment (Note 14) | 5,564 | 5,453 |
| Impairment of property, plant and equipment and other asset write-offs (Note 14) | 4,946 | 69 |
| Amortisation of intangible assets (Note 13) | 119,249 | 101,780 |
| Impairment of intangible assets (Note 13) | 568,359 | 4,184 |
| Share-based payments (Note 23) | 12,374 | 10,902 |
| Acquisition related costs | 2,436 | 6,585 |
| Disposal related costs | 3,932 | - |
| Restructuring costs | 4,025 | - |
| Contingent consideration fair value movement (Note 18) | 3,944 | 279 |
| Contingent consideration foreign currency translation (Note 18) | - | (435) |

## 4. Finance costs and income

### Finance costs

| *Continuing operations:* | **Year ended 31 December 2022 £000** | **Year ended 31 December 2021 £000** |
|---|---|---|
| Interest expense on bank overdraft and loans | 68,588 | 52,736 |
| Amortisation of capitalised fees | 4,643 | 4,308 |
| Other finance costs | 219 | 352 |
| Interest expense on leases | 2,376 | 1,791 |
| Interest costs on cross-currency swap | 11,532 | 7,640 |
| Total finance costs | **87,358** | **66,827** |

### Finance income

| *Continuing operations:* | **Year ended 31 December 2022 £000** | **Year ended 31 December 2021 £000** |
|---|---|---|
| Interest income on cross-currency swaps | 7,546 | 5,860 |
| Interest income | 4 | - |
| Total finance income | **7,550** | **5,860** |

Comparative amounts have been represented to reflect the classification of the RVU International business as a discontinued operation. See note 9 for further information.

# Notes to the consolidated financial statements

For the year ended 31 December 2022

### 5. Auditor's remuneration

| | Year ended 31 December 2022 £000 | Year ended 31 December 2021 £000 |
|---|---|---|
| Fees payable to the Group's auditor and its associates: | | |
| – for the audit of Zephyr Midco 2 Limited and the consolidated financial statements | 220 | 200 |
| – for the audit of subsidiaries of Zephyr Midco 2 Limited | 461 | 540 |
| Total audit fees | **681** | **740** |
| Fees payable to the Group's auditor and its associates for other services to the Group: | | |
| – Audit related assurance services | 10 | 42 |
| – Other services | 1,452 | 264 |
| Total non-audit fees | **1,462** | **306** |

Included within other services are the tax compliance and advisory works performed.

### 6. Employee costs

| *Continuing operations:* | Year ended 31 December 2022 £000 | Year ended 31 December 2021 £000 |
|---|---|---|
| Staff costs (including Directors) comprise: | | |
| Wages and salaries | 71,015 | 65,128 |
| Social security costs | 9,359 | 8,119 |
| Defined contribution pension costs | 3,491 | 2,945 |
| Share-based payments (Note 23) | 3,841 | 2,369 |
| | **87,706** | **78,561** |

*Total employee costs from discontinued operations were £10.3 million (2021: £4.0 million).*

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

| *Continuing operations:* | Year ended 31 December 2022 Number | Year ended 31 December 2021 Number |
|---|---|---|
| Administration | 1,412 | 1,234 |
| Directors | 3 | 3 |
| | **1,415** | **1,237** |

*Comparative employee numbers have been re-presented to reflect the reclassification of the RVU International business as a discontinued operation (see note 9). Total employee numbers from discontinued operations were 374 (2021: 242).*

### 7. Remuneration of key management personnel

| | Year ended 31 December 2022 £000 | Year ended 31 December 2021 £000 |
|---|---|---|
| Salary, benefits and bonus | 706 | 406 |
| Defined contribution pension | 34 | 29 |
| | **740** | **435** |

Key management personnel during the period comprise the Chairman, the Directors and the Managing Directors of Property and RVU.

The highest paid Director received remuneration including pension contributions of £0.7 million (2021: £0.4 million). The number of directors to whom retirement benefits are accruing under the defined contribution scheme was 2 (2021: 1).

### 8. Income tax credit / (expense)

| *Continuing operations:* | Year ended 31 December 2022 £000 | Year ended 31 December 2021 £000 |
|---|---|---|
| **Current tax** | | |
| Current period | 4,957 | 6,324 |
| Adjustment in respect of prior periods | (2,510) | (544) |
| Foreign tax relief | - | (46) |
| Release of tax provision | - | (4,977) |
| Total current tax expense | **2,447** | **757** |
| **Deferred tax** | | |
| Origination and reversal of temporary differences | (26,365) | (18,533) |
| Adjustment in respect of prior periods | 4,212 | (125) |
| Effect of tax rate change on opening balance | (2,203) | 69,517 |
| Total deferred tax (credit) / expense | **(24,356)** | **50,859** |
| Total income tax (credit) / expense | **(21,909)** | **51,616** |

Corporation tax is calculated at 19% (2021: 19%) of the taxable loss for the period. The charge for the period can be reconciled to the loss in the statement of comprehensive income as follows:

| | Year ended 31 December 2022 £000 | Year ended 31 December 2021 £000 |
|---|---|---|
| **Loss before tax** | **(714,686)** | **(82,774)** |
| Current corporation tax rate of 19% | (135,790) | (15,727) |
| Expenses not deductible for tax purposes | 116,896 | 4,398 |
| Income not taxable for tax purposes | (2,115) | (754) |
| Effects of overseas tax rates | (117) | 293 |
| Adjustments in respect of prior periods – current tax | (2,510) | (543) |
| Adjustments in respect of prior periods - deferred tax | 4,212 | (125) |
| Impact of deferred tax rate changes | (2,203) | 69,517 |
| Deferred tax asset recognised on amounts previously disallowed | - | 88 |
| Release of tax provision | - | (4,977) |
| Other movements | (282) | (554) |
| Total income tax (credit) / expense | **(21,909)** | **51,616** |

-The Finance Act 2021, which was substantively enacted on 24 May 2021, included an increase in the main rate of UK corporation tax to 25% from 1 April 2023 from 19% as seen within the year and comparative period. This rate has been substantively enacted at the statement of financial position date of 31 December 2022. The deferred tax balances as at 31 December 2021 were revalued at the prior year end, which increased the deferred tax liability by £69.6 million.

The Group's effective tax rate for the year ended 31 December 2022 is 3.1% credit (2021: 62.4% charge). This is significantly lower than the statutory UK corporation tax rate primarily due the following reason:

- The Group has a loss before tax but this contains certain non-tax-deductible expenses within the income statement, so are added back for the reconciliation.

**9. Discontinued operations**

On 28 August 2022, the Group entered into a sale agreement with Gruppo Mutuionline S.P.A. to dispose of Preminen Price Comparison Holdings limited and its subsidiaries, Rastreator.com Limited and its subsidiary and LeLynx SAS, which carries out its operations in Spain, France and Mexico. Concurrently, a Group subsidiary, Inspop.com Limited, entered into a Business Transfer Agreement for its Indian Branch, which will be transferred to Rastreator and no longer be part of the Group. The disposal was effected as a strategic decision to focus on the UK businesses. The disposal has completed in February 2023.

These operations have been classified as a disposal group held for sale and presented separately in the statement of financial position. The proceeds of disposal are expected to substantially exceed the carrying amount of the related net assets and accordingly no impairment losses have been recognised on the classification of these operations as held for sale. The major classes of assets and liabilities comprising the operations classified as held for sale are as follows:

| | **31 December 2022** **£'000** |
|---|---|
| Goodwill and intangible assets | 72,788 |
| Investments in associates | 32 |
| Property, plant and equipment | 2,680 |
| Trade and other receivables | 14,683 |
| Cash and bank balances | 11,472 |
| Deferred tax | 428 |
| Total assets classified as held for sale | 102,083 |
| | |
| Trade and other payables | 7,186 |
| Deferred tax liabilities | 4,988 |
| Lease liabilities | 2,221 |
| Provisions | 1,187 |
| Total liabilities associated with assets classified as held for sale | 15,582 |
| | |
| Net assets of disposal group | 86,501 |

The results of the discontinued operations, which have been included in the loss for the year, were as follows:

| | **Year ended 31 December 2022** | **Year ended 31 December 2021** |
|---|---|---|
| | **£000** | **£000** |
| **Revenue** | **54,264** | **36,363** |
| Administrative expenses | (56,327) | (38,071) |
| **Operating loss** | **(2,063)** | **(1,708)** |
| Finance income | 7 | - |
| Finance costs | (120) | (107) |
| Realised and unrealised foreign exchange (loss)/ gain | (43) | 29 |
| **Loss before tax for the year** | **(2,219)** | **(1,786)** |
| Income tax credit | 600 | 108 |
| **Loss for the year** | **(1,619)** | **(1,678)** |

**10. Investment in subsidiaries, joint ventures and associates**

Details of the Company's direct and indirect subsidiaries and joint ventures as at 31 December 2022 are shown below. All of the entities listed are consolidated in the consolidated accounts of Zephyr Midco 2 Limited apart from associates which are accounted for under IAS 28 – Investments in Associates using the equity accounting method.

The percentage of Ordinary Share capital of each subsidiary listed is owned entirely by the direct parent indicated other than in respect of:

- Websky Limited where 75% of Ordinary Share capital is owned by W New Holdings Limited with Zoopla Limited owning the remaining 25%.
- Preminen Mexico S.A. de C.V. where 95% of Ordinary Share capital is owned by Preminen Price Comparison Holdings Limited with Rastreator.com Limited owning the remaining 5%.

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

All subsidiaries incorporated in the UK are registered at The Cooperage, 5 Copper Row, London SE1 2LH, apart from Penguin Portals Limited, Inspop.com Limited and Confused.com Limited which are registered at Greyfriars House, Greyfriars Road, Cardiff, Wales, CF10 3AL.

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

The subsidiary incorporated in Mexico, namely Preminen Mexico S.A. de C.V., is registered at C/ Varisovia, 36, 5$^{th}$ floor 06600 Col. Juarez Mexico City.

The subsidiary incorporated in India, namely Preminen Price Comparison India Private Limited, is registered at F-2902, Ireo Grand Arch, Sector 58, Gurugram, Gurgaon, Haryana, India 122011.

The subsidiary incorporated in France, namely LeLynx SAS, is registered at 34 Quai de la Loire 75019 Paris.

The subsidiary incorporated in Spain, namely Rastreator Comparador Correduria de Seguros S.L.U, is registered at Calle Sanchez Pacheco, 85, 28002 (Madrid).

The joint venture HLIX Limited did not trade in the year. It is incorporated at 133 Praed Street, London, W2 1RN.

The associate incorporated in China, namely Long Yu Science & Technology (Beijing) Company Limited, is registered at Room 1806, 15$^{th}$ Floor, Block 16, No. 39 East 3$^{rd}$ Ring Middle Road, Chaoyang District, Beijing, the PRC.

The associate incorporated in Bahrain, namely Preminen MENA Price Comparison W.L.L., is registered at Road no 3618, Block 436, Building 852, Office no 42, 4$^{th}$ floor, Seef (Kingdom of Bahrain).

# Notes to the consolidated financial statements

For the year ended 31 December 2022

| *Name* | *Direct parent* | *Country of incorporation* | *Ownership of Ordinary Shares and voting interest* **2022** | *Ownership of Ordinary Shares and voting interest* **2021** |
|---|---|---|---|---|
| **Active** | | | | |
| Zephyr Bidco Limited* | Zephyr Midco 2 Limited | United Kingdom | **100%** | 100% |
| ZPG Limited* | Zephyr Bidco Limited | United Kingdom | **100%** | 100% |
| ZPG Property Services Holdings Limited | ZPG Limited | Cayman Islands | **100%** | 100% |
| ZPG Property Services Holdings UK Limited* | ZPG Property Services Holdings Limited | United Kingdom | **100%** | 100% |
| ZPG Comparison Services Holdings Limited | ZPG Limited | Cayman Islands | **100%** | 100% |
| ZPG Comparison Services Holdings UK Limited* | ZPG Comparison Services Holdings Limited | United Kingdom | **100%** | 100% |
| Zoopla Limited | ZPG Property Services Holdings UK Limited | United Kingdom | **100%** | 100% |
| Yourkeys Technology Limited* | Zoopla Limited | United Kingdom | **100%** | 100% |
| Zoopla Printing Services Limited* | Zoopla Limited | United Kingdom | **100%** | 100% |
| W New Holdings Limited* | Zoopla Limited | United Kingdom | **100%** | 100% |
| Websky Limited* | W New Holdings Limited / Zoopla Limited | United Kingdom | **100%** | 100% |
| TechnicWeb Limited* | Zoopla Limited | United Kingdom | **100%** | 100% |
| Uswitch Limited | ZPG Comparison Services Holdings UK Limited | United Kingdom | **100%** | 100% |
| Property Software Holdings Limited* | ZPG Property Services Holdings UK Limited | United Kingdom | **100%** | 100% |
| Jupix Limited* | Property Software Holdings Limited | United Kingdom | **100%** | 100% |
| MoveIT Network Limited* | Jupix Limited | United Kingdom | **Dissolved in 2022** | 100% |
| Property Software Limited* | Property Software Holdings Limited | United Kingdom | **100%** | 100% |
| Core Estates Limited* | Property Software Limited | United Kingdom | **100%** | 100% |
| CFP Software Limited* | Property Software Limited | United Kingdom | **100%** | 100% |
| Vebra Investments Limited* | Property Software Limited | United Kingdom | **100%** | 100% |
| Vebra Limited* | Vebra Investments Limited | United Kingdom | **100%** | 100% |
| Vebra Solutions Limited* | Vebra Limited | United Kingdom | **100%** | 100% |
| Hometrack.co.uk Limited* | ZPG Property Services Holdings UK Limited | United Kingdom | **100%** | 100% |
| Hometrack Data Systems Limited | Hometrack.co.uk Limited | United Kingdom | **100%** | 100% |
| Hometrack MLS Limited* | Hometrack Data Systems Limited | United Kingdom | **100%** | 100% |
| ZPG Property Services Limited* | ZPG Property Services Holdings UK Limited | United Kingdom | **100%** | 100% |

# Notes to the consolidated financial statements
For the year ended 31 December 2022

| | | | | |
|---|---|---|---|---|
| Calcasa B.V. | ZPG Property Services Limited | Netherlands | **100%** | 100% |
| Penguin Portals Limited* | ZPG Comparison Services Holdings UK Limited | United Kingdom | **100%** | 100% |
| Rastreator.com Limited* | Penguin Portals Limited | United Kingdom | **100%** | 100% |
| Rastreator Comparador Correduria de Seguros S.L.U | Rastreator.com Limited | Spain | **100%** | 100% |
| LeLynx SAS | Penguin Portals Limited | France | **100%** | 100% |
| Inspop.com Limited | Penguin Portals Limited | United Kingdom | **100%** | 100% |
| Dot Zinc Holdings Limited* | ZPG Comparison Services Holdings UK Limited | United Kingdom | **100%** | 100% |
| Dot Zinc Limited* | Dot Zinc Holdings Limited | United Kingdom | **100%** | 100% |
| Preminen Price Comparison Holdings Limited* | ZPG Comparison Services Holdings UK Limited | United Kingdom | **100%** | 100% |
| Preminen Dragon Price Comparison Limited* | Preminen Price Comparison Holdings Limited | United Kingdom | **100%** | 100% |
| Preminen Price Comparison India Private Limited | Preminen Price Comparison Holdings Limited | India | **100%** | 100% |
| Preminen Mexico S.A. de C.V.* | Preminen Price Comparison Holdings Limited / Rastreator.com Limited | Mexico | **100%** | 100% |
| Life's Great Group Limited* | ZPG Comparison Services Holdings UK Limited | United Kingdom | **100%** | 100% |
| Life's Great Limited* | Life's Great Group Limited | United Kingdom | **100%** | 100% |
| Life's Great Tech Limited* | Life's Great Group Limited | United Kingdom | **100%** | 100% |
| Tempcover Holdings Limited* | Penguin Portals Limited | United Kingdom | **100%** | New to Group 2022 |
| Temporary Cover Limited* | Tempcover Holdings Limited | United Kingdom | **100%** | New to Group 2022 |
| Tempcover Limited* | Temporary Cover Limited | United Kingdom | **100%** | New to Group 2022 |
| **Dormant** | | | | |
| PSG Web Services Limited* | Vebra Limited | United Kingdom | **100%** | 100% |
| Real Estate Technology Limited* | Vebra Limited | United Kingdom | **100%** | 100% |
| Confused.com Limited | Inspop.com Limited | United Kingdom | **100%** | 100% |
| **Joint ventures** | | | | |
| HLIX Limited | Hometrack Data Systems Limited | United Kingdom | **Disposed in 2022** | 25% |
| **Associates** | | | | |
| Long Yu Science & Technology (Beijing) Company Limited | Preminen Dragon Price Comparison Limited | China | **42%** | 42% |

| | | | | |
|---|---|---|---|---|
| Preminen MENA Price Comparison W.L.L. | Preminen Price Comparison Holdings Limited | Bahrain | **30%** | 30% |

* For the year to 31 December 2022 these entities were entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies. The members of these companies have not required them to obtain an audit of their financial statements for the year to 31 December 2022 and the Company has guaranteed the liabilities for these entities as at 31 December 2022.

## 11. Acquisitions

***Tempcover***

On 29 July 2022, a Group subsidiary, Penguin Portals Limited, completed its acquisition of 100% of the share capital of Tempcover Holdings Limited ('Tempcover') for cash consideration of £78.7 million. Tempcover is a leading provider of short term insurance in the UK, specialising in connecting customers to short-term insurance policies for cars, vans and motorbikes. The acquisition of Tempcover extends the Group's footprint in the short-term motor insurance market. The Group incurred acquisition related costs of £2.4 million.

The purchase has been accounted for as a business combination under the acquisition method in accordance with IFRS 3. The Group has completed its assessment of the fair value of assets acquired as set out below. In calculating the goodwill arising on acquisition the fair value of net assets acquired was assessed and no material adjustments from book value were made to existing assets and liabilities other than the recognition of liabilities arising directly as a result of the acquisition.

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

| | **£000** |
|---|---|
| Property, plant and equipment | 205 |
| Intangible assets (software) | 2,021 |
| Trade and other receivables | 2,859 |
| Trade and other payables | (3,517) |
| Borrowings | (7,301) |
| **Total net assets acquired, excluding cash** | **(5,733)** |
| Intangible assets recognised on acquisition: | |
| – Customer relationships | 1,500 |
| – Brand name | 200 |
| – Non-compete agreements | 2,200 |
| – Software (fair value uplift) | 1,800 |
| Deferred tax liability arising on intangible assets | (1,363) |
| Goodwill on acquisition | 75,254 |
| **Total assets acquired** | **73,858** |
| Satisfied by: | |
| Cash consideration | 78,716 |
| Cash acquired | (4,858) |
| **Total consideration, net of cash acquired** | **73,858** |

*Customer relationships (£1.5 million)*

Tempcover has partnerships with affiliates, brokers and automotive dealers. These strong relationships with customers are expected to continue post acquisition and are valued under the Excess Earnings income method.

*Software (£3.8 million)*

Tempcover offers a suite of software products including website, platform and applications that provide a competitive advantage. These are valued under the Cost Approach.

*Brand name (£0.2 million)*

The Tempcover brand name provides good ranking in search engines and has been valued under the Relief from Royalty method.

*Non-compete agreement (£2.2 million)*

A non-compete agreement places certain restrictions on businesses activity that certain members of management can conduct were they to compete against Tempcover. The agreement was valued using the With and Without method.

**11. Acquisitions (continued)**

*Goodwill (£75.3 million)*

Goodwill arose from the acquisition of Tempcover and includes expected synergies, value of the assembled workforce and cash flow related to future intangible assets.

*Revenue and loss after tax contribution*

Tempcover was included in the consolidated financial statements from the date of acquisition, 29 July 2022. Tempcover contributed revenue of £8.7 million and a profit after tax of £1.8 million to the consolidated results of the Group for the year ended 31 December 2022. If Tempcover were included in the consolidated financial statements from the start of the year, it is estimated that Tempcover would have contributed revenue of £18.3 million and a profit after tax of £3.8 million.

**12. Derivative financial instruments**

| Derivative financial assets | 31 December 2022 £000 | 31 December 2021 £000 |
|---|---|---|
| Cross-currency interest rate swap contracts | 6,963 | - |
| | **6,963** | **-** |

| Derivative financial liabilities | 31 December 2022 £000 | 31 December 2021 £000 |
|---|---|---|
| Cross-currency interest rate swap contracts | - | 5,758 |
| | **-** | **5,758** |

| Derivative financial assets/ (liabilities) | 31 December 2022 £000 | 31 December 2021 £000 |
|---|---|---|
| Current | 3,570 | - |
| Non-current | 3,393 | (5,758) |
| | **6,963** | **(5,758)** |

There was a £12.7 million fair value gain arising on cross-currency swaps during the year (2021: £10.4 million fair value loss) charged to the consolidated statement of comprehensive income.

### 13. Intangible assets

| | Goodwill £000 | Brand £000 | Customer relationships £000 | Listing relationships £000 | Non-compete agreement £000 | Technology and software £000 | Other software £000 | Total £000 |
|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | |
| As 1 January 2021 | 1,441,172 | 712,795 | 564,504 | - | - | 88,175 | 203 | 2,806,849 |
| Recognised on acquisition of subsidiaries | 273,608 | 151,245 | 3,488 | 69,335 | - | 61,616 | - | 559,292 |
| Additions | - | - | - | - | - | 24,314 | - | 24,314 |
| At 31 December 2021 | 1,714,780 | 864,040 | 567,992 | 69,335 | - | 174,105 | 203 | 3,390,455 |
| Recognised on acquisition of subsidiaries | 75,254 | 200 | 1,500 | - | 2,200 | 3,819 | - | 82,973 |
| Additions | - | - | - | - | - | 31,164 | - | 31,164 |
| Reclassified as assets held for sale | (43,355) | (20,558) | - | (3,957) | - | (15,160) | - | (83,030) |
| **At 31 December 2022** | **1,746,679** | **843,682** | **569,492** | **65,378** | **2,200** | **193,928** | **203** | **3,421,562** |
| **Amortisation** | | | | | | | | |
| As 1 January 2021 | - | 77,502 | 79,832 | - | - | 31,856 | 129 | 189,319 |
| Charge for the year | - | 38,012 | 33,712 | 4,664 | - | 29,518 | - | 105,906 |
| Impairment | - | 4,184 | - | - | - | - | - | 4,184 |
| At 31 December 2021 | - | 119,698 | 113,544 | 4,664 | - | 61,374 | 129 | 299,409 |
| Charge for the year | - | 40,653 | 33,915 | 6,948 | 458 | 43,137 | - | 125,111 |
| Impairment | 567,826 | - | 533 | - | - | - | - | 568,359 |
| Reclassified as assets held for sale | - | (2,254) | - | (651) | - | (7,337) | - | (10,242) |
| **At 31 December 2022** | **567,826** | **158,097** | **147,992** | **10,961** | **458** | **97,174** | **129** | **982,637** |
| | | | | | | | | |
| **Net book value** | | | | | | | | |
| At 31 December 2021 | 1,714,780 | 744,342 | 454,448 | 64,671 | - | 112,731 | 74 | 3,091,046 |
| **At 31 December 2022** | **1,178,853** | **685,585** | **421,500** | **54,417** | **1,742** | **96,754** | **74** | **2,438,925** |

### 13. Intangible assets (continued)

The amortisation charge for the year includes £5.9 million (2021: £4.1 million) from discontinued operations.

Goodwill and intangibles are tested for impairment on an annual basis by comparing the carrying amount of the group of cash-generating units with its recoverable amount, which represents the higher of its estimated fair value less cost to sell and value in use. An impairment loss is recognised when the carrying value of the asset exceeds its recoverable amount.

The recoverable amounts of intangible assets and goodwill are based on their value in use, which is determined using cash flow projections for each cash generating unit ('CGU'). The projections are based on a five-year forecast (underpinned by a three- or four-year long range plan, depending on the CGU, extended to five years using extrapolation) that reflects the Directors expectation of revenue, cost, capital expenditure, working capital and operating cashflows. Cash flows beyond the five-year forecast have been extrapolated using a long-term growth rate.

For the purpose of goodwill monitoring and impairment testing, the CGUs are grouped into Business Units. The five identified business units are Property Classifieds (previously named "Property Marketing"), Property Software, Property Data, RVU London (which consists of Uswitch, Money and Mortgages) and Insurance (consisting of Confused.com and Tempcover). In 2022, the goodwill and intangible assets of Yourkeys, a brand and CGU of the Group, has been moved from the Property Classifieds business unit to Property Software, to reflect the change in how the Group monitors its performance internally. Goodwill and intangibles are allocated to each business unit per the table below.

| | Goodwill £000 | Other intangibles £000 | Total £000 |
|---|---|---|---|
| Property Data | 349,113 | 121,409 | **470,522** |
| Property Classifieds | 43,176 | 418,215 | **461,391** |
| Property Software | 169,764 | 72,135 | **241,899** |
| RVU London | 340,393 | 445,689 | **786,082** |
| Insurance | 276,407 | 202,624 | **479,031** |
| **At 31 December 2022** | **1,178,853** | **1,260,072** | **2,438,925** |

The key assumptions for the value in use calculations are those regarding discount rates, cash flow forecasts and the long-term growth rates. The key assumptions that are made in determining the Group's budget and long range plan vary between CGUs. However, they typically include assumptions about the Group's ability to monetise new products and win new business and the Group's ability to control its fixed cost based. In RVU London, one of the key assumptions driving forecasts is the timing and extent of the return of the consumer energy switching market. The pre-tax adjusted discount rate is derived from the weighted average cost of capital ("WACC"). The Group has used the Capital Asset Pricing Model ("CAPM") approach to estimate the WACC for each business unit.

The terminal growth rate after the five-year period has been determined with reference to the long-term growth for each business unit, alongside long-term growth rates in the technology industry and other relevant data points to each business unit.

The pre-tax discount rates and long-term growth rates used in each business unit are shown below.

| | WACC 2022 | WACC 2021 | Terminal growth 2022 | Terminal growth 2021 |
|---|---|---|---|---|
| Property Data | 12.7% | 11.0% | 6.0% | 3.7% |
| Property Classifieds | 13.2% | 11.0% | 4.0% | 4.0% |
| Property Software | 13.8% | 12.6% | 5.3% | 4.7% |
| RVU London | 14.0% | 12.1% | 4.2% | 3.5% |
| Insurance | 14.0% | 12.1% | 4.3% | 3.5% |

The WACC rates increased for all business units in 2022, reflecting the sharp increase in interest rates through-out the year, and in particular in the fourth quarter. The increased interest rates impact the inputs into the CAPM model, in particular the pre-tax cost of debt which has increased by 220 basis points.

The terminal growth rates have increased for some business units year-on-year due to a combination of the change in growth expectations after 2027 for the UK and in the products and industry in which the business operates.

**13. Intangible assets (continued)**

In 2022, the Group recognised impairment of goodwill in two of its business units, RVU London and Property Classifieds. Further detail on each is included below:

*RVU London*

An impairment of £52.8 million was recognised in RVU London in 2022. This was driven by a combination of factors, including a substantial increase in the discount rate (190 basis points increase on a pre-tax basis) and the impact of global energy market volatility on consumer switching. The UK Government's implementation of the Energy Price Guarantee (refer to the Strategic Report for further detail) extended the expected pause on consumer energy switching to 2024, which has an impact on the business unit's forecast cash flows in the short-term.

The amount of impairment recognised is materially sensitive to a reasonably possible change in assumptions. The key assumptions supporting the value in use calculations are forecast cash flows based on 2023 budgets and plans for 2023 to 2027 and a pre-tax discount rate of 14.0% (2021: 12.1%).

If the pre-tax discount rate increased by 0.5%, impairment would increase by £42.2 to £95.0 million. If the pre-tax discount rate were to decrease by 0.5%, impairment would decrease by £46.8 million to £6.1 million.

The forecast cash flows used in the value in use calculation are derived based on the earnings before interest, tax, depreciation, and amortisation. If those earnings were 10% lower across the forecast period, this would result in an increase in impairment of £80.4 million to £133.2 million. If those earnings were 10% higher across the forecast period, no impairment would be recognised.

*Property Classifieds*

An impairment of £515.0 million was recognised in Property Classifieds in 2022. This was driven by a combination of factors, including a substantial increase in the discount rate (220 basis points increase on a pre-tax basis), macro-economic conditions impacting forecast spend from customers in the short-term and the launch of new products delayed to later in the forecast period, due to the re-prioritisation of investment spend through 2023 and 2024.

The amount of impairment recognised is materially sensitive to a reasonably possible change in assumptions. The key assumptions supporting the value in use calculations are forecast cash flows based on 2023 budgets and plans for 2023 to 2027 and a pre-tax discount rate of 13.2% (2021: 11.0%).

If the pre-tax discount rate increased by 0.5%, impairment would increase by £23.9 million to £539.0 million. If the pre-tax discount rate were to decrease by 0.5%, impairment would decrease by £26.7 million to £488.3 million.

The forecast cash flows used in the value in use calculation are derived based on the earnings before interest, tax, depreciation, and amortisation. If those earnings were 10% lower across the forecast period, this would result in an increase in impairment of £56.9 million to £571.9 million. If those earnings were 10% higher across the forecast period, the impairment charge would decrease by £56.9 million to £458.1 million.

Each of Property Data, Property Software and Insurance's headroom is not sensitive to a reasonably possible change in key assumptions.

The Group additionally reviewed its intangible assets for any indicators of impairment and identified the impairment of a customer relationship intangible asset in the Property Software business unit of £0.5 million, due to de-prioritisation of the product. In the prior year, impairment of £4.2 million was recognised in relation to brand names that are no longer in use.

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### 14. Property, plant and equipment

| | Fixtures and fittings £000 | Freehold property £000 | Computer equipment £000 | Leasehold improvements £000 | Right-of-use leases £000 | Total £000 |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| As at 1 January 2021 | 2,217 | 383 | 3,531 | 6,214 | 35,014 | 47,359 |
| Additions | 109 | - | 886 | 59 | 95 | 1,149 |
| Recognised on acquisition of subsidiaries | 462 | - | 542 | 798 | 4,680 | 6,482 |
| Disposals | (53) | - | - | - | (1,591) | (1,644) |
| Foreign exchange impact | - | - | - | - | (22) | (22) |
| At 31 December 2021 | 2,735 | 383 | 4,959 | 7,071 | 38,176 | 53,324 |
| Additions | 190 | | 592 | 70 | 1,438 | 2,290 |
| Recognised on acquisition of subsidiaries | 68 | - | 82 | - | 55 | 205 |
| Disposals | - | - | (10) | - | (1,582) | (1,592) |
| Foreign exchange impact | - | - | - | - | 123 | 123 |
| Reclassified as assets held for sale | (1,146) | - | (1,002) | (327) | (3,059) | (5,534) |
| **At 31 December 2022** | **1,847** | **383** | **4,621** | **6,814** | **35,151** | **48,816** |
| | | | | | | |
| **Accumulated depreciation** | | | | | | |
| As at 1 January 2021 | 1,425 | 194 | 2,652 | 1,625 | 7,711 | 13,607 |
| Charge for the year | 470 | 4 | 1,208 | 453 | 3,830 | 5,965 |
| Impairment | - | - | - | - | 69 | 69 |
| Disposals | (20) | - | - | - | (1,087) | (1,107) |
| Foreign exchange impact | - | - | - | - | (9) | (9) |
| At 31 December 2021 | 1,875 | 198 | 3,860 | 2,078 | 10,514 | 18,525 |
| Charge for the year | 492 | 47 | 1,198 | 495 | 4,302 | 6,534 |
| Impairment | - | - | 5 | 733 | 4,208 | 4,946 |
| Disposals | - | - | (3) | - | (1,368) | (1,371) |
| Foreign exchange impact | - | - | - | - | 8 | 8 |
| Reclassified as assets held for sale | (922) | | (858) | (133) | (941) | (2,854) |
| **At 31 December 2022** | **1,445** | **245** | **4,202** | **3,173** | **16,723** | **25,788** |
| | | | | | | |
| **Net book value** | | | | | | |
| **At 31 December 2022** | **402** | **138** | **419** | **3,641** | **18,428** | **23,028** |
| At 31 December 2021 | 860 | 185 | 1,099 | 4,993 | 27,662 | 34,799 |

The carrying value of vehicle and property right-of-use assets at 31 December 2022 are £0.1 million (2021: £0.3 million) and £18.3 million (2021: £27.4 million) respectively.

The depreciation charge for the year includes £1.0 million (2021: £0.5 million) from discontinued operations.

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### 15. Investments held in unlisted securities

| | 31 December 2022 £000 | 31 December 2021 £000 |
|---|---|---|
| At the beginning of the year | 6,218 | 4,545 |
| Additions | - | 4 |
| Fair value movements | 691 | 1,669 |
| At the end of the year | **6,909** | **6,218** |

Investments held in unlisted securities represent the Group's strategic partnerships with a number of UK Proptech and Fintech companies and other equity investments which do not give the Group significant influence over that entity.

### 16. Trade and other receivables

| | 31 December 2022 £000 | 31 December 2021 £000 |
|---|---|---|
| Trade receivables | 31,369 | 30,240 |
| Accrued income | 31,139 | 34,547 |
| Deposits | 359 | 5,041 |
| Prepayments | 7,100 | 6,562 |
| Other receivables | 495 | 1,028 |
| | **70,462** | **77,418** |

All trade and other receivables are classified as current assets. Details of the Group's exposure to credit risk are given in Note 25.

### 17. Trade and other payables

| | 31 December 2022 £000 | 31 December 2021 £000 |
|---|---|---|
| Trade payables | 21,999 | 22,586 |
| Accruals | 28,371 | 34,191 |
| Other taxation and social security payments | 18,168 | 17,007 |
| Deferred income | 5,794 | 5,389 |
| Other payables | 2,631 | 6,835 |
| | **76,963** | **86,008** |

The Directors consider that the carrying value of trade and other payables is approximate to their fair value. The trade payables, accruals and other payables decreased in the year due to the RVU International liabilities being reclassified as held for sale. Details of the Group's exposure to liquidity risk are given in Note 25. All trade and other payables are considered current liabilities.

Lease liabilities

| | 31 December 2022 £000 | 31 December 2021 £000 |
|---|---|---|
| Current | 5,478 | 3,434 |
| Non-current | 21,520 | 26,779 |
| | **26,998** | **30,213** |

During the year, £4.6m (2021: £6.2m) in financial liabilities were paid and £2.4m (2021: £1.8m) of interest was charged to the income statement.

### 18. Deferred and contingent consideration

Consideration for the acquisition of Hometrack included a commercial earn-out agreement which was contingent upon the future performance of a ten-year license agreement entered at the point of acquisition. In the prior year, judgement was therefore made on the Hometrack earn-out with eight potential outcomes being weighted based on probability of realisation. During the year, the conditions were met for an accelerated earn-out clause, which resulted in a re-valuation of the liability of £3.9 million. The liability was fully settled during the year, with no further amounts remaining outstanding.

All Yourkeys deferred consideration has been settled in the year.

| | Deferred consideration £000 | Contingent consideration earn-out £000 | Total £000 |
|---|---|---|---|
| At 1 January 2022 | 5,089 | 6,239 | 11,328 |
| Interest accrued | 32 | - | 32 |
| Changes in fair value | - | 3,944 | 3,944 |
| Hometrack payment | - | (10,183) | (10,183) |
| Yourkeys payment | (5,121) | - | (5,121) |
| **At 31 December 2022** | **-** | **-** | **-** |

| | Deferred consideration £000 | Contingent consideration earn-out £000 | Total £000 |
|---|---|---|---|
| At 1 January 2021 | - | 16,278 | 16,278 |
| Deferred consideration on Yourkeys acquisition | 4,999 | - | 4,999 |
| Interest accrued | 90 | - | 90 |
| Changes in fair value | - | 279 | 279 |
| Money.co.uk payment | - | (1,912) | (1,912) |
| Hometrack payment | - | (1,301) | (1,301) |
| Calcasa payment | - | (6,670) | (6,670) |
| Gain on foreign currency translation | - | (435) | (435) |
| **At 31 December 2021** | **5,089** | **6,239** | **11,328** |
| **Current** | **5,089** | **1,301** | **6,390** |
| **Non-current** | **-** | **4,938** | **4,938** |

The fair values of the Group’s liabilities in respect of deferred and contingent consideration were considered equal to their carrying value.

**19. Provisions**

The movement in provisions can be analysed as follows:

| | Dilapidation provisions £000 | Other £000 | Total £000 |
|---|---|---|---|
| At 1 January 2022 | 1,903 | 623 | 2,526 |
| Recognised in the year | 145 | 1,115 | 1,260 |
| Utilised in the year | (270) | (11) | (281) |
| Reclassified as liabilities directly associated with assets held for sale | - | (1,187) | (1,187) |
| **At 31 December 2022** | **1,778** | **540** | **2,318** |
| **Current** | **-** | **540** | **540** |
| **Non-current** | **1,778** | **-** | **1,778** |

| | Dilapidation provisions £000 | Other £000 | Total £000 |
|---|---|---|---|
| At 1 January 2021 | 2,028 | - | 2,028 |
| Acquired in the year | - | 539 | 539 |
| Recognised in the year | - | 84 | 84 |
| Utilised in the year | (125) | - | (125) |
| **At 31 December 2021** | **1,903** | **623** | **2,526** |
| **Current** | **-** | **102** | **102** |
| **Non-current** | **1,903** | **521** | **2,424** |

The dilapidation provisions relate to Management's best estimate of costs to make good the Group's leasehold properties at the end of the lease term. Other provisions relate to primarily restructuring costs.

**20. Loans and borrowings**

The loans taken out by the Group as at 31 December 2022 are made up of the following;

- Multicurrency revolving credit facility capped at £150 million available to be drawn until December 2024 and maturing in January 2025. The facility is £127 million drawn (at the Sterling Overnight Index Average (SONIA) rate + 3.5%) as at 31 December 2022 (2021: £87 million drawn);
- Term loans denominated in GBP totalling £714.5 million, being £534.5 million maturing in July 2025 at SONIA + 4.75% and £180 million maturing in July 2026 at SONIA + 7.5%; and
- Term loans denominated in Euro totalling €400 million maturing in July 2025 at the Euro Interbank Offer Rate (EURIBOR) + 3.75%.

Following the announcement of the discontinuation of LIBOR from 1 January 2022, the Group renegotiated the terms of its Senior Facilities Agreement. Prior to the renegotiation, the reference rate for the revolving credit facility and GBP term loans was LIBOR.

| | **31 December 2022 £000** | **31 December 2021 £000** |
|---|---|---|
| Opening gross borrowings | 1,137,289 | 934,359 |
| Issue of Unsecured Senior Loan Notes | - | 139,500 |
| Borrowings acquired (see note 11) | 7,301 | - |
| Repayment of Revolving Credit Facility | (7,301) | (19,000) |
| Drawings on Revolving Credit Facility | 40,000 | 106,000 |
| Unrealised foreign exchange translation loss/ (gain) on external borrowings | 17,983 | (23,570) |
| Gross borrowings | **1,195,272** | **1,137,289** |
| Capitalised arrangement fees | **(11,848)** | **(16,490)** |
| Total loans and borrowings | **1,183,424** | **1,120,799** |

### 20. Loans and borrowings (continued)

The £139.5 million issue of unsecured senior loan notes in 2021 was received net of £4.185 million transaction fees, which are amortised over the life of the loan.

The Group's borrowings are guaranteed by certain subsidiaries of the Company and secured by shares of the guarantors. In addition, each guarantor grants a debenture over all of its assets.

The Group has no other loans or borrowings. Further detail on borrowings is provided in Note 25.

**Analysis of Net Debt**

| | As at 1 Jan 2022 £000 | Cash flows £000 | Exchange differences £000 | Other non-cash flows £000 | As at 31 Dec 2022 £000 |
|---|---|---|---|---|---|
| Cash and cash equivalents | 74,731 | (32,308) | 748 | - | 43,171 |
| Debt due after one year | (1,120,799) | (40,000) | (17,983) | (4,642) | (1,183,424) |
| | **(1,046,068)** | **(72,308)** | **(17,235)** | **(4,642)** | **(1,140,253)** |

Other non-cash flows primarily relate to amortised debt-related fees.

£11.5 million of cash and cash equivalents has been reclassified to assets held for sale at 31 December 2022 (see note 9).

**Reconciliation of net cash flow to movement in net debt**

| | Year ended 31 December 2022 £000 | Year ended 31 December 2021 £000 |
|---|---|---|
| (Decrease) / increase in cash in year | (32,308) | 24,394 |
| Acquisition of borrowings | (7,301) | - |
| Issue of bank borrowings | - | (139,500) |
| Drawings on revolving credit facility | (40,000) | (106,000) |
| Repayment of borrowings | 7,301 | 19,000 |
| New debt issue related costs | - | 4,185 |
| Reclassification from other short-term investments | - | (20,000) |
| Change in net debt resulting from cash flows | (72,308) | (217,921) |
| | | |
| Exchange differences on loans | (17,983) | 23,570 |
| Exchange differences on cash and cash equivalents | 748 | (391) |
| Amortisation of debt issue costs | (4,642) | (4,308) |
| Total non-cash flow movements | (21,877) | 18,871 |
| | | |
| **Movement in net debt in the financial year** | (94,185) | (199,050) |
| **Net debt at the beginning of the year** | (1,046,068) | (847,018) |
| **Net debt at the end of the year** | **(1,140,253)** | **(1,046,068)** |

# Notes to the consolidated financial statements
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### *20. Loans and borrowings (continued)*

***Leases***

As at 31 December 2022 the balance sheet contains the following amounts that relate to assets leased by the Group.

| | 31 December 2022 £000 | 31 December 2021 £000 |
|---|---|---|
| **Right-of-use assets** | | |
| Buildings | 18,352 | 27,401 |
| Vehicles | 76 | 261 |
| | **18,428** | **27,662** |
| **Lease liabilities** | | |
| Current | 5,478 | 3,434 |
| Non-current | 21,520 | 26,779 |
| | **26,998** | **30,213** |

The depreciation charge of the right-of-use assets is presented in Note 14. The interest expense of the lease liabilities and contractual maturity of the forecast interest payments are presented in Note 4 and Note 25, respectively.

## 21. Deferred tax

| | Property, plant and equipment and computer software £000 | Intangible assets £000 | Other £000 | Total £000 |
|---|---|---|---|---|
| Deferred tax asset/ (liability) at 1 January 2022 | 496 | (322,011) | 464 | (321,051) |
| (Debit) / credit to income statement – timing differences | (379) | 23,592 | (36) | 23,177 |
| Deferred tax recognised on acquisition | - | 744 | - | 744 |
| Effect of change in tax rates | (117) | 2,193 | - | 2,076 |
| Reclassified as liabilities/ (assets) held for sale | - | 4,988 | (428) | 4,560 |
| **Deferred tax (liability) at 31 December 2022** | **-** | **(290,494)** | **-** | **(290,494)** |
| Deferred tax (liability)/asset at 1 January 2021 | (2,156) | (219,704) | 1,810 | (220,050) |
| Credit / (debit) to income statement – timing differences | 116 | 19,759 | (612) | 19,263 |
| Deferred tax recognised on acquisition | 816 | (56,352) | 4,708 | (50,828) |
| Net down for deferred tax within certain jurisdictions | (1,059) | 4,580 | (3,521) | - |
| Effect of change in tax rates | 218 | (69,652) | (127) | (69,561) |
| Prior year adjustment | 2,561 | (642) | (1,794) | 125 |
| **Deferred tax asset/(liability) at 31 December 2021** | **496** | **(322,011)** | **464** | **(321,051)** |

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

The deferred tax charge for the year includes £1.0 million (2021: £0.7 million) from discontinued operations.

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

| | **31 December 2022 £000** | **31 December 2021 £000** |
|---|---|---|
| Deferred tax liabilities | (290,494) | (322,011) |
| Deferred tax assets | - | 960 |
| **Net deferred tax liabilities** | **(290,494)** | **(321,051)** |

Deferred tax assets have been offset against deferred tax liabilities to the extent that the tax is levied by the same tax authority on the same taxable entity.

**22. Equity**

***Share capital***

| | 31 December 2022 £000 | 31 December 202 £000 |
|---|---|---|
| **Shares classified as capital** | | |
| **Authorised** | | |
| 192,680,000,000 shares of £0.01 each | **1,926,800** | **1,889,300** |
| **Called-up share capital – allotted and fully paid** | | |
| 192,680,000,000 Ordinary Shares of £0.01 each | **1,926,800** | **1,889,300** |

**Ordinary shares**

On 27 July 2022, the Company issued 3,750,000,000 £0.01 Ordinary shares for a total consideration of £60 million, which increased share capital by £37.5 million and share premium by £22.5 million.

The ordinary shares (including those issued in 2022) have full voting, dividend and capital distribution (including on winding up) rights; they do not confer any rights of redemption.

**23. Warrants and Employee share schemes**

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

The Group recognised a total share-based payment charge of £12.4 million (2021: £11.0 million) in the year, with £3.8m (2021: £2.5m) in relation to employee share schemes.

**Employee share schemes**

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

Value Incentive plan: Selected employees are asked to subscribe to the Value Incentive Plan to sweet shares in ZPG Property Holdings Limited and ZPG Comparison Holdings Limited. Subscription for entrants to this scheme is funded via a non-recourse loan. The subscription price is based on an unrestricted market value calculated on a quarterly basis by an independent expert.

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

### 23. Warrants and Employee share schemes (continued)

The share-based payment charges for the Management Equity Plan, the Value Incentive Plan and the Hard Equity Plan are calculated using the Black Scholes model and the charge is spread straight line over a five-year period. The volatility used in the model of 45.7% (2021: 43.1%) is based on volatility in the shares of a comparable listed company. The inputs are as follows.

| **Property Metrics** | | | | | **RVU Metrics** | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Grant Date** | **Jan to Mar 22** | **Apr to Jun 22** | **Jul to Sept 22** | **Oct to Dec 22** | **Grant Date** | **Jan to Mar 22** | **Apr to Jun 22** | **Jul to Sept 22** | **Oct to Dec 22** |
| Risk free rate | 2.5% | 3.0% | 4.1% | 4.0% | Risk free rate | 2.5% | 3.0% | 4.1% | 4.0% |
| Volatility | 45.7% | 45.7% | 45.7% | 45.7% | Volatility | 45.7% | 45.7% | 45.7% | 45.7% |
| Dividend yield | - | - | - | - | Dividend yield | - | - | - | - |
| Stock price | 18.93 | 17.68 | 14.58 | 14.58 | Stock price | 10.17 | 9.89 | 7.18 | 7.40 |
| Exercise price | 3.41 | 3.63 | 3.49 | 1.63 | Exercise price | 13.36 | 13.36 | 10.80 | 1.55 |
| Term | 3.76 | 3.51 | 3.25 | 3.00 | Term | 3.76 | 3.51 | 3.25 | 3.00 |

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

| | **Management Equity Plan** | | **Value Incentive Plan** | | **Hard Equity Plan** | |
|---|---|---|---|---|---|---|
| | **Number ’000** | **Weighted average exercise price £** | **Number ’000** | **Weighted average exercise price £** | **Number ’000** | **Weighted average exercise price £** |
| Outstanding at the beginning of the period | **967** | **1.71** | **142** | **2.56** | **215,233** | **0.01** |
| Granted | 141 | 4.96 | 22 | 6.51 | - | - |
| Forfeited during the period | (120) | 1.13 | (50) | 2.23 | - | - |
| Outstanding options at the end of the period | **988** | **2.24** | **114** | **3.48** | **215,233** | **0.01** |

**Warrants**

The charge for the year amounted to £8.6 million (2021: £8.5 million). The Group has granted nil warrants to third parties during the year ended 31 December 2022 (2021: Nil). During the year, the Group paid £0.5m (2021: £0.4m) for vested warrants to a counterparty.

## 24. Related party transactions

***Key management personnel***

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

***Other Group companies***

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

***Other related parties***

During the period the Group settled invoices for services provided from Silver Lake Management Company V and Red Ventures Limited who are all are related parties, for the provision of staff and commercial services in the period during and following the acquisition. The total of these invoices was £18.2 million (2021: £15.1m) excluding VAT.

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

## 25. Financial instruments

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

The Group has shareholdings and commercial arrangements with a number of other entities. Where these holdings do not give the Group significant influence over the entity the holdings are classified as financial assets at fair value through other comprehensive income. Details for financial assets at fair value through other comprehensive income are included in Note 15. The valuation of financial assets at fair value through other comprehensive income are based on level 3 inputs. The Group uses the latest available financial information to determine the fair value of its shareholding and any warrants held. The fair value of these assets is equal to their carrying value.

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

***Financial risk management***

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

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

***Credit risk***

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

The potential for customer default varies between the Group's two divisions. The customer base of the Property division is large, so there is no significant concentration of credit risk. The RVU division operates over a broad base of customers primarily in the UK and Europe and customers within this market are often large energy and telecommunications organisations with high credit ratings and access to significant funds, which overall reduces credit concentration. The Group's largest customer contributed 3% of the Group's trade receivables balance as at period end date.

**25. Financial instruments (continued)**

The Group manages counterparty risk on its trade receivables and accrued income through strict credit control quality measures and regular aged debt monitoring procedures. The Group reserves the right to charge interest on overdue receivables, although it does not hold collateral over any trade receivable balances. Overdue amounts are regularly reviewed, and impairment provisions are created where necessary. This provision is reviewed regularly in conjunction with a detailed analysis of ageing profile, historical payment profiles and past default experience, as well as forward looking information in relation to the macro-economic environment, as required by IFRS 9. The Group has long-standing relationships with its key customers and extremely low historical levels of customer credit defaults.

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

| | | **31 December 2022** | |
|---|---|---|---|
| | **Expected credit loss rate** | **Estimated total gross carrying amount at default** | **Lifetime ECL** |
| | | **£000** | **£000** |
| 0–30 days | **0.69%** | **21,241** | **(147)** |
| 31–60 days | **2.84%** | **5,530** | **(157)** |
| 61–90 days | **11.24%** | **1,611** | **(181)** |
| 91+ days | **14.69%** | **4,070** | **(598)** |
| Total | | **32,452** | **(1,083)** |

| | | **31 December 2021** | |
|---|---|---|---|
| | **Expected credit loss rate** | **Estimated total gross carrying amount at default** | **Lifetime ECL** |
| | | **£000** | **£000** |
| 0–30 days | **0.73%** | **23,477** | **(171)** |
| 31–60 days | **1.99%** | **2,512** | **(50)** |
| 61–90 days | **3.98%** | **1,809** | **(72)** |
| 91+ days | **12.06%** | **3,110** | **(375)** |
| Total | | **30,908** | **(668)** |

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

Receivables written off during the period to 31 December 2022 totalled £0.8 million (2021: £1.0 million). As at 31 December 2022, receivables of £4.9 million (2021: £5.9 million) were past due but not impaired.

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

**25. Financial instruments (continued)**

***Market risk***

Market risk is the risk that changes in foreign exchange and interest rates will affect the income and financial management of the Group. The Group is exposed to foreign exchange risk as a result of the €400 million term debt it holds as well as the functional currency of certain subsidiaries being Euro denominated, which are translated to GBP for these financial statements.

The Group is exposed to fluctuations in the SONIA and EURIBOR on its external debt.

| | 31 December 2022 | 31 December 2021 |
|---|---|---|
| | **Impact on post-tax profit £000** | **Impact on post-tax profit £000** |
| GBP/EUR exchange rate – increase 10% | **(34,373)** | **(34,376)** |
| GBP/EUR exchange rate – decrease 10% | **34,373** | **34,376** |
| Interest rate – increase 1% | **(11,953)** | **(11,373)** |
| Interest rate – decrease 1% | **11,953** | **11,373** |

As at 31 December 2022 the Group's borrowings are detailed in Note 20.

***Liquidity risk***

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

The Group's activities are cash generative allowing it to effectively service working capital requirements and meet its interest payments. As at 31 December 2022 the Group held total cash and cash equivalents of £43.1 million and total gross debt of £1,183.4 million, including access to a £150m RCF facility of which £127.0 million was drawn as at 31 December 2022.

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

| | Effective interest rate | Within 1 year £000 | 1 to 2 years £000 | 2 to 5 years £000 | More than 5 years £000 | Total contractual amount £000 |
|---|---|---|---|---|---|---|
| **At 31 December 2022** | | | | | | |
| Trade payables | | 21,999 | - | - | - | 21,999 |
| Lease liabilities | | 4,500 | 4,111 | 12,117 | 12,239 | 32,967 |
| Borrowings | 7.53% | 89,086 | 89,086 | 1,242,817 | - | 1,420,989 |
| **Total** | | **115,585** | **93,197** | **1,254,934** | **12,239** | **1,475,955** |

# Notes to the consolidated financial statements

For the year ended 31 December 2022

**25. Financial instruments (continued)**

| | Effective interest rate | Within 1 year £000 | 1 to 2 years £000 | 2 to 5 years £000 | More than 5 years £000 | Total contractual amount £000 |
|---|---|---|---|---|---|---|
| **At 31 December 2021** | | | | | | |
| Trade payables | | 22,586 | - | - | - | 22,586 |
| Lease liabilities | | 3,234 | 3,260 | 8,592 | 14,084 | 29,170 |
| Borrowings | 6.37% | 58,499 | 58,499 | 1,203,969 | - | 1,320,967 |
| **Total** | | **84,319** | **61,759** | **1,212,561** | **14,084** | **1,372,723** |

***Treasury and capital risk management***

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

The Group capital structure is as follows:

| | 31 December 2022 £m | 31 December 2021 £m |
|---|---|---|
| Equity attributable to owners of the parent | **1,090** | **1,711** |
| Loans and borrowings | **(1,183)** | **(1,121)** |
| Cash and cash equivalents and other short-term investments | **43** | **75** |

***Cross-currency interest rate swaps***

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

### 25. Financial instruments (continued)

***Cross-currency interest rate swaps (continued)***

The following tables detail the cross-currency interest rate swaps at the end of the reporting period. Cross-currency interest rate swaps contract assets and liabilities are presented in the line 'Derivative financial instruments' (either as asset or as liabilities) within the statement of financial position; the measurement of these swaps are based on level 3 inputs in the fair value hierarchy:

| Cross-currency interest swaps | Notional principal: Foreign currency | Notional principal : Local currency | Rate received | Rate paid | Maturity date | Fair value of the derivative instrument assets |
|---|---|---|---|---|---|---|
| | €'000 | £'000 | | | £'000 | £'000 |
| **At 31 December 2022** | | | | | | |
| Swap 1 | 40,000 | 34,064 | EURIBOR + 3.50% | SONIA + 3.944% | 23 Jan 2023 | **1,376** |
| Swap 2 | 40,000 | 33,252 | EURIBOR + 3.50% | SONIA + 3.86% | 23 Jan 2023 | **2,194** |
| Swap 3 | 80,000 | 69,688 | EURIBOR + 3.50% | SONIA + 3.841% | 23 Jan 2024 | **1,149** |
| Swap 4 | 40,000 | 34,556 | EURIBOR + 3.50% | SONIA + 3.957% | 23 Jan 2024 | **833** |
| Swap 5 | 55,000 | 47,157 | EURIBOR + 3.50% | SONIA + 3.95175% | 23 Jan 2024 | **1,411** |

### 26. Subsequent events

The SPA with Gruppo Mutuionline S.P.A. to sell RVU International completed on 1 February 2023. The BTA to transfer all the assets and liabilities in the Inspop.com Limited Indian Branch to the Rastreator India branch completed on 2 February 2023.

On 3 February 2023, £117.0 million of the Group's revolving credit facility was repaid with the proceeds from the sale of RVU International.

On 12 January 2023, the Group entered three new interest rate swap transactions on the Group's term loans to reduce the Group's exposure to volatility in SONIA and EURIBOR rates. On 23 January 2023, two of the Group's cross-currency interest rate swaps reached maturity, and were cash settled for £2.9 million. Refer to Note 25 for more details on the Group's hedging instruments.

On 23 January 2023 and 17 February 2023, the Group repurchased vested Warrants previously held by third parties for £1.3 million and £22.5 million respectively.

### 27. Ultimate controlling party

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

# Company statement of financial position

For the year ended 31 December 2022

| | 31 December 2022 £000 | 31 December 2021 £000 |
|---|---|---|
| **Assets** | | |
| **Non-current assets** | | |
| Investments in subsidiaries | 2,051,000 | 1,991,000 |
| **Total assets** | **2,051,000** | **1,991,000** |
| **Liabilities** | | |
| Accruals | - | 40 |
| **Total current liabilities** | **-** | **40** |
| **Net assets** | **2,051,000** | **1,990,960** |
| **Equity** | | |
| Share capital | 1,926,800 | 1,889,300 |
| Share premium | 124,200 | 101,700 |
| Retained earnings | - | (40) |
| **Total equity** | **2,051,000** | **1,990,960** |

The Company reported a profit for the year ended 31 December 2022 of £40k (2021: loss of £40k).

The financial statements of Zephyr Midco 2 Limited (company number 11346641) were approved and authorised for issue by the Board of Directors on 31 March 2023 and were signed on its behalf by:

Charles Bryant (Mar 31, 2023 18:14 GMT+2)

Charles Bryant
Director

# Company statement of changes in equity

For the year ended 31 December 2022

| | Share capital £000 | Share premium £'000 | Retained earnings £000 | Total equity £000 |
|---|---|---|---|---|
| At 1 January 2022 | 1,889,300 | 101,700 | (40) | 1,990,960 |
| Total comprehensive income | - | - | 40 | 40 |
| Share capital and premium issued | 37,500 | 22,500 | - | 60,000 |
| **At 31 December 2022** | **1,926,800** | **124,200** | **-** | **2,051,000** |

| | Share capital £000 | Share premium £'000 | Retained earnings £000 | Total equity £000 |
|---|---|---|---|---|
| At 1 January 2021 | 1,719,800 | - | - | 1,719,800 |
| Total comprehensive expense | - | - | (40) | (40) |
| Share capital and premium issued | 169,500 | 101,700 | - | 271,200 |
| **At 31 December 2021** | **1,889,300** | **101,700** | **(40)** | **1,990,960** |

# Notes to the Company financial statements

For the year ended 31 December 2022

### 1. Accounting policies and basis of accounting

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

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

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

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

Where required, equivalent disclosures are given in the consolidated financial statements. The principal accounting policies adopted are the same as those set out in note 1 to the consolidated financial statements except as noted below.

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

**Sources of estimation uncertainty**

***Impairment of assets, including investments***

On an annual basis, the Company is required to perform an impairment review to assess whether the carrying value of its investment in subsidiary undertakings is less than its recoverable amount. Recoverable amount is based on a calculation of expected future cash flows of the Company's subsidiary undertakings, which includes estimates of future performance.

The value in use calculations include key sources of estimation uncertainty and, in the current period this estimation uncertainty is heightened due to the current macro-economic environment and rising interest rates, and the impact these have on the future cash flows and discount rate. No impairment has been recognised in the current year.

***Critical accounting judgements***

The Company had no critical accounting judgements in 2021 or 2022.

### 3. Loss for the year

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

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

The Company had no employees during the year (2021: no employees).

### 4. Investments in subsidiaries

Investments in subsidiaries are valued at cost less any provision for impairment. Further information about subsidiaries, including disclosures about non-controlling interests, is provided in note 10 to the consolidated financial statements.

### 5. Share capital

The movements on these items are disclosed in note 22 to the consolidated financial statements.

### 6. Subsequent events

The company does not have subsequent events to disclose. Refer to note 26 of the consolidated financial statements for the Group subsequent events.

**7. Ultimate controlling party**

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