Gigaclear Limited

Annual Report and Accounts

FOR THE YEAR ENDED 31 DECEMBER 2022

COMPANY NUMBER 07476617

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Directors and advisers

Company registration number
07476617

Registered office
Building One
Wyndyke Furlong
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Oxfordshire
OX14 1UQ

Directors
Stephen Nelson (Non-Executive Chairman)
Gareth Williams
Ian Wade
Andrew Matthews
Anthony Mooney
James Hepburn

Auditors
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Introduction

Gigaclear has been designing, building and operating new gigabit, full fibre networks since 2011 during which time it has firmly established itself as the largest rural, full fibre alternative network (altnet) in the UK.

With its headquarters in Abingdon, the company employs c.700 people from eight office locations, serving more than 70,000 customers across 23 counties[1].

The Gigaclear difference lies in its vision to connect underserved rural villages and communities, where Gigaclear as the first to invest, delivers a future-proofed, quality network that can serve 100 per cent of connected properties with ultrafast speeds.

Strategic Report

CEO review

In last year's Annual Report our stated goal for 2022 was to progressively step-up delivery of homes passed at economically viable prices and to continue to grow our customer base, while providing excellent service to our existing customers. It is testament to the hard work and commitment of employees across the company, over the course of the year, that this has been largely delivered.

During the period, Gigaclear continued to build on the accelerated growth achieved in 2021, setting a series of new records across many aspects of the business. In short, we built more, sold more and served better than ever before.

Across our six regions, we expanded our network to an additional 118,000 properties, bringing the total number of properties passed to 381,000. This puts us on course to deliver our business plan objective of connecting 500,000 properties to ultrafast full fibre in 2024.

Our total homes 'ready for service' (RFS) reached 323,000 at the end of 2022, an increase of 98,000 in the year, representing a 24% increase on the 79,400 properties RFS delivered in 2021. We continue to build faster and build smarter.

Several records tumbled in Sales and Marketing during the year. The launch of Gigaclear's Home Phone service in 2022 and an industry-leading introductory price point both playing a part in strengthening our value proposition and fuelling sales further. In October, the '3,000 gross customer orders in a month' milestone was reached, and by the following month, we experienced the biggest sales month in our history, securing more than 4,000 gross orders. In total, an additional 17,000 new customers joined us in 2022, bringing the total number of Gigaclear customers by year-end to 69,000.

Gigaclear's growth over the past year was achieved despite the challenges faced by the industry, which has seen a significant upsurge in demand for both fibre and manpower. Gigaclear is withstanding this impact on its supply chain and responding to external factors, such as the conflict in Ukraine, which required us to switch our fibre supply source to Poland. Towards the end of 2022, Gigaclear announced its expansion north into rural Derbyshire. To steer this growth, the Build division was restructured, and two regional General Managers were elevated to Delivery Directors.

Gigaclear continues to focus on transformation, building its capability to support future growth and scale. Its delivery of targeted innovation has further reduced cost of delivery, while continuous improvement in technology is creating a strong foundation upon which to achieve its strategic business objectives.

Policy and Regulatory developments

The UK Government is still targeting 85% of UK households having access to a gigabit-capable broadband network by 2025. To help achieve this, the government and Ofcom have implemented and are continuing to develop policy measures designed to support the rollout of full fibre networks:

- The Product Security and Telecommunications Infrastructure Act gained Royal Assent in December. It contains provisions which, amongst other things, will make it easier for operators to share ducting and telegraph poles, helping with the rollout of gigabit broadband across the UK.

[1] At time of writing.

- Additionally, the provisions of the Telecommunications Infrastructure (Leasehold Property) Act have commenced in England and Wales. This gives operators a route to installing broadband services in properties where a landlord has been unresponsive. This will assist Gigaclear to complete build areas where build has been stalled due to 'absentee landlords'.
- The Department of Science Innovation and Technology (DSIT) and Department for Transport (DfT) officials are working with industry on a programme of more ambitious trials for a more flexible highways permitting system. Once implemented, this will significantly reduce our administrative burden.
- Ofcom's revised General Conditions of Entitlement came into force on 17 June 2022 requiring communication providers to give consumers, micro and small enterprise and not-for-profit customers a summary of the main terms of their contract and information before entering into a binding contract for electronic communications services.
- Further updates to the General Conditions in 2023 will see a requirement for communications providers to develop and operate a new "one touch" switching process for all UK residential customers who switch landline and broadband services, removing the need for customers to contact their current provider when looking to switch to a new provider.
- Finally, new regulations came into force on 26 December 2022 requiring the installation of gigabit-ready infrastructure and gigabit-capable connections during the construction of new homes: where Gigaclear build to new homes, this will lower the cost and complexity of doing so.

Gigaclear continues to closely monitor and carefully implement all new regulations. Where appropriate, Gigaclear engages proactively in consultation with government, the regulator and industry bodies to help shape and develop new policy and regulation, ensuring that our unique perspective on the challenges of rural deployment is given proper consideration.

Of the £5bn Government fund managed by Broadband Delivery UK (BDUK) through 'Project Gigabit' to support the rollout of full fibre networks into rural, isolated areas, we are actively participating in the 'Gigabit Broadband Voucher Scheme' and over the past year have been paid more than £2M in vouchers against our rural build.

Financial Review

Revenue increased 30% to £25.7m from £19.8m in 2021. The increase in revenue was driven by selling into new network areas and increasing our penetration across our more mature networks.

The loss for the year was £21.8m (2021: £34.3m). This year's loss benefited from a market-to-market gain on our interest rate swaps of £46.8m. Without this gain, our loss for the year would have been £68.6m, this is in line with forecasts. While we continue to focus our efforts on building new network areas, Gigaclear will carry the cost of a significant network delivery organisation. During this period of highly capital-intensive growth, we expect to realise net operating losses. We expect Gigaclear to become profitable as it matures, and the rate of new network construction decelerates.

In 2022 we continued to invest in our organisation. We augmented our delivery capability throughout the year, adding colleagues in our in-house maintenance, installation and network delivery team (called the Direct Labour (DL) team), and in our Network Build Team, which designs and manages day-to-day deployment of our networks. We continued to invest in our IT & Systems department, further enhancing our capabilities in deploying PON (passive optical networks) and PIA (passive infrastructure access) networks and investing in systems to assist us in delivering our networks more efficiently.

In 2022, we continued to invest in our ISP (internet service provider), enlarging our customer acquisition and customer care departments. We expect to see these customer facing departments grow as we seek to expand our customer base.

These various initiatives brought additional costs into the business but are required to allow Gigaclear to scale up its network construction and customer acquisition activities. Consequently, our operating expenses for the year increased to £70.1m (2021: £55.6m). This year we began to feel the effects of inflation. The business took the decision to implement an H2 salary increase of approximately 4.7%. Operating expenses, as presented, include depreciation which increased by £7.6m to £31.1m, due to increased network construction work performed in the year. Financing costs increased to £24.4m (2021: £15.4m) as a result of increased borrowings during the year.

Loss after tax was £21.8m (2021: £34.3m). As mentioned, this year's loss benefited from a non-operational gain of £46.8m on Gigaclear's interest rate swaps.

The Statement of Financial Position sheet remains in a strong net asset position at the year-end of £141.6m (2021: £103.9m) reflecting the ongoing investment in the construction of new networks.

Gigaclear continues to draw on its debt facilities to fund its operations and grow its network. Total drawn debt at year-end was £501m (2021: £344.0m); transaction costs capitalised against this balance and accrued interest give rise to a balance sheet figure of £488m. Gigaclear will continue to draw on its debt facilities to fund the construction of its networks for the foreseeable future.

During the year, Gigaclear's majority shareholder contributed £60m of ordinary share capital.

In some communities we hold contracts with local authorities to build our network using subsidies provided to us under a gap funded model from BDUK. In these communities, Gigaclear invests approximately £9 of its own capital for every £1 of subsidy it receives. In 2022, Gigaclear collected £9.8m (2021: £7.8m) in subsidies.

Cash at 31st December 2022 was £27.6m (2021: £1.4m). This balance was elevated to fund payments to our supply chain early in the new year. It is not the Company's intention to hold large daily cash balances.

Engaging with Customers

There was a rapid growth in Gigaclear's customer base in 2022, which has nearly doubled in size since the end of 2020, when we had 36k customers. At year end, Gigaclear had 69k customers having grown 33% over the last 12 months from 51k. This growth was driven by heightened customer demand for ultrafast broadband services, and increasingly effective sales and marketing strategies. We delivered a rebrand at the beginning of 2022 which then saw the launch of the first TV and radio advertising campaigns to reach more prospective customers. This, plus the redevelopment of the Gigaclear website, has seen the acceleration of sales, setting new monthly records for orders and taking a healthy pipeline of sales into 2023.

Gigaclear made several investments in customer operations in 2022 to continue to improve its customer experience. Recruiting and onboarding new customer-facing team members has been a priority, to keep up with demand, as well as focussing of training and developing this team to deliver ever higher standards of customer service. In parallel we have succeeded in automating and streamlining several operational processes to make us easy to do business with and reduce our operational costs. This has included the launch of a 'Live Chat' digital service channel, improvements in service options available via the website and new process to support customer installations.

Our customer experience is grounded in customer insight, including primary customer research on new products and services, and to benchmark customer perceptions of our overall service via a regular Net Promoter Score Survey. We achieved a healthy Net Promoter Score (NPS) of +26 in 2022, up from +19 in 2019 which puts us amongst the best reported results in the industry. However, we see significant opportunities to improve this further in 2023, with the launch of a home phone service already proving popular among customers, enabling us to better serve their needs, and save money versus BT enabling Gigaclear to develop new revenue streams.

Alongside this scale growth of new marketing, enhanced customer service and new products, Gigaclear remains true to its roots as a rural supplier on a mission to empower communities with better broadband. In 2022 we grew our community engagement team which delivered over 400 community events, supported local sports clubs and events and now host over 260 community hubs where our ultrafast broadband is available for all residents to use for free. Similarly, our local business sales team helped connect over 700 local businesses to better broadband, from independent shops and restaurants to large public sector and corporate clients.

Engaging with Suppliers

Without our construction partners it would not be possible to deliver Gigaclear's networks. We seek to achieve a collaborative partnership with our key network build suppliers in order to build high quality networks, safely, in a managed programme which delivers predictability of time and cost. We utilise the NEC4 contractual framework for all new build related activities. We increased the number of long-term build supply chain partners from 19 to 21 at the start of the year with another 5 suppliers being onboarded. In total for 2023 we aim to have a supply chain consisting of 26 companies, who in aggregate, have the capacity to deliver our business plan commitments.

Significant reviews continue in other areas of procurement, resulting in improved commercial relationships with key suppliers in our Technology and Engineering departments. Our new warehouse in Swindon continues to support our inventory control and allows us to support our build & installations partners in scaling their delivery activities.

In addition to our rigorous health and safety requirements, we require high standards of behaviour from our suppliers, encouraging them to recognise their role as representatives of Gigaclear in our build communities. We insist on a zero-tolerance approach to any form of slavery or human trafficking.

As a key part of our policy to treat our supply chain fairly, the Company's policy is to agree clear terms of payment with suppliers when the supplier is first engaged, to ensure that suppliers are made aware of, and abide by, the terms of payment.

Engaging with Employees

At year end, the Gigaclear team consisted of 670 permanent employees vs. 555 a year ago. We experienced headcount growth across most teams within the company as we continued to scale and volumise the performance of the business. As in previous years, we grew our capability to maintain our existing network, build new networks and onboard and install new customers. Our growing customer base required us to grow our Customer Operations team. We created a new Government Voucher Programme team in addition to adding Telesales capability. We saw growth across our network build teams and network support teams (who are responsible for the resilience of our network).

The Gigaclear team is regionally based, with 7 office locations for those teams to come together. We continue with a programme of internal communications to make sure that our goals, transformation programmes and progress against those are well understood. We ran our annual engagement survey again in September 2022, and were pleased to report that 79% of survey respondents agreed with the statement 'I feel valued by my organisation'. In addition to this we monitored our performance against the Employee Net Promoter survey where we registered a score of +49% and saw just under 25% of employees take their next career step with Gigaclear in the year. We were proud to be down to the 3 finalists for a local Top Employers award in Oxfordshire following the provision of a detailed application.

We published our full survey results, including all the comments, for our employees to see and have worked with managers across the business to identify improvements they can make in their areas. A particular area of focus in 2022, which we will continue into 2023, is on the learning and development opportunities we are able to offer our employees. We have prioritised technical and safety training, and at the end of 2022 started to roll out a learning management system to those field-based employees engaged in the building, maintenance and installation of our network. Plans are under way to look at how we can use the same system to track and support the delivery of soft skills and management skills training.

Our Health & Wellbeing group led two key initiatives across the company in 2022. We recruited, trained and launched a network of Mental Health First Aiders across the business, to supplement the support that our employees can expect from their manager, HR and our Employee Assistance Programme when it comes to mental health concerns. This has been well received by all employees and we have a very active network of mental health first aiders now. The Group also arranged a Health & Wellbeing week in May 2022, which included providing all employees across all our locations, with access to health checks, massages, financial wellbeing advice and nutrition advice.

Our annual participation in the Environmental, Social and Governance survey run by Infracapital, saw us improve in 8 out of 9 areas which our performance is measured. The results were shared with employees and published for all to access on our company SharePoint site along with our action plan to continue to drive improvement. We continue to strive through our recruitment and management practices to encourage diversity and offer an inclusive working environment where everyone can add value and fulfil their potential. We were pleased to include Diversity & Inclusion questions in our annual engagement survey this year. 93% of survey respondents agreed with the statement 'I believe Gigaclear offers a welcoming and inclusive environment'. Throughout the year we reviewed the EDI information which we hold on employees to give us a baseline against which we can measure the impact of the actions we take to improve our performance in this area.

Health, Safety, Environment and Quality

The building of our network entails a significant amount of construction works, with vast numbers of workers in often challenging physical environments requiring regular interface with members of the public and other utility services. The safety of our employees, supply chain workers and the public is a top priority for Gigaclear and its Board who are committed to ensuring the welfare of all stakeholders is constantly considered and protected.

Gigaclear's HSEQ Department has in place a robust strategic plan tailored around our "Safety First" program which focuses on assessing, managing and improving the quality and compliance of our operations, ensuring the protection and welfare of our workforce and those that may be affected by our activities. Key initiatives include working collaboratively with contractors and our Direct Labour team to assess and control risks, clear communications on HSEQ standards and requirements, a utility strike campaign focusing on actions to mitigate or prevent the risk of utility strikes and, increased compliance monitoring of on-site activities as well as enforcement measures where necessary. The education and drive for compliance are critical to creating positive behavioural change for individuals, supply chain and the wider fibre industry.

Throughout 2022 we have continuously reviewed, updated and improved working practices and policies to ensure we provide our employees, partners and the public a safe working environment and a positive experience when engaging with the organisation. Despite the industry challenges and the growth of the business we have demonstrated an improvement in the safe operation and compliance of our live sites, and this is evidenced not just from inspections and audits undertaken by Gigaclear personnel but also by external regulatory authorities.

Gigaclear is proud to be a founding member of the fibre industry safety group SHIFT which is the first and only of its kind in the UK created for fibre asset owners to engage and collaborate on establishing and implementing universal standards to improve the safety of all those that work in, or may be affected by, our activities.

Gigaclear looks forward to building upon the foundations that have been established in recent years improving the safety and quality culture within our organisation, our contractor partners as well as having a positive influence on the wider fibre industry.

Environment, Social & Governance

Gigaclear's ESG programme has continued to develop and expand during 2022, overseen by a small group consisting of members of the senior management team who report regularly to the Board's Corporate Risk and Culture Committee.

Stakeholder engagement is a fundamental cornerstone of the ESG programme. In 2022, we continued our ongoing efforts to engage with the local communities we serve, as described in our 'Engaging with Customers' section above, including a developing programme of local sports sponsorship.

Supplier engagement is also further described above and as part of that, we marked Anti-slavery day on 18th October 2022 with a communication to all of our build contract supply chain and our own operations team, emphasising the importance of constant vigilance and reminding them of some of the tell-tale signs of modern slavery to look out for. This will remain a focus for our build team who are on site, supervising workers in our supply chain.

Employee Engagement (see above for more detail) also forms a key part of our ESG programme with the programme of initiatives by the Health & Wellbeing group making a valuable contribution to the 'social' section of our ESG strategy. The Diversity & Inclusion Group will also increasingly contribute to this workstream: the group has been gathering much needed data and insight to build a programme which will continue into 2023.

Following our Carbon Reduction and Environmental Management Plan, we have installed eight electric charging points at our head office in Abingdon and are exploring further opportunities for our regional offices. We have a new waste management partner who will assist our ambition to recycle all waste from our offices and stores.

We have seen a marginal increase to 0.020 tCO2e/premises built (2021: 0.019 tCO2e/premises built 2021). This can be attributed to the growth in our operations and HSEQ team and therefore our fleet, together with the growth of our network and therefore our power consumption.

Although it is established that FTTP networks use significantly less energy than old copper-based technology, we go further by using only electricity from renewable sources to power our active network and our offices. We will continue to evaluate further opportunities such as the use of electric vehicles in our fleet and plant.

Our programme of governance includes a focus on risk management using a new system introduced during the latter part of 2022 and development of a mature policy framework. The ESG group has overseen ongoing develop of our data protection and cyber security programmes, including work to align with the Telecoms Security Act. We achieved re-certification of our Cyber Essentials Plus accreditation.

Principal Risks and Uncertainties

Principal Risk	Mitigation and Considerations
Competition from BT and new FTTP entrants	• By design, Gigaclear builds in less competitive areas of the country. Our focus is on rural communities, which are more expensive to address, underserved by both BT and alternative players and for which subsidy and voucher schemes are likely to apply. • We apply rigorous screening and planning criteria before building new networks. Our goal is to provide broadband in poorly served communities. • We do not believe that our target communities are capable of economically supporting multiple competitors. If a competitor accesses a community before Gigaclear this will likely make the area economically non-viable. We believe that there are at least 1.0 million homes in our footprint which satisfy our screening requirements.
Price competition and / or lower than expected demand for our services	• In our footprint we compete against cheaper, inferior offerings. • On a per Mbit basis, we are significantly cheaper than the competition but depending on the service, our monthly fee could be higher than the fee levied by our competitors for their inferior products. • We have seen decent take-up of our ultrafast products but not all prospective customers are aware of the benefits of our service or are currently prepared to pay more for a next generation service. In some cases, clients are not yet prepared to forgo bundled offerings (fixed line voice, TV) in favour of a superior, disaggregated broadband offering. In Q4, we launched a VoiP (fixed line voice) offering as a first step in providing a service which appeals to this set of prospective clients. • It is our belief that the passage of time plays in our favour and ultimately most prospective customers will recognise the benefits of receiving an ultrafast broadband service and that most communication products will be disaggregated and provided over the top (e.g. Netflix, Amazon TV, etc.). Over time BT will turn off their copper services, compelling clients to use fibre-based solutions. • Nevertheless, we are not complacent or prepared to wait for the market to bend to our will. We are evaluating partnerships which will allow us to bundle third party offerings together with our broadband service in order to deliver additional value to our customers.
Availability of contractors and resource	• Gigaclear is dependent on third party contractors to deliver our networks on contractual terms that make economic sense. • We are engaged with a multitude of construction contractors across our footprint. We consider the credit worthiness of our partners and seek to maintain a high level of diversity across the supply chain. • We work proactively with our supply chain to mitigate risks in access to materials and labour as a result of changes to immigration and customs regulation post Brexit. We have invested in our logistical and warehouse capabilities to mitigate the impact of component supply shortages and long lead times that were borne out of Covid-19 in previous years and the war in Ukraine.
Health & Safety	• Gigaclear has a dedicated HSEQ Department which reports directly to the CEO, is independent from the delivery organisation but works closely with delivery teams, our direct labour team and our supply chain. • The HSEQ Department is responsible for the oversight or direct auditing of workspaces and sites ensuring that quality is attained and compliance is met, that teams are competent and appropriately equipped and that we act in the best interests of our employees and the public, ensuring that we meet our obligations and the requirements of external authorities. • An HSEQ Strategy sets the foundation for our Safety First program, outlines key initiatives, campaigns and targets including weekly and monthly formal reviews of performance and actions for improvement.

Failure to retain key employees and identify future leaders	• Managers undertake a regular review of key employees to assess the extent to which they might be a flight risk and to implement actions to mitigate this • We seek to promote from within. Potential future leaders for key roles are identified, championed and given focused support in their development. • Notice periods are reviewed regularly, along with the roles which should participate in the bonus scheme. • The approach to salary review is to prioritise our highest performers where salary review is supported by market analysis, internal comparability and affordability. A full review of key talent, leadership capability and succession planning is carried out by the Board of Directors once a year.
Loss of access to funding	• The construction of new ultrafast networks is highly capital consuming. • Gigaclear is currently loss making and is envisaged to remain so in the near term. • Consequently, the business is dependent on capital infusions to sustain its operations and growth ambitions. • It is important to note that our access to capital and the terms on which this capital is made available to us is dependent on our operational and financial performance.
Interest rates	• The Company fixes the rate on at least 70% of its expected drawings over the term of its debt facility. • Hedging levels will be assessed quarterly and hedges will be put in place to ensure that interest rate risk is appropriately managed. • Management does not consider the unhedged portion of the facility to be a significant risk to the business.
Significant breach of Legislation or material non-compliance	• Significant breaches may result in regulator fines or enforcement which may also include costs to mitigate against future occurrence and may result in negative press coverage and reputational damage • The company takes regulation seriously, having invested in several compliance functions and committees to ensure compliance with our obligations • The Board is updated on significant issues and legislative changes and is informed of our HSEQ performance at every board meeting.

Discharge of Directors' Duties – s172 Statement

The directors have a duty to promote the success of the company for the benefit of the members as a whole, but this duty must take into account the wider context in which the company operates: its stakeholders, its market and regulatory framework and the balance of interests between members. Decision making must also reflect a long-term view of the success of the Company.

The directors consider the Company's stakeholders to be the Company's shareholders, employees, customers, suppliers, regulators and government partners and the wider public in the communities where the Company builds and operates.

The directors endeavour to have the interest of all these groups in mind whilst recognising that some decisions may affect one group more than others. The Board includes representatives of the major shareholders as well as management who seek to ensure that all shareholders' interests are fairly represented. Monthly business performance review meetings facilitate information sharing and strategic decision making, together with Board meetings held at least quarterly. Where appropriate, direct engagement with stakeholders is used to inform the board, including detailed reporting to the Board's Corporate Risk and Culture Committee and reporting of the regular employee engagement surveys and the net promoter score surveys done for both customers and employees.

Engagement with both central and local government is a constant focus for the Company, as a result of its participation in the rollout of the Superfast broadband scheme and in the wider consultation exercises for the ongoing rollout of gigabit capable broadband. The Company also maintains a close relationship with the industry regulator, Ofcom.

The directors have an ongoing focus on health and safety, with the interests of the Company's employees, suppliers and the wider public at the heart of the issue. Health & safety reporting is a standing agenda item at each board meeting and the directors have challenged and endorsed the Company's health & safety strategy and will continue to monitor performance in this area closely.

The Directors continue to encourage the development of the Company's ESG agenda, with a particular focus on the Company's environmental impact, diversity in the workplace and the importance of keeping information and personal data secure and well-managed. At the heart of the ESG programme is the need to understand and respond to the needs of stakeholders and the Company's position in the wider economy.

The Directors believe in the highest standards of business ethics and will seek to ensure that these standards inform all the Company's decision making for the benefit of all stakeholders.

On behalf of the Board,

Gareth Williams
Chief Executive Officer
27th April 2023

Directors' Report

The Directors present their annual report and the audited financial statements for the year ended 31st December 2022.

Directors

The Directors who held office during the year were:

Stephen Nelson (Non-Executive Chairman)
Gareth Williams
Ian Wade
Andrew Matthews
Anthony Mooney
James Hepburn

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 financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable international accounting standard in conformity with the requirements of the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

The Directors 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.

Directors' and officers' liability insurance and indemnity

During the period, the Company maintained liability insurance for its directors and officers. The provision, which is a qualifying third-party indemnity provision as defined by Section 233 of the Companies Act 2006, was in force throughout the period and remained in force at the date of signature of the accounts.

Going concern

Gigaclear's Directors continue to adopt the going concern basis of presentation for the Company's 2022 financial statements. The Directors have arrived at this opinion after reviewing the Company's annual and five-year business plan, capital resources and are satisfied that the Company is able to adequately fund its operations for the foreseeable future (see Note 2 in the financial statements).

Financial risks and risk management

Information relating to the Company's financial risk management is set out in the Strategic Review and in Note 28 – Financial Risk Management – of the financial statements.

Outlook

In 2022 we continued to see an improvement in key operational volumes (both in terms of network and customers onboarded). Building on the success of 2022, we will continue to work with and onboard new contractor partners and strive to achieve ever increasing efficiency through process change and innovation. Our goal for 2023 is to progressively step up our delivery of homes passed at economically viable prices and to continue to grow our customer base, while providing excellent service to our existing customers.

Environmental Reporting

The company has used the UK government's environmental reporting guidance to measure and report greenhouse gas emissions for the year ended December 2022. The company is reporting as a large, unquoted company.

Table 1 2022

	Consumption	tCO_2e	kg CH_4	kg N_2O	Notes
Electricity (for our buildings and communications network)	4,040,145 kWhs	781	3,232	5,535	All electricity is REGRO certified
Gas (for our buildings)	34,380 m^3	73	102	40	All gas is offset by the supplier by investing in carbon reduction schemes
Diesel (used in our vehicle fleet)	570,169 litres	11458	148	21,096	
Petrol (used in our vehicle fleet)	3,349 litres	7	24	22	
Total		**2,320**	**3,506**	**26,693**	

Table 2 2021

	Consumption	tCO_2e	kg CH_4	kg N_2O	Notes
Electricity (for our buildings and communications network)	2,965,488 kWhs	630	2,372	4,063	All electricity is REGRO certified
Gas (for our buildings)	34,759 m^3	70	95	37	All gas is offset by the supplier by investing in carbon reduction schemes
Diesel (used in our vehicle fleet)	394,189 litres	990	103	14,582	
Total		**1,690**	**2,570**	**18,682**	

The methodology used is the GHG Reporting Protocol – Corporate Standard.

The intensity ratio for the year is: $tCO2e$/premises built = 0.020 a small increase over last year's reading of 0.019.

Table 1 above shows the Company's Streamlined Energy and Carbon Reporting (SECR) to y/e December 2022. It should be noted that although we report according to SECR standards, all the Company's electricity consumption comes from renewable sources and the gas consumption is offset by the supplier.

For information on the Company's strategy regarding environmental impact, please see the Strategic Report.

We have decided to use premises built as an intensity ratio, the build programme being where the majority of the emissions are generated while the company is in the intense network building phase of its development. The number of built premises in 2022 was 118,000 vs 89,000 in 2021.

Employees

Information relating to the Company's approach to employee engagement and diversity is set out in the Strategic Review.

Customers and Suppliers

Information relating to the Company's relationships and management of customers and suppliers is set out in the Strategic Review.

Disclosure of information to auditor

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information

Auditor

Under section 487(2) of the Companies Act 2006, Grant Thornton UK LLP will be deemed to have been reappointed as auditor 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

On behalf of the Board,

G Williams

Gareth Williams
Director
27 April 2023

Independent auditor's report to the members of Gigaclear Limited

Opinion

We have audited the financial statements of Gigaclear Limited (the 'company') for the year ended 31 December 2022, which comprise the statement of comprehensive income, the statement of financial position, the statement of cash flows, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted international accounting standards.

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its loss for the year then ended;
- have been property prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the company to cease to continue as a going concern.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the company's business model including effects arising from macro-economic uncertainties such as the war in Ukraine and cost of living crisis. We assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

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

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

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

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matter on which we are required to report under the Companies Act 2006

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant which are directly relevant to the financial statements are those related to the reporting frameworks (IFRS and the Companies Act 2006)
- We understood how Gigaclear Limited complies with those legal and regulatory frameworks by making enquiries of management, those responsible for legal and compliance procedures. We corroborated our enquiries through our review of board minutes and correspondence received from regulatory bodies.
- We assessed the susceptibility of Gigaclear Limited's financial statements to material misstatement, including how fraud might occur, by making enquires of management and those charged with governance. We utilised internal and external information to corroborate these enquiries and performed a high-level fraud risk assessment and concluded that the highest potential for risk of fraud could stem from management override of controls. Our audit procedures involved:

- journal entry testing, with a focus on material manual journals, those posted directly to cash and analysis of journals posted by specific users;
- challenging assumptions and judgements made by management in its significant accounting estimates (with a particular focus on deferred income, useful economic life of Property, Plant and Equipment and the impairment review of the same asset);
- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it;

The engagement partner's assessment of whether the engagement team collectively had the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations

- Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
  - understanding of, and practical experience with, audit engagements of a similar nature and complexity through appropriate training and participation;
  - knowledge of the industry in which the client operates; and
  - understanding of the legal and regulatory requirements specific to the entity:
    - the provisions of the applicable legislation;
    - the regulators rules and related guidance, including guidance issued by relevant authorities that interprets those rules;
    - the applicable statutory provisions.

Matters about non-compliance with laws and regulations and fraud that were communicated with the engagement team

- We did not identify any matters relating to non-compliance with laws and regulation and fraud.

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' 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.

Grant Thornton UK LLP

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

27th April 2023

Statement of comprehensive income

For the year ended 31st December 2022

	Notes	2022 £'000	2021 £'000
Revenue	5	**25,735**	19,832
Cost of sales		**(6,251)**	(4,175)
Gross profit		**19,484**	15,657
Operating expenses		**(63,750)**	(51,458)
Operating loss	6	**(44,266)**	(35,801)
Other income	8	**98**	—
Finance income	10	**46,810**	16,931
Finance costs	10	**(24,418)**	(15,382)
Net finance expense		**22,392**	1,549
Loss before taxation		**(21,777)**	(34,252)
Taxation	11	—	—
Loss for the year		**(21,777)**	(34,252)

All amounts relate to continuing operations.

There were no recognised gains and losses for 2022 or 2021 other than those included in the Statement of comprehensive income.

The notes on pages 23 to 43 form part of these financial statements.

Statement of financial position

As at 31st December 2022

	Notes	2022 £'000	2021 (Restated) £'000
Assets			
Non-current assets			
Intangible assets	12	**716**	49
Property, plant & equipment	13	**577,578**	445,417
Right-of-use assets	14	**8,221**	6,458
Derivative financial instruments	17	**59,658**	12,889
		646,173	464,813
Current assets			
Inventories		**1,878**	3,046
Trade and other receivables	21	**22,676**	14,984
Cash and cash equivalents		**27,602**	1,377
Loan fees paid in advance	18	**2,486**	2,486
Restricted Cash	32	**460**	460
		55,103	22,353
Total Assets		**701,275**	487,166
Liabilities			
Current liabilities			
Trade and other payables	22	**(49,674)**	(32,560)
Borrowings	18	**(2,095)**	(754)
Contract liabilities	23	**(3,105)**	(2,008)
Lease liabilities	16	**(2,351)**	(1,793)
Provisions	25	**(773)**	(1,918)
		(57,998)	(39,033)
Non-current liabilities			
Borrowings	18	**(493,021)**	(333,535)
Other payables	24	**(3,414)**	(5,988)
Lease liabilities	16	**(4,646)**	(4,131)
Provisions	25	**(611)**	(607)
		(501,693)	(344,261)
Total Liabilities		**(559,691)**	(383,294)
Net assets		**141,585**	103,872
Equity attributable to owners of the parent			
Share capital	26	**1,122**	1,032
Share premium	26	**202,709**	143,309
Retained loss		**(62,246)**	(40,469)
Total equity and reserves		**141,585**	103,872

The notes on pages 22 to 43 form part of these financial statements.

These financial statements were approved by the Board of Directors and authorised for issue on 27th April 2023 were signed on their behalf by:

Ian Wade
Director

Ian Wade

Statement of cash flows

For the year ended 31st December 2022

	Notes	2022 £'000	2021 £'000
Cash flows from operating activities			
Loss after tax		**(21,777)**	(34,252)
Adjustments for:			
Finance costs/(income) (net)	10	**(22,392)**	(1,549)
Depreciation of tangible fixed assets	13	**29,392**	22,147
Depreciation of right-of-use assets	14	**1,781**	1,409
Impairment of tangible fixed assets	15	**0**	677
Loss on disposal of property, plant & equipment		**97**	4
Release of remedial provision		**(1,085)**	(910)
Stock loss		**221**	174
Aborted build costs		**1,281**	1,027
Operating loss before changes in working capital		**(12,482)**	(11,273)
Increase/(Decrease) in inventory		**946**	(855)
Increase in trade and other receivables		**(9,148)**	(7,564)
Increase in trade and other payables		**17,481**	16,617
Net cash outflow from operating activities		**(3,202)**	(3,075)
Investing activities			
Purchase of property, plant & equipment		**(171,961)**	(156,401)
Proceeds from sale of property, plant & equipment		**—**	30
Grant received in respect of BDUK	13	**9,808**	7,809
Interest received	10	**41**	2
Net cash flow from investing activities		**(162,112)**	(148,560)
Financing activities			
Repayment of borrowings and leasing liabilities		**(2,766)**	(2,200)
Interest paid		**(20,284)**	(13,358)
Financing fees paid		**(1,900)**	(2,712)
Proceeds from borrowings	18	**157,000**	167,500
Proceeds from Ordinary Share Issue		**59,490**	—
Net cash flow from financing activities		**191,540**	149,230
Net increase/(decrease) in cash and cash equivalents		**26,225**	(2,405)
Cash and cash equivalents at beginning of year		**1,377**	3,782
Cash and cash equivalents at end of year		**27,602**	1,377

The above cashflow excludes the restricted cash balance of £460,000, see note 32 for further details

The notes on pages 22 to 41 form part of these financial statements.

Statement of Cashflows cont..

Analysis of net debt

For the year ended 31st December 2022

The changes in the Company's liabilities arising from financing activities can be classified as follows:

	Current borrowings	Non-Current borrowings	Lease liabilities	Total
	£'000	£'000	£'000	£'000
1st January 2021	167,709	(563)	6,266	173,412
Cash flows:				
- Repayment	—	—	(2,200)	(2,200)
- Proceeds	167,500	—	—	167,500
- Arrangement fees paid	(1,839)	(873)	—	(2,712)
- Interest paid	—	(13,358)	—	(13,358)
Non-cash:				
- *Arrangement fees accrued*	(1,522)	(378)	—	(1,900)
- Amortisation of arrangement fees	1,687	453	—	2,140
- New lease commitments	—	—	1,607	1,607
- Interest charge	—	12,987	251	13,238
31st December 2021	**333,535**	**(1,732)**	**5,924**	**337,727**
Cash flows:				
- Repayment	—	—	(2,740)	**(2,740)**
- Proceeds	157,000	—	—	**157,000**
- Arrangement Fees Paid	(1,522)	(377)	—	**(1,900)**
- Interest Paid	—	(20,284)	—	**(20,284)**
Non-cash:				
- Arrangement fees accrued	1,522	377	—	**1,900**
- Amortisation of arrangement fees	2,486	—	—	**2,486**
- New lease commitments	—	—	2,193	**2,193**
- Interest charge	—	21,625	265	**21,891**
31st December 2022	**493,021**	**(391)**	**5,643**	**498,273**

Statement of changes in equity
For the year ended 31st December 2022

	Share capital £'000	Share premium £'000	Retained earnings £'000	Total equity £'000
At 1st January 2021	**1,031**	**143,182**	**(6,217)**	**137,996**
Issue of share capital on private placement	1	127	—	128
Transactions with shareholders	**1**	**127**	**—**	**128**
Loss for the year	—	—	(34,252)	(34,252)
Total comprehensive loss for the year	—	—	(34,252)	(34,252)
At 31st December 2021	**1,032**	**143,309**	**(40,469)**	**103,872**
At 1st January 2022	**1,032**	**143,309**	**(40,469)**	**103,872**
Issue of Share Capital	90	59,400	—	59,490
Transaction with Shareholders	**90**	**59,400**	**—**	**59,490**
Loss for the year	—	—	(21,777)	(21,777)
Total comprehensive loss for the year	—	—	(21,777)	(21,777)
At 31st December 2022	**1,122**	**202,709**	**(62,246)**	**141,585**

The notes on pages 22 to 41 form part of these financial statements.

Notes to the financial statements

1 Reporting entity

Gigaclear Limited (the "Company") is a limited company incorporated and domiciled in England. Its ultimate controlling party is Infracapital (Gc) Gp Limited.

The address of the Company's registered office is Building One, Wyndyke Furlong, Abingdon, Oxfordshire, OX14 1UQ.

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

2 Going concern

In order to assess Gigaclear's status as a going concern, the Directors assessed the company's ability to fund its business for 12 months from the signing of these accounts under a range of scenarios. As part of this process, the Directors considered Gigaclear's key factors relevant to the company's viability as a going concern and prepared a cash flow forecast for the review period. Gigaclear plans to continue constructing networks over the 12 month period from signing the financial statements. The volume and pace of build will determine the need for a cash infusion during this period.

The Directors are confident in raising additional finance, if required, having considered the company's preparedness for a capital raise and ability to execute a financing within a reasonable timeframe should this be required.

- The Directors recognise the fact that the company undertook a significant effort in educating potential equity and debt investors in 2022, has already completed a comprehensive vendor due diligence exercise and has a fully populated data room.
- The company is actively engaged in capital raising activities at the time of writing and assessment.

In 2023 the Company will undertake a reorganisation of the Group. Several holding companies will be created, and our shareholders will be moved to the top of the structure. The rationale for this change is to create a market-standard structure that is more structurally efficient for future providers of capital to the Company.

The Directors have also considered the company's ability to mitigate equity funding requirements should no further equity funding be accessible from Gigaclear's existing shareholders in short order.

- The Directors focused on the company's ability to ensure that it has sufficient time to secure alternative sources of finance – to this end, the Directors assessed the company's ability to preserve capital through a slowdown or pause in the company's network rollout and, potentially, an accompanying reduction in the level of its internal resources needed to support the business. The Director's considered the company's ability to utilise its debt capital to finance its operations whilst sourcing additional equity capital. The Directors are satisfied that mitigation actions, such as slowdown or pause of the company's network rollout, together with, if required, a reduction in the level of internal resources required to run the business, would enable it to continue to operate as a going concern, for a minimum of 12 months from the date of signing of these accounts.

The Directors considered in their forecasts the overall macro-economic environment on the availability of construction labour and material resources. Gigaclear continues to maintain sufficient supply chain capacity to fulfil its delivery plans. The company considers the size and financial capabilities of its suppliers and implements financial limits on each of its partners in order to prevent an over dependence on any one supplier and to limit its financial exposure in the event a partner runs into financial difficulties. Overall, supply chain availability has steadily improved since mid 2022.

The Directors considered in their forecasts the potential impact of virus outbreaks like Covid-19 on the value of the Company's network. The Directors concluded that these episodes serve to validate the benefits of investing in full fibre infrastructure and that, if anything, the lifestyle changes seen under Covid-19 (e.g. working from home) have likely benefited the value of Gigaclear's network.

As such, that they believe it is appropriate to consider Gigaclear as a going concern.

3 Basis of preparation

a) Statement of compliance

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

These financial statements were authorised for issue by the Board of Directors on 27th April 2023.

Notes to the financial statements
(continued)

b) Basis of measurement
The financial statements have been prepared on the historical cost basis and as a going concern.

c) Functional and presentation currency
These 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 financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

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

- *Depreciation, useful lives and residual values of property, plant & equipment - note 13*

  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 income and the carrying values of the property, plant & equipment in the statement of financial position.

  Plant and equipment in our networks represent 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.

- *Impairment of assets – note 15*

  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 asset's estimated future cash flows are discounted to their present value of money using a discount rate of 9.0%. It is the judgement of the Company that there is no impairment of its assets in 2022.

- *Fair value of hedging instruments – note 17*

  The Company's hedging instruments are recognised at fair value. Fair value for the Company's hedging instruments is based on an active market valuation and is reviewed at each reporting date. Movements in fair value are recognised in the statement of comprehensive income. The movement in the fair value is a function of the forward interest rate curve.

- *Provisions and contingent liabilities – note 25*

  The Company exercises judgement in determining the quantum of all provisions to be recognised. The assessment includes consideration of whether there is a present obligation, whether payment is probable and if so, whether the amount can be estimated reliably.

  In measuring property provisions, the Company has estimated the cost of restoring its properties upon vacation where this is required under the terms of its lease agreements. The provision is reassessed annually and amended, when necessary, to reflect current estimates. The provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. A discount rate of between 0.2% and 0.8% has been applied.

  The network remedial cost provision has been estimated based on a statistical audit of work performed. Defective areas of the network will be remediated as discovered, and, in consultation and in compliance with the Highways Authority standards. It is estimated that it will take approximately two to three years to utilise the provision.

  The Company also assesses the likelihood of contingent liabilities occurring in the future. Contingent liabilities are not recognised as liabilities on the Statement of Financial Position, but are disclosed in note 29. By their nature, contingencies will be resolved only when one or more uncertain future events occur or fail to occur. The Company assesses the likelihood that a potential claim or liability will arise and quantifies the possible range of financial

Notes to the financial statements
(continued)

3 Basis of preparation (continued)

outcomes where this can be reasonably determined. In estimating contingent liabilities, key judgements are made in relation to applicable law and any historical and pending court rulings, and the likelihood, timing and cost of resolution.

For all provisions and contingent liabilities, the ultimate liability may vary materially from the amounts provided and will be dependent upon the eventual outcome of the event being provided for.

4 Significant accounting policies

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

Basis of preparation

The historical financial information consolidates the financial results of the Company drawn up to 31st December each year.

Foreign currency translation

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.

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 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 recognised when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets are classified into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI).

In the periods presented the Company does not have any financial assets categorised as FVTPL or FVOCI.

The classification is determined by both:

- the entity's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset

Notes to the financial statements
(continued)

4 Significant accounting policies (continued)

All income and expenses relating to financial assets that are recognised in profit or loss are presented with finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Subsequent measurement of financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions:

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Impairment of financial assets

IFRS 9's impairment requirements use forward-looking information to recognise expected credit losses – the "expected credit loss (ECL) model." This replaces IAS 39's "incurred loss model." Instruments within the scope of IFRS 9 include trade receivables.

Recognition of credit losses is no longer dependent on the Company first identifying a credit loss event. Instead, the Company considers a broader range of information when assessing credit risk and determining expected credit losses. The information reviewed includes including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ("Stage 1") and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ("Stage 2").

"Stage 3" would cover financial assets that have objective evidence of impairment at the reporting date.

"12-month expected credit losses" are recognised for the first category while "lifetime expected credit losses" are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Trade and other receivables and contract assets

The Company makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating expected losses, the Company uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Company assesses impairment of trade receivables on a collective basis (as they possess shared credit risk characteristics) and are grouped based on days past due. Note 28 provides a detailed analysis of how the impairment requirements of IFRS 9 are applied.

Classification and measurement of financial liabilities

The Company's financial liabilities include borrowings, trade and other payables and derivative financial instruments. Financial liabilities are initially measured at fair value and, where applicable, adjusted for transaction costs unless the Company designated a financial liability at fair value through profit or loss.

Subsequently, all financial liabilities are measured at amortised cost using the effective interest method except for financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

Notes to the financial statements
(continued)

4 Significant accounting policies (continued)

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 issue costs
- Retained earnings represents the accumulated profits and losses attributable to equity shareholders

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 7-12 years
– Point of presence	Straight-line over 10 years
– Other plant and machinery	Straight-line over 3-5 years
– Motor vehicles	Straight-line over 3 years
– Office equipment	Straight-line over 3 years
– Computer equipment	Straight-line over 3 years
– Leasehold property improvements	Straight-line over the lease term

Right-of-use assets are depreciated over the shorter of the lease term and the useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset.

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 as part of operating expenses.

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 economic life of the customers acquired as part of the acquisition of the trade and assets of Aylesbury Vale Broadband Limited on 30th December 2017 are assessed as infinite.

The useful economic life of the IP addresses that were added through 2022 are assessed to be infinite.

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 derecognition 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.

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.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost corresponds to purchase cost determined by either the first in first out (FIFO) or average cost method.

Leases

The Company considers whether a contract is, or contains a lease, at inception of the contract. A lease is defined as a 'contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Company assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company;
- the Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract;
- the Company has the right to direct the use of the identified asset throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Company recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Company depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The Company also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

After initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Company has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, right-of-use assets have been included in property, plant and equipment and lease liabilities have been included in trade and other payables.

Revenue

Revenue consists of internet connectivity fees, customer connection fees, commission earned on the sale of VOIP services to customers by an external service provider and other income from the sale of stock and network build carried out for customers who do not have an ongoing contract with the Company.

Notes to the financial statements
(continued)

4 Significant accounting policies (continued)

To determine whether to recognise revenue, the Company follows a 5-step process:

1 Identifying the contract with a customer

2 Identifying the performance obligations

3 Determining the transaction price

4 Allocating the transaction price to the performance obligations

5 Recognising revenue when/as performance obligations(s) are satisfied.

Revenue is recognised either at a point in time or over time, when (or as) the Company satisfies performance obligations by transferring the promised goods or services to its customers.

The Company recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in the statement of financial position (see Note 24). Similarly, if the Company satisfies a performance obligation before it receives the consideration, the Company recognises either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

Internet connectivity fees

Revenue from the monthly fees charged to customers for providing access to the internet is recognised in line with the time period for which the connection is provided. Fees are charged and payable monthly in advance and revenue for dates beyond the current accounting period is reported in the statement of financial position as a contract liability.

Customer connection fees

Connection fees are one-off fees charged to customers at the outset of the contract to cover set up and installation services. These fees are included in the client's first invoice and are payable together with the first monthly connectivity fee. As such, the Company judges that connection services form a part of a bundle of services to deliver internet connectivity services. The revenue from the connection fees is therefore recognised over the same time period as the customer's internet connectivity services contract. Revenue which relates to the portion of the customer's contract which is beyond the current accounting period is reported in the statement of financial position as a contract liability. Customer contracts vary in length, the standard residential contract is 18 months, business contract is 24 months, and wholesale customer contract is 12 months.

VOIP Commission

VOIP services are provided to the Company's customers by an external service provider. The Company receives commission for each customer who subscribes to a VOIP service. The commission is received monthly in arrears and is recognised in the period for which the commission is paid.

Other Income

Other income relates to sales of stock and network build activity carried out for customers who do not have a contract with the Company for the provision of ongoing services. The revenue is recognised in the financial statements when the stock has been transferred or the building work is complete.

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.

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.

Notes to the financial statements
(continued)

4 Significant accounting policies (continued)

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

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

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.

Borrowings

Borrowings are initially recognised at the actual value of the proceeds received net of transaction costs. They are subsequently measured at amortised cost. Transaction costs are amortised over the life of the loan.

Provisions and contingent liabilities

A provision is recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Where these criteria are not met a contingent liability is disclosed if the Company has a possible obligation or has a present obligation with an outflow that is not probable or which cannot be reliably estimated. Contingent liabilities are disclosed in note 30.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. A discount rate of between 0.2% and 0.8% has been applied. The unwinding of the discount is included within interest expense. Financial liabilities within provisions are measured at amortised cost.

5 Revenue

	2022 £'000	2021 £'000
Internet connectivity fees	**24,133**	19,259
Customer connection fees	**1,019**	315
VOIP & other commission	**146**	135
Other income	**437**	123
	25,735	19,832

The company offers broadband services to its customers, with revenue being recognised in the period that services were provided. Customer Connection Revenue is recognised over the life the customer contract under IFRS15. All revenue arose in the United Kingdom.

6 Operating loss

	2022 £'000	2021 £'000
Operating loss on continuing operations is stated after charging:		
Depreciation of tangible fixed assets	**29,393**	22,147
Depreciation of right-of-use assets	**1,781**	1,409
Auditor's remuneration – these financial statements	**105**	52
Auditor's remuneration (non-audit work)	**31**	12
Loss on disposal of property, plant & equipment	**97**	4
Impairment of tangible assets	**0**	677

Notes to the financial statements
(continued)

7 Auditors' remuneration

	2022 £'000	2021 £'000
Amounts receivable by the Company's auditors for the audit of these financial statements	**100**	49
Under/(over) accrual of amounts receivable by the Company's auditor for the audit of the prior year's financial statements	**6**	3
Amounts receivable by the Company's auditor and its associates in respect of:		
Taxation compliance services	**12**	19
Amounts receivable by the Company's auditor and its associates in respect of taxation advisory services	**19**	(7)
	137	64

All fees were paid to Grant Thornton UK LLP

8 Other income

	2022 £'000	2021 £'000
Research and Development expenditure credit	**98**	—

9 Average staff numbers

	2022 Number	2021 Number
Technical & Operations	**500**	379
Sales & Marketing	**47**	41
Administration	**83**	75
Management	**4**	4
	634	499

Staff costs

	2022 £'000	2021 £'000
Salaries, bonus & allowances	**27,573**	22,579
Social security	**3,146**	2,498
Pension contributions	**2,274**	1,927
	32,992	27,004
Amounts capitalised	**(13,921)**	(11,262)
Staff costs charged to income statement	**19,071**	15,742

Notes to the financial statements
(continued)

10 Finance income and finance costs

	2022 £'000	2021 £'000
Interest on short term bank deposits	**38**	2
Interest on Shareholders Loan	**2**	—
Gain on interest rate swaps	**46,769**	16,929
Finance income	**46,810**	16,931
Interest on bank loan	**(24,037)**	(15,128)
Interest expense for leasing arrangements	**(303)**	(251)
Unwinding of Discount on provisions	**(3)**	(3)
Finance Fees	**(74)**	—
Loss on interest rate swaps	—	—
Finance costs	**(24,418)**	(15,382)
Net finance income recognised in profit or loss	**22,392**	1,549

11 Taxation

	2022 £'000	2021 £'000
Current tax expense	—	—
Origination and reversal of temporary differences	(—)	(—)
Deferred tax credit	(—)	(—)
Total tax credit	(—)	(—)

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:

	2022 £'000	2021 £'000
Loss before tax	**(21,777)**	(34,252)
Current tax at 19% (2021: 19.0%)	**(4,138)**	(6,508)
Effects of:		
Tax losses carried forward	**3,967**	17,332
Non-deductible expenses	**145**	23
Fixed asset adjustments	**18**	19
Total tax credit	—	—

In the Spring Budget 2020 the UK Government announced that from 1st April 2020 the UK corporation tax rate would remain at 19% (rather than reducing to 17% as previously enacted). This new law was substantively enacted on 17th March 2020 so the unrecognised UK deferred tax balances have been measured at 19%. In the Spring Budget 2021, the UK Government announced that the headline UK corporation rate would increase from 19% to 25% from 1st April 2023 on profits in excess of £250,000. A small profits rate of 19% will apply to profits of £50,000 or less and for companies with profits in between these amounts there will be a gradual increase in the effective corporation tax rate. As this new law had not been substantively enacted at the balance sheet date, current tax is calculated at 19%.

The Company is still in the early stages of networks going live, and has to date not generated a profit. The Company 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 Company will be able to utilise the tax losses a deferred tax asset has not been recognised.

Notes to the financial statements
(continued)

The Company has not recognised a deferred tax asset in respect of £7,270,000 of tax losses (2021: £6,967,000) and £(3,303,000) in respect of fixed asset timing differences carried forward (2021: £2,550,000).

12 Intangibles

	Customer Relationships	IPv4 Addresses	Total
	£'000	£'000	£'000
Cost			
At 1st January 2021	**49**	—	49
Additions	—	—	—
Disposals	—	—	—
At 31st December 2021	**49**	—	49
Additions	—	667	667
Disposals	—	—	—
At 31st December 2022	**49**	**667**	**716**
Amortisation & Impairment			
At 1st January 2021	**—**	—	—
Amortisation charge for the year	—	—	—
At 31st December 2021	—	—	—
Amortisation charge for the year	—	—	—
At 31st December 2022	**—**	—	—
Net book value			
At 31st December 2020	49	—	49
At 31st December 2021	49	—	49
At 31st December 2022	**49**	**667**	**716**

Intangibles relate to the purchase of IPv4 addresses during 2022. These have been valued at the purchase price. These are added to our existing list of customers acquired as part of the acquisition of the trade and assets of Aylesbury Vale Broadband Limited on 30th December 2017.

Notes to the financial statements
(continued)

13 Property, plant & equipment

	Plant & machinery £'000	Office equipment £'000	Under construction £'000	Motor vehicles £'000	Total £'000
Cost					
At 1st December 2021	**332,461**	**6,950**	**34,600**	**212**	**364,223**
Additions	555	628	148,775	—	149,958
Disposals	(169)	(4)	(2,036)	—	(2,209)
Transfer	137,509	—	(137,509)	—	—
At 31st December 2021	**460,356**	**7,574**	**43,830**	**212**	**511,972**
Additions	827	1,178	159,719	—	161,724
Disposals	(176)	—	—	—	(176)
Transfer	144,978	—	(144,978)	—	—
At 31st December 2022	**605,986**	**8,751**	**58,570**	**212**	**673,519**
Depreciation and impairment					
At 1st December 2021	**34,527**	**3,735**	**5,408**	**169**	**43,839**
Charge for the year	20,664	1,448	—	42	22,147
Disposals	(104)	(4)	—	—	(108)
Impairment	—	—	677	—	677
At 31st December 2021	**55,087**	**5,172**	**6,085**	**211**	**66,555**
Charge for the year	28,244	1,148	—	1	29,393
Disposals	(7)	—	—	—	(7)
Impairment	—	—	—	—	—
At 31st December 2022	**83,324**	**6,320**	**6,085**	**211**	**95,941**
Net book value					
At 31st December 2020	287,934	3,215	29,192	43	320,384
At 31st December 2021	405,269	2,402	37,745	1	445,417
At 31st December 2022	**522,662**	**2,431**	**52,485**	—	**577,578**

Plant and machinery and assets under construction relate substantially to the cost, less depreciation, of the broadband network.

Notes to the financial statements
(continued)

14 Right-of-use assets

	Buildings £'000	Plant & Machinery £'000	Under Construction £'000	Motor vehicles £'000	Total £'000
Cost					
At 1st January 2021	**5,261**	**1,341**	—	**882**	**7,484**
Additions	361	262	1,023	42	1,688
At 31st December 2021	**5,622**	**1,603**	**1,023**	**924**	**9,172**
Additions	25	—	2,158	1,370	3,553
Disposals	—	(5)	—	(12)	(17)
Transfers	—	1,541	(1,541)	—	—
At 31st December 2022	**5,647**	**3,139**	**1,640**	**2,282**	**12,708**
Depreciation and impairment					
At 1st January 2021	**1,118**	**110**	—	**77**	**1,305**
Charge for the year	821	293	—	295	1,409
At 31st December 2021	**1,939**	**403**	—	**372**	**2,714**
Charge for the year	807	402	—	572	1,781
Disposals		(1)		(7)	(8)
At 31st December 2022	**2,746**	**804**	—	**937**	**4,488**
Net book value					
At 31st December 2020	4,143	1,231	—	805	6,179
At 31st December 2021	3,683	1,200	1,023	552	6,458
At 31st December 2022	**2,901**	**2,335**	**1,640**	**1,345**	**8,221**

15 Impairment

The 2022 annual impairment review at the reporting date indicates that the discounted estimated future cash flows of the network exceeds the carrying amount of the asset and, therefore, the asset is not considered impaired.

16 Leases

Lease liabilities are presented in the Statement of Financial Position as follows:

The Company has leases for 7 office buildings, 1 car park, 1 warehouse building, 143 vehicles, 11 sets of core network equipment and 5 dark fibre connections. Each lease is reflected in the balance sheet as a right-of-use asset and a lease liability. Each lease generally imposes a restriction that, unless there is a contractual right for the Company to sublet the asset to another party, the right-of-use asset can only be used by the Company. The Company is prohibited from selling or pledging the underlying leased assets as security. The Company must keep the leased assets in a good state of repair and return them in the original condition at the end of the lease. Further, the Company must insure the leased properties and incurs maintenance fees on them in accordance with the lease contracts.

Notes to the financial statements
(continued)

16 Leases (continued)

The lease liabilities are secured by the related underlying assets. Future minimum lease payments at 31st December 2022 were as follows:

	Minimum lease payments due						
	Within 1 year £'000	1-2 years £'000	2-3 years £'000	3-4 years £'000	4-5 years £'000	After 5 years £'000	Total £'000
31st December 2022							
Lease payments	2,593	1,911	1,125	710	723	587	7,649
Finance charges	(242)	(153)	(91)	(62)	(35)	(70)	(653)
Net present values	2,351	1,758	1,034	648	688	517	6,996

Total cash outflow for leases for the year ended 31st December 2022 was £2,7400,000

Additional information on the right-of-use assets by class of assets is as follows:

	Carrying amount (Note 14) £'000	Depreciation expense £'000	Impairment £'000
Buildings	2,901	2,746	—
Plant and machinery	2,437	804	—
Under construction	1,538	—	—
Vehicles	1,345	937	—

17 Financial assets and liabilities

Note 4 provides a description of each category of financial assets and financial liabilities and the related accounting policies. The carrying amounts of financial assets and financial liabilities in each category are as follows:

Prior year Adjustment

Interest rate swaps were incorrectly disclosed as being all current assets in the prior year. In the current year, the disclosure has been updated so that it shows the split between current and non-current assets

	2022 £'000	2021 £'000
Financial assets measured at fair value		
Interest rate swaps	**59,658**	**12,889**
Current financial assets measured at amortised cost		
Trade and other receivables	**1,557**	1,438
Other short-term financial assets	**177**	124
Cash and cash equivalents	**27,602**	1,377
Restricted cash	**460**	460
Total assets	**89,494**	16,288

Notes to the financial statements
(continued)

	2022 £'000	2021 £'000
Financial liabilities measured at fair value		
Interest rate swaps	—	—
Financial liabilities measured at amortised cost		
Trade and other payables	**49,674**	31,782
Current borrowings	**2,095**	754
Current lease liabilities	**2,351**	1,793
Non-current borrowings	**493,021**	333,535
Non-current lease liabilities	**4,646**	4,131
Non-current trade and other payables	**611**	6,595
Total liabilities	**552,398**	378,590

A description of the Company's financial instrument risks, including risk management objectives and policies is given in Note 28.

18 Borrowings

	2022 £'000	2021 £'000
Current Portion of loan fees paid in advance	**(2,486)**	(2,486)
Current borrowings	**2,095**	754
Current liabilities net of advance loan fees	**(391)**	(1,732)
Non-current liabilities	**493,021**	333,535
	492,630	331,803

In 2020 the Company signed a debt package consisting of a £485m seven-year capex facility, a £45m revolving credit facility and a £190m accordion. The carrying value of the facilities are stated net of unamortised finance costs of £10,465,000 (2021: £12,951,000). In December 2021, the facilities were transitioned from LIBOR to SONIA and the accordion facility was executed. The facilities are subject to an interest rate of 3.50% - 4.75% above SONIA and a small credit adjustment spread. The margin on the revolving credit facility is 3.50% per annum. Customary commitment fees are applicable on the Facilities.

19 Derivative financial instruments

	2022 £'000	2021 £'000
Interest rate swaps designated carried at fair value	**59,658**	12,889

The Company executed several floating to fixed interest rate swaps. The swaps are held at fair value based upon an active market valuation at 31st December. The fair value is reviewed at each reporting date, with movements in the fair value being recognised in the Statement of Comprehensive Income.

20 Other financial instruments

The carrying amount of the following financial assets and liabilities is considered a reasonable approximation of fair value:

- trade and other receivables
- cash and cash equivalents
- trade and other payables

Notes to the financial statements
(continued)

21 Trade and other receivables

	2022 £'000	2021 £'000
Trade receivables, gross	2,436	2,051
Allowance for credit losses	(692)	(463)
Trade receivables	1,744	1,588
Allowance for expected credit losses	(187)	(149)
Financial assets	1,557	1,439
Social security and other taxes	5,770	4,667
Other receivables	15,349	8,878
	22,676	14,984

All amounts are short-term. The net carrying value of trade receivables is considered a reasonable approximation of fair value.

All of the Company's trade and other receivables in the comparative periods have been reviewed for impairment. Impaired trade receivables result from former customers where the receivable has proved difficult to collect.

Note 28 includes disclosures relating to IFRS 9 - credit risk exposures and analysis relating to the allowance for expected credit losses.

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

	2022 £'000	2021 £'000
Trade payables	14,937	10,694
Other taxation & social security	1,138	815
Accruals	30,221	21,041
Other payables	3,378	10
	49,674	32,560

23 Contract liabilities

	2022 £'000	2021 £'000
	3,105	2,008

Contract liabilities are amounts charged to customers in advance of the satisfaction of the Company's performance obligations for which the revenue is charged, as described in Note 5:

- Internet connectivity fees are charged to customers monthly in advance; the revenue is recognised in line with the time period to which the charge relates, and the majority of the contract liabilities relates to internet connectivity fees invoiced in advance which will be recognised in the next reporting period
- Customer connection fees are charged to customers at the same time as their first invoice for monthly connectivity fees. The connection fees are judged to form a bundle with the internet connectivity fees and are deferred as contract liabilities and recognised on a straight-line basis over the length of the customer's contract.

The amounts recognised as contract liabilities will generally be utilised within the next reporting period.

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

	2022 £'000	2021 £'000
Accruals	3,415	5,988

Notes to the financial statements
(continued)

25 Provisions

The remedial works provision relates to works required to address areas of the network build which have not been completed in accordance with current standards. The leasehold property provision relates to the cost of restoring the Company's properties upon vacation where this is required under the terms of its lease agreements.

	Leasehold Property £'000	Remedial Works £'000	Total £'000
Carrying amount 1st January 2022	643	1,882	2,525
Additions	—	—	—
Utilisations	—	(60)	(60)
Release		(1,085)	(1,085)
Unwinding of discount	4	—	4
Carrying amount 31st December 2022	**647**	**737**	**1,384**

26 Share capital

	2022 Number	2022 £'000	2021 Number	2021 £'000
Allotted, called up and fully paid				
Ordinary shares of 1p each	**112,057,482**	**1,121**	103,071,114	1,031
A Ordinary shares of 1p each	**128,800**	**1**	128,800	1

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 restricted voting, dividend and capital distribution rights. The economic interest of the A Ordinary shares are subject both to a vesting schedule and provision of a minimum hurdle return to the Ordinary shareholders. The value of the A Ordinary shares is crystallised on the Valuation Date as defined in the Company's Articles.

Changes in issued share capital and share premium:

	Number of shares	Nominal value £'000	Share premium £'000	Total £'000
At 31st December 2021				
Ordinary shares of 1p each	**103,199,914**	**1,032**	**143,309**	**144,341**
Ordinary share issue	8,986,368	90	59,400	59,490
At 31st December 2022				
Ordinary & A Ordinary shares of 1p each	**112,186,282**	**1,122**	**202,709**	**203,831**

The Ordinary shares were issued to *Infracapital*

In the prior year the A Ordinary Shares were issued to employees as part of a long term incentive scheme. The issue was funded by subscription loans to the employees which will be repaid out of the proceeds derived from the A Ordinary shares. In the event the Employee ceases to be an employee of the Company, prior to full vesting of the A Ordinary shares, the loan will become immediately due and repayable

Capital and reserves

The Company statement of changes in equity is set out on page 21 of this report.

Notes to the financial statements
(continued)

27 Financial risk management

Financial risk management objectives and policies

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

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

The Company holds interest rate swaps to manage its interest rate risk on the Facilities.

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

The main risks arising from the Company's financial instruments are credit risk, interest rate risk, liquidity risk, currency risk, and market price risk. This note presents information about the Company'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 have 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 Company if a counterparty fails to discharge an obligation to the Company. The Company is exposed to credit risk from financial assets including cash and cash equivalents held at banks, trade and other receivables.

The credit risk in respect of cash balances held with banks and deposits with banks are managed by ensuring that deposits are only placed with major reputable financial institutions. The Company does not hold collateral in relation to its cash and cash equivalent balances held with banks.

The Company provides credit to customers in the normal course of business. The credit risk is substantially mitigated by the fact that customers are required to pay for the services they receive in advance. Notwithstanding this, there is still some residual exposure where customer payments fail. The Company does not hold any security on the trade receivables balance.

Trade receivables

The Company applies the IFRS 9 simplified model of recognising lifetime expected credit losses for the trade receivables due from the broadband customers as these do not have a significant financing component. In measuring the expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due.

The expected loss rates are based on the payment profile for sales over the past 12 months before 31st December and 1st January respectively as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forward-looking macroeconomic factors affecting the customer's ability to settle the amount outstanding. The Company has identified gross domestic product (GDP) to be the most relevant factor and accordingly adjusts historical loss rates for expected changes in these factors. However, given the short period exposed to credit risk, the impact of these macroeconomic factors has not been considered significant within the reporting period.

Trade receivables are written off (i.e., derecognised) when there is no reasonable expectation of recovery. Failure to make payments within 180 days from the invoice date and failure to engage with the Company on alternative payment arrangements are considered to be indicators that there is no reasonable expectation of recovery.

On the above basis the expected credit loss for trade receivables as at 31st December 2022 was determined as follows:

	Trade receivables days past due – continuing customers						
31st December 2022	Current	Up to 30	31-60	61-90	91 to 120	More than 120	Total
Expected credit loss rate	8%	8%	8%	29%	18%	94%	
Gross carrying amount £'000	709	42	22	19	16	127	936
Lifetime expected credit loss	57	3	2	6	3	119	190

Notes to the financial statements
(continued)

27 Financial risk management (continued)

The closing balance of the trade and other receivables at amortised cost loss allowance as at 31st December 2022 reconciles with the trade and other receivables at amortised cost less allowance opening balance as follows:

	Trade and other receivables £'000
Loss allowance at 1st January 2021	3955
Loss allowance recognised during the year	218
Loss allowance as at 31st December 2021	613
Loss allowance recognised during the year	266
Loss allowance as at 31st December 2022	879

Market price risk

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

Interest rate risk

The Company executed several floating to fixed interest rate swaps. The swaps are held at fair value based upon an active market valuation at 31st December.

Currency risk

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

Fair values of financial assets and liabilities

With the exception of the interest rate swaps which are shown at fair value, it is the Directors' opinion that the carrying values of the Company's and the Company's financial assets and liabilities as at 31st December 2022 and 31st December 2021 are not materially different from their fair values. They have therefore not been shown separately.

28 Capital risk management

The Company's objectives when managing capital are to safeguard the Company'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 Company may return capital to shareholders, issue new shares or sell assets to reduce debt. There have been no changes to the Company's approach to capital management during the period ended 31st December 2022.

The Company's capital structure comprises all components of equity (i.e. share capital, share premium, retained losses and other reserves and as at 31st December 2022 this amounted to £141,585,000 (2021: £103,872,000).

29 Contingent liabilities

The Company had no contingent liabilities at 31st December 2022 or 2021.

Notes to the financial statements
(continued)

30 Related parties

The Company has elected to take advantage of the exemption from disclosing transactions with wholly owned group entities.

A shares were issued to related parties during the period. Full details are disclosed in note 26.

Transactions with key management personnel – Directors' remuneration

Key management personnel of the Company are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management of the Company are considered to be the Directors of Gigaclear Limited. Key management personnel remuneration includes the following:

	2022 £'000	2021 £'000
Short-term employee benefits		
Salaries and fees including bonuses and car allowances	**1,090**	1,107
Social security costs	**144**	129
	1,234	1,236
Post-employment benefits		
Defined contribution pension plans	**1**	1
Total remuneration	**1,235**	1,237

Total remuneration paid to the highest paid Director amounted to £545,000 (2021: £554,000) including pension contributions of £NIL.

Pension contributions were made in respect of one Director (2021: 1).

Telecoms Guarantee Limited

Telecoms Guarantee Limited was incorporated to hold sums required by law to be deposited outside of the Company to ensure that appropriate guarantees are in place to cover the Company'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. Telecoms Guarantee Limited and Gigaclear Limited have a common director, Gareth Williams.

As at 31st December 2022 the total amount outstanding was £460,000 (2021: £460,000).

Neos Networks Limited

Neos Networks (Neos) provides Gigaclear with backhaul services and Gigaclear provides Neos with wholesale access services. Neos Networks is controlled by Infracapital who is also Gigaclear's majority shareholder. Neos Networks Limited and Gigaclear Limited have a common director, Gareth Williams.

In 2022, Gigaclear paid Neos £212,000 (2021: £190,000)

31 Post balance sheet events

There are no post balance sheet events to report.

32 Restricted Cash

	2022 £'000	**2021 £'000**
Restricted Cash	**460**	**460**

The Company deposits sums externally with Telecoms Guarantee Limited, whose Director is Gareth Williams, a Director of Gigaclear Limited. The sums required to be held by law to cover obligations to repair and make good and roads that are damaged during construction of new networks.

These sums are protected in the event the Company enters into administration and as such, have been classified as "Restricted"

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