

Gigaclear plc

Annual Report and Accounts 2017



Contents

Directors and advisers	1	Consolidated statement of comprehensive income	17
Chairman's statement	2	Consolidated statement of financial position	18
Strategic report	4	Company statement of financial position	19
Directors' report	7	Consolidated statement of cash flows	20
Remuneration report	12	Company statement of cash flows	21
Statement of Directors' responsibilities in respect of the Annual report, Strategic report, the Directors' report and the financial statements	14	Consolidated statement of changes in equity	22
Independent auditors' report	15	Company statement of changes in equity	23
		Notes to the financial statements	24

Directors and advisers

Company registration number

07476617

Registered office

Windrush Court
Abingdon
Oxon
OX14 1SY

Directors

Charles McGregor (Non-Executive Chairman)
Matthew Hare
Eddie Minshull
Massimo Prelz-Oltromonti Resigned 1st August 2017
Stephen Nelson
Michele Armanini Appointed 4th May 2017
Katherine Innes Ker Appointed 1st August 2017
Brett Shepherd Appointed 1st August 2017
David Smyth Appointed 26th January 2018

Secretary

Oakwood Corporate Secretary Limited
3rd Floor
1 Ashley Road
Altrincham
Cheshire
WA14 2DT

Auditors

KPMG LLP
15 Canada Square
London
E14 5GL

Registrars

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

<http://www.gigaclear.com>

Chairman's statement

I am pleased to report that 2017 saw significant growth and development, meaning that we begin 2018 in a much stronger position than ever before.

With the support of our shareholders, in May 2017 we completed a funding round which secured £111m of new net equity, in the process attracting an important new shareholder, Railways Pension Investments Limited ("Railpen"). This new equity allowed us to accelerate our growth across the business, win new BDUK contracts and engage with large Tier 1 build contractors.

Network Build

By the end of 2017, our network passed more than 58,000 properties, a 66% increase over the year, whilst customer numbers increased 76% to 14,552.

Our build pipeline also increased, mainly thanks to winning new BDUK contracts, including in Fastershire, Essex and Northamptonshire. Our total contracted areas now represent over 250,000 properties and almost 17,000kms of dig, driving a further acceleration in build activities during 2018 and 2019.

Our network coverage was enhanced in December with the acquisition of the assets of Aylesbury Vale Broadband (AVB). This company was a small council-supported fibre provider in rural Buckinghamshire which had built a network passing 1,061 properties (of which 919 were ready for service) and serving 237 customers.

AVB's network sat between two parts of our own network and improves the contiguity of Gigaclear's network as well as increasing our physical network coverage. Having bought the assets of AVB on 30th December 2017, we can integrate the two networks to enable us to migrate their customers onto the Gigaclear network. The purchase price remains commercially confidential, but I am pleased to confirm that the price paid represents a discount to our average net CPPP (Cost per Property Passed).

Regulatory

2017 was also an important year from a Regulatory and PR perspective. The company is closely engaged with key industry bodies and, whilst our argument on the use of the word 'Fibre' in advertising was not accepted by the ASA, we strengthened our position and reputation in the market through close engagement with Ofcom and Government. Gigaclear is widely seen as the leading full fibre operator in the country and an influential voice in the development of the UK market.

We continue to use this position to support our view of the inevitable move towards a full-fibre infrastructure in the UK and are encouraged that this message is gaining momentum. Recent announcements from some of the large UK operators indicate that our belief in full-fibre is shared more widely than before and we welcome the investment that the technology is attracting. The UK still lags significantly behind the rest of Europe when it comes to FTTP coverage and Gigaclear, as a 100% FTTP operator, is playing a significant role in shaping industry debate whilst securing its' own position.

Management and Board

To deliver its' clear vision, your company has a strong Management Team and Board and there were some important changes during 2017.

Following completion of the funding round, on 4th May, Michele Armanini was appointed as the second Investor Director representing Infracapital.

On 1st August 2017, Massimo Prelz-Oltromonti resigned from the Board having served 3 years. We thank Massimo very much for his strong contribution during his tenure.

Your Board is fully committed to provide independent governance and so we were pleased to be able to appoint Katherine Innes Ker to the Board as a non-executive director. Katherine joined the Board on 1st August 2017 and brings impressive experience and gravitas.

I am also pleased to report that Brett Shepherd (COO) was added to the Board of Directors on 1st August 2017.

David Smyth was appointed CFO on 3rd July 2017. As at 31st December 2017 he was not a member of the Board of Directors but was appointed on the 26th January 2018.

Results

The Group generated revenue of £7.4m (2016: £3.5m) and made a consolidated loss for the year of £13.7m (2016: loss of £10.7m). The increase in overheads was lower than budget and was attributable mainly to higher customer acquisition costs, increased headcount (together with office and other associated other costs), increased depreciation following the network deployment and the finance costs associated with the EIB loan taken out in 2016.

The increase in headcount (rising from 152 at the end of 2016 to 206 at the end of 2017) was across all areas of the business, as we recruited resource to manage the network build and customer growth.

The Directors do not recommend the payment of a dividend for the 2017 year (2016: nil).

Funding

The company is well positioned to accelerate its' rollout and growth during 2018. Our plans of course require additional funding and Rothschild have been appointed to lead and advise the company in this regard. At the time of writing, the company's largest shareholder (Infracapital (GC)) has published an offer to purchase the shares of the company that it does not already own. A General Meeting of shareholders has been convened for 13th April 2018 to vote on a proposal to dis-apply the existing pre-emption rights, hence making it easier for all shareholders to sell into the offer should they choose to do so.

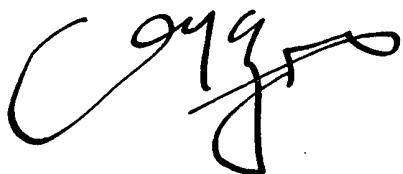
Chairman's statement

(continued)

The Board published its' recommendation in respect of the offer on 4th April 2018, on balance, suggesting that shareholders should consider accepting the offer. We expect the offer to be declared unconditional on or around 16th April 2018.

Conclusion

2017 was a year of significant growth for Gigaclear. We now pass 58,000 properties, have 15,000 customers and over 200 employees. We are greatly encouraged by the accelerating movement in the industry towards full fibre (FTTP) networks and believe that we have built Gigaclear into a key and influential operator in the market. Much remains to be done and your company is fully focused on expanding its' position as quickly as possible.

A handwritten signature in black ink, appearing to read 'C McGregor', with a stylized flourish at the end.

Charles McGregor
Non-Executive Chairman

10th April 2018

Strategic report

Our business

Gigaclear is building and operating the UK's largest fibre-to-the-premises broadband network focusing on delivering gigabit-speed broadband to rural communities. We select network areas on a commercial basis, where demand is expected to be high, often as a consequence of the incumbent networks providing speeds which are insufficient for customer requirements.

Our network build costs reflect the rural nature of the areas we cover but conversely, we expect limited competition at a technology / network level in these areas. This allows us to plan for customer penetration reaching 60% in time, maintain low churn and achieve modestly average revenue per customer (ARPU). In our more mature networks, these assumptions have proven to be realistic.

The company accelerated its' growth during 2017. The number of properties our network passes grew from 16,000 at the end of 2015, to 35,000 at the end of 2016 and 59,000 by the end of 2017. More importantly, the number of properties which are fully connected (i.e. "ready for service") increased from 13,000 at end 2015, to 31,000 at end 2016 and 53,000 at the end of 2017.

Over the same periods, customer numbers grew from 3,500, through 8,300 (2016) to 14,500 (2017) and on 30th January 2018, we connected our 15,000th customer.

Network Build

The company plans to increase the rate of growth three-fold in 2018, underpinned by our BDUK pipeline which has 250,000 properties committed for build over the next few years.

Such operational growth brings quite significant challenges, not least contracting with and mobilising build partners. Much effort went into this during 2017. As you may recall, the company took the decision in the first half of 2017 to focus on the larger (Tier 1) contractors. Whilst they were expected to be more expensive than smaller, local firms, they would take on much of the working capital and cost over-run risks and could mobilise many more teams across a wider geographic build area.

This logic has proven to be correct albeit that it has taken longer to get to contract than we had anticipated. For obvious reasons, we spent longer than anticipated mitigating potential risks and, following a lot of work and negotiation, in 2017 we signed contracts with Carillion telent (now telent) and Complete Utilities. This focus has continued into 2018 with contracts signed with MGM, CCN Communications and John Henry Group. We continue discussions with other potential contractors as we ramp up our build capability.

It is worth confirming that Gigaclear has no financial exposure to the collapse of Carillion, though the uncertainty has not helped rollout. However, telent have now assumed responsibility for the Carillion telent work in CDS (Conecting

Devon and Somerset) and other contractors are in the process of being appointed to build in the region.

Our focus on accelerating network build has a simple logic. The UK's copper wire infrastructure is nearing the end of its' life and optic fibre is the technology which will replace it. To date, the UK has been very slow to make the investment necessary, and ranks close to the bottom of all European countries in terms of full fibre rollout. Industry, Government and consumers all recognise that UK plc must accelerate its' deployment and the momentum to do so is building. Recent commercial tie-ups confirm this.

The more extensive a network Gigaclear can build over the next few years the greater will be our market share in our target areas and the greater our retail and wholesale opportunities.

Sales and Marketing

We continue to sell directly to customers in our build areas and, to a small degree so far, through independent ISPs. As our network expands it is attracting the interest of larger ISPs and we expect that this will become a greater proportion of sales in due course.

In the meantime, Gigaclear uses a combination of online, field, telesales and specialist sales channels for the majority of its' new connections.

As we seek to build market share within the areas we operate, we are aware of the importance of marketing. From educating the market on the lifestyle benefits of fibre-enabled broadband, to building brand awareness and trust through to designing the tariff plans that will optimise the balance between customer uptake and revenue, the role marketing plays is vital and was a core focus for us, especially in the latter part of 2017.

A number of marketing initiatives were trialled during 2017, including waiving installation costs, hence reducing the upfront cost to new customers. This accelerated customer growth and helped us to better understand customer behaviours, and barriers to adoption.

An interim Chief Marketing Officer has been appointed to build on this activity and recruitment for a permanent CMO is underway.

Financial results

The Group generated revenue of £7.4m (2016: £3.5m), generated through sales in new network areas and increasing our penetration across more mature networks.

The consolidated operating loss for the year was £13.1m (2016: £10.8m) with the increase in overheads (which was lower than budget) attributable mainly to higher customer acquisition costs, increased headcount (with office and other associated costs) and increased depreciation following the network deployment.

Strategic report

(continued)

After paying net finance costs of £0.6m (2016: positive £0.1m) associated with the EIB loan taken out in 2016, the consolidated loss for the year was £13.7m (2016: loss of £10.7m).

The balance sheet remains well capitalised with net assets at the year end of £99.1m (2016: £50.1m). This of course was driven by the fund raising completed in May 2017 (of which £63m was drawn during the year) and its' subsequent investment in new network build.

Cash at 31st December 2017 was £35.9m (2016: £20.8m) with £48m yet to be drawn under tranches 2 to 4 of the 2017 funding round.

You will be aware that shareholders were asked to approve a cancellation of the share premium account, which at the end of November 2017 stood at £127.4m. I am pleased to confirm that this proposal was unanimously approved by shareholders at the General Meeting on 19th December 2017 and by the court on 30th January 2018. The change therefore became effective at the end of January 2018.

Key performance indicators

The Group tracks a number of key performance indicators in the management of its business, which include:

- Cost per property passed: The cost of building past each property in the network
- Average revenue per customer: Excluding VAT

Build rate: The speed at which fibre networks are built and customers connected

Our market

It is widely recognised that demand for faster broadband continues to increase rapidly. Developments such as higher quality devices, cloud-based services, download and streaming services are all contributing to an increased demand for bandwidth and over time, consumers become increasing aware of the limitations of their existing service.

There are of course early adopters who need or want the latest technology available and tend to take our service within the first twelve months of launch. 20% - 25% of people within our network areas fall into this category.

Beyond these early adopters, we have been increasingly successful at attracting other new customers across our more mature networks and grew penetration across all those areas by 4.9% in the second half of 2017. This is slightly ahead of our business plan assumption. More marketing activity is scheduled for these areas throughout 2018 and beyond.

However, whilst this is important, and a strong validation of our business, we see it as just the beginning. Gigaclear believes that what some commentators

today call superfast, or even ultrafast, will not be fast enough for most people in the years ahead. By building a pure fibre network, unconstrained and uncontended, Gigaclear is building a network to deliver the future needs of large sections of the rural population

This has already translated into increased revenue and an upward trend in the value of connections. 2017 saw a steady increase in the number of customers joining or upgrading to the higher tier tariff packages. From 36.5% in January 2017, the number of customers on tariffs other than the lowest level package grew consistently, reaching 44.9% in December.

This trend had a direct impact on underlying average revenue per customer (ARPU) which increased 3.5% over the year (excluding the impact of tariff rises).

This is significant. It supports our belief that the full-fibre market will following similar patterns to other new technologies such as mobile and that will translate into higher penetration, ARPU and returns for our shareholders.

Industry Developments

This confidence is being borne out in the market with most of the large Telcos announcing significant investment plans and / or strategic alliances to extend their full-fibre networks within their own areas of geographic focus.

Management

The Company has a strong management team who bring extensive Telecoms experience to the company. During the year we added a Sales Director, CFO, Project Delivery Director, Head of HR and Interim Chief Marketing Officer to the senior team, plus a range of supporting management and staff.

Principal risks and uncertainties

General

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

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

Strategic report

(continued)

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. There may be communities where the Company has already built its own FTTP networks where it is economically viable for BT to upgrade its copper based services to these communities, thereby potentially reducing penetration in the medium term 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 fixed 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.

Expenditure and funding

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.

Currency risk

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

Likewise, being a UK-focused business, we expect little impact of Brexit on operations. We do import some key equipment from the EU but more from outside the EU, and believe that any tariff impact from moving to trade on WTO rules will be minimal. However, we do have highly-valued staff from around Europe and beyond and it is the company's intention to support them in any way that may be necessary.

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 is engaging in a new funding round based on the expected cash requirements of the business.

IT Systems and data

The Group uses a wide range of IT systems and holds data on its customers and employees. We take seriously the security of our systems and the data they contain and take steps to protect them and to educate our people on what they should do to support this security. However a serious breach to our systems or the compromising of the data within these systems could cause severe disruption to our operations and could expose the business to fines from regulators and damage to the company's reputation.

Risk mitigation

To reduce the risk of investment, we build community by community each with a financial appraisal to assess the attractiveness of the investment. We have planning and modelling tools which allow us to accurately estimate the cost of build and likely level of demand for each community. Customer engagement in built networks is high, with take-up growing steadily (now averaging at 32.5%) and customer losses of less than four per cent per annum. In BDUK rural broadband challenge areas, the risk is mitigated by the grants received and the reduced risk of competition from alternative superfast services.

The future

We previously estimated that there were approximately 1.5 million properties, located in or adjacent to our areas of operation, and which meet our criteria for investment.

This remains true but when we take look more widely across the UK, that number significantly increases.

We know that the current BDUK programme in England is nearing the end of its' life and that BDUK are considering what their next steps should be to improve broadband speeds in rural areas. We are engaged with them in these discussions.

We still expect that over time BT and other providers may build FTTP, FTTC or G.Fast networks to a proportion of our 'target' communities, in which case the financial investment may be more difficult to justify.

However, we do keep our options open and review opportunities in a way which is consistent with the Company's strategy and which could deliver attractive returns for shareholders.



Matthew Hare
Chief Executive
10th April 2018

Directors' report

The Directors present their annual report and the audited consolidated financial statements for the year ended 31st December 2017.

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)
Matthew Hare
Eddie Minshull
Massimo Prelz-Oltramonti *Resigned 1st August 2017*
Stephen Nelson
Michele Armanini *Appointed 4th May 2017*
Katherine Innes Ker *Appointed 1st August 2017*
Brett Shepherd *Appointed 1st August 2017*

Biographic details

Charles McGregor, *Independent Non-Executive Chairman (age 60)*

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 Moore's University. After a brief period working in the finance sector, Charles settled into telecom sales. Prior to Fibernet, Charles spent six years working in 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. Charles was appointed as a Non-Executive Director of the Company and as Chairman on 16th May 2014.

Matthew Hare, *Chief Executive (age 55)*

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).

Eddie Minshull, *Independent Non-Executive Director (age 59)*

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.

Stephen Nelson, *Non-Executive Director (age 55)*

Stephen is head of Asset Management at Infracapital, a specialist infrastructure fund owned by Prudential plc with over £2bn funds under management. Prior to joining Infracapital, Stephen spent more than 15 years on operating and main boards encompassing transport infrastructure, supermarkets, and brewing, having begun his career in strategy consulting. Stephen was Group Chief Executive of BAA Ltd between 2006 and 2008 when it was the UK's leading owner and operator of airports including Heathrow, Gatwick and Stansted. Before this he was Group Retail Director at BAA.

Stephen has also served as Group Marketing Director and Group Trading Director at J. Sainsbury plc, Managing Director of Guinness Great Britain and as a Non-Executive Director of the Office of Rail Regulation.

Katherine Innes Kerr, *Independent Non-Executive Director (age 57)*

Katherine has extensive executive and non-executive experience in helping to grow successful and dynamic organisations and is a former City Financial Analyst.

Held many previous non-executive directorships including St Modwen Properties plc, Victoria plc, Taylor Wimpey plc, Taylor Woodrow plc, The Television Corporation plc, Fibernet plc, Williams Lea plc, Shed Media plc and Gyrus Group plc. Katherine was appointed as an Independent Non-Executive Director on 1st August 2017.

Directors' report

(continued)

Brett Shepherd, Chief Operating Officer (age 45)

Brett has 15 years operational and consultancy experience at ISPs on strategy and implementation of new networks, with experience at both operations and board level in Claranet, Fujitsu and Airwave.

His role at Gigaclear encompasses business operations including network design and build, market intelligence.

Brett was appointed to the Board of Directors as Chief Operating Officer on 1st August 2017.

Michele Armanini, Non-Executive Director (age 38)

Michele is a Greenfield Director at Infracapital and has extensive experience of the investment in and development of greenfield infrastructure businesses.

He has past experience of investing in infrastructure at 3i, Barclays Infrastructure and SMBC.

Michele was appointed a Non-Executive Director on 4th May 2017.

Share capital, options and warrants

As at 31st December 2017 and 31st December 2016 the Company had the following number of shares, share options and warrants in issue or committed:-

Share class	31st December 2017	31st December 2016
Issued Ordinary shares	17,193,382	12,577,997
Issued A Ordinary shares	45,445,455	30,232,474
Share options granted	3,764,646	3,273,679
Share options committed	—	—
Fully diluted share capital	66,403,483	46,084,150

Issued share options are held by the following Directors:

Name	Exercise price (£)	Vesting period	Expiry date	31st December 2017	31st December 2016
C McGregor	1.12	Vested	31/08/2024	24,600	24,600
C McGregor	1.77	3 years to 2nd Mar 2018	03/03/2025	9,000	9,000
M Hare	1.77	3 years to 2nd Mar 2018	03/03/2025	60,000	60,000
M Hare	2.00	3 years to 9th Mar 2019	08/03/2026	90,000	90,000
M Hare	2.95	3 years to 14th Dec 2019	13/12/2026	50,000	50,000
M Hare	3.25	3 years to 23rd Aug 2020	22/08/2027	186,900	-
E Minshull	1.12	Vested	31/08/2024	24,600	24,600
E Minshull	1.77	3 years to 2nd Mar 2018	03/03/2025	9,000	9,000
B Shepherd	2.70	3 years to 1st Jul 2019	30/06/2026	120,000	-
B Shepherd	2.95	3 years to 14th Dec 2019	13/12/2026	150,000	-
B Shepherd	3.25	3 years to 23rd Aug 2020	22/08/2027	160,200	-
Total Issued				884,300	267,200

On the date of grant the exercise price is equivalent to the share price.

*Market price at the time of exercise was £2.95

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.

32,800 options were exercised during the year ended 31st December 2017 (2016: 140,533 exercised).

Substantial shareholders' and Directors' interests in shares

At 31st December 2017, 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
Infracapital (GC) SLP LP	25,809,263	41.20%
CF Woodford Equity Income Fund	10,022,369	16.00%
Railway Pension Investments Limited	9,230,768	14.74%
Woodford Patient Capital Trust plc	6,940,244	11.08%
Matthew Hare	3,365,957	5.37%

Directors' report

(continued)

The Directors had the following interests in shares of the Company as at 31st December 2017:

Director	Number of shares	% of the issued share capital
C McGregor	62,440	0.10%
M Hare	3,365,957	5.37%
E Minshull	48,563	0.08%
Total	3,476,960	5.55%

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 25 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.

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.

Directors' report

(continued)

The Board of Directors currently comprises four Non-Executive Directors and one Executive Director. 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 at least once 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 Charles McGregor (Chairman) and Eddie Minshull.
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 Stephen Nelson (Chairman), Eddie Minshull and Katherine Innes Ker.

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 twice a 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 company's business activities, together with the factors likely to affect its future development, performance and position and in particular the principal risks and uncertainties over expenditure and funding and liquidity risk are set out in the Strategic Report set out on pages 4 to 6.

Whilst the new network areas and increased penetration increased revenue from £3.5m to £7.4m, the Group incurred a loss of £13.7m as it continues to invest in key management, back office, sales and marketing and identifying and contracting with build partners. The directors have prepared a business plan through to 2023 with detailed profit and loss and balance sheet projections through to the end of 2019. Whilst further investment in these areas is expected in 2018, the Directors expect that the group will have positive EBITDA in 2019. As at 31 December 2017, the Group had cash balances of £35.9m (31 March 2018: £38.5m) with a further £48m that can be drawn from the 2017 funding round. Significant funding is required to build new networks. It is the Group's policy not to commence build on a new network until sufficient funding for that network is in place. Along with funding working capital and £0.6m of capital repayments on the EIB loan that are due during 2018, it is expected that the majority of cash held at the year end and the remainder of the 2017 funding will be used to build further networks. As at 31 December 2017, the Group had capital commitments of £20.8m to build out existing networks. To continue with its planned build programme of additional networks, the Director's projections show that further funding will be required during quarter three of 2018.

In prior periods, such funding had been made available by existing and new investors. As part of Infracapital's offer to acquire the business (see note 30 for further details), which is subject to shareholder approval, they have stated their intent to act as a financial investor and ensure that the business has sufficient working capital to deliver its medium term growth plans. It is therefore expected, should the sale of the shares to Infracapital proceed, that Infracapital will provide sufficient funding to allow the Group to continue with its growth plans.

Directors' report

(continued)

Going concern (continued)

Should the offer to acquire the business not proceed, given previous fund raising rounds and feedback received to date, the directors are confident that such funding will be made available by existing and new investors.

However, 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.

As a result of the above, the directors have a reasonable expectation that the company will have adequate resource to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

Environmental policy

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.

Our policy is to:

- 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.

Disclosure of information to auditor

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

Auditor

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

Annual General Meeting

The 2018 Annual General Meeting will be held at the offices of Gigaclear plc, Windrush Court, Abingdon, Oxfordshire OX14 1SY, at 1.00pm on 31st May 2018.

The notice of meeting, explanatory notes and a form of proxy will be mailed to all shareholders in May.

On behalf of the Board



Matthew Hare
Director

10th April 2018

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 2017 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 2017 are, 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 has a service contract with the Company with the following key terms:

Commencement	1st July 2017
Duration	3 years
Fees	£40,000 per annum
Notice	3 months, either side

Eddie Minshall has a service contract with the Company with the following key terms:

Commencement	1st July 2017
Duration	3 years
Fees	£28,000 per annum
Notice	3 months, either side

Katherine Innes Kerr has a service contract with the Company with the following key terms:

Commencement	1st August 2017
Duration	3 years
Fees	£28,000 per annum
Notice	3 months, either side

Prior to renewal Charles McGregor and Eddie Minshall had 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 had the same key terms until his resignation on the 1st August 2017.

Remuneration report

(continued)

Infracapital (GC) SLP LP, as part of its investment in the Company, has the right to appoint an Investor Director to the Company's Board of Directors and receive a Director's fee in the same amount as that paid by the Company to any other Non-Executive Director.

On 1st May 2017 Michele Armanini was appointed as a Non-Executive Director, represented Infracapital (GC) SLP LP.

During the year a total fee of £40,000 was paid to M&G Investment Management Limited on behalf of Infracapital (GC) SLP LP for the services of Stephen Nelson and Michele Armanini.

Matthew Hare and Brett Shepherd have employment contracts with the Company with the following key terms:

	Matthew Hare	Brett Shepherd
Commencement	1st January 2016	1 st August 2017
Salary & Car Allowance	£164,085 per annum	£142,900 per annum
Bonus	Up to £60,000	Up to £40,000
Notice	6 months, either side	6 months, either side

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

Directors' remuneration is set out below:

	2017					2016
	Salaries & fees £'000	Bonuses £'000	Pension £'000	Share based payment £'000	Total £'000	Total £'000
Executive Directors						
M Hare	165	54	2	117	338	241
B Shepherd (appointed 1st August 2017)	60	9	1	249	319	—
S Bullock (resigned 30th September 2016) ¹	—	—	—	—	—	255
Non-Executive Directors						
C McGregor	32	—	—	1	33	26
E Minshull	26	—	—	1	27	26
M Prelz-Olttramonti (resigned 1st August 2017)	15	—	—	(36)	(21)	26
Katherine Innes Kerr (appointed 1st August 2017)	12	—	—	—	12	—
S Nelson (M&G Investment Management Ltd) ²	24	—	—	—	24	24
M Armanini (appointed 4th May 2017, M&G Investment Management Ltd) ³	16	—	—	—	16	—
Total	350	63	3	332	748	598

Simon Bullock exercised no share options during the year (2016: 140,533).

Matthew Hare exercised 32,800 share options during the year (2016: None)

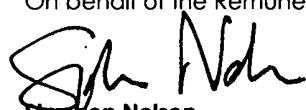
¹ Fees payable to Simon Bullock in 2016 include £32,000 in respect of compensation for loss of employment.

² Fees payable to M&G Investment Management Limited on behalf of services provided by Stephen Nelson.

³ Fees payable to M&G Investment Management Limited on behalf of services provided by Michele Armanini.

Details of share options are given in note 24.

On behalf of the Remuneration Committee


Stephen Nelson
 Chairman

10th April 2018

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

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

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they have elected to prepare both the group and the parent company financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

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

Independent auditor's report

To the members of Gigaclear plc

We have audited the financial statements of Gigaclear plc ("the company") for the year ended 31 December 2017 which comprise the Consolidated statement of comprehensive income, the consolidated statement of financial position, the company statement of financial position, the consolidated statement of cash flows, the company statement of cash flows, the consolidated statement of changes in equity and company statements of changes in equity and related notes, including the accounting policies in note 4.

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 2017 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge.

Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 14, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

Independent auditor's report

To the members of Gigaclear plc
(continued)

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.

Kate Teal

Kate Teal (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory
Auditor Chartered Accountants
15 Canada
Square
London
E14 5GL

11th April 2018

Consolidated statement of comprehensive income

For the year ended 31st December 2017

	Notes	2017 £'000	2016 £'000
Continuing operations			
Revenue		7,402	3,529
Cost of sales		(3,645)	(1,959)
Gross profit		3,757	1,570
Operating expenses		(16,116)	(11,609)
Share-based payments	24	(750)	(794)
Operating loss	7	(13,109)	(10,833)
Finance income	11	213	141
Finance costs	11	(788)	(68)
Net finance (expense)/income		(575)	73
Loss before taxation		(13,684)	(10,760)
Taxation	12	-	63
Loss for the year		(13,684)	(10,697)
Total comprehensive loss for the year		(13,684)	(10,697)
Loss attributable to:			
Equity owners of parent company		(13,684)	(10,697)
Earnings per share			
Basic and diluted loss per share (£)	13	0.24	0.26

The notes on pages 24 to 42 form part of these financial statements.

Consolidated statement of financial position

As at 31st December 2017

	Notes	2017 £'000	2016 £'000
Assets			
Non-current assets			
Intangible assets	14	49	—
Property, plant & equipment	16	88,917	53,203
		88,966	53,203
Current assets			
Inventories		246	161
Trade and other receivables	18	1,965	1,244
Cash and cash equivalents		35,873	20,844
Restricted cash	19	380	250
		38,464	22,499
Total Assets		127,430	75,702
Liabilities			
Current liabilities			
Trade and other payables	20	(5,494)	(2,750)
Borrowings	21,22	(619)	—
		(6,113)	(2,750)
Non-current liabilities			
Borrowings	21, 22	(21,653)	(22,272)
Other payables	21	(587)	(535)
Deferred tax liabilities	21	—	—
		(22,240)	(22,807)
Total Liabilities		(28,353)	(25,557)
Net assets		99,077	50,145
Equity attributable to owners of the parent			
Share capital	23	626	428
Share premium	23	127,362	65,694
Share-based payment reserve	24	2,245	1,495
Retained losses		(31,156)	(17,472)
Total equity and reserves		99,077	50,145

The notes on pages 24 to 42 form part of these financial statements.

These financial statements were approved by the Board of Directors and authorised for issue on 10th April 2018 and were signed on their behalf by:


Matthew Hare
Director

Company statement of financial position

As at 31st December 2017

	Notes	2017 £'000	2016 £'000
Assets			
Non-current assets			
Property, plant & equipment	16	88,917	53,201
Intangible Assets	14	49	-
Investments	17	-	-
		88,966	53,201
Current assets			
Inventories		246	161
Trade and other receivables	18	2,363	1,513
Cash and cash equivalents		35,870	20,840
		38,479	22,514
Total Assets		127,445	75,715
Liabilities			
Current liabilities			
Trade and other payables	20	(5,491)	(2,745)
Borrowings	21,22	(619)	—
		(6,110)	(2,745)
Non-current liabilities			
Borrowings	21, 22	(21,653)	(22,272)
Other payables	21	(587)	(535)
		(22,240)	(22,807)
Total Liabilities		(28,350)	(25,552)
Net assets		99,095	50,163
Equity attributable to owners of the parent			
Share capital	23	626	428
Share premium	23	127,362	65,694
Share-based payment reserve	24	2,245	1,495
Retained losses		(31,138)	(17,454)
Total equity and reserves		99,095	50,163

The notes on pages 24 to 42 form part of these financial statements.

These financial statements were approved by the Board of Directors and authorised for issue on 10th April 2018 and were signed on their behalf by:



Matthew Hare
Director

Consolidated statement of cash flows

For the year ended 31st December 2017

	Notes	2017 £'000	2016 £'000
Cash flows from operating activities			
Loss after tax		(13,684)	(10,697)
Adjustments for:			
Amortisation of intangible fixed assets	14	-	18
Depreciation of tangible fixed assets	16	3,744	2,025
Share-based payments	24	750	794
Deferred tax movement	21	-	(63)
Finance costs (net)	11	575	(73)
Impairment of intangible fixed assets	14	-	296
Loss on disposal of property, plant & equipment	16	33	574
Operating loss before changes in working capital		(8,582)	(7,126)
(Increase)/Decrease in inventory		(86)	77
(Increase)/decrease in trade and other receivables		(851)	182
Increase in trade and other payables		2,794	572
Net cash outflow from operating activities		(6,725)	(6,295)
Investing activities			
Purchase of property, plant & equipment	16	(41,649)	(36,207)
Proceeds from sale of property, plant & equipment		3	1
Grant received in respect of BDUK		2,155	-
Purchase of intangibles	14	(49)	-
Interest received	11	213	141
Net cash flow from investing activities		(39,327)	(36,065)
Financing activities			
Proceeds from issue of ordinary shares net of costs	23	61,866	23,761
Repayment of borrowings		-	-
Interest paid	11	(785)	(68)
Proceeds from borrowings	22	-	22,272
Net cash flow from financing activities		61,081	45,965
Net increase in cash and cash equivalents		15,029	3,605
Cash and cash equivalents at beginning of year		20,844	17,239
Cash and cash equivalents at end of year		35,873	20,844

The notes on pages 24 to 42 form part of these financial statements.

Company statement of cash flows

For the year ended 31st December 2017

	Notes	2017 £'000	2016 £'000
Cash flows from operating activities			
Loss after tax		(13,684)	(10,659)
Adjustments for:			
Depreciation of tangible fixed assets	16	3,742	2,020
Share-based payments	24	750	794
Finance costs (net)	11	575	(73)
Loss on disposal of property, plant & equipment		33	1
Operating loss before changes in working capital		(8,584)	(7,917)
(Increase)/decrease in inventory		(86)	77
(Increase)/decrease in trade and other receivables		(850)	513
Increase in trade and other payables		2,796	586
Net cash outflow from operating activities		(6,724)	(6,741)
Investing activities			
Purchase of property, plant & equipment	16	(41,649)	(35,737)
Proceeds from sale of property, plant & equipment		3	1
Interest received	11	213	141
Grant received in respect of BDUK		2,155	-
Net cash flow from investing activities		(39,278)	(35,595)
Financing activities			
Proceeds from issue of ordinary shares net of costs	23	61,866	23,761
Repayment of borrowings		-	-
Interest paid	11	(785)	(68)
Proceeds from borrowings	22	-	22,272
Net cash flow from financing activities		61,081	45,965
Net increase in cash and cash equivalents		15,030	3,629
Cash and cash equivalents at beginning of year		20,840	17,211
Cash and cash equivalents at end of year		35,870	20,840

The notes on pages 24 to 42 form part of these financial statements.

Consolidated statement of changes in equity

For the year ended 31st December 2017

	Share capital £'000	Share premium £'000	Share based payment reserve £'000	Retained losses £'000	Total equity £'000
At 1st January 2016	337	42,024	823	(6,897)	36,287
Issue of share capital on exercise of employee share options	-	-	(122)	122	-
Employee share based compensation	-	-	794	-	794
Issue of share capital on private placement	91	23,670	-	-	23,761
Transactions with owners	91	23,670	672	122	24,555
Loss for the year	-	-	-	(10,697)	(10,697)
Total comprehensive loss for the year	-	-	-	(10,697)	(10,697)
At 31st December 2016	428	65,694	1,495	(17,472)	50,145
At 1st January 2017	428	65,694	1,495	(17,472)	50,145
Issue of share capital on exercise of employee share options	5	302	(382)	-	(75)
Employee share based compensation	-	-	1,132	-	1,132
Issue of share capital on private placement	193	61,366	-	-	61,559
Transactions with owners	198	61,668	750	-	62,616
Loss for the year	-	-	-	(13,684)	(13,684)
Total comprehensive loss for the year	-	-	-	(13,684)	(13,684)
At 31st December 2017	626	127,362	2,245	(31,156)	99,077

The notes on pages 24 to 42 form part of these financial statements.

Company statement of changes in equity

For the year ended 31st December 2017

	Share capital £'000	Share premium £'000	Share based payment reserve £'000	Retained losses £'000	Total equity £'000
At 1st January 2016	337	42,024	823	(6,917)	36,267
Issue of share capital on exercise of employee share options	-	-	(122)	122	-
Employee share based compensation	-	-	794	-	794
Issue of share capital on private placement	91	23,670	-	-	23,761
Transactions with owners	91	23,670	672	122	24,555
Loss for the year	-	-	-	(10,659)	(10,659)
Total comprehensive loss for the year	-	-	-	(10,659)	(10,659)
At 31st December 2016	428	65,694	1,495	(17,454)	50,163
At 1st January 2017	428	65,694	1,495	(17,454)	50,163
Issue of share capital on exercise of employee share options	5	302	(382)	-	(75)
Employee share based compensation	-	-	1,132	-	1,132
Issue of share capital on private placement	193	61,366	-	-	61,559
Transactions with owners	198	61,668	750	-	62,616
Loss for the year	-	-	-	(13,684)	(13,684)
Total comprehensive loss for the year	-	-	-	(13,684)	(13,684)
At 31st December 2017	626	127,362	2,245	(31,138)	99,095

The notes on pages 24 to 42 form part of these financial statements.

Notes to the financial statements

For the year ended 31st December 2017

1 Reporting entity

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

The address of the Company's registered office is Windrush Court, Abingdon, Oxfordshire, OX14 1SY. The consolidated financial statements of the Company as at and for the year ended 31st December 2017 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 company's business activities, together with the factors likely to affect its future development, performance and position and in particular the principal risks and uncertainties over expenditure and funding and liquidity risk are set out in the Strategic Report set out on pages 4 to 6.

Whilst the new network areas and increased penetration increased revenue from £3.5m to £7.4m, the Group incurred a loss of £13.7m as it continues to invest in key management, back office, sales and marketing and identifying and contracting with build partners. The directors have prepared a business plan through to 2023 with detailed profit and loss and balance sheet projections through to the end of 2019. Whilst further investment in these areas is expected in 2018, the Directors expect that the group will have positive EBITDA in 2019. As at 31 December 2017, the Group had cash balances of £35.9m (31st March 2018: £38.5m) with a further £48m that can be drawn from the 2017 funding round.

Significant funding is required to build new networks. It is the Group's policy not to commence build on a new network until sufficient funding for that network is in place. Along with funding working capital and £0.6m of capital repayments on the EIB loan that are due during 2018, it is expected that the majority of cash held at the year end and the remainder of the 2017 funding will be used to build further networks. As at 31 December 2017, the Group had capital commitments of £20.8m to build out existing networks. To continue with its planned build programme of additional networks, the Director's projections show that further funding will be required during quarter three of 2018.

In prior periods, such funding had been made available by existing and new investors. As part of Infracapital's offer to acquire the business (see note 30 for further details), which is subject to shareholder approval, they have stated their intent to act as a financial investor and ensure that the business has sufficient working capital to deliver its medium-term growth plans. It is therefore expected, should the sale of the shares to Infracapital proceed, that Infracapital will provide sufficient funding to allow the Group to continue with its growth plans.

Should the offer to acquire the business not proceed, given previous fund raising rounds and feedback received to date, the directors are confident that such funding will be made available by existing and new investors.

However, 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.

As a result of the above, the directors have a reasonable expectation that the company will have adequate resource to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements

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 2017 was £13,684,000 (2016: £10,659,000) and is included in the consolidated statement of comprehensive income.

These consolidated financial statements were authorised for issue by the Board of Directors on 23rd February 2018.

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 Pound Sterling, which is the Company's functional currency. All information presented in Pound 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

Notes to the financial statements

(continued)

3 Basis of preparation (continued)

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.

- *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.

Plant and equipment in our networks represents underground fibre, cabling and contracted civil engineering works. It also represents 'point of presence' which includes cabinets, switches, chambers and pots. The annual depreciation is sensitive to the estimated service lives allocated to each type of asset. Asset lives are assessed annually and change when necessary to reflect management's current estimates of remaining useful lives in light of technological change and condition of the assets.

- *Fair value of share-based payments*

The share-based payments have been valued using the Black-Scholes pricing model. The model requires inputs around interest rates, share price movements, dividends, share price volatility and the inclusion of a risk-free interest rate. The assumptions are reviewed regularly and updated each time share options are granted.

The Company is not listed and therefore a number of key assumptions used in the valuation are based on comparison companies of a similar size and industry. The volatility of the share price is based on averages across a collection of comparative companies listed on the Alternative Investment Market (AIM), and the market price of the shares is based upon the most recent share issue. Risk-free rates are based on UK government bonds where the term of the gilt matches the expected life of the option. The expected life of the option is based on its contractual term as there is no market in which an exercised share option could be sold. It is management's expectation that share options will not be exercised before the end of their contractual term as it would not be economically advantageous to do so, an assumption which has been reflected in the valuation.

Changes in these assumptions could result in changes being required to the share based payment charge in the statement of comprehensive incomes and the carrying value of the shared based payment reserve in the statements of financial position.

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.

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.

Notes to the financial statements

(continued)

4 Significant accounting policies (continued)

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 17.

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.

Intra-group financial instruments

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company considers these to be insurance arrangements and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

Classification of financial instruments issued by the Company

Following the adoption of IAS 32, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and
- where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

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.

Notes to the financial statements

(continued)

4 Significant accounting policies (continued)

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.

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 in excess of nominal value and net of issues costs
- Retained earnings represents the accumulated profits and losses attributable to equity shareholders
- Share-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

Notes to the financial statements

(continued)

4 Significant accounting policies (continued)

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
– Access equipment	Straight-line over 12 years
– Point of presence	Straight-line over 5 years
– Other plant and machinery	Straight-line over 4 years
Motor vehicles	Straight-line over 3 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.

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
Access to loan	Straight-line over 10 years
Access to grant	Straight-line over 25 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.

Notes to the financial statements

(continued)

4 Significant accounting policies (continued)

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

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

Contributions to pension schemes

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately in an independently administered fund. Contributions to the Company's defined contribution pension scheme are charged to the profit and loss account in the year in which they become payable.

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.

Notes to the financial statements

(continued)

4 Significant accounting policies (continued)

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.

Government grants

Government grants are offset against fixed assets in the balance sheet and depreciated over the expected useful lives of the assets to which they relate. Where a grant has been received in advance of the acquisition of the related asset, the grant is included in deferred income until the acquisition occurs.

5 New IFRS standards and interpretations adopted post year end or 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	Status
IFRS 9	Financial Instruments	1st January 2018	Adopted and Effective
IFRS 15	Revenue from Contracts with Customers	1st January 2018	Adopted and Effective
IFRS 16	Leases	1st January 2019	Not yet effective

Their adoption is not expected to have a material impact on the financial statements.

The Group has completed an initial assessment of the potential financial impact of the adoption of IFRS 15 on its consolidated statements.

The Group expects opening balance sheet adjustments to arise from changes to the revenue recognition treatment of activation and installation fees. Under IFRS 15 the fees are no longer classified as separate performance deliverables and therefore will be recognised on a monthly basis in line with the internet connectivity fee revenue over the minimum contract term.

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.

7 Operating loss

	2017 £'000	2016 £'000
Operating loss on continuing operations is stated after charging:		
Amortisation of intangible fixed assets	-	18
Depreciation of tangible fixed assets	3,744	2,025
Auditors remuneration	37	35
Auditors remuneration (non-audit work)	15	8
Operating leases	244	165
Loss on disposal of property, plant & equipment	33	574
Impairment of intangible fixed assets	-	296

8 Auditors' remuneration

	2017 £'000	2016 £'000
Amounts receivable by the Group's auditors for the audit of these financial statements	34	32
Amounts receivable by the Group's auditor and its associates in respect of:		
Audit of financial statements of subsidiaries of the company	3	3
Tax advisory services	1	-
Taxation compliance services	14	8
	52	43

All fees were paid to KPMG LLP.

Notes to the financial statements

(continued)

9 Directors' remuneration

	2017		2016		2017	2016
	Salaries & fees £'000	Share based payment £'000	Salaries & fees £'000	Share based payment £'000	Total £'000	Total £'000
Executive Directors						
M Hare	221	117	190	51	338	241
Brett Shepherd	70	249	-	-	319	-
S Bullock (resigned 30th September 2016) ¹	-	-	199	56	-	255
Non-Executive Directors						
C McGregor	32	1	24	2	33	26
E Minshull	26	1	24	2	27	26
M Prelz-Oltramonti (resigned 1 st August 2017)	15	(36)	24	2	(21)	26
Katherine Innes Kerr (appointed 1 st August 2017)	12	-	-	-	12	-
S Nelson (M&G Investment Management Ltd) ²	24	-	24	-	24	24
M Armanini (appointed 4th May 2017, M&G Investment Management Ltd) ²	16	-	-	-	16	-
Total	416	332	485	113	748	598

Simon Bullock exercised no share options during the year (2016: 140,533).

Matthew Hare exercised 32,800 share options during the year (2016: None).

¹ Fees payable to Simon Bullock include £32,000 in respect of compensation for loss of employment.

² Fee payable to M&G Investment Management Limited on behalf of services provided by Stephen Nelson.

³ Fee payable to M&G Investment Management Limited on behalf of services provided by Michele Armanini.

Details of share options are given in note 24.

The Group considers that the Directors are the key management.

10 Employees

Average staff numbers

	2017 Number	2016 Number
Technical & Operations	111	78
Sales & Marketing	42	45
Administration	16	11
Management	9	7
	178	141

Staff costs

	2017 £'000	2016 £'000
Salaries, bonus & allowances	8,207	5,916
Social security	926	653
Pension contributions	64	46
Share based payments	750	794
	9,947	7,409

Notes to the financial statements

(continued)

11 Finance income and finance costs

	2017 £'000	2016 £'000
Interest on short term bank deposits	213	141
Finance income	213	141
Interest on bank loan	(788)	(68)
Finance costs	(788)	(68)
Net finance income recognised in profit or loss	(575)	73

12 Taxation

	2017 £'000	2016 £'000
Current tax expense	-	-
Origination and reversal of temporary differences	(-)	(63)
Deferred tax credit	(-)	(63)
Total tax credit	(-)	(63)

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:

	2017 £'000	2016 £'000
Loss before tax	(13,684)	(10,760)
Current tax at 19.25% (2016: 20.00%)	(2,634)	(2,152)
Effects of:		
Tax losses carried forward	2,605	2,082
Non-deductible expenses	29	7
Total tax credit	-	(63)

Reductions in the UK corporation tax rate from 20% to 19% (effective from 1st April 2017) and to 18% (effective 1st April 2020) were substantively enacted on 26th October 2015, and an additional reduction to 17% (effective 1st April 2020) was substantively enacted on 6th September 2016. This will reduce the company's future current tax charge accordingly. The unrecognised deferred tax asset at 31st December 2017 has been calculated based on these rates.

The Group is still in the early stages of networks going live, and has to date not generated a profit. The Group requires a certain number of live networks and a certain level of penetration across these networks to generate a profit. Due to the uncertainty as to when the Group will be able to utilise the tax losses a deferred tax asset has not been recognised.

The Group has not recognised a deferred tax asset in respect of £37,750,000 of tax losses carried forward (2016: £20,671,000).

Notes to the financial statements

(continued)

13 Loss per share

Basic loss per share

The calculation of basic loss per share for the year ended 31st December 2017 was based on the loss attributable to A Ordinary and Ordinary shareholders of £13,684,000 (2016: £10,697,000) and the weighted average number of shares in issue of 55,922,142 (2016: 40,572,679).

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.

	2017 Number	2016 Number
Share in issue at 1st January	42,810,471	33,730,717
Effect of shares issued in 2016	-	6,841,962
Effect of shares issued in 2017	13,111,671	-
Weighted average number of shares	55,922,142	40,572,679

14 Intangibles

Group	Customer Relationships £'000	Access to Grant £'000	Access to Loan £'000	Total £'000
Cost				
At 1st January 2016	175	237	77	489
Additions	—	—	—	—
At 31st December 2016	175	237	77	489
Additions	49	—	—	49
At 31st December 2017	224	237	77	538
Amortisation & Impairment				
At 1st January 2016	175	—	—	175
Amortisation charge for the year	—	10	8	18
Impairment charge	—	227	69	296
At 31st December 2016	175	237	77	489
Amortisation charge for the year	—	—	—	—
At 31st December 2017	175	237	77	489
Net book value				
At 31st December 2015	—	237	77	314
At 31st December 2016	—	—	—	—
At 31st December 2017	49	—	—	49

Intangibles added in the year relate to the valuation of the 237 customers acquired as part of the acquisition of the trade and assets of Aylesbury Vale Broadband on 30th December 2017.

15 Impairment

Owing to difficulties experienced during 2016, the contract between Cotswolds Broadband C.I.C and ITS Technology Group for the delivery of superfast broadband to West Oxfordshire was terminated by mutual agreement in January 2017. Cotswolds Broadband C.I.C therefore with regret decided to withdraw from the West Oxfordshire Superfast Broadband project, and so has no future means of generating revenue from its network assets. Consequently an impairment charge was recognised in the statement of comprehensive income in 2016 in accordance with IAS 36.

Impairment charge

	2017 £'000	2016 £'000
Intangible assets	-	296
	-	296

Notes to the financial statements

(continued)

16 Property, plant & equipment

Group	Plant & machinery £'000	Office equipment £'000	Computer equipment £'000	Under construction £'000	Motor vehicles £'000	Total £'000
Cost						
At 1st January 2016	16,553	647	15	3,509	-	20,724
Additions	12,380	435	-	23,312	80	36,207
Disposals	-	(10)	-	(571)	-	(581)
Transfers	18,570	-	-	(18,570)	-	-
At 31st December 2016	47,503	1,072	15	7,680	80	56,350
Additions	12,979	1,300	-	24,097	32	38,408
Acquisitions	20	-	-	1,066	-	1,086
Disposals	(24)	-	-	(12)	-	(36)
Transfers	24,290	(129)	-	(24,161)	-	-
At 31st December 2017	84,768	2,243	15	8,670	112	95,808
Depreciation						
At 1st January 2016	952	165	11	-	-	1,128
Charge for the year	1,733	272	4	-	16	2,025
Disposals	-	(6)	-	-	-	(6)
At 31st December 2016	2,685	431	15	-	16	3,147
Charge for the year	3,141	573	-	-	30	3,744
Disposals	-	-	-	-	-	-
Transfers	56	(56)	-	-	-	-
At 31st December 2017	5,882	948	15	-	46	6,891
Net book value						
At 31st December 2015	15,601	482	4	3,509	-	19,596
At 31st December 2016	44,818	641	-	7,680	64	53,203
At 31st December 2017	78,886	1,295	-	8,670	66	88,917

Company	Plant & machinery £'000	Office equipment £'000	Under construction £'000	Motor vehicles £'000	Total £'000
Cost					
At 1st December 2016	16,516	646	3,404	-	20,566
Additions	12,381	431	22,845	80	35,737
Disposals	-	(5)	-	-	(5)
Transfer	18,570	-	(18,570)	-	-
At 31st December 2016	47,467	1,072	7,679	80	56,298
Additions	12,979	1,299	24,098	32	38,408
Acquisitions	20	-	1,066	-	1,086
Disposals	(24)	-	(12)	-	(36)
Transfer	24,290	(129)	(24,161)	-	-
At 31st December 2017	84,732	2,242	8,670	112	95,756
Depreciation					
At 1st December 2016	915	165	-	-	1,080
Charge for the year	1,731	273	-	16	2,020
Disposals	-	(3)	-	-	(3)
At 31st December 2016	2,646	435	-	16	3,097
Charge for the year	3,144	568	-	30	3,742
Disposals	-	-	-	-	-
Transfers	56	(56)	-	-	-
At 31st December 2017	5,846	947	-	46	6,839
Net book value					
At 1st December 2016	15,601	481	3,404	-	19,486
At 31st December 2016	44,821	637	7,679	64	53,201
At 31st December 2017	78,886	1,295	8,670	66	88,917

Notes to the financial statements

(continued)

17 Investment in subsidiaries

Company	2017 £'000	2016 £'000
Cost and net book value		
At 31st December	-	-

Company subsidiary undertakings

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

Subsidiary companies	Control	Equity interests		Principal activities
		2017 %	2016 %	
Cotswolds Broadband C.L.C	Direct	100	100	Telecoms provider
Rutland Telecoms Limited	Direct	100	100	Telecoms provider
FTTC Limited	Indirect	100	100	Telecoms provider

All subsidiary companies are incorporated and operate in England and their financial results are consolidated in the Group's financial information.

The registered address for the subsidiaries is Windrush Court, Abingdon, Oxon, OX14 1SY

18 Trade and other receivables

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Trade receivables	140	59	140	58
Other receivables	1,825	1,185	2,223	1,455
	1,965	1,244	2,363	1,513

The Group's trade receivables are stated after allowances for bad and doubtful debts based on management's assessment of creditworthiness, an analysis of which is as follows. The Directors believe that the carrying value is an approximation of fair value.

Bad debt provision

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
At 1st January	16	4	12	-
Provision increase	22	12	21	12
Released to income statement	(8)	-	(8)	-
Allowances used	-	-	-	-
At 31st December	30	16	25	12

Ageing profile of un-provided trade receivables

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Not past due	16	12	16	16
Past due 31-90 days	31	19	31	17
Past due 91-120 days	15	10	15	10
Past due more than 120 days	108	34	103	27
	170	75	165	70

Notes to the financial statements

(continued)

19 Restricted cash

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Restricted cash	380	250	-	-
	380	250	-	-

The Group deposits sums externally with Telecoms Guarantee Limited, a company owned by Matthew Hare, a director. The sums are required to be held by law to cover obligations to repair and make good any roads that are damaged during the construction of new networks.

These sums are protected in the event the group or any of its subsidiaries enter into administration and as such, have been classified as 'Restricted'.

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

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Trade payables	1,373	1,000	1,373	1,000
Other taxation & social security	342	266	342	266
Accruals	2,403	1,065	2,403	1,063
Deferred income	619	414	619	414
Other payables	757	5	754	2
Borrowings	619	-	619	-
	6,113	2,750	6,110	2,745

Contained within Other payables is deferred consideration of £750,000 (2016: Nil) relating to an asset purchase. The deferred consideration will be paid in two further instalments in 2018.

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

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Borrowings	21,653	22,272	21,653	22,272
Other payables	587	535	587	535
Deferred tax liability	-	-	-	-
	22,240	22,807	22,240	22,807

22 Borrowings

	2017 £'000	2016 £'000
Non-current		
Other loans	21,653	22,272
	21,653	22,272

In November 2016 the Company drew down the £22,272,000 European Investment Bank (EIB) loan. The loan bears a variable interest rate of LIBOR 3M +320bps, and is repayable by 2027, with first repayment of the capital due to commence in December 2018 (£619,000).

Notes to the financial statements

(continued)

23 Share capital

	2017		2016	
	Number	£'000	Number	£'000
Allotted, called up and fully paid				
Ordinary shares of 1p each	45,445,455	454	30,232,474	302
A Ordinary shares of 1p each	17,193,382	172	12,577,997	126
	62,638,837	626	42,810,471	428

The Ordinary shares have attached to them full voting, dividend and capital distribution rights. They do not have rights of redemption.

The A Ordinary shares have attached to them half a vote per share and full dividend and capital distribution rights. They do not have rights of redemption.

Details of share options issued during the year and outstanding at 31st December 2017 are set out in note 24 on page 38.

Changes in issued share capital and share premium:

	Number of shares	Nominal value £'000	Share premium £'000	Total £'000
At 31st December 2016:				
Ordinary & A Ordinary shares of 1p each	42,810,471	428	65,694	66,122
Ordinary share issues (May)	15,136,448	151	46,918	47,069
Ordinary share issues (Oct)	76,533	1	51	52
A Ordinary share issues (May)	4,615,385	46	14,699	14,745
At 31st December 2017:				
Ordinary & A Ordinary shares of 1p each	62,638,837	626	127,362	127,988

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

Share premium is net of capitalised transaction costs of £1,070,000 incurred in the year (2016: £480,000).

On 19th February 2018, Gigaclear plc issued 3,384,615 new Ordinary Shares to Infracapital (GC) SLP LP and 1,538,462 new Ordinary Shares to Railways Pension Trustee Company Limited ("Railpen TrusteeCo") following receipt of the second tranche payments under their respective investment agreements with Gigaclear plc dated 11th April 2017.

Capital and reserves

The Consolidated and Company statements of changes in equity are set out on note 23 22 and 23 of this report.

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 and directors.

The terms and conditions of the grants are as follows:

Grant Date	Method of settlement	Number of options in issue	Vesting conditions	Contractual life of options
September 2014	Equity	549,400	3 years to 31st Dec 2017	31/05/2023
February 2015	Equity	42,146	3 years to 22nd Feb 2018	24/02/2025
March 2015	Equity	120,000	3 years to 2nd Mar 2018	03/03/2025
September 2015	Equity	385,000	3 years to 17th Sep 2018	17/09/2025
January 2016	Equity	100,000	Immediate	21/01/2026
March 2016	Equity	432,000	3 years to 9th Mar 2019	09/03/2026
March 2016	Equity	106,000	3 years to 18th Mar 2019	18/03/2026
July 2016	Equity	120,000	3 years to 1st Jul 2019	01/07/2026
September 2016	Equity	0	3 years to 21st Sep 2019	21/09/2026
December 2016	Equity	450,000	3 years to 12th Dec 2019	12/12/2026
March 2017	Equity	60,000	3 years to 19th Mar 2020	19/03/2027
May 2017	Equity	250,000	3 years to 3rd Jul 2020	03/07/2027
August 2017	Equity	1,102,100	3 years to 23rd Aug 2020	23/08/2027
September 2017	Equity	48,000	3 years to 14th Sep 2020	14/09/2027
Total options in issue		3,764,646		

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

	2017		2016	
	Number	WAEP £	Number	WAEP £
Outstanding at the beginning of the year	3,273,679	1.75	2,094,879	1.11
Granted during the year	1,500,100	3.24	1,869,343	2.45
Lapsed during the year	(451,000)	2.74	(499,677)	1.89
Exercised during the year	(558,133)	0.55	(190,866)	1.26
Outstanding at the year end	3,764,646	2.40	3,273,679	1.75
Exercisable at the year end	1,468,204	1.60	1,518,278	0.99

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The fair value of employee share options is measured using the Black-Scholes pricing model.

Measurement inputs and assumptions are as follows:

	Awarded 2017	Awarded 2016
Fair value at grant date	£1.54 – £1.74	£0.72 – £1.64
Weighted average share price	£3.24	£2.426
Exercise price	£2.95 – £3.25	£1.77 – £2.95
Expected volatility	51.5% – 52.5%	37.0% – 54.0%
Expected dividends	-	-
Option life	7.0 yrs – 9.0 yrs	7.0yrs – 10.0yrs
Risk-free interest rate	1.10% – 1.34%	0.87% – 1.74%

Share options outstanding at 31st December 2017 had a weighted average exercise price of £2.40 (2016: £1.751) and a weighted average contractual life of 8.2 years (2016: 8.2 years). The expected volatility ranged between 32.4% and 54.0% and the risk free rate used ranged between 0.87% and 2.05%, giving a fair value at date of grant of £2,003,805.

Notes to the financial statements

(continued)

24 Share based payments (continued)

The total expenses recognised for the year and the total liabilities recognised at the end of the year arising from share based payments are as follows:

	2017 £'000	2016 £'000
Equity settled share based payment expense	1,132	794
Share options exercised	(382)	(122)
Total carrying amount of liabilities	2,245	1,495
Total intrinsic carrying amount of liabilities in respect of vested benefits	1,163	1,031

At 31st December 2017 the total number of options over ordinary shares outstanding was as follows:

Exercise period	Number	WAEP Pence
Exercisable until 2027	3,764,646	240
Exercisable at the year end	1,468,204	160

The Directors' report, under the section "Share Capital, Options and Warrants", provides further details.

25 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.

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, 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. Total exposure to credit risk at the year end was £170,000.

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.

Notes to the financial statements

(continued)

25 Financial risk management (continued)

Interest rate risk

The Directors do not consider there to be a material exposure to interest rate risk at present. In November 2016 the Group drew down the £22,272,000 European Investment Bank (EIB) loan which bears a variable interest rate of LIBOR 3M +320bps, and have adopted suitable policies to ensure interest rate risks are managed appropriately.

If the loan runs to term, then based on the LIBOR 3M rate at 29th December 2017 of 0.52106%, total interest payable on the remaining term from 1st January 2018 would be £4,355,000. If the LIBOR rate was to increase by 1.0%, then the interest over term would increase to £5,526,000.

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. As set out in note 22 repayment of the EIB loan is due to commence in December 2018 and then by equal quarterly instalments until December 2027.

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 2017 and 31st December 2016 are not materially different from their fair values. They have therefore not been shown separately.

26 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 2016.

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 2017 this amounted to £99,078,000 (2016: £50,145,000).

27 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.

Telecoms Guarantee Limited

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 2017 a further £130,000 was paid. As at 31st December 2017 the total amount outstanding was £380,000 (2016: £250,000).

Notes to the financial statements

(continued)

28 Commitments

Operating lease commitments

Non-cancellable operating lease rentals are payable as follows:

	2017 £'000	2016 £'000
Less than one year	274	175
Between one and five years	372	406
More than five years	-	-
	646	581

The Group rents various office premises under non-cancellable operating leases.

During the year £244,000 was recognised as an expense in the income statement in respect of operating leases (2016: £165,000).

Capital commitments

	2017 £'000	2016 £'000
Contracts placed for future capital expenditure not provided in the financial statements	20,751	16,234
	20,751	16,234

Capital commitments at 31st December 2017 are in relation to future capital expenditure to complete network builds in Essex, Gloucestershire (Fastershire), Berkshire, Devon & Somerset (CDS), Northamptonshire, Wiltshire and West Oxfordshire for projects won under the Phase 2 and Phase 3 Broadband Delivery UK (BDUK) government scheme.

29 Contingent liabilities

The Group had no contingent liabilities at 31st December 2016 or 2017.

30 Post balance sheet events

On the 30th January 2018 the company performed a capital reduction of £127,362,000 which has been recycled from the share premium account to the retained earnings account.

On 19th February 2018, Gigaclear plc issued 3,384,615 new Ordinary Shares to Infracapital (GC) SLP LP and 1,538,462 new Ordinary Shares to Railpen Pension Trustee Company Limited ("Railpen TrusteeCo") following receipt of the second tranche payments under their respective investment agreements with Gigaclear plc dated 11th April 2017. The following table sets out the numbers of shares and voting rights of Infracapital (GC), Railpen TrusteeCo and the Woodford Funds following completion of the second tranches of the 2017 Infracapital (GC) Subscription and the 2017 Railpen Subscription:-

Name	Ordinary Shares & 'A' Ordinary Shares	Number/Voting rights (Takeover Code purposes)	Actual voting rights
Infracapital (GC)	29,193,878 Ordinary Shares	43.21%	49.51%
Railpen TrusteeCo	10,769,230 Ordinary Shares	15.94%	18.26%
Woodford Funds*	17,193,382 'A' Ordinary Shares	25.45%	14.58%

(* The 'A' Ordinary Shares (with their restricted voting rights) automatically convert into Ordinary Shares should they cease to be held by a Woodford Fund)

Notes to the financial statements

(continued)

30 Post balance sheet events (continued)

The third and fourth tranches of the 2017 Infracapital (GC) Subscription and the 2017 Railpen Subscription are expected to be called between March and June 2018.

Following completion of those third and fourth tranches, the numbers of shares and voting rights of Infracapital (GC), Railpen TrusteeCo and the Woodford Funds would be as shown in the table below (assuming no further issues of shares in Gigaclear plc in the meantime):-

Name	Ordinary Shares & 'A' Ordinary Shares	Number/Voting rights (Takeover Code purposes)	Actual voting rights
Infracapital (GC)	35,963,108 Ordinary Shares	46.46%	52.26%
Railpen TrusteeCo	13,846,154 Ordinary Shares	17.89%	20.12%
Woodford Funds*	17,193,382 'A' Ordinary Shares	22.21%	12.49%

(*The 'A' Ordinary Shares (with their restricted voting rights) automatically convert into Ordinary Shares should they cease to be held by a Woodford Fund)

If the third and fourth tranches of the 2017 Infracapital (GC) Subscription were completed (but not the third and fourth tranches of the 2017 Railpen Subscription), the numbers of shares and voting rights of Infracapital (GC), Railpen TrusteeCo and the Woodford Funds would be as shown in the table below (assuming no further issues of shares in Gigaclear plc in the meantime):-

Name	Ordinary Shares & 'A' Ordinary Shares	Number/Voting rights (Takeover Code purposes)	Actual voting rights
Infracapital (GC)	35,963,108 Ordinary Shares	48.38%	54.71%
Railpen TrusteeCo	10,769,230 Ordinary Shares	14.49%	16.38%
Woodford Funds*	17,193,382 'A' Ordinary Shares	23.13%	13.08%

(* The 'A' Ordinary Shares (with their restricted voting rights) automatically convert into Ordinary Shares should they cease to be held by a Woodford Fund)

On 9th March 2018 the company received notice from Infracapital (GC), the largest shareholder, of their intent to make an all cash offer for the entire issued and to be issued ordinary share capital of Gigaclear plc, other than Gigaclear shares owned by Infracapital (GC) or other members of the Infracapital Group. Infracapital (GC) published their offer on 23rd March 2018, offering a price of £4.00 per share. The Offer was announced on 23rd March 2018 by Infracapital (GC) with a letter of intent from Woodford to procure acceptance of the Offer by the registered holders of the aggregate 17,193,382 A Ordinary Shares owned by the Woodford Funds (representing approximately 25.4 per cent. of Gigaclear's ordinary share capital in issue. A committee of the Gigaclear Board, comprising the Independent Gigaclear Directors, was formed to consider the terms and conditions of the Offer and to provide its views to Gigaclear Shareholders.

The Board published its' recommendation in respect of the offer on 4th April 2018, on balance, suggesting that shareholders should consider accepting the offer. We expect the offer to be declared unconditional on or around 16th April 2018.

A General Meeting of Shareholders has been convened for 13th April 2018 to vote on a resolution to dis-apply the existing pre-emption rights contained within the company's articles. Commitment to vote in favour of this resolution has been received from Infracapital (GC), the Woodford Funds and Railpen, together comprising 84.6% of the issued share capital of the company.

For your notes

Gigaclear plc

Registered Office
Windrush Court
Abingdon
Oxon
OX14 1SY

www.gigaclear.com