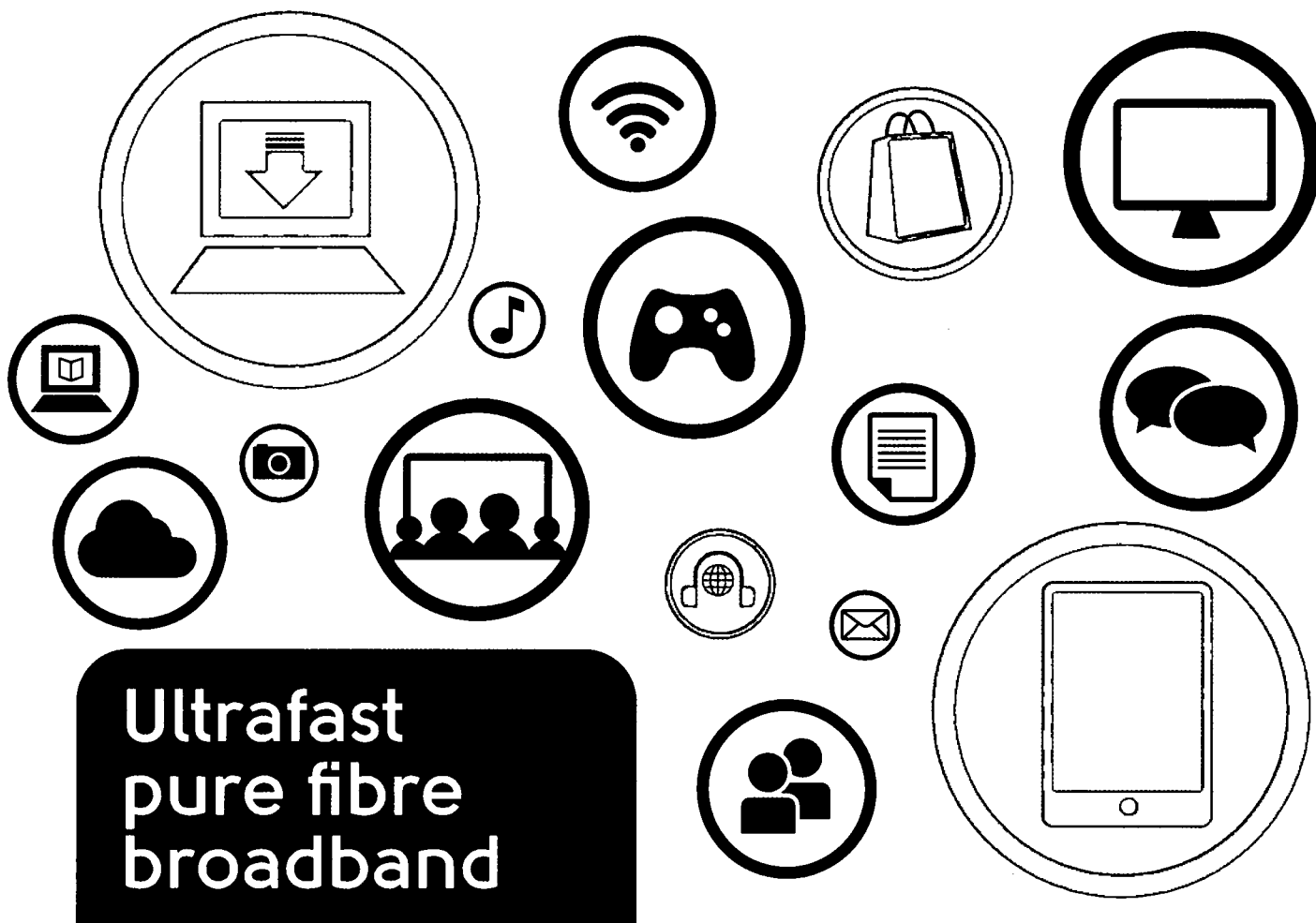


Gigaclear

Ultrafast Fibre Broadband



Ultrafast
pure fibre
broadband

Gigaclear plc Annual Report and Accounts 2014

www.gigaclear.com

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Directors and Advisers

Company Registration Number

07476617

Registered Office

Hitching Court
Abingdon
Oxon
OX14 1RG

Directors

Charles McGregor (Non-Executive Chairman)
Appointed 16th May 2014
Matthew Hare
Simon Bullock
Appointed 1st April 2014
Eddie Minshall
Appointed 1st February 2014
Massimo Prelz Oltramonti
Appointed 30th June 2014

Secretary

Oakwood Corporate Services Limited
1 Ashley Road
Altrincham
Cheshire
WA14 2DT

Auditors

Grant Thornton UK LLP
3140 Rowan Place
Oxford Business Park South
Oxford
OX4 2WB

Registrars

Neville Registrars Limited
Neville House
18 Laurel Lane
Halesowen
West Midlands
B63 3DA

<http://www.gigaclear.com>

Chairman's Statement

Having taken the Chair of your company in 2014, I am pleased to present my first annual statement.

The year was one of significant progress for Gigaclear in all parts of the business.

A significant acceleration in the acquisition of finance in the first half of 2014 allowed us to begin the exponential increase in the roll-out of our Fibre-to-the-Premises (FTTP) gigabit broadband services.

The number of properties passed rose by 263% to 4,367 compared to 1,203 in 2013 with properties connected increased by 218% to 1,384 versus 435 in the prior year. The penetration rate eased slightly from 36% in 2013 to 32% this year, reflecting the accelerating rate of growth and increased proportion of new communities.

Reflecting this and expected rapid future growth in the company as we roll-out increasing numbers of community networks, we have developed the procedures, systems and structures in sales, marketing, finance, operations, human resources and IT to accommodate them.

To achieve the rates of growth and shareholder return that our plan envisages, Gigaclear is and expects to remain in receipt of additional external finance for the foreseeable future. We have and continue to select the most appropriate, value enhancing and competitive types at each stage of our development.

We have enjoyed and continue to benefit from significant support from our shareholders and we did examine widening the access to equity finance via a listing on the AIM in the second half of 2014. However, and whilst we experienced significant institutional enthusiasm during the process, the timing coincided with the general financial market difficulties in the autumn and so we took the decision to pause the process. Instead we acquired additional equity finance from existing and new private and institutional investors. Indeed, and as a testament to the quality of our broadband service offering, many of our customers subscribed for shares too.

Results

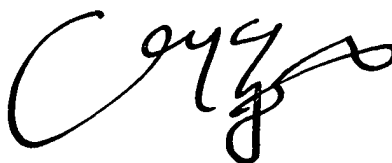
The Group made a consolidated net loss for the year of £3,325,000 (2013: loss of £1,619,000). The Directors do not recommend the payment of a dividend (2013: nil).

Composition of the Board and Officers

The Board comprises Eddie Minshull and Massimo Prelz Oltramonti (both Non-Executive Directors), Matthew Hare and Simon Bullock (both Executive Directors) and myself (Non-Executive Chairman).

Conclusion

The landscape for broadband services for both homes and businesses in the UK remains one of increasing demand both for performance and capacity. The dominant participants providing these services including BT and Virgin are all committing to invest heavily, but in the densest parts of the market. Whilst we remain vigilant in maintaining our competitive advantages against these and others, we believe that our plan is and will remain very compelling and ultimately highly profitable for all of our stakeholders.



Charles McGregor
Non-Executive Chairman

27th February 2015

Our Business

Gigaclear is an established provider of fibre-to-the-Premises ("FTTP") networks to rural communities. Our networks, which are built with new gigabit fibre optic cable, provide significantly higher speeds to these rural communities than are available with existing internet delivery technologies and significantly faster than average urban speeds. Of the seven million premises (c.24% of UK properties) currently without access to superfast broadband, one and a half million are suitable for network build out based on our geographic and demographic criteria.

We generate and preserve value through building and operating ultrafast pure fibre networks in rural areas where the fixed network infrastructure competition is limited to British Telecommunications plc ("BT").

We sell directly and also through third parties to domestic and business users, charging them for the initial connection as well as billing a monthly charge. Depending on the tariff chosen, Gigaclear offers symmetric speeds of between 50 Mbps and 1 Gbps, with an additional option for high volume users of up to 10 Gbps. The Company's basic 50 Mbps tariff is broadly comparable in price to the cost of premium superfast services from other providers, but is deployed in areas where those other services are not generally available.

Currently operating nineteen FTTP networks and with twenty-one more networks that are under construction our business plan envisages the deployment of capital over the medium term to construct networks serving up to 200,000 homes. This equates to 13% of its addressable market and less than 1% of the 29 million premises in the UK. A key aspect to the business model is that the economic risk of build-out can be controlled. The reasons that this is possible are: i) each network is modular and subject to a stand-alone investment decision on capital cost; and ii) prior to commencing network construction the Company requires a minimum level of customer pre-orders in the community that provides a first year project return of over 10%.

Once built, the Directors expect our fibre networks to have a low operating cost (with gross margins of circa 65% expected to be sustainable on each network over a long period) and low maintenance requirements given the durability of fibre. Based on our experience of construction costs in its built networks and post-build penetration trends, the Directors expect each community network to offer project returns above 20% paying back investment over a five year period, with a target community penetration rate of 70% and achieving double payback within eight years. Given this financial profile, the Directors expect that, in the short to medium term, commercially attractive borrowing could be available.

Key performance indicators

The Group tracks the following key performance indicators in the management of its business:

Our Market

- Cost per property passed: The cost of building passed each property in the network
- Average revenue per customer: Excluding VAT
- Build rate: The speed at which fibre networks are built and customers connected

The demand for faster broadband continues to increase, driven by several factors: (i) web pages becoming larger in size; (ii) new services (video on demand, peer-to-peer solutions) and devices requiring more bandwidth (tablets, smartphones); and (iii) increasing business demand (business applications connected to the internet, cloud computing, working from home). These factors are all driving up the volume of data transmitted over the internet. A recent Ofcom report highlighted that UK internet usage has increased substantially over the past two years with the average monthly consumption increasing from 13GB per month in 2011/12 to over 30GB per month by mid-2013, and those on superfast broadband consuming over 50GB per month (source: Ofcom Infrastructure Report 2013 Update). Recent surveys have indicated that fast internet access speeds are now a significant positive factor in house buying and valuation decisions.

BT and Virgin Media, the main UK fixed network infrastructure owners, are both investing to upgrade to faster broadband and those areas which have sufficient scale to make it economical for them. They have large capital expenditure programmes which have historically focussed on urban areas. The Directors believe this continues to be the case despite the Rural Broadband Programme under BDUK. Their current commercial roll-out plans exclude millions of homes in the UK of which the Directors estimate one and a half million households fit the necessary geographic, demographic and broadband speed criteria to make investment in FTTP networks economic. It is these communities that are the target for Gigaclear.

There is ongoing media and political pressure on central and local Government to find more and better solutions to slow and unreliable rural broadband. Although BT has been the major beneficiary of Government initiatives to date, there is continuing pressure to engage and work with alternative providers that may deliver better solutions or solutions at lower cost. A number of regional government bodies have actively engaged with Gigaclear to incentivise it to undertake investment in their regions. For example, in May 2014, following a public procurement process, Gigaclear was awarded a grant of up to £186,000 by West Oxfordshire District Council to build a FTTP network serving 523 properties in Northmoor. The network was switched on by UK Prime Minister, David Cameron in August 2014. In addition, the Company was recently pre-selected by Northamptonshire County Council under its Access to Finance initiative, which may lead to loan funding to facilitate the building of ultrafast networks in specific communities within Northamptonshire. The Directors believe that the Company is well positioned to engage with other local authorities and to compete for other similar grants or infrastructure loans in the future.

Strategic Report

(continued)

Gigaclear's network build-out is focused on areas where there is no availability of FTTP and where the main alternative is an existing ADSL copper-based network. Other technologies (Fibre-to-the-Cabinet ("FTTC"), 3G/4G, WiFi or satellite dishes) are inferior in terms of speed and reliability and often do not represent attractive long-term solutions. The Directors believe that, once FTTP infrastructure is deployed it is likely to be economically unattractive for other operators to overbuild an equivalent network. The vast majority of the superfast broadband provided to rural communities under the BDUK programme is FTTC provided by BT. Where it is available, this relies on copper wires to the home from the cabinet and, where the properties are a long way from the cabinet (which is often the case in less densely populated rural areas), FTTC (unlike FTTP) experiences a noticeable drop-off in speed.

Risk Mitigation

To reduce the risk of investment, we build community by community and, prior to commencing network construction, the Company requires a minimum level of customer pre-orders in the community that provides a first year project return of over 10% per annum. Historically this has equated to 20% to 40% of the premises in the community and averaged 28%. Customer engagement in built networks is high, with take-up growing steadily (leading to current penetration by community of 19% to 53%) and customer losses of less than one per cent per annum.

The markets in which we operate are highly competitive although they are dominated by one major entity, BT. The Board believes that it has adopted a competitive business strategy but many competitors, including BT, will have significantly greater financial, technical, marketing and servicing resources than Gigaclear and have longer operating histories or greater name recognition. Our relatively smaller size may therefore be considered negatively by prospective customers. In addition, competitors may be able to respond more quickly to changes in customer requirements and devote greater resources to the enhancement, promotion or sale of their products. In particular, BT has been granted all the contracts under the government's Rural Broadband Programme and has access to the vast majority of the funds available from it. This funding may make a number of communities where the Company has already built its own FTTP networks economically viable for BT to upgrade services to these communities, thereby potentially reducing penetration and adversely affecting the financial viability of these networks.

If Gigaclear is not able to compete successfully against existing or future competitors, its business, financial condition and results of operations may be adversely affected. These could also be materially adversely affected by the actions of its competitors (including their pricing policies).

Our competitors may be able to offer services at a much reduced price to the customer, compared to Gigaclear, or provide products bundled in with internet access,

such as premium television or mobile telecoms that are more attractive to the consumer. New competitors or alliances among competitors could emerge. This increased competition may cause price reductions, reduced gross margins, failure to secure projects and loss of market share, any of which could have a material adverse effect on the business, financial condition and results of operations.

The future

We estimate that in the UK there are approximately 1.5 million premises in the communities that meet the Company's criteria for building a FTTP network to these communities. While this is significantly in excess of the number of premises that the Company requires to pass to meet its current near to mid-term targets, it is expected that over time BT and other providers may build FTTC networks to a proportion of these communities and remaining communities may be less attractive targets for building a network. The Company does not believe that the presence of a FTTC network in a community will prevent it from building a FTTP network but it may significantly reduce and/or delay penetration and reduce the financial viability of such network.

The Company has an experienced management team with skills in finance, network technology, construction project management and sales and marketing, and its Non-executive Directors have extensive experience of managing the growth of telecommunications and technology companies.

In addition, revenue and earnings visibility is expected to be high as the Company rolls out its pipeline of networks because each built network has a well understood capital cost, is able to leverage a steady centralised expense and has a recurring revenue stream. In terms of the ratio of capital investment to other expenditure, the Directors estimate that approximately 80p in every £1 spent by the Company goes into building long term revenue generating network assets.

We believe that our business model and market focus puts our company in a strong position to preserve and grow value for our shareholders in the year ahead.



Matthew Hare
Chief Executive

27th February 2015

Directors' Report

The Directors present their report and the audited consolidated financial statements for the year ended 31st December 2014.

On 9th September 2014 the Company re-registered as a plc.

Principal activity

The principal activity of the group in the year under review was that of telecommunications services provider.

Directors

The Directors holding office during the year were:

| | |
|---|---|
| Charles McGregor (Non-Executive Chairman) | Appointed 16th May 2014 |
| Matthew Hare | |
| Simon Bullock | Appointed 1st April 2014 |
| Eddie Minshull | Appointed 1st February 2014 |
| Massimo Prelz Oltramonti | Appointed 30th June 2014 |
| Joe Frost | Resigned 8th September 2014 |
| Ian Wakefield | Resigned 8th September 2014 |
| Simon Banks | Appointed 1st August 2014; Resigned 8th September 2014 |

Biographic details

Charles McGregor, *Independent Non-Executive Chairman (age 57)*

Charles co-founded Fibernet in 1986, becoming Chief Executive in 1993. Initially a systems integrator, Charles has overseen the transformation of Fibernet into a leading UK communications business and its eventual sale to Global Crossing in 2006 for over \$140 million.

Charles graduated in business studies from John Moores University. After a brief period working in the finance sector, Charles settled into telecom sales. Prior to Fibernet, Charles spent six years working in the data communications at Telephone Rentals, Network Technology and Norand Ltd. Since Fibernet, Charles has held a number of board level positions including non-executive chairman at Gamma Telecom, a wholesale voice business and Huddle, the enterprise content collaboration platform. He also serves as an advisor to private equity firm, Oakfield Capital, and is chairman at Headcast Lab, an interactive broadcast animation specialist. Charles was appointed as a Non-Executive Director of the Company and as Chairman on 16th May 2014.

Matthew Hare, *Chief Executive (age 52)*

Matthew founded Gigaclear in December 2010 (and has been a Director of the Company and its Chief Executive since that time) after completing 14 years as a founder and CEO of Community Internet Group and ts.com, both of which were privately owned providers of internet and data services in the UK. Matthew has worked in the telecom industry since 1984, previously working at Liberty Communications, Microtel/Orange, Millicom and Vodafone. Matthew is a director and council member of the Internet Service Providers' Association (ISPA).

Simon Bullock, *Chief Financial Officer (age 44)*

Simon is a qualified chartered management accountant with CFO experience with AIM listed Aurasian Minerals plc. After an early career with Mars and General Electric he has held CFO positions for the past 15 years across a number of sectors including business services, telecoms, retail and financial services. He also brings a significant amount of experience of fundraisings and working in high growth companies, including two years as Finance Director of Evans Cycles and four years as CFO of Caxton FX. Simon is a former regional treasurer for the Institute of Directors and a former elected councillor in South Buckinghamshire. Simon was appointed as a Director of the Company and CFO on 1st April 2014.

Eddie Minshull, *Independent Non-Executive Director (age 56)*

Eddie has significant experience in the telecommunications and technology industry. His most recent executive role was CEO of MLL Telecom and, prior to this, he was at Juniper Networks for eight years, first as Vice President of Sales for EMEA and then as Executive Vice President of Worldwide Field Operations. Eddie was appointed as a Non-Executive Director of the Company on 1st February 2014.

Directors' Report

(continued)

Massimo Prelz-Oltramonti, Independent Non-Executive Director (age 60)

For the last 23 years Massimo has been an active venture capital investor in telecommunications and media companies. He is currently a senior adviser at GMT Capital Partners. Since 1998, he has completed over 24 venture capital investments within Europe and the US and has been a director of several public and private companies including Jazztel, SBS, ESAT Telecom, Kabelmedia and CityFibre. During this time, he spent eight years as Managing Director for Europe at Advent International, building and positioning the firm's European presence in telecommunications and media. In 2004, he began working with GMT Communication. From 2002 to 2004, Massimo assumed the role of Chairman for Jazztel to complete its financial restructuring. He holds a MBA from Wharton School of Finance at the University of Pennsylvania. Massimo was appointed as a Non-Executive Director of the Company on 30th June 2014.

Share capital, Options and Warrants

As at 31st December 2014 and at 27th February 2015 the Company had the following number of Shares, Share Options and Warrants in issue or committed:-

| Share class | 31st December 2014 | 27th February 2015 |
|------------------------------------|--------------------|--------------------|
| Issued Ordinary Shares | 10,717,339 | 11,438,853 |
| Issued A Ordinary Shares | 5,586,472 | 5,586,472 |
| Share options granted | 1,224,533 | 1,266,679 |
| Share options committed | — | 255,000 |
| Fully diluted share capital | 17,528,344 | 18,547,004 |

Issued Share Options are held by:

| Name | Price (£) | Vesting Period | Expiry Date | 31st December 2014 | 27th February 2015 |
|---------------------|-----------|---------------------------|-------------|--------------------|--------------------|
| C McGregor | 1.12 | Vested | 31/05/2023 | 24,600 | 24,600 |
| M Hare | 0.34 | Vested | 31/05/2023 | 32,800 | 32,800 |
| S Bullock | 0.34 | 3 years to 1st April 2017 | 31/05/2023 | 49,200 | 49,200 |
| S Bullock | 1.12 | 3 years to 25th July 2017 | 31/05/2023 | 41,000 | 41,000 |
| E Minshull | 1.12 | Vested | 31/05/2023 | 24,600 | 24,600 |
| M Prelz Oltramonti | 1.12 | Vested | 31/05/2023 | 73,800 | 73,800 |
| Total Issued | | | | 246,000 | 246,000 |

Share Options may only be exercised between the first and tenth anniversaries of the date of grant by a person who remains a Director or employee and for a limited period following cessation of employment.

4,100 options were exercised during the year ended 31st December 2014 (2013: nil exercised).

Re-organisation of the share capital

On 22nd July 2014 the sum of £137,444 of the amount standing to the credit of the share premium account of the Company was capitalised and apportioned as capital to the holders of ordinary shares of £0.001 each in the company and A ordinary shares of £0.001 each in the company as appearing in the register of members of the Company as at the close of business on 7th July 2014.

These amounts were applied in paying up in full 93,965,840 new ordinary shares and 43,478,320 new A ordinary shares. These shares were allotted and issued on 22nd July 2014 as follows:

- 40 new ordinary shares for every 1 existing ordinary share held by the holders of ordinary shares
- 40 new A ordinary shares for every 1 existing ordinary share held by the holders of A ordinary shares

Immediately upon the capitalisation issue referred to above:

- Every 10 of the issued and unissued ordinary shares of £0.001 each in the Company were immediately consolidated into one new ordinary share of £0.01
- Every 10 of the issued and unissued A ordinary shares of £0.001 each in the Company were immediately consolidated into one new A ordinary share of £0.01

Effective on the 28th July 2014, £5,000,000 of the amount standing to the credit of the Company's share premium account as at 7th July 2014 was cancelled.

Directors' Report

(continued)

Substantial Shareholders and Directors' interests in Shares

At 31st December 2014, the Company were aware that the following had an interest of 3 per cent or more of the nominal value of the Company's Shares:

| Shareholder | Number of Shares | % of the issued Share Capital |
|------------------------------------|------------------|-------------------------------|
| Woodford Investment Management LLP | 5,586,472 | 34.26% |
| M Hare | 3,454,696 | 21.19% |
| R Foulkes | 1,100,000 | 6.75% |

In addition to the above, the Directors had the following interests in Shares of the Company as at 31st December:

| Director | Number of Shares | % of the issued Share Capital |
|---------------------------------|------------------|-------------------------------|
| C McGregor | 62,440 | 0.38% |
| M Hare | 3,454,696 | 21.19% |
| S Bullock | 6,001 | 0.04% |
| E Minshull | 44,563 | 0.27% |
| M Prelz Oltramonti/Westpalm Ltd | 445,916 | 2.74% |
| Total | 4,013,616 | 24.62% |

Group policies

The policies that follow are those established by the Board of Directors.

Financial risk management

Information relating to the Group's financial risk management is set out in note 26 of the financial statements.

Payables policy and payment terms

It is the Company's policy to settle the terms of payment with suppliers when agreeing the terms of the transaction, to ensure that suppliers are aware of these terms and endeavour to abide by them.

Corporate and social responsibility

The Group's core values are:

- To be a good corporate citizen, demonstrating integrity in each business and community in which we operate;
- To be open and honest in all our dealings, while respecting commercial and personal confidentiality;
- To be objective, consistent and fair with all our stakeholders;
- To respect the dignity and wellbeing of all our stakeholders and all those with whom we are involved; and
- To operate professionally in a performance-orientated culture and be committed to continuous improvement.

As such we are committed to:

- developing mutually beneficial partnerships with our stakeholders throughout the life cycle of our activities and operations;
- minimising the potential impact that our operations may have on the environment;
- comply with all laws, regulations, standards and international conventions which apply to our businesses and to our relationships with our stakeholders;
- having a positive impact on the people, cultures and communities in which we operate;
- upholding fundamental human rights and, accordingly, we seek to ensure the implementation of fair employment practices; and
- complying with all relevant occupational health and safety laws, regulations and standards.

Directors' Report

(continued)

Bribery

The Group complies and will continue to comply to the fullest extent with current and future anti-bribery legislation.

We will endeavour to ensure that no employee acts in a manner that would in any way contravene these principles. The Group will take the appropriate disciplinary action concerning any contravention.

Corporate governance

The listing rules of the Financial Conduct Authority incorporate the UK Corporate Governance Code which sets out the principles of Good Governance, and the Code of Best Practice for listed companies. We do not comply with the UK Corporate Governance code. However the Board intends that, so far as is relevant for a Company of its size and stage of development, it will embrace best practice, including certain elements of the Code. The Board has established appropriately constituted Audit and Remuneration Committees with formally delegated responsibilities.

The Board of Directors currently comprises three Non-Executive Directors and two Executive Directors. The Board considers that its composition and structure is appropriate given its size and the state of the Company's activities.

Board meetings are held regularly to provide effective leadership and overall management of the Group's affairs through the schedule of matters reserved for Board decisions. This includes the approval of the budget and business plan, major capital expenditure, acquisitions and disposals, risk management policies and the approval of financial statements. All Directors have access to the advice and services of the Company's solicitors and the Company Secretary, who is responsible for ensuring that all Board procedures are followed. Any Director may take independent professional advice at the Company's expense in the furtherance of their duties. The Board has delegated authority to the Committees below to deal with matters in accordance with their written terms of reference.

1. The Audit Committee, which meets not less than twice a year, assists the board in fulfilling their oversight responsibilities in respect of the integrity of the financial statements, risk management and internal control arrangements, compliance with legal and regulatory requirements, and the performance, qualifications and independence of the external auditors. The members of the Committee are Massimo Prelz Oltramonti (Chairman) and Charles McGregor.
2. The Remuneration Committee, which meets when necessary, concerns itself with the remuneration and benefits of the Directors, the design and terms of share-based incentive plans, and the remuneration policy for the Executive Team and Senior Management. It also makes proposals to the Board in the above areas, including specific remuneration packages for each of the Directors. The members of the Committee are Eddie Minshull (Chairman) and Charles McGregor.

Internal Controls

The Directors acknowledge their responsibility for the Group's systems of internal controls and for reviewing their effectiveness. These internal controls are designed to safeguard the assets of the Group and to ensure the reliability of financial information for both internal use and external publication. Whilst the Directors acknowledge that no internal control system can provide absolute assurance against material misstatement or loss, they are putting in place controls that they regard as appropriate, and are taking the necessary steps to ensure that the systems develop in accordance with the size of the Group.

Relations with Shareholders

The Board attaches great importance to maintaining good relations with its shareholders; formal shareholder briefings take place 3 times per year to which all shareholders are invited and where shareholders have the opportunity to hear from and question the Board and senior management.

Going concern

The Group had cash balances of approximately £5.5 million as at 31st December 2014 with total liabilities at that date of £1.2 million. At 27th February 2015 the Group had cash balances of approximately £4.4 million with total liabilities at that date of £0.8 million.

The financial statements have been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

The activities in the year and future prospects of the Group are discussed in the Strategic Report.

(continued)

The directors therefore believe that the use of the going concern basis is appropriate.

General

Without incurring costs that the Board considers to be excessive or else to reduce to an unacceptable level the potential benefits to the Group. If any of these risks and uncertainties, together with possible additional risks and uncertainties of which the Directors are currently unaware or which they consider not to be material in relation to the Company's business, actually occur, the Company's business, financial position or operating results could be materially and adversely affected.

We believe that businesses are responsible for achieving good environmental practice and operating in a sustainable manner. We are therefore committed to reducing our environmental impact and continually improving our environmental performance as an integral and fundamental part of our business strategy and operating methods. Not only is this sound commercial sense for all; it is also a matter of delivering on our duty of care towards future generations.

- Wholly support and comply with or exceed the requirements of current environmental legislation.
- Comply with all relevant codes of practice.
- Minimise our waste and then reuse or recycle as much of it as possible.
- Minimise energy and water usage in our buildings, vehicles and processes in order to conserve supplies, and minimise our consumption of natural resources, especially where they are non-renewable.
- Operate and maintain company vehicles (where appropriate) with due regard to environmental issues as far as reasonably practical and encourage the use of alternative means of transport and car sharing as appropriate.
- Apply the principles of continuous improvement in respect of air, water, noise and light pollution from our premises and reduce any impacts from our operations on the environment and local community.
- As far as possible purchase products and services that do the least damage to the environment and encourage others to do the same.
- Assess the environmental impact of any new processes or products we intend to introduce in advance.

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

The Group's operations are entirely in the United Kingdom resulting in minimal exposure to currency risk. No sensitivity analysis of currency risk has therefore been shown.

Directors' Report

(continued)

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. As part of its overall prudent liquidity risk management, the Group actively manages its operating cash flows.

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 financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs). 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 and profit or loss of the Company and the Group for that period. In preparing these financial statements, the Directors are required to:

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

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

The Directors confirm that in so far as each of the Directors is aware:

- there is no relevant audit information of which the Company's auditor is unaware;
- the Directors have taken all steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information; and
- 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.

Auditors

Grant Thornton UK LLP will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

Annual General Meeting

The 2015 Annual General Meeting will be held at the offices of Wragge Lawrence Graham & Co LLP, located at 4 More London Riverside, London, SE1 2AU, at 6:00pm on 10th June 2015.

The Notice of Meeting, explanatory notes and a form of proxy will be mailed to all shareholders in early May.

On behalf of the Board



Simon Bullock
Director

27th February 2015

Remuneration Report

Remuneration policies

Financial packages for Directors are established by reference to those prevailing in the employment market for executives of equivalent status both in terms of level of responsibility of the position and their achievement of recognised job qualifications and skills.

The Company's policy on remuneration is to:

- attract and retain people of the appropriate quality by paying competitive remuneration packages relevant to each person's role and experience and the external market. The packages include employment related benefits; and
- reward Directors for creating shareholder value through share options and other rewards.

Directors' and Officers' insurances

During the year, Directors' and officers' liability insurance was maintained for Directors and other officers of the Group as permitted by the Companies Act 2006.

Directors' remuneration

Details of the Director's remuneration for the year ended 31st December 2014 are set out below together with the amounts paid to former Directors.

Directors' shares and share options

The beneficial interests of the Directors in the shares and options of the Company as at 31st December 2014 and as at 27th February 2015 (the last practical date before the date of this report) were, as far as the Directors are aware, as set out in the sections of the Directors' Report above entitled "Substantial shareholders and Directors' interests in shares" and "Share capital, options and warrants".

Terms of the Directors service contracts

Charles McGregor, Eddie Minshull & Massimo Prelz Oltramonti* have service contracts with the Company with the following key terms:

| | |
|--------------|-----------------------|
| Commencement | 1st October 2014 |
| Duration | 3 years |
| Fees | £24,000 per annum |
| Notice | 3 months, either side |

* Massimo Prelz Oltramonti has waived his fees until 1st June 2015.

Matthew Hare & Simon Bullock have employment contracts with the Company with the following key terms:

| | Matthew Hare | Simon Bullock |
|------------------------|-----------------------|-----------------------|
| Commencement ** | 1st January 2015 | 1st January 2015 |
| Salary & Car Allowance | £149,000 per annum | £129,000 per annum |
| Bonus | Up to £60,000 | Up to £40,000 |
| Notice | 6 months, either side | 6 months, either side |

** Prior service recognised from 1st November 2012 and 18th March 2014 respectively.

Other than their service contracts, no director has a material interest in a contract with the Company.

Remuneration Report

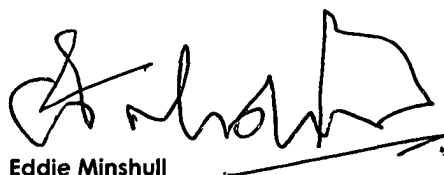
(continued)

Directors' remuneration is set out below:

| | 2014 | | 2013 | | 2014 | 2013 |
|--|-----------------------------|------------------------------------|-----------------------------|------------------------------------|----------------|----------------|
| | Salaries & Fees £'000 | Share based payment £'000 | Salaries & Fees £'000 | Share based payment £'000 | Total £'000 | Total £'000 |
| Executive Directors | | | | | | |
| M Hare | 167 | 25 | 181 | — | 192 | 181 |
| S Bullock (appointed 1st April '14) | 76 | 3 | — | — | 79 | — |
| J Frost (resigned 8th Sept '14) | 113 | 23 | 121 | 128 | 136 | 249 |
| I Wakefield (resigned 8th Sept '14) | 127 | 21 | 112 | 160 | 148 | 272 |
| S Banks (appointed 1st August '14; resigned 8th Sept '14) | 53 | — | — | — | 53 | — |
| C Karlsson (resigned 31st December '13) | — | — | 80 | 182 | — | 262 |
| Non-Executive Directors | | | | | | |
| C McGregor (appointed 16th May '14) | 15 | 10 | — | — | 25 | — |
| E Minshull (appointed 1st February '14) | 25 | 10 | — | — | 35 | — |
| M Prelz Oltramonti (appointed 30th June '14) | — | 31 | — | — | 31 | — |
| Total | 576 | 123 | 494 | 470 | 699 | 964 |

Details of share options are given in note 24.

On behalf of the Remuneration Committee



Eddie Minshull
Chairman

27th February 2015

Independent Auditors' Report

To the Members of Gigaclear plc (formerly known as Gigaclear Limited)

Independent auditor's report to the members of Gigaclear plc

We have audited the financial statements of Gigaclear plc for the year ended 31 December 2014 which comprise of the Group and Parent Company Statements of Financial Position, the Group Statement of Comprehensive Income, the Group and Parent Company Statements of Cash Flow, the Group and Parent Company Statements of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2014 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;

- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

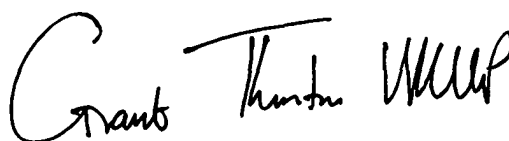
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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



Mark Bishop

Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP,
Statutory Auditor, Chartered Accountants
Oxford

2 MARCH 2015

Consolidated statement of comprehensive income

For the year ended 31st December 2014

| | Notes | 2014 £'000 | 2013 £'000 |
|---|-------|---------------|---------------|
| Continuing operations | | | |
| Revenue | | 607 | 421 |
| Cost of sales | | (369) | (467) |
| Gross profit | | 238 | (46) |
| Operating expenses | | (2,929) | (1,088) |
| Share-based payments | 24 | (199) | (483) |
| Operating loss | 7 | (2,890) | (1,617) |
| Exceptional Item | 25 | (451) | — |
| Finance income | 11 | 15 | 10 |
| Finance costs | 11 | (12) | (19) |
| Net finance (costs)/income | | 3 | (9) |
| Loss before taxation | | (3,338) | (1,626) |
| Income tax | 12 | 7 | 7 |
| Loss for the year | | (3,331) | (1,619) |
| Other comprehensive income: | | | |
| Items that will not be re-classified subsequently to profit or loss | | — | — |
| Items that will be re-classified subsequently to profit or loss | | — | — |
| Total comprehensive loss | | (3,331) | (1,619) |
| Loss attributable to: | | | |
| Equity owners of parent company | | (3,331) | (1,613) |
| Non-controlling interest | | 6 | (6) |
| | | (3,325) | (1,619) |
| Earnings per share | | | |
| Basic and diluted loss per share (£) | 14 | 0.29 | 0.29 |

Consolidated statement of financial position

As at 31st December 2014

| | Notes | 2014 £'000 | 2013 £'000 |
|--|--------|---------------|---------------|
| Assets | | | |
| Non-current assets | | | |
| Intangible assets | 13 | 143 | 152 |
| Property, plant & equipment | 15 | 5,593 | 1,440 |
| | | 5,736 | 1,592 |
| Current assets | | | |
| Inventories | | 52 | 6 |
| Trade and other receivables | 17 | 429 | 164 |
| Cash and cash equivalents | 18 | 5,476 | 1,023 |
| | | 5,957 | 1,193 |
| Total Assets | | 11,693 | 2,785 |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 20 | 1,045 | 420 |
| Borrowings | 22 | 8 | 8 |
| | | 1,053 | 428 |
| Non-Current liabilities | | | |
| Borrowings | 21, 22 | 120 | 172 |
| Deferred tax liabilities | | 23 | 30 |
| | | 143 | 202 |
| Total Liabilities | | 1,196 | 630 |
| Net assets | | 10,497 | 2,155 |
| Equity attributable to owners of the parent | | | |
| Share capital | 19 | 163 | 2 |
| Share premium | 19 | 10,576 | 4,259 |
| Share-based payment reserve | 24 | 679 | 483 |
| Retained losses | | (921) | (2,578) |
| | | 10,497 | 2,166 |
| Non-controlling interests | | — | (11) |
| Total equity and reserves | | 10,497 | 2,155 |

These financial statements were approved by the Board of Directors and authorised for issue on 27th February 2015 and were signed on their behalf by:

S.C. Bullock

Simon Bullock
Director

Company statement of financial position

As at 31st December 2014

Company number 07476617 in England and Wales

| | Notes | 2014 £'000 | 2013 £'000 |
|--|--------|---------------|---------------|
| Assets | | | |
| Non-current assets | | | |
| Property, plant & equipment | 15 | 5,584 | 1,434 |
| Investments | 16 | — | 353 |
| | | 5,584 | 1,787 |
| Current assets | | | |
| Inventories | | 52 | 6 |
| Trade and other receivables | 17 | 419 | 140 |
| Cash and cash equivalents | 18 | 5,460 | 1,021 |
| | | 5,931 | 1,167 |
| Total Assets | | 11,515 | 2,954 |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 20 | 1,022 | 382 |
| Borrowings | 22 | 8 | 8 |
| | | 1,030 | 390 |
| Non-Current liabilities | | | |
| Borrowings | 21, 22 | 120 | 128 |
| | | 120 | 128 |
| Total Liabilities | | 1,150 | 518 |
| Net assets | | 10,365 | 2,436 |
| Equity attributable to owners of the parent | | | |
| Share capital | 19 | 163 | 2 |
| Share premium | 19 | 10,576 | 4,259 |
| Share-based payment reserve | 24 | 679 | 483 |
| Retained losses | | (1,053) | (2,308) |
| Total equity and reserves | | 10,365 | 2,436 |

These financial statements were approved by the Board of Directors and authorised for issue on 27th February 2015 and were signed on their behalf by:

S. C. Bullock

Simon Bullock
Director

Consolidated statement of cash flows

For the year ended 31st December 2014

| | Notes | 2014 £'000 | 2013 £'000 |
|---|-------|----------------|----------------|
| Cash flows from operating activities | | | |
| Loss before income tax | | (3,331) | (1,626) |
| Adjustments for: | | | |
| Depreciation charges | 15 | 239 | 102 |
| Amortisation charges | 13 | 9 | 9 |
| Share-based payments | | 199 | 483 |
| Deferred tax movement | | (7) | — |
| Finance costs (net) | | (3) | 9 |
| Operating loss before changes in working capital | | (2,894) | (1,023) |
| Increase in inventory | | (46) | (6) |
| Decrease in trade and other receivables | | (265) | (85) |
| Increase in trade and other payables | | 620 | 178 |
| Cash outflow from operations | | (2,585) | (936) |
| Interest paid | | (12) | (19) |
| Net cash used in operating activities | | (2,597) | (955) |
| Investing activities | | | |
| Purchase of property, plant & equipment | 15 | (4,392) | (971) |
| Removal on non-controlling interest | | 2 | — |
| Interest received | | 15 | 11 |
| Net cash used in investing activities | | (4,375) | (959) |
| Financing activities | | | |
| Proceeds from issue of ordinary shares net of costs | | 11,478 | 2,338 |
| Repayment of other borrowings | 22 | (8) | (8) |
| Repayment of preference shares | 23 | (45) | (24) |
| Net cash from financing activities | | 11,425 | 2,306 |
| Net increase in cash and cash equivalents | | 4,453 | 392 |
| Cash and cash equivalents at beginning of year | | 1,023 | 631 |
| Cash and cash equivalents at end of year | 18 | 5,476 | 1,023 |

Company statement of cash flows

For the year ended 31st December 2014

| | Notes | 2014 £'000 | 2013 £'000 |
|---|-------|----------------|----------------|
| Cash flows from operating activities | | | |
| Loss before income tax | | (3,748) | (1,741) |
| Adjustments for: | | | |
| Depreciation charges | 15 | 235 | 101 |
| Impairment of investment | | 356 | — |
| Share-based payments | 24 | 199 | 483 |
| Finance costs (net) | | (27) | (2) |
| Operating loss before changes in working capital | | (2,985) | (1,159) |
| Increase in inventory | | (46) | (6) |
| Decrease in trade and other receivables | | (279) | 106 |
| Increase in trade and other payables | | 640 | 211 |
| Cash outflow used in operations | | (2,670) | (848) |
| Interest paid | | (8) | (8) |
| Net cash used in operating activities | | (2,678) | (856) |
| Investing activities | | | |
| Purchase of property, plant & equipment | 15 | (4,385) | (963) |
| Investment in subsidiary undertaking | 16 | (3) | (100) |
| Interest received | | 34 | 11 |
| Net cash used in investing activities | | (4,354) | (1,052) |
| Financing activities | | | |
| Proceeds from issue of ordinary shares net of costs | | 11,478 | 2,338 |
| Repayment of other borrowings | 22 | (8) | (8) |
| Net cash from financing activities | | 11,470 | 2,330 |
| Net increase in cash and cash equivalents | | 4,439 | 422 |
| Cash and cash equivalents at beginning of year | | 1,021 | 599 |
| Cash and cash equivalents at end of year | 18 | 5,460 | 1,021 |

Consolidated statement of changes in equity

For the year ended 31st December 2014

| | Share capital £'000 | Share premium £'000 | Share based payment reserve £'000 | Retained losses £'000 | Total £'000 | Non-controlling interest £'000 | Total equity £'000 |
|--|------------------------|------------------------|--------------------------------------|--------------------------|----------------|-----------------------------------|-----------------------|
| At 1st January 2014 | 2 | 4,259 | 483 | (2,578) | 2,166 | (11) | 2,155 |
| Cancellation of share premium | — | (5,000) | — | 5,000 | — | — | — |
| Issue of share capital on exercise of employee share options | — | — | (3) | 3 | — | — | — |
| Employee share based compensation | — | — | 199 | — | 199 | — | 199 |
| Issue of share capital on private placement | 161 | 11,317 | — | — | 11,478 | — | 11,478 |
| Changes to non-controlling interest in the year | | | | | | | |
| Increase in the Company's share in the business | — | — | — | (3) | (3) | — | (3) |
| Share of net losses of the non-controlling interest acquired | — | — | — | (17) | (17) | 17 | — |
| Transactions with owners | 161 | 6,317 | 196 | 4,983 | 11,657 | 17 | 11,674 |
| Loss for the year | — | — | — | (3,325) | (3,325) | (6) | (3,331) |
| Other comprehensive loss | — | — | — | — | — | — | — |
| Total comprehensive loss for the year | — | — | — | (3,325) | (3,325) | (6) | (3,331) |
| At 31st December 2014 | 163 | 10,576 | 679 | (921) | 10,497 | — | 10,497 |
| At 1st January 2013 | 1 | 1,922 | — | (937) | 986 | (33) | 953 |
| Employee share based compensation | — | — | 483 | — | 483 | — | 483 |
| Issue of share capital on private placement | 1 | 2,337 | — | — | 2,338 | — | 2,338 |
| Changes to non-controlling interest in the year | | | | | | | |
| Increase in the Company's share in the business | — | — | — | (7) | (7) | 7 | — |
| Share of net losses of the non-controlling interest acquired | — | — | — | (21) | (21) | 21 | — |
| Transactions with owners | 1 | 2,337 | 483 | (28) | 2,793 | 28 | 2,821 |
| Loss for the year | — | — | — | (1,613) | (1,613) | (6) | (1,619) |
| Other comprehensive loss | — | — | — | — | — | — | — |
| Total comprehensive loss for the year | — | — | — | (1,613) | (1,613) | (6) | (1,619) |
| At 31st December 2013 | 2 | 4,259 | 483 | (2,578) | 2,166 | (11) | 2,155 |

Company statement of changes in equity

For the year ended 31st December 2014

| | Share capital £'000 | Share premium £'000 | Share based payment reserve £'000 | Retained losses £'000 | Total equity £'000 |
|---|---------------------------|---------------------------|---|-----------------------------|--------------------------|
| At 1st January 2014 | 2 | 4,259 | 483 | (2,308) | 2,436 |
| Cancellation of share premium | — | (5,000) | — | 5,000 | — |
| Issue of share capital on exercise of employee share options | — | — | (3) | 3 | — |
| Employee share based compensation | — | — | 199 | — | 199 |
| Issue of share capital on private placement | 161 | 11,317 | — | — | 11,478 |
| Transactions with owners | 161 | 6,317 | 196 | 5,003 | 11,677 |
| Loss for the year | — | — | — | (3,748) | (3,748) |
| Other comprehensive loss | — | — | — | — | — |
| Total comprehensive loss for the year | — | — | — | (3,748) | (3,748) |
| At 31st December 2014 | 163 | 10,576 | 679 | (1,053) | 10,365 |
| At 1st January 2013 | 1 | 1,922 | — | (567) | 1,356 |
| Employee share based compensation | — | — | 483 | — | 483 |
| Issue of share capital on private placement | 1 | 2,337 | — | — | 2,338 |
| Transactions with owners | 1 | 2,337 | 483 | — | 2,821 |
| Loss for the year | — | — | — | (1,741) | (1,741) |
| Other comprehensive loss | — | — | — | — | — |
| Total comprehensive loss for the year | — | — | — | (1,741) | (1,741) |
| At 31st December 2013 | 2 | 4,259 | 483 | (2,308) | 2,436 |

Notes to the financial statements

For the year ended 31st December 2014

1 Reporting entity

Gigaclear plc (the "Company") (formerly known as Gigaclear Limited) is a public limited company incorporated and domiciled in England.

The address of the Company's registered office is Hitching Court, Abingdon, Oxfordshire, OX14 1RG. The consolidated financial statements of the Company as at and for the year ended 31st December 2014 comprise the Company and its subsidiaries (together referred to as the 'Group' and individually as 'Group entities').

The Group's principal activity is that of telecommunications service provider.

2 Going concern

The Group had cash balances of approximately £5.5 million as at 31st December 2014 with total liabilities at that date of £1.2 million. At 27th February 2015 the Group had cash balances of approximately £4.4 million with total liabilities at that date of £0.8 million.

The financial statements have been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

The activities in the year and future prospects of the Group are discussed in the Strategic Report.

The Directors have reviewed the Group's overall position and outlook and are of the opinion that the Group will be able to carry out the planned activities and provide working capital to enable it to meet its liabilities as they fall due, for at least the next twelve months from the date of approval of these financial statements and also to the end of calendar year 2016. Should funding not be forthcoming, given the modular nature of the network build, expenditure on network build can be slowed down, or stopped altogether, to extend the time horizon of the existing cash resources.

The directors therefore believe that the use of the going concern basis is appropriate.

3 Basis of preparation

a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union, and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The Company's individual statement of comprehensive income has not been presented in the Group's annual financial statements as the Company has taken advantage of the exemption not to disclose under Section 408(3) of the Companies Act 2006. The Company's comprehensive loss for the year ended 31st December 2014 was £3,748,000 (2013: £1,741,000) and is included in the consolidated statement of comprehensive income.

These consolidated financial statements were authorised for issue by the Board of Directors on 27th February 2015.

b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis and as a going concern.

c) Functional and presentation currency

These consolidated financial statements are presented in GBP Sterling, which is the Company's functional currency. All information presented in GBP Sterling has been rounded to the nearest thousand, except when otherwise indicated.

d) Use of estimates and judgements

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements, estimates and assumptions in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are disclosed below.

Notes to the financial statements

(continued)

3 Basis of preparation (continued)

- *Depreciation, useful lives and residual values of property, plant & equipment*

The Directors estimate the useful lives and residual values of property, plant & equipment in order to calculate the depreciation charges. Changes in these estimates could result in changes being required to the annual depreciation charges in the statement of comprehensive incomes and the carrying values of the property, plant & equipment in the statements of financial position.

- *Fair value of intangible assets acquired*

Identifiable intangible assets are recognised separately from goodwill on all acquisitions. Such assets are carried at fair value at the date of acquisition (i.e. as deemed cost). The fair value of the intangible asset, being customer contracts to provide broadband services to the village of Hambleton, is estimated based on a discounted cash flow forecast. The inputs into the forecast include the useful economic life of the project, the number of customers, fee per customer and the appropriate discount rate.

Such intangible assets are reviewed for impairment on an annual basis.

- *Useful economic life of intangible assets*

The directors are of the opinion that the intangible asset has a useful economic life of 20 years and therefore annual amortisation is being charged. The length of the project is dependent upon the customers renewing their contracts with the Group and is therefore being estimated by the Directors. The Directors consider 20 years to be appropriate based on their expectation of the volume of customer contracts being renewed over that period, taking into account the lack of competitors coupled with the barriers to entry into the market and using the evidence of renewals achieved in the business to date.

The basis of the economic life of the intangible asset is reconsidered annually and where objective evidence exists that the economic life should be amended, the Directors adjust the rate of amortisation accordingly.

- *Impairment of goodwill*

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Goodwill is allocated to cash generating units for the purposes of impairment testing. Where there is objective evidence that future cash flows from a cash generating units is insufficient to cover the associated goodwill, an impairment is made.

- *Fair value of share-based payments*

The share-based payments have been valued using a simulation model. These models require assumptions around interest rates, share price movements, the volatility of the shares and the inclusion of a risk free rate. These inputs are estimated based on the information available to the Directors at the date of granting the share based payment.

Judgments

In the process of applying the Group's accounting policies, management has made the following significant judgment, apart from those involving estimations, which may have a significant effect on amounts recognised in the financial statements.

- *Deferred tax liability*

The Group estimates future profitability in arriving at the fair value of the deferred tax assets and liabilities. If the final tax outcome is different to the estimated deferred tax amount the resulting changes will be reflected in the statement of comprehensive income, unless the tax relates to an item charged to equity in which case the changes in tax estimates will also be reflected in equity.

4 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in the historical consolidated financial information, unless otherwise indicated.

Basis of consolidation

The historical financial information consolidates the financial results of the Company and all its subsidiary undertakings drawn up to 31st December each year.

Notes to the financial statements

(continued)

4 Significant accounting policies (continued)

A subsidiary is determined based on whether the Company is able to control the entity. Control exists where the Company has power over the entity; is exposed to or has rights to variable returns from the entity and has the ability to use its power over the entity to affect the amount of the return. Power is the right to direct the relevant activities of the entity, being those activities that significantly affect the entity's returns. Exposure to variable returns exists where the return to the Company has the potential to vary as a result of the entity's performance. The historical consolidated financial information has been prepared by using the principles of acquisition accounting ("the purchase method"), which includes the results of the subsidiaries in the historical consolidated financial information from their date of acquisition (i.e. when control commences) until the date that control ceases.

Changes in the investment subsidiaries that do not lead to a change of control are accounted for directly in equity and accordingly no profit or loss arises.

The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the identifiable net assets acquired is recorded as goodwill.

Acquisition related costs are expensed as incurred.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated fully on consolidation.

The subsidiaries of the group are listed in note 16.

Foreign currency translation

Functional and presentational currency

Items included in the financial results of each of the Group's entities are measured using the currency of the primary economic environment in which the entities operate (the functional currency). The historical consolidated financial information is presented in Pounds Sterling (£).

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

Financial instruments

Financial assets and financial liabilities are measured initially at fair value plus transactions costs. Financial assets and financial liabilities are measured subsequently as described below.

Financial assets

The Group classifies its financial assets as 'loans and receivables'. The Group assesses at each statement of financial position date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the statement of financial position date, which are classified as non-current assets. Loans and receivables are classified as 'trade and other receivables' in the Statement of Financial Position.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulty, high probability of bankruptcy or a financial reorganisation and default are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The loss is recognised in the profit or loss. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited to the profit or loss.

Notes to the financial statements

(continued)

4 Significant accounting policies (continued)

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

Financial liabilities

The Group's financial liabilities include trade and other payables and borrowings.

Trade payables and borrowings are recognised initially at fair value less transaction costs and subsequently measured at amortised cost using the effective interest method ("EIR" method).

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the Income Statement.

Loans and borrowings are classified as current liabilities unless the Group has an unconditional right to defer the settlement of the liability for at least 12 months after the statement of financial position date.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Where financial liabilities are extinguished via the issue of equity instruments, the Group measures this at the fair value of the equity instruments being issued, unless this cannot be reliably measured, in which case the fair value is based upon the fair value of the financial liability being extinguished. Any difference between the carrying value of the financial liability extinguished and the consideration paid is recognised in profit or loss.

Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Equity

Equity comprises the following:

- Share capital represents amounts subscribed for shares at nominal value.
- Share premium represents amounts subscribed for share capital, net of issue costs, in excess of nominal value.
- Retained earnings represents the accumulated profits and losses attributable to equity shareholders.
- Shared-based employee remuneration is credited to the share-based payment reserve until the related share options are exercised. Upon exercise the share-based payment reserve is transferred to retained earnings.
- Non-controlling interest represents the share of a subsidiary's profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

Property, plant and equipment

Plant and equipment are stated at historical cost less accumulated depreciation and impairment losses.

Depreciation is provided to write off the cost less the estimated residual value of each asset over their expected useful economic lives, as follows:

Plant and Machinery

| | |
|------------------------------|-----------------------------|
| – Underground infrastructure | Straight-line over 25 years |
| – Point of presence | Straight-line over 5 years |
| – Other plant and machinery | Straight-line over 4 years |
| Office equipment | Straight-line over 3 years |
| Computer equipment | Straight-line over 3 years |

The carrying values of plant and equipment are reviewed at each statement of financial position date to determine whether there are any indications of impairment. If any such indication exists, the assets are tested for impairment to estimate the assets' recoverable amounts. Any impairment losses are recognised in the statement of comprehensive income.

Notes to the financial statements

(continued)

4 Significant accounting policies (continued)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within the statement of comprehensive income.

Intangible assets other than goodwill

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition.

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses, if any.

The useful lives of intangible assets are assessed as finite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible assets.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

Amortisation is calculated on a straight-line basis over the estimate useful life of the asset as follows:

| | |
|--------------------|-----------------------------|
| Customer contracts | Straight-line over 20 years |
|--------------------|-----------------------------|

Impairment of assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in the profit or loss in those expense categories consistent with the function of the impaired asset.

Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost and comprise cash in hand, cash at bank, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight line basis over the period of the lease.

Revenue

Revenue consists of internet connectivity fees and connection fees.

Internet connectivity fees represent the monthly fees charged to customers for providing access to the internet. These fees are invoiced monthly and revenue is recognised as the services are provided and exclude value added tax.

Connection fees are one off fees charged to customers at the outset of the contract to cover the set up and installation services. Revenue is recognised on delivery of the service and exclude value added tax.

Notes to the financial statements

(continued)

4 Significant accounting policies (continued)

Deferred revenue is recognised to the extent that services have been invoiced but have not been delivered and accordingly are recognised as a liability within accruals and deferred income in the statement of financial position.

Employee benefits

Short term employee benefits

Wages, salaries, paid annual leave, paid sick leave and bonuses are recognised as an expense in the period in which the associated services are rendered by employees.

The Group operates an equity-settled share-based compensation plan. The fair value of the employees services received in exchange for the grant of options is recognised as an expense over the vesting period, based on the group's estimate of awards that will eventually vest, with a corresponding increase in equity.

Fair value is determined using the Black-Scholes option pricing model. At each statement of financial position date, the number of options that are expected to vest is estimated. The impact of any revision of original estimates, if any, is recognised in profit or loss, with a corresponding adjustment to equity, over the remaining vesting period.

The proceeds received when vested options are exercised, net of any directly attributable transaction costs, are credited to share capital and share premium.

Current and deferred income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered or paid to the taxation authorities. A provision is made for corporation tax for the reporting period using the tax rates that have been substantially enacted for each company at the reporting date in the country where each company operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of comprehensive income.

Deferred income tax is provided in full on an undiscounted basis, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

5 New IFRS Standards and Interpretations not yet adopted

At the date of approval of these financial statements, the following IFRS Standards and Interpretations, which have not been applied in these financial statements, were in issue but not yet effective. These new Standards, Amendments and Interpretations are effective for accounting periods beginning on or after the dates shown below:

| Standard | Description | Date |
|----------|---------------------------------------|------------------|
| IFRS 9 | Financial Instruments | 1st January 2018 |
| IFRS 15 | Revenue from Contracts with Customers | 1st January 2017 |

6 Operating Segments

The Group has only one operating segment: the provision of telecommunication services. The Group operates within the UK only and therefore there is no geographical information to disclose.

None of the Group's customers individually contribute over 10% of the total revenue.

Notes to the financial statements

(continued)

7 Operating loss

| | 2014 £'000 | 2013 £'000 |
|--|---------------|---------------|
| Operating loss on continuing operations is stated after charging: | | |
| Amortisation – intangible fixed assets | 9 | 9 |
| Depreciation – tangible fixed assets | 239 | 102 |
| Auditors remuneration | 18 | 9 |
| Auditors remuneration (non-audit work) | 113 | 2 |

8 Auditors' remuneration

| | 2014 £'000 | 2013 £'000 |
|---|---------------|---------------|
| Fees payable to the Group auditors for the audit of the Group's annual financial statements | 18 | 9 |
| Fees payable to the Group's auditor and its associates for other services: | | |
| Corporate finance services | 99 | — |
| Tax advisory services | 12 | — |
| Tax compliance services | 2 | 2 |
| | 131 | 11 |

9 Directors' remuneration

Directors' remuneration is set out below:

| | 2014 | | 2013 | | 2014 | 2013 |
|--|-----------------------------|------------------------------------|-----------------------------|------------------------------------|----------------|----------------|
| | Salaries & Fees £'000 | Share based payment £'000 | Salaries & Fees £'000 | Share based payment £'000 | Total £'000 | Total £'000 |
| Executive Directors | | | | | | |
| M Hare | 167 | 25 | 181 | — | 192 | 181 |
| S Bullock (appointed 1st April 2014) | 76 | 3 | — | — | 79 | — |
| J Frost (resigned 8th Sept 2014) | 113 | 23 | 121 | 128 | 136 | 249 |
| I Wakefield (resigned 8th Sept 2014) | 127 | 21 | 112 | 160 | 148 | 272 |
| S Banks (appointed 1st August 2014; resigned 8th Sept 2014) | 53 | — | — | — | 53 | — |
| C Karlsson (resigned 31st December 2013) | — | — | 80 | 182 | — | 262 |
| Non-Executive Directors | | | | | | |
| C McGregor (appointed 16th May 2014) | 15 | 10 | — | — | 25 | — |
| E Minshull (appointed 1st February 2014) | 25 | 10 | — | — | 35 | — |
| M Prelz Oltramonti (appointed 30th June 2014) | — | 31 | — | — | 31 | — |
| Total | 576 | 123 | 494 | 470 | 699 | 964 |

Details of share options are given in note 24.

The Group considers that the Directors are the key management.

Notes to the financial statements

(continued)

10 Employees

(a) Average Staff Numbers

| | 2014 | 2013 |
|------------------------|-----------|-----------|
| Technical & Operations | 11 | 3 |
| Sales & Marketing | 11 | 3 |
| Administration | 3 | 2 |
| Management | 4 | 5 |
| Total | 29 | 13 |

(b) Staff Costs

| | 2014 | 2013 |
|------------------------------|--------------|--------------|
| Salaries, bonus & allowances | 1,427 | 585 |
| Social Security | 156 | 73 |
| Share Based Payments | 199 | 483 |
| Total | 1,782 | 1,141 |

11 Finance income and finance costs

Recognised in profit or loss

| | 2014 £'000 | 2013 £'000 |
|--|---------------|---------------|
| Interest on short term bank deposits | 15 | 10 |
| Net foreign exchange gains | — | — |
| Finance income | 15 | 10 |
| Net foreign exchange losses | — | — |
| Finance costs | (12) | (19) |
| Net finance income recognised in profit or loss | 3 | (9) |

12 Income taxes

No liability to income tax arises in the year.

The current tax charge for the year differs from that resulting from the loss before tax at the standard rate of corporation tax in the UK. The differences are explained below:

| | 2014 £'000 | 2013 £'000 |
|--|----------------|----------------|
| Profit (Loss before Tax) | (3,338) | (1,626) |
| Current Tax at 21.49% (2013: 23%) | (717) | (374) |
| Income not taxable for tax purposes | (180) | — |
| Unrelieved tax loss and other deductions | 587 | 402 |
| Expenses not deductible for tax purposes | 354 | 25 |
| Capital allowances in excess of depreciation | (45) | (53) |
| Movement in deferred tax | (7) | (7) |
| Income tax expense | (7) | (7) |

The Group has not recognised deferred tax assets on the tax losses carried forward as the Group has estimated that no sufficient future benefits would be generated in the near future to cover the losses.

Notes to the financial statements

(continued)

12 Income taxes (continued)

The tax losses for which no deferred tax assets has been recognised amount to £5,208,000 as at 31st December 2014 (2013: £2,838,000). If the group was able to recognise all unrecognised deferred tax assets, the loss would decrease by £509,000 as at 31st December 2014 (2013: £378,000).

Deferred tax at 31st December 2014 has been recognised at 20% (2013: 20%), being the rate substantially enacted at that date.

13 Intangibles

| Company | Customer Relationships |
|--|------------------------|
| Cost | |
| At 31st December 2013 and 31st December 2014 | 175 |
| Amortisation | |
| At 1st January 2013 | 14 |
| Charge for the year | 9 |
| At 31st December 2013 | 23 |
| Charge for the year | 9 |
| At 31st December 2014 | 32 |
| Net book value | |
| At 31st December 2014 | 143 |
| At 31st December 2013 | 152 |
| At 31st December 2012 | 161 |

14 Loss per share

Basic loss per share

The calculation of basic loss per share for the year ended 31st December 2014 was based on the loss attributable to A ordinary and ordinary shareholders of £3,325,000 (2013: loss £1,619,000) and the weighted average number of shares in issue of 11,290,854 (2013: 5,499,952), calculated as follows.

As the Group is loss making any potential ordinary shares have the effect of being anti-dilutive. Therefore the diluted EPS is the same as the basic EPS.

Loss attributable to A ordinary and ordinary shareholder (basic)

| | 2014 | 2013 |
|-----------------------------------|------------|-----------|
| Share in issue at 1st January | 7,165,673 | 4,986,223 |
| Effect of shares issued in 2013 | — | 513,729 |
| Effect of shares issued in 2014 | 4,125,181 | — |
| Weighted average number of shares | 11,290,854 | 5,499,952 |

The number of shares used in the calculation above has been restated to take into account the consolidation and bonus issue as outlined in note 19.

Notes to the financial statements

(continued)

15 Property, plant & equipment

| Group | Plant & machinery | Office equipment | Computer equipment | Total |
|-----------------------|-------------------|------------------|--------------------|-------|
| Cost | | | | |
| At 1st January 2013 | 613 | 27 | — | 640 |
| Additions | 955 | 10 | 6 | 971 |
| At 31st December 2013 | 1,568 | 37 | 6 | 1,611 |
| Additions | 4,185 | 200 | 7 | 4,392 |
| At 31st December 2014 | 5,753 | 237 | 13 | 6,003 |
| Depreciation | | | | |
| At 1st January 2013 | 67 | 2 | — | 69 |
| Charge for the year | 90 | 11 | 1 | 102 |
| At 31st December 2013 | 157 | 13 | 1 | 171 |
| Charge for the year | 202 | 33 | 4 | 239 |
| At 31st December 2014 | 359 | 46 | 5 | 410 |
| Net book value | | | | |
| At 31st December 2014 | 5,394 | 191 | 8 | 5,593 |
| At 31st December 2013 | 1,411 | 24 | 5 | 1,440 |
| At 31st December 2012 | 546 | 25 | — | 571 |

| Company | Plant & machinery | Office equipment | Total |
|-----------------------|-------------------|------------------|-------|
| Cost | | | |
| At 1st January 2013 | 576 | 27 | 603 |
| Additions | 955 | 8 | 963 |
| At 31st December 2013 | 1,531 | 35 | 1,566 |
| Additions | 4,185 | 200 | 4,385 |
| At 31st December 2014 | 5,716 | 235 | 5,951 |
| Depreciation | | | |
| At 1st January 2013 | 30 | 1 | 31 |
| Charge for the year | 90 | 11 | 101 |
| At 31st December 2013 | 120 | 12 | 132 |
| Charge for the year | 202 | 33 | 235 |
| At 31st December 2014 | 322 | 45 | 367 |
| Net book value | | | |
| At 31st December 2014 | 5,394 | 190 | 5,584 |
| At 31st December 2013 | 1,411 | 23 | 1,434 |
| At 31st December 2012 | 546 | 26 | 571 |

16 Investment in subsidiaries

| Company | 2014 £'000 | 2013 £'000 |
|-------------------------|---------------|---------------|
| Cost and net book value | | |
| At 1st January | 353 | 253 |
| Additions | 3 | 100 |
| Impairment | (356) | — |
| At 31st December | — | 353 |

Notes to the financial statements

(continued)

16 Investment in subsidiaries (continued)

Company subsidiary undertakings

Details of the Company's subsidiary companies are as follows:

| Subsidiary companies | Equity interests | | Principal activities |
|--------------------------|------------------|-----------|----------------------|
| | 2014 % | 2013 % | |
| Rutland Telecoms Limited | 100.0 | 93.2 | Telecoms provider |
| FTTC Limited* | 100.0 | 93.2 | Telecoms contractor |

The company acquired the remaining shares in Rutland Telecom Limited and FTTC Limited on 30th June 2014 for total consideration of £3,470.

All subsidiary companies are incorporated and operate in England and their financial results are consolidated in the Group's financial information. Rutland Telecoms Limited and FTTC Limited were acquired by the Company in 2011.

*FTTC is a 100% subsidiary of Rutland Telecom Limited and is therefore, indirectly owned.

17 Trade and other receivables

| | Group | | Company | |
|------------------------|---------------|---------------|---------------|---------------|
| | 2014 £'000 | 2013 £'000 | 2014 £'000 | 2013 £'000 |
| Trade receivables | 108 | 36 | 99 | 22 |
| Other receivables | 321 | 98 | 320 | 88 |
| Share capital not paid | — | 30 | — | 30 |
| | 429 | 164 | 419 | 140 |

The Directors believe that the carrying value is an approximation of fair value.

Bad Debt Provision

| | Group | | Company | |
|------------------------------|---------------|---------------|---------------|---------------|
| | 2014 £'000 | 2013 £'000 | 2014 £'000 | 2013 £'000 |
| At 1st January | 10 | 27 | — | — |
| Provision increase | 7 | 2 | — | — |
| Released to income statement | (1) | — | — | — |
| Allowances used | — | (19) | — | — |
| At 31st December | 16 | 10 | — | — |

Aging profile of un-provided trade receivables

| | Group | | Company | |
|-----------------------------|---------------|---------------|---------------|---------------|
| | 2014 £'000 | 2013 £'000 | 2014 £'000 | 2013 £'000 |
| Not past due | 92 | 23 | 91 | 20 |
| Past due 31-90 days | — | 3 | 7 | 2 |
| Past due 91-120 days | — | — | 1 | — |
| Past due more than 120 days | — | — | — | — |
| | 92 | 26 | 99 | 22 |

Notes to the financial statements

(continued)

18 Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and short term fixed deposits. Cash and cash equivalents comprise the following:

| | Group | | Company | |
|----------------------------------|---------------|---------------|---------------|---------------|
| | 2014 £'000 | 2013 £'000 | 2014 £'000 | 2013 £'000 |
| Cash on hand and demand deposits | 5,476 | 1,023 | 5,460 | 1,021 |

19 Share capital

| | 2014 | | 2013 | |
|---|------------|-------|-----------|-------|
| | Number | £'000 | Number | £'000 |
| Allotted, called up and fully paid | | | | |
| Ordinary shares of 0.1p each | — | — | 1,747,725 | 2 |
| Ordinary shares of 1p each | 10,717,339 | 107 | — | — |
| A Ordinary shares of 1p each | 5,586,472 | 56 | — | — |
| | 16,303,811 | 163 | 1,747,725 | 2 |

Details of share options issued during the year and outstanding at 31st December 2014 are set out in the Directors' Report on page 6.

Changes in issued Share Capital and Share Premium:

| | Number of shares | Nominal value £'000 | Share Premium £'000 | Total £'000 |
|---|---------------------|---------------------------|---------------------------|----------------|
| At 31st December 2013: Ordinary shares of 0.1p each | 1,747,725 | 2 | 4,259 | 4,261 |
| Share issues (April, May & June) | 1,688,379 | 2 | 7,563 | 7,565 |
| Bonus Issue (40:1) | 137,444,160 | 137 | (137) | — |
| Consolidation (10:1) | (126,792,237) | — | — | — |
| Share Premium Cancellation | — | — | (5,000) | (5,000) |
| Share issues (December) | 2,215,784 | 22 | 3,891 | 3,913 |
| At 31st December 2014: Ordinary & A Ordinary shares of 1p each | 16,303,811 | 163 | 10,576 | 10,739 |

All of the above shares were issued to finance the ordinary activities of the Group.

Capital and reserves

The Consolidated and Company statements of changes in equity are set out on pages 19 and 20 of this report.

20 Trade and other payables: Amounts falling due within one year

| | Group | | Company | |
|----------------------------------|---------------|---------------|---------------|---------------|
| | 2014 £'000 | 2013 £'000 | 2014 £'000 | 2013 £'000 |
| Trade payables | 616 | 106 | 607 | 78 |
| Other taxation & social security | 101 | 67 | 97 | 65 |
| Other payables | 328 | 247 | 318 | 239 |
| | 1,045 | 420 | 1,022 | 382 |

Notes to the financial statements

(continued)

21 Other payables: Amounts falling due after more than one year

| | Group | | Company | |
|-------------------------------|---------------|---------------|---------------|---------------|
| | 2014 £'000 | 2013 £'000 | 2014 £'000 | 2013 £'000 |
| Loan | 120 | 127 | 120 | 128 |
| Deferred tax liability | 23 | 30 | — | — |
| Share capital treated as debt | — | 45 | — | — |
| | 143 | 202 | 120 | 128 |

In October 2011 the Company entered into an agreement for a £150,000 loan repayable by 2031 at a fixed rate of 5% per year and secured by a charge over the assets acquired to provide broadband services to the residents of Hambleton, Rutland. The balance at 31st December 2014 was £127,500 (2013: £135,000).

The equity treated as debt relates to 45,000 E Ordinary shares in Rutland Telecom Limited. These shares are redeemable and are entitled to a fixed annual dividend. The shares carry no voting rights. The directors consider that these shares are, in substance, more like debt than equity and have been treated as such in these financial statements.

All 45,000 E Ordinary shares were redeemed during the year.

22 Borrowings

| | 2014 £'000 | 2013 £'000 |
|---|---------------|---------------|
| Current | | |
| Other loans | 8 | 8 |
| Total current | 8 | 8 |
| Non-current | | |
| Other loans | 120 | 127 |
| Other financial liabilities (see note 23) | — | 45 |
| Total non-current | 120 | 172 |
| Total Borrowings | 128 | 180 |

23 Other Financial Liabilities

| | 2014 £'000 | 2013 £'000 |
|-------------------|---------------|---------------|
| Preference Shares | — | 45 |

The preference shares are entitled to a fixed rate of return of 5% and carry no voting rights. The substance of the transaction is deemed to be a liability to the Company and has been classified as such.

The preference shares were fully redeemed in May 2014.

Notes to the financial statements

(continued)

24 Share based payments

Share Options

The Company operates both an approved and an unapproved share option plan for the benefit of employees and contractors.

Details of the number of share options and the weighted average exercise price (WAEP) outstanding during the year are as follows:

| | 2014 | | 2013 | |
|--|-----------|-----------|---------|-----------|
| | Number | WAEP £ | Number | WAEP £ |
| Outstanding at the beginning of the year | 619,100 | 0.34 | — | — |
| Granted during the year | 697,000 | 0.93 | 619,100 | 0.34 |
| Lapsed during the year | (87,467) | 0.93 | — | — |
| Exercised during the year | (4,100) | 0.34 | — | — |
| Outstanding at the year end | 1,224,533 | 0.63 | 619,100 | 0.34 |
| Exercisable at the year end | 1,019,533 | 0.59 | 619,100 | 0.34 |

The fair value of options granted was estimated using the Black-Scholes pricing model, the inputs to which were as follows:

Share options outstanding at 31st December 2014 had a weighted average exercise price of 63 pence (2013: 34 pence) and a weighted average contractual life of 8.1 years (2013: 8.4 years). The expected volatility was 32% and the risk free rate used was 2.05%, giving a fair value at date of grant of £817,000.

At 31st December 2014 the total number of options over ordinary shares outstanding was as follows:

| Exercise period | Number | Weighted average exercise price (pence) |
|-----------------------------|-----------|--|
| Exercisable until 2023 | 1,224,533 | 63 |
| Exercisable at the year end | 1,019,533 | 59 |

The Directors' report, under the section "Share capital, options and warrants", provides further details.

25 Exceptional items

During the year the Group explored the possibility of raising additional equity capital by seeking an admission to London's Alternative Investment Market (AIM).

Legal, professional and accountancy fees of £451,000 were incurred as part of this process.

In mid-October 2014, during a period of significant global stock market volatility, the Director's decided not to proceed with the admission.

Accordingly the Directors' have recorded these costs, separately, as an Exceptional Item as defined by accounting standards.

26 Financial risk management

Financial risk management objectives and policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's business whilst managing its risks. The Group does not engage in speculative transactions or hedging transactions.

The Group's principal financial instruments consist of cash and cash equivalents and loans. The main purpose of these financial instruments is to finance the Group's operations. The Group has other financial instruments such as trade receivables and trade payables that arise directly from its operations.

Notes to the financial statements

(continued)

26 Financial risk management (continued)

The Directors have overall responsibility for the establishment and oversight of the Group's risk management and they recognise that financial risk management is an area in which they may need to develop specific policies should the Group become exposed to further financial risks as the business develops. The Directors currently ensure that the Group has sufficient cash and cash equivalents to ensure there is sufficient reserves to support the business operations. The exposure to other financial instruments are limited to those generated through the operations and borrowings.

The main risks arising from the Group's financial instruments are credit risk, interest rate risk, currency risk, liquidity risk, and market price risk. This note presents information about the Group's exposure to each of these risks. The Board reviews and agrees policies for managing each of these risks as and when they arise. Further quantitative disclosures are included throughout the financial information.

There has not been any material changes in respect of the exposure to financial risks during the periods presented.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer fails to meet its contractual obligations. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Group provides credit to customers in the normal course of business. The Group provides its services to a range of customers in England and Wales and therefore believes it has no material concentration of credit risk. Management has a credit policy in place and the exposure to the credit risk is monitored on an ongoing basis. Appropriate credit limits are set and credit evaluations are performed on all customers requiring credit facilities. Sales exceeding credit limit or outstanding remains beyond the stipulated terms will be subject to credit hold.

Market price risk

Market price risk is the risk that changes in market prices such as foreign exchange and interest rates will affect the Group's income. The Directors do not consider market price risk to be a material risk to the Group.

Interest rate risk

The Group has interest bearing financial liabilities. The Group is exposed to interest rate risk on the loan facilities and cash balances. The Directors monitor the interest rate of credit facilities offered by the financial institutions on a monthly basis. The Directors do not consider this to be an exposure to interest rate risk as the loans are at a fixed rate of interest.

Currency risk

The Group's operations are entirely in the United Kingdom resulting in minimal exposure to currency risk. No sensitivity analysis of currency risk has therefore been shown.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. As part of its overall prudent liquidity risk management, the Group actively manages its operating cash flows and the availability of funding through an adequate amount of committed credit facilities and ability to close out market positions.

Fair values of financial assets and liabilities

It is the Directors' opinion that the carrying values of the Group's and the Company's financial assets and liabilities as at 31st December 2014 and 31st December 2013 are not materially different from their fair values. They have therefore not been shown separately.

27 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders, benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital with an appropriate level of leverage for the size of the business so as to maintain investor, creditor and market confidence and to sustain future development of the business. In order to maintain or adjust the capital structure, the Group may return capital to shareholders, issue new shares or sell assets to reduce debt. There have been no changes to the Group's approach to capital management during the period ended 31st December 2014.

The Group's capital structure comprises all components of equity (i.e. share capital, share premium, retained losses and other reserves and as at 31st December 2014 this amounted to £10,497,000 (2013: £2,155,000).

Notes to the financial statements

(continued)

28 Related parties

Transactions with key management personnel

Key management personnel of the Group are defined as those persons having authority and responsibility for the planning, directing and controlling the activities of the Group, directly or indirectly. Key management of the Group are considered to be the Directors of Gigaclear plc, details of their remuneration are scheduled in note 9.

In the year to 31st December 2013, Matthew Hare, a director, provided the group with a loan of £100,000 which was repaid in full in the year. The loan was unsecured, interest free and repayable on demand.

Telecoms Guarantee Limited

In the year to 31st December 2013 the Group paid £5,000 to Telecoms Guarantee Limited, a company owned by Matthew Hare, a Director, but which is not part of the Group.

Telecoms Guarantee Limited was incorporated to hold sums required by law to be deposited outside of the Group to ensure that appropriate guarantees are in place to cover the Group's obligations to repair and make good any roads dug up during the building of the networks. In the event that a contractor fails to honour its obligation to repair and make good, sums held by Telecoms Guarantee Limited can be applied for this purpose.

During the year to 31st December 2014 a further £32,500 was paid. As at 31st December 2014 the total amount paid was £37,500.

29 Commitments and contingencies

a) Capital commitments

The Group had no capital commitments at 31st December 2013 or 2014.

b) Operating lease commitments

The Group does not lease assets under non-cancellable operating lease agreements.

c) Contingent liabilities

The Group had no contingent liabilities at 31st December 2013 or 2014.

30 Post balance sheet events

On 30th December 2014 the Company signed an investment agreement with Forward Internet Group Limited for the purchase of 1,412,430 ordinary shares in two tranches.

A total of 706,215 ordinary shares were issued on 3rd February 2015 and a further 706,215 are available for issue, subject to certain conditions, by 30th June 2015.

On 20th February 2015 a further 15,299 Ordinary shares were issued by the board.

31 Transition to IFRS

This is the first time that the Group has presented its consolidated financial information under IFRS. The accounting policies above have been applied in preparing the financial information for the period ended 31st December 2013.

An explanation of how the transition from UK GAAP to IFRS has affected the Group's financial position, financial performance at 31st December 2013 being the Group's most recent annual financial statements prepared in accordance with UK GAAP is set out in the following table and notes. The transition to IFRS had no impact on the Group's cash flows at 31st December 2013.

Notes to the financial statements

(continued)

31 Transition to IFRS (continued)

Reconciliation of total comprehensive income for the year ended 31st December 2013

| | Year ended 31st December 2013 £'000 | Adjustment 1 £'000 | Adjustment 2 £'000 | Year ended 31st December 2013 £'000 |
|---------------------------------|--|-----------------------|-----------------------|--|
| Continuing operations | | | | |
| Revenue | 421 | — | — | 421 |
| Cost of sales | (467) | — | — | (467) |
| Gross profit | (46) | — | — | (46) |
| Operating expenses | (1,088) | — | — | (1,088) |
| Share-based payments | — | — | (483) | (483) |
| Operating loss | (1,134) | — | (483) | (1,617) |
| Finance income | 10 | — | — | 10 |
| Finance costs | (19) | — | — | (19) |
| Net finance (costs)/income | (9) | — | — | (9) |
| Loss before taxation | (1,143) | — | (483) | (1,626) |
| Income tax | — | 7 | — | 7 |
| Loss for the year | (1,143) | 7 | (483) | (1,619) |
| Other comprehensive income | — | — | — | — |
| Total comprehensive loss | (1,143) | 7 | (483) | (1,619) |
| Loss attributable to: | | | | |
| Equity owners of parent company | (1,182) | 52 | (483) | (1,613) |
| Non-controlling interest | 39 | (45) | — | (6) |
| | (1,143) | 7 | (483) | (1,619) |

Adjustments:

1. De-recognition of previously recognised goodwill leading to the reversal of amortisation charged as an administrative expense under UK GAAP and recognition of an intangible asset leading to amortisation being charged under IFRS.

The recognition of the intangible asset led to a deferred tax liability being recognised under IFRS. The income tax credit represents the movement in the deferred tax liability during the year as a result of the amortisation of the intangible asset and changes in the rate of corporation tax that the Group is subject to.

2. Recognition of a share based payment charge in accordance with IFRS 2 not previously recognised under UK GAAP as previously prepared in accordance with the Financial Reporting Standard for Smaller Entities (FRSSE).

Notes to the financial statements

(continued)

31 Transition to IFRS (continued)

Reconciliation of equity at 31st December 2013

| | As at 31st December 2013 £'000 | Adjustment 1 £'000 | Adjustment 2 £'000 | Adjustment 3 £'000 | Adjustment 4 £'000 | As at 31st December 2013 £'000 |
|--|---|-----------------------|-----------------------|-----------------------|-----------------------|---|
| Assets | | | | | | |
| Non-current assets | | | | | | |
| Intangible assets | — | 152 | — | — | — | 152 |
| Goodwill | 159 | (49) | (110) | — | — | — |
| Property, plant & equipment | 1,441 | — | — | — | — | 1,441 |
| | 1,600 | 103 | (110) | — | — | 1,593 |
| Current assets | | | | | | |
| Inventories | 6 | — | — | — | — | 6 |
| Trade and other receivables | 164 | — | — | — | — | 164 |
| Cash and cash equivalents | 1,023 | — | — | — | — | 1,023 |
| | 1,193 | — | — | — | — | 1,193 |
| Total Assets | 2,793 | 103 | (110) | — | — | 2,786 |
| Liabilities | | | | | | |
| Current liabilities | | | | | | |
| Trade and other payables | 421 | — | — | — | — | 421 |
| Borrowings | 8 | — | — | — | — | 8 |
| | 428 | — | — | — | — | 428 |
| Non-Current liabilities | | | | | | |
| Borrowings | 173 | — | — | — | — | 173 |
| Deferred tax liabilities | — | 30 | — | — | — | 30 |
| | 173 | 30 | — | — | — | 203 |
| Total Liabilities | 601 | 30 | — | — | — | 631 |
| Net (liabilities)/assets | 2,192 | 73 | (110) | — | — | 2,155 |
| Equity attributable to owners of the parent | | | | | | |
| Share capital | 2 | — | — | — | — | 2 |
| Share premium | 4,259 | — | — | — | — | 4,259 |
| Share-based payment reserve | — | — | — | — | 483 | 483 |
| Retained losses | (2,050) | 129 | (110) | (64) | (483) | (2,578) |
| | 2,211 | 129 | (110) | (64) | — | 2,166 |
| Non-controlling interests | (19) | (56) | — | 64 | — | (11) |
| Total equity and reserves | 2,192 | 73 | (110) | — | — | 2,155 |

Adjustments:

1. De-recognition of previously recognised goodwill and related amortisation under UK GAAP and recognition of an intangible asset and related amortisation under IFRS. The recognition of the intangible asset also led to the recognition of a deferred tax liability under IFRS.
2. Impairment of goodwill under IFRS as at 31st December 2013.
3. Adjustment to non-controlling interest following acquisition of a further 14.5% of shares in Rutland Telecom to take the Company's stake to 93.2%.
4. Recognition of a share based payment charge in accordance with IFRS 2 not previously recognised under UK GAAP in accordance with the FRSSSE.