Registered Number 12924679

G.NETWORK UK COMMUNICATIONS LIMITED

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

FOR YEAR ENDED 31 MARCH 2023

G.Network UK Communications Limited

Company Details

Directors	M Dellacha R Hewson S Calas A Roelens S Williams K Murphy R de Matharel R Day
Registered number	12924679
Registered office	5 Swallow Place London England W1A 2AF
Independent auditors	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH

G.Network UK Communications Limited

Contents

G.Network UK Communications Limited

Strategic Report

Introduction

The Directors of G.Network UK Communications Limited (the "Company") and its subsidiaries (together the "Group") present their strategic report together with the audited consolidated Group financial statements for the year ended 31 March 2023. Company results are presented for the year ended 31 March 2023.

Principal activities and Business review

G.Network is a central London-based full fibre broadband provider. We are building a brand new proprietary, dense and contiguous fibre optic network to provide ultrafast connectivity services to residents, businesses and infrastructure in Central London.

Since the inception of the business, we have invested significantly in our full fibre network, utilising our specific capabilities to deploy large scale infrastructure to the streets of central London. Despite the economic and social disruption caused by the COVID-19 pandemic, repeated lockdowns presented unprecedented access for street works in the capital, to accelerate and establish an enviable footprint of high-capacity fibre in locations notoriously challenging to deploy in.

Following the appointment of a new leadership team in 2022, we have taken the opportunity to review and reset our strategy. As a result we are refocusing the business on delivering profitable growth, efficient capital deployment and a relentless focus of delivering for our customers. This will enable us to maximise our valuable network asset with particular focus on winning customers and increasing penetration largely within the footprint of our existing core fibre network. We have invested in our customer value proposition and as a result reduced the dependency on price discounting. London's Central Activity Zone presents a unique opportunity of dense business and commercial premises alongside residential multi dwelling units (MDU's), which has enabled the business to significantly improve average revenue per user (ARPU).

Whilst continuing to efficiently deploy fibre networks on the horizontal, the business is pivoting to a hybrid build model and vertical pre-fibring of MDU's as it focuses on predictable customer service and cost-efficient build and installation.

Given the change in focus, it has been necessary to review the balance of resources in the business to meet our strategic objectives. This has led to a change in the staffing requirements of the business, which is being implemented after the year end. The average Group headcount during the year was 745 (2022: 645). Since the year end, the business has put in hand processes to reduce the number of people employed by about one third.

Turnover for the year was £6,416,000 (2022: £4,328,000), an increase of 48%. The revenue improvement was driven by an increase in customer numbers, which had approximately doubled by the end of the year, offset by the deep discounting promotions which have now been removed or reduced. The gross profit increased to £4,474,000 (2022: £3,529,000) driven by, and in line with, the increase in revenue. Adjusted EBITDA loss of £33,144,000 (2022: £19,990,000 loss) was driven by the Group's continued expansion strategy, predominantly related to staff costs to support the increased and expanding customer base, and increasing the network coverage. The operating loss for the year of £67,167,000 (2022: £37,418,000) is stated after exceptional costs of £16,827,000 (2022: £5,353,000), which predominantly relate to fund raising costs and business transformation costs, and depreciation and amortisation costs of £17,196,000 (2022: £12,075,000) which have increased due to the continued capital investment.

Principal activities and Business review (continued)

The Group continued to grow its network with £99,539,000 invested in network infrastructure and assets in the year (2022: £133,949,000).

The business has continued to grow its wholly owned physical infrastructure asset from 340,000 to 420,000 premises passed which is the number of potential customer premises within the deployed network catchment area. During the year the business has prioritised expanding its fibre deployment within this footprint, resulting in an increase from 230,000 (68% of the built network) to 330,000 (79%) connectable premises, measured against the Ofcom Connected Nations 2022 definition, which the business will continue to drive in FY24.

Since 1 April 2022, there have been no further draw downs on the existing committed facilities of banks and financial institutions. During the year the Company has considered the most appropriate capital structure and sources of funding. Refinancing options have been considered and evaluated; however, the Company benefits from having supportive shareholders, experienced in infrastructure asset investments, who are able to fully fund the business as an alternative to bank lending. Funding for the year was therefore sourced from equity investments (£6.4m) and loans from shareholders (£152.9m). The equity investment and shareholder loans have been made to the Company and cascaded down into G.Network Communications London Group, the immediate subsidiary of the Company, and then into G.Network Communications Limited, the trading company.

Section 172 statement

From 1 January 2019 legislation was introduced requiring companies to include a statement pursuant to section 172 of the Companies Act 2006.

G.Network UK Communications Limited is committed to acting responsibly in all aspects of its activity and the Directors are aware of their duty under section 172 to act in the way in which they consider, in good faith, would be most likely to promote the success of the Group for the benefit of its members as a whole and, in doing so, to have regard (amongst other matters) to section (a) to (f) of s172(1). Each of sections (a) to (f) is considered further below:

(a) The likely consequences of any decision in the long term - the Directors utilise a long-term business plan when making any decisions to ensure that there is a focus on the long-term success of the Group and its stakeholders.

(b) The interests of the Group's employees - see the employees and employee engagement consolidated statement sections in the Directors' Report.

(c) The need to foster the Group's business relationships with suppliers, customers, and others - the Directors understand the important of the Group's suppliers and customers to the success of the business and actively engage with key parties to aid the fostering of a strong business relationship. See the customers and suppliers' sections below for further information.

(d) The impact of the Group's operations on the community and the environment - the Directors believe the Group has a positive impact on its local community by providing both jobs and faster internet speeds and is mindful of maintaining these positive impacts as the Group grows. See the energy and carbon reporting section in the Directors' Report for information on the Group's impact on the environment and the actions being taken by the Directors.

(e) The desirability of the Group maintaining a reputation for high standards of business conduct - see

Section 172 statement (continued)

customers and suppliers below.

(f) The need to act fairly between members of the Group - any key strategic decisions are made during Board meetings in which all members of the Group are entitled to input. When making key strategic decisions and any operational decisions the Directors ensure to consider the importance of achieving the best outcome for all members.

Suppliers

G.Network UK Communications Limited strives to work with the best suppliers to ensure high quality workmanship and materials are used to complete our network. This includes our construction partners who collaborate with the Group to ensure our network is first in class.

Customers

The Group seeks to provide market leading customer service and the best experience for our customers. Ratings of G.Network on TrustPilot improved to 4.2 in the year (2022: 3.9), as we prioritised customer satisfaction. All employees receive training and are encouraged to keep customer satisfaction central to operations. We work to ensure that the quality of our service meets and exceeds customer expectations.

Principal risks and uncertainties

The key commercial risk for the Group is ensuring that it continues to increase the number of customers on the existing network. Factors that will affect this include our ability to obtain wayleaves and the risk of supply chain disruption. In addition, our business plan includes obtaining wholesale partners and there is a risk that this might not be achieved. Finally, with the organisation re-set, there is a risk around the attraction and retention of employees that are key to our plans going forward.

Financial key performance indicators

The Group's key financial performance indicators are set out below:

	2023 £'000	2022 £'000
Revenue	6,416	4,328
Gross Profit	4,474	3,529
Gross profit margin	69.7%	81.5%
Adjusted EBITDA*	(33,144)	(19,990)
Net cash outflow – network infrastructure and assets	90,411	133,729

* Being earnings before tax, interest, depreciation, amortisation and exceptional administrative expenses

Non-financial key performance indicators

The business has continued to grow its wholly owned physical infrastructure asset from 340,000 to 420,000 premises passed which is the number of potential customer premises within the deployed network catchment area. During the year the business has prioritised expanding its fibre deployment within this footprint, resulting in an increase from 230,000 (68% of the built network) to 330,000 (79%) connectable premises, measured against the Ofcom Connected Nations 2022 definition, which the business will continue to drive in FY24. Since the year end, the business has put in hand processes to reduce the number of people employed by about one third.

This report was approved by the Board on 27 July and signed on its behalf.

....

K. Murphy
Director

Directors' Report

The Directors present their report and the audited consolidated financial statements for the year ended 31 March 2023.

Future Developments

Future developments, as set out in the Strategic report, include significant increases in the customer base and pre-fibring buildings to support customer growth.

Energy and Carbon Reporting

	2023	**2022**
Total UK energy use (kWh)	1,351,375	529,414
Total UK (TCO2e) from energy use	276	188
Intensity ratio, tCO2e per FTE	0.37	0.23
Intensity ratio, tCO2e per total £'000 on-net sales revenue	0.04	0.04

Note that Streamlined Energy and Carbon Reporting ('SECR') regulations require disclosure of both a UK and global split of emissions. Presently G.Network Communications Limited only have a UK presence so there are no overseas emissions at this time. The energy reporting includes kWh from scope 1 (natural gas and other fuels), scope 2 (electricity).

Energy and carbon action

As we continue to expand our network an increase in emissions will be expected. In aiming to reduce our carbon footprint we have increased the dedicated resource to assess and manage our environmental impact. We have continued our recycling initiatives at our offices and increased the number of our electric vans in our fleet to try and reduce our carbon emissions. In addition we have reduced the number of floors we occupied in both of our offices in order to reduce our carbon emissions. By improving our energy data collation methods this has resulted in an increase in energy usage from the previous year.

Financial instruments

Financial management

The Group is exposed to financial risk through its financial assets and liabilities. The key financial risk is that the proceeds from financial assets are not sufficient to fund the obligations arising from liabilities as they fall due. The most important components of financial risk for the Group are credit risk, liquidity risk, interest rate risk and cash flow risk. This has been covered in detail in Note 32.

Credit risk

Credit risk is the risk of loss in the value of financial assets due to counterparties failing to meet all or part of their obligations. The Group's exposure primarily relates to amounts recoverable from trade debtors and bank balances.

Financial Instruments (continued)

Interest rate risk

Interest rate risk is the risk of financial loss due to fluctuations in interest rates on loan balances. In August 2021, the Group entered into interest rate swaps to hedge against an increase in interest rates impacting the cash repayments on the syndicated debt the Group holds.

Liquidity risk

Liquidity risk is the risk of the Group failing to meet all or part of its obligations arising from its financial liabilities. The Group's exposure primarily relates to amounts payable to trade creditors and lenders. A monthly liquidity forecast is prepared to mitigate this risk.

Cash flow risk

Cash flow risk is the risk that the Group does not have sufficient cash available to meet working and capital expenditure requirements. The Group maintains monthly liquidity forecasting that analyses cash requirements over a specified upcoming period, and uses this to schedule the timings of its draw-down on shareholder loans. The Group also has access to a revolving credit facility through its existing loan agreement.

Results and dividends

Results for the year are shown in the Strategic report. The Group and Company has not issued any dividends for the year.

Research and Development

The Group continues to invest in the development of both its website and internal network management and customer relationship management software. Costs in respect of this development have been capitalised in the balance sheet, where capitalisation criteria have been met.

Post balance sheet events

The business has a revised strategic plan which focusses on selling, delivering and supporting the growth of the business and as a result, is in the process of changing its operating model. In May 2023, the Company entered into a collective consultation exercise with some of its employees with the aim of reducing the size of the workforce by around a third.

Subsequent drawdowns of shareholders' loans since the balance sheet date amounted to £25,000,000 (2022: nil). In July 2023, the business announced that Prefect Holdco Limited is providing up to £150m of investment to accelerate the next phase of growth. This funding will be provided to the Company and be lent onwards through G.Network Communications London Limited to G.Network Communications Limited. As a result of this additional funding, the business cancelled the undrawn portion of its existing bank facilities.

Statement of engagement with employees, suppliers, customers, and others in a business relationship with the Group

See section 172 statement within the Strategic Report for details regarding the Group's engagement with its suppliers, customers, and others in a business relationship with the Group. See the sections below for employee engagement.

Employee Engagement statement

Employees are of considerable importance to the success of the business and their welfare and development is always high on the Group's agenda. A changing environment provides opportunity for career progression and focus is therefore being placed on the development of management skills to ensure all individuals receive the best chance of progression.

The Group is committed to a culture in which extensive dialogue and team working is strongly prevalent and continues to keep employees informed on the various factors affecting them and the Group. Employees are consulted on matters directly impacting them wherever practicable, and their views are considered prior to making decisions, this is done in a number of ways including town halls and surveys.

A good benefits package is already offered to all employees but is under continual review to ensure it remains competitive or better than comparable companies in the local areas. Employee involvement in the performance of the Group is encouraged through incentive schemes.

Employees

The Group's policy is to provide equal recruitment and other opportunities for all employees regardless of sex, religion, colour, age, and race. Our policy is to give full consideration to employment applications from disabled people and to ensure that disabled employees have equal opportunity with other employees for advancement and access to training programs. It is also our policy to provide every possible help to retain employees who have become disabled whilst working within the Group.

Directors

The Directors who served during the year and up to the date of signing the financial statements were, unless otherwise stated:

J Alméras (resigned 26 May 2023)
S Calas
M Dellacha
R Hewson
H Piganeau (resigned 26 May 2023)
A Roelens
D Sangster (resigned 26 September 2022)
S Veselinski (resigned 19 May 2022)
S Williams
K Murphy (appointed 04 July 2022)
S Kilonback (appointed 24 June 2022; resigned 27 July 2023)
R de Matharel (appointed 26 May 2023)
J Jeauffroy (appointed 26 May 2023; resigned 5 July 2023)
R Day (appointed 27 July 2023)

Going concern

The Group has made a loss for the year of £74,147,000 taking the cumulative losses to £151,002,000, and had cash and cash equivalents of £21,814,000 as at 31 March 2023. The Directors have considered the financing available to the Group and the financial resources required and concluded that it remains appropriate to adopt the going concern basis in the preparation of these financial statements.

Financing available

The Group is financed through a combination of funding from its shareholders and loan facilities provided by a small group of banks.

The Group benefits from having supportive shareholders. During the year they have provided loans of

Going concern (continued)

£152.9m to the business, predicated on a strategy focussed on value accretive customer penetration. Since the year end, they have provided further loans of £25m. In July 2023, the Group entered into a new shareholder loan agreement under which the shareholders will provide a further loan of up to £150m; £75m of this will be available to the Group subject to the Group complying with certain conditions at the point of making each draw-down. A further £75m is capable of being made available to the Group at a later date.

The bank loan facilities as detailed in note 24 remain in place for the current drawn debt amount. As the terms of these bank loan facilities were linked to the metrics of the previous strategy, which is no longer aligned to the best interests of the company and its stakeholders, the company and its shareholders have therefore agreed new long term shareholder funding to pursue the new strategy and have cancelled the undrawn bank facilities post year-end.

Cash flow modelling

In performing their going concern assessment, the Directors have considered, as is required, both a base case and a severe but plausible downside scenario. The base case scenario reflects the Group's latest business plan following the change in the Group's strategy, as set out within the Strategic Report. The severe but plausible downside reflects a lower level of connections, an increased magnitude of operating costs and reduced capital expenditure to reflect the resulting lower spend in connecting customers.

Resources required

As described in the 'financing available' section above, the shareholders are providing additional funding to support the business for the foreseeable future. Both the Group's base case and severe but plausible downside scenarios demonstrate that the Group will be able to meet the draw-down conditions associated with the additional committed £75m of shareholder funding throughout the going concern period, being a period of at least 12 months from the date of these financial statements.

Through having access to this committed £75m of shareholder funding the Directors have concluded that the Group has sufficient liquidity to continue as a going concern for the foreseeable future in both the base case and severe but plausible downside scenarios.

Financial covenants

The shareholder loans provided in the year and those committed to be provided to the Group in the future do not have any financial covenants attached to them outside of the draw-down conditions which are considered above.

The bank loans, however, do incorporate financial covenants which the Group is required to comply with bi-annually (September and March). Based on having access to be able to draw-down the committed £75m of shareholder funding as required the Directors are satisfied that in the base case and severe but plausible downside scenarios the financial covenant tests within the going concern period will be passed.

Overall conclusion

Having regard to the above, the directors have concluded that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in the preparation of these financial statements.

G.Network UK Communications Limited

Directors' Report continued

Directors' responsibilities statement

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

Company law requires the Directors to prepare consolidated financial statements for each financial year. Under that law, the Directors have elected to prepare the consolidated financial statements in accordance with applicable law and UK-adopted International Accounting Standards. Under company law the Directors must not approve the consolidated financial statements unless they are satisfied that they give a true and fair view of the state of affairs and of the profit or loss of the Group for that period. In preparing these consolidated financial statements, the Directors are required to:

- select suitable accounting policies for the Group's consolidated financial statements and the Company's financial statements and to apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the consolidated financial statements and the Company's financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

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

Disclosure of information to auditors

Each person who is a Director at the time when this Directors' report is approved has confirmed that:

- as far as the Director is aware, there is no relevant audit information of which the Group's auditors are unaware, and
- the Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

Directors' Indemnity Insurance

The Directors have the benefit of Professional Indemnity Insurance, a qualifying third-party indemnity provision as defined by Section 234 of the Companies Act 2006. This indemnity purchased by the Group and applicable to the Directors of the Group was in force throughout the current year.

Independent Auditors

The auditors, PricewaterhouseCoopers LLP, will be deemed as re-appointed in accordance with section 487 of the Companies Act 2006.

This report was approved by the Board and signed on its behalf.

....

K. Murphy
Director
Date: 27 July 2023

Independent auditors' report to the members of G.Network UK Communications Limited

Report on the audit of the group financial statements

Opinion

In our opinion, G.Network UK Communications Limited's group financial statements:

- give a true and fair view of the state of the group's affairs as at 31 March 2023 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Consolidated Financial Statements (the "Annual Report"), which comprise: the Consolidated statement of financial position as at 31 March 2023; the Consolidated statement of profit or loss, the Consolidated statement of comprehensive income, the Consolidated statement of changes in equity, and the Consolidated statement of cash flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's ability to continue as a going concern.

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

Independent auditors' report to the members of G.Network UK Communications Limited

In connection with our audit of the financial statements, 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. 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 based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 March 2023 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' 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 auditors' 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. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to employment legislation and health and safety legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as UK taxation legislation and the Companies Act 2006. We

Independent auditors' report to the members of G.Network UK Communications Limited

evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting of unusual journals or manipulating accounting estimates which could be subject to management bias. Audit procedures performed by the engagement team included:

- Enquiring with management and those charged with governance around potential litigation and regulations;
- Reviewing legal expense accounts and board minutes;
- Obtaining an understanding of the control environment in monitoring compliance with laws and regulations;
- Auditing the risk of management override of controls, including through testing unusual journal entries, performing unpredictable procedures, and testing accounting estimates which could be subject to management bias; and
- Reviewing financial statement disclosures for compliance with applicable laws and regulations.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

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

- we have not obtained all the information and explanations we require for our audit; or
- certain disclosures of directors' remuneration specified by law are not made.

We have no exceptions to report arising from this responsibility.

Other matter

We have reported separately on the company financial statements of G.Network UK Communications Limited for the year ended 31 March 2023.

P.J. Norbury

Paul Norbury (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
27 July 2023

G.Network UK Communications Limited
Consolidated statement of profit and loss
For the year ended 31 March 2023

	Note	2023 £'000	2022 £'000
Revenue	5	**6,416**	4,328
Cost of sales		**(1,942)**	(799)
Gross profit		**4,474**	3,529
Administrative expenses		**(37,658)**	(23,519)
Exceptional administrative expenses	7	**(16,827)**	(5,353)
Depreciation and amortisation		**(17,196)**	(12,075)
Total administrative expenses		**(71,681)**	(40,947)
Other operating income		**40**	-
Operating loss	6	**(67,167)**	(37,418)
Gain arising on change in fair value of hedging instruments	27	**3,247**	3,192
Finance income	10	**150**	14
Finance costs	11	**(11,519)**	(610)
Loss before tax		**(75,289)**	(34,822)
Income tax	12	**1,142**	1,156
Loss for the year		**(74,147)**	(33,666)

G.Network UK Communications Limited
Consolidated statement of comprehensive income

For the year ended 31 March 2023

	Note	2023 £'000	2022 £'000
Loss for the year		**(74,147)**	(33,666)
Cash flow hedges:			
Fair value gain arising on hedging instruments during the period	27	**4,702**	7,814
Amounts recycled to profit and loss on settlement	27	**(1,315)**	-
De-designation of fair value hedges	27	**-**	(3,192)
Income tax relating to items that will not be reclassified subsequently to profit or loss		**(847)**	(1,156)
Total comprehensive expense for the year		**(71,607)**	(30,200)

G.Network UK Communications Limited

Consolidated statement of financial position

As at 31 March 2023

	Note	2023	2022
		£'000	**£'000**
Non-current assets			
Intangible assets	13	**4,226**	2,752
Property, plant and equipment	14	**336,410**	247,568
Right-of-use assets	15	**2,921**	10,842
Derivative financial instruments	16	**8,022**	6,842
Contract costs	17	**22**	40
		351,601	268,044
Current assets			
Inventories	18	**8,472**	4,826
Contract assets		**295**	29
Contract costs	17	**51**	45
Trade and other receivables	19	**6,624**	7,328
Derivative financial instruments	16	**5,517**	972
Cash and cash equivalents	20	**21,814**	20,736
		42,773	33,936
Total assets		**394,374**	301,980
Current liabilities			
Trade and other payables	21	**(22,512)**	(26,093)
Borrowings	24	**(5,000)**	(5,000)
Lease liabilities	22	**(1,863)**	(2,865)
Provisions	23	**(770)**	(1,844)
		(30,145)	(35,802)
Net current assets/(liabilities)		**12,628**	(1,866)
Non-current liabilities			
Borrowings	24	**(254,724)**	(84,116)
Provisions	23	**-**	(235)
Lease liabilities	22	**(592)**	(7,716)
		(255,316)	(92,067)
Total liabilities		**(285,461)**	(127,869)
Net assets		**108,913**	174,111
Equity			
Share capital	25	**8,992**	8,835
Share premium account	26	**154,844**	148,592
Other reserves	26	**90,073**	90,073
Cash flow hedge reserve	27	**6,006**	4,622
Accumulated losses	28	**(151,002)**	(78,011)
Total equity		**108,913**	174,111

The Company's registered number is 12924679. The notes on pages 18 - 56 form part of these consolidated financial statements which were approved by the Board of Directors and authorised for issue on 27 July 2023. They were signed on its behalf by:

....

K. Murphy (Director)

G.Network UK Communications Limited

Consolidated statement of changes in equity

For the years ended 31 March 2023 and 31 March 2022

	Note	Share capital	Share premium account	Other reserves	Cash flow hedge reserve	Accumulated Losses	Total equity
		£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2022		8,835	148,592	90,073	4,622	(78,011)	174,111
Loss for the year		-	-	-	-	(74,147)	(74,147)
Other comprehensive income for the year		-	-	-	2,540	-	2,540
Reclassification of tax on cash flow hedges		-	-	-	(1,156)	1,156	-
Total comprehensive expense for the year		**-**	**-**	**-**	**1,384**	**(72,991)**	**(71,607)**
Issue of share capital	25	157	6,252	-	-	-	6,409
Balance at 31 March 2023		**8,992**	**154,844**	**90,073**	**6,006**	**(151,002)**	**108,913**

	Note	Share capital	Share premium account	Other reserves	Cash flow hedge reserve	Accumulated Losses	Total equity
		£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2021		6,634	150,913	-	-	(43,189)	114,358
Loss for the year		-	-	-	3,192	(36.858)	(33,666)
Other comprehensive income for the year		-	-	-	4,622	(1,156)	3,466
Total comprehensive expense for the year		**-**	**-**	**-**	**7,814**	**(38,014)**	**(30,200)**
Business reconstruction	26	-	(90,073)	90,073	-	-	-
Issue of share capital	25	2,201	87,752	-	-	-	89,953
Balance at 31 March 2022		**8,835**	**148,592**	**90,073**	**7,814**	**(81,203)**	**174,111**

G.Network UK Communications Limited
Consolidated statement of cash flows

For the year ended 31 March 2023

	Note	2023 £'000	2022 £'000
Loss for the year		**(74,147)**	(33,666)
Adjustments for:			
Gain arising on change in fair value of hedging instruments	27	**(3,247)**	(3,192)
Finance income	10	**-**	(14)
Finance costs	11	**11,519**	610
Tax on loss	12	**(1,142)**	(1,156)
Depreciation of property, plant and equipment	14	**13,420**	8,845
Depreciation of right-of-use assets	6	**2,435**	2,575
Amortisation of intangible assets	6	**1,287**	655
Loss on disposal of property, plant and equipment		**338**	-
(Decrease)/increase in provisions	23	**(1,309)**	1,717
Increase in inventories	18	**(3,646)**	(2,544)
Decrease in trade and other receivables	19	**999**	339
Increase in contract assets	32	**(266)**	(29)
Decrease/(increase) in contract costs	17	**12**	(23)
Increase/(decrease) in trade and other payables	21	**(3,581)**	14,423
Net cash used in operating activities		**(57,328)**	(11,460)
Investing activities			
Purchases of property, plant and equipment		**(87,651)**	(131,871)
Purchases of intangible assets		**(2,760)**	(1,858)
Net cash used in investing activities		**(90,411)**	(133,729)
Financing activities			
Interest paid		**(7,437)**	(5,513)
Drawdown of loans and borrowings	24	**152,900**	75,300
Proceeds from issue of share capital	25	**6,409**	89,953
Repayment of principal on lease liabilities		**(2,640)**	(2,497)
Repayment of interest on lease liabilities		**(415)**	(475)
Cash paid on settlements of the derivative financial instruments		**-**	(134)
Net cash generated from financing activities		**148,817**	156,634
Net increase in cash and cash equivalents		**1,078**	11,445
Cash and cash equivalents at beginning of year	20	**20,736**	9,291
Cash and cash equivalents at end of year	20	**21,814**	20,736

1. General information

G.Network UK Communications Limited ("the Company") is a private company limited by shares incorporated and domiciled in the United Kingdom under the Companies Act and is registered in England and Wales. The company is consolidated in these financial statements with its subsidiary (together the "Group"). The address of the Group's registered office is:

5 Swallow Place
London
England
W1B 2AF

The principal activities of the Group and the nature of its operations are set out in the Strategic Report.

2. Basis of preparation

The consolidated and company financial statements have been prepared in accordance with UK-adopted International Accounting Standards ("Adopted IFRSs") and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

The consolidated financial statements have been prepared on a going concern basis under the historical cost convention, except for financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

The significant accounting policies adopted are set out in Note 3.

3. Significant accounting policies

3.1 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings for the year to 31 March 2023. The Company had no revenue or costs during the period and an exemption has been taken so that the company Income statement is not shown in these financial statements.

3.2 Revenue recognition

The Group recognises revenue from the following major sources:

- Full fibre broadband (high speed internet services)
- Voice services
- Connection fees
- Mobile Wide Area Network ("MWAN")
- Static & Fixed IPs (Sale of Internet protocol addresses suitable for business to business customers)

3. Significant accounting policies (continued)

3.2 Revenue recognition (continued)

Performance obligations exist for each ongoing service provided to the customer and are satisfied over the period that the services are provided. Connection services are not considered to be distinct performance obligations and are therefore combined with the full fibre performance obligation.

Fixed subscription charges for Full fibre broadband, Voice services and MWAN are recognised as revenue on a straight line basis over the period that the services are provided. Upfront charges for non-distinct connection and installation services are deferred as contract liabilities and are recognised as revenue over the same period. Variable charges are recognised when the related services are delivered.

Under the Group's standard terms, customers have a right to terminate their service contract within the first three months; the guarantee period. Due to the uncertainty over the amount of revenue that will be received over this period, a judgement has been made to separate this part of the contract from the remainder, creating two distinct revenue recognition periods, the initial three months and the remaining period thereafter.

3.3 Going Concern

The Group has made a loss for the year of £74,147,000 taking the cumulative losses to £151,002,000, and had cash and cash equivalents of £21,814,000 as at 31 March 2023. The Directors have considered the financing available to the Group and the financial resources required and concluded that it remains appropriate to adopt the going concern basis in the preparation of these financial statements.

Financing available

The Group is financed through a combination of funding from its shareholders and loan facilities provided by a small group of banks.

The Group benefits from having supportive shareholders. During the year they have provided loans of £152.9m to the business, predicated on a strategy focussed on value accretive customer penetration. Since the year end, they have provided further loans of £25m. In July 2023, the Group entered into a new shareholder loan agreement under which the shareholders will provide a further loan of up to £150m; £75m of this will be available to the Group subject to the Group complying with certain conditions at the point of making each draw-down. A further £75m is capable of being made available to the Group at a later date.

The bank loan facilities as detailed in note 24 remain in place for the current drawn debt amount. As the terms of these bank loan facilities were linked to the metrics of the previous strategy, which is no longer aligned to the best interests of the company and its stakeholders, the company and its shareholders have therefore agreed new long term shareholder funding to pursue the new strategy have cancelled the undrawn bank facilities post year-end.

Cash flow modelling
In performing their going concern assessment, the Directors have considered, as is required, both a base case and a severe but plausible downside scenario. The base case scenario reflects the Group's latest business plan following the change in the Group's strategy, as set out within the Strategic Report. The severe but plausible downside reflects a lower level of connections, an increased magnitude of operating costs and reduced capital expenditure to reflect the resulting lower spend in connecting customers.

Resources required
As described in the 'financing available' section above, the shareholders are providing additional

3. Significant accounting policies (continued)

3.3 Going Concern (continued)

funding to support the business for the foreseeable future. Both the Group's base case and severe but plausible downside scenarios demonstrate that the Group will be able to meet the draw-down conditions associated with the additional committed £75m of shareholder funding throughout the going concern period, being a period of at least 12 months from the date of these financial statements.

Through having access to this committed £75m of shareholder funding the Directors have concluded that the Group has sufficient liquidity to continue as a going concern for the foreseeable future in both the base case and severe but plausible downside scenarios.

Financial covenants

The shareholder loans provided in the year and those committed to be provided to the Group in the future do not have any financial covenants attached to them outside of the draw-down conditions which are considered above.

The bank loans, however, do incorporate financial covenants which the Group is required to comply with bi-annually (September and March). Based on having access to be able to draw-down the committed £75m of shareholder funding as required the Directors are satisfied that in the base case and severe but plausible downside scenarios the financial covenant tests within the going concern period will be passed.

Overall conclusion

Having regard to the above, the directors have concluded that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in the preparation of these financial statements.

3.4 Leases

The Group as lessee

The Group assesses whether a contract is or contains a lease at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (below £5,000). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

The incremental borrowing rate is the rate that the Group would have to pay for a loan of a similar term, and with similar security, to obtain an asset of similar value. Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options;
- Payments of penalties for terminating the lease if the lease term reflects the exercise of an option to terminate the lease

3. Significant accounting policies (continued)

3.4 Leases (continued)

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group made adjustments during the period due to the remeasurement of the lease liability resulting from serving notice of termination on the Swallow Place and Uxbridge leases.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Depreciation of right-of-use assets is as follows:

- Buildings - 5 to 7 years
- Network infrastructure - 4 to 7 years

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the right-of-use asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

3.5 Borrowings Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets which are assets that necessarily take a substantial period to get ready for their intended use or sale, are added to the cost of that asset, until such time as the asset is substantially ready for their intended

3. Significant accounting policies (continued)

3.5 Borrowings Costs (continued)

use or sale. The Group is developing and deploying fibre optic cabling throughout London, "the network". It is considered as a whole to be the asset under construction.

The purpose of the borrowings is primarily for the construction of the network asset. Borrowings have been specifically used for constructing the network asset and the amounts that are used on the capital expenditure only are capitalised.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3.6 Retirement and termination benefit costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

3.7 Short-term and other long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

3.8 Taxation

The income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

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

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the consolidated financial statement and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

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

3. Significant accounting policies (continued)

3.8 Taxation (continued)

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the way the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

Current tax and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

3.9 Property, plant and equipment

Plant, machinery, fixtures and fittings are stated at historical cost less accumulated depreciation and accumulated impairment loss.

Included within the cost of network infrastructure and equipment are direct and indirect labour costs, materials and directly attributable overheads.

Depreciation is recognised to write off the cost of assets less their residual values over their useful lives, using the straight-line method.

Estimated useful economic lives

The estimated useful lives assigned to principal categories of assets are as follows:

Land and buildings	
Leasehold improvements	Shorter of 7 years or the unexpired portion of the lease
Network infrastructure	
Installation costs	3 years
Telecom equipment	10 years
Vertical capital expenditure	10 years
Street fibre	20 years
Civils works	40 years
Other assets	
Plant, machinery and motor vehicles	4 years
Computer and office equipment	4 years

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the

3. Significant accounting policies (continued)

3.9 Property, plant and equipment (continued)

disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3.10 Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses. The amortisation period for these assets is 4 years on a straight-line basis.

Internally-generated intangible assets - research and development expenditure

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

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

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

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Estimated useful economic lives

The estimated useful lives assigned to principal categories of assets are as follows:

Intangible assets	
Development costs and other intangibles	4 years

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

At each reporting date, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax

3. Significant accounting policies (continued)

3.10 Intangible assets (continued)

discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease and to the extent that the impairment loss is greater than the related revaluation surplus, the excess impairment loss is recognised in profit or loss.

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

3.12 Contract Costs

Costs to obtain contracts relate to incremental commission fees paid to employees as a result of obtaining sales contracts. The commission fees are the only cost that the Group would not have incurred if the contract had not been obtained. Whilst the Group incurs other costs that are necessary to facilitate a sale, those costs would have been incurred even if the customer decided not to execute the contract and therefore have not been capitalised.

These costs are amortised on a straight-line basis over the customer contract length as this reflects the period over which the service is transferred to the customer.

3.13 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average cost method.

3.14 Financial instruments

Financial assets and financial liabilities are recognised in the Group's consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value, except for trade receivables that do not have a significant financing component which are measured at transaction price. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3. Significant accounting policies (continued)

3.14 Financial instruments (continued)

Financial assets

All regular way purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognised and derecognised on a trade date basis.

All recognised financial assets are measured subsequently in their entirety at amortised cost using the amortised cost and effective interest method. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on trade receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. This is based on lifetime ECLs.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(i) Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

(ii) Measurement and recognition of expected credit losses

The Group has taken the practical expedient from IFRS 9 relating to expected credit losses ("ECL") for trade receivables, and recognises lifetime ECLs. They are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method.

3. Significant accounting policies (continued)

3.14 Financial instruments (continued)

Financial liabilities measured subsequently at amortised cost

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Derivative financial instruments

The Group entered into derivative financial instruments to manage its exposure to interest rate i.e. interest rate swaps.

Derivatives are recognised initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

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

Hedge accounting

The Group designates derivatives as hedging instruments in respect of interest rate risk as cash flow hedges

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the

3. Significant accounting policies (continued)

3.14 Financial instruments (continued)

Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

Cash flow hedges

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect other comprehensive income.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognised in other comprehensive income and accumulated in cash flow hedge reserve at that time remains in equity and is reclassified to profit or loss when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in the cash flow hedge reserve is reclassified immediately to profit or loss.

3.15 Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, considering the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Convertible instruments

The Group designates convertible instruments (or component of such) as financial liabilities or equity as follows:

- If there is a contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are

3. Significant accounting policies (continued)

3.15 Provisions (continued)

potentially unfavourable, then the obligation is treated as a financial liability.

- If the contract will or may be settled in the entity's own equity instruments and it is a non-derivative, then if the entity is or may be obliged to deliver a variable number of the entity's own equity instruments, the obligation is treated as a financial liability. If there is no contractual obligation, then it is treated as equity.

- If the contract will or may be settled in the entity's own equity instruments and it is a derivative then if it can be settled by issuance of a fixed number of equity instruments to settle a fixed amount of cash, then the obligation is treated as equity. Otherwise, it is treated as a financial liability.

3.16 Exceptional items

Exceptional items are items of income or expense that are abnormal or one-off and do not arise from the Group's normal continuing business operations.

4. Critical accounting judgements and key sources of estimation uncertainty

Critical judgements in applying accounting policies

Preparation of the consolidated financial statements requires management to make significant judgements and estimates. The Directors consider the below to be the applicable significant judgements or estimates that would have a material impact on the consolidated financial statements.

Qualifying asset

Management's assessment of the qualifying asset takes into consideration that the Group is developing and deploying contiguous fibre optic cabling throughout London, "the network". This construction is underway. Accordingly, related borrowing costs have been capitalised to Property, plant and equipment rather than being expensed in the income statement.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

The useful life of tangible assets specifically network assets

Network assets are depreciated on a straight-line basis over an estimated useful life ranging from 3 to 40 years. The key assets relate to construction of the Network and ducting which are depreciated over a 40 year useful life and Street fibre which are depreciated over a 20 year useful life. During the year, management assessed that the useful life of vertical capital expenditure should increase from 4 years to 10 years to more appropriately reflect the assets' duration. This change was applied prospectively from the start of the financial year. The depreciation rate for the network reflects the expected usage period based on a detailed internal review by the Board including comparisons with competitors in the industry.

5. Revenue

	2023	2022
	£'000	£'000
External revenue by product line		
Full fibre broadband	6,204	4,165
Other revenues including Voice, MWAN and Static & Fixed IPs	211	163
Total	6,416	4,328
External revenue by timing of revenue		
Services transferred over time	6,416	4,328

All revenue is generated in the United Kingdom.

6. Operating loss

Loss for the year has been arrived at after charging:	2023	2022
	£'000	£'000
Depreciation of property, plant and equipment	13,420	8,845
Depreciation of right-of-use assets	2,435	2,575
Amortisation of internally generated intangible assets	1,287	655
Amortisation of contract costs (note 17)	54	38
Inventory provision (note 18)	2,550	-
Loss allowance on trade receivables (note 19)	168	53

7. Exceptional administrative expenses

	2023	2022
	£'000	£'000
Fund raising costs	7,419	3,653
Business transformation costs	8,476	-
Provisions and settlements	932	1,700
Total	16,827	5,353

Fundraising costs incurred in the current and prior year relates to the costs of sourcing long term financing which were not directly attributable to the raising of debt. Business transformation costs relate to activity to transform systems and processes in line with business strategy. Provisions and settlements relate to balances with third party contractors.

8. Auditors' remuneration

The analysis of the auditors' remuneration is as follows:

	2023	2022
	£'000	£'000
Fees payable to the Group's auditor		
Fees payable to the Group's auditors for the audit of the Group's annual consolidated and Company financial statements and the audit of the two parent companies G.Network Communications London Limited and G.Network UK Communications Limited	174	175
Total audit fees	174	175
Due diligence advice	190	-
Corporate governance advice	140	-
Taxation compliance services	75	75
Total non-audit fees	405	75

9. Staff costs

The average monthly number of employees (including Executive Directors) was:

	2023	2022
	Number	Number
Employees	745	645

Their aggregate remuneration comprised:

	2023	2022
	£'000	£'000
Wages and salaries	33,291	24,920
Social security costs	4,139	3,753
Other pension costs (see note 31)	2,417	1,649
	39,847	30,322

'Other pension costs' include defined contribution plan charges.

Of these total staff costs, £21,102,000 (2022: £18,800,000) included above have been capitalised within tangible and intangible assets in the year.

9. Staff costs (continued)

Aggregate Directors' remuneration

The total amounts for Directors' remuneration in accordance with Schedule 5 to the Accounting Regulations were as follows:

	2023	2022
	£'000	£'000
Salaries, fees, bonuses, and benefits in kind	1,656	749
Termination benefits	189	-
	1,845	749

The highest paid Director in the year received £678,000 (2022: £297,000). This comprised £378,000 salary and benefits plus a one-off £300,000 exceptional payment upon appointment.

Severance pay of £189,000 was paid to a director who left during the year (2022: nil).

No Directors were members of a defined contribution scheme during the year (2022: nil).

10. Finance income

	2023	2022
	£'000	£'000
Interest income:		
Financial instruments measured at amortised cost:	150	14
	150	14

11. Finance costs

	2023	2022
	£'000	£'000
Interest on bank overdrafts and loans	8,343	7,337
Less: Effective portion of the hedge	(1,315)	26
Net interest on bank overdrafts and loans	7,028	7,363
Interest on shareholder loans	9,631	-
Amortisation of debt issue costs	2,928	1,850
Impairment of debt issue costs	4,743	-
Less: Amounts capitalised to PPE	(13,226)	(9,213)
Interest on lease liabilities	415	459
Fees on rate swaps designated as hedging instruments	-	134
Unwinding of discount on provisions	-	17
	11,519	610

Borrowing costs included in the cost of qualifying assets during the year arose from the general borrowing pool and are calculated by applying a capitalisation rate of 68% (2022: 100%) to expenditure on such assets. The borrowings have been used specifically for the construction of these qualifying assets.

During the year £4,743,000 of capitalised debt issue costs and £2,137,000 of commitment fees (included within interest on bank overdrafts and loans) relating to undrawn bank loan facilities were recognised in finance costs.

12. Income Tax

	2023	2022
	£'000	£'000
Corporation income tax:		
Adjustments in respect of prior years	(295)	-
	(295)	-
Deferred tax (see note 29)		
Origination and reversal of temporary differences	(847)	(1,156)
	(1,142)	(1,156)

Deferred tax of £847,000 (2022: £1,156,000) has been recognised in other comprehensive income based on changes in the fair value of cash flow hedges.

12. Income Tax (continued)

The charge for the year can be reconciled to the loss before tax as follows:

	2023 £'000	2022 £'000
Loss before tax on continuing operations	(75,289)	(34,822)
Tax at the corporation tax rate of 19% per cent (2022: 19% per cent)	(14,305)	(6,616)
Tax effect of expenses that are not deductible in determining taxable profit	1,948	295
Adjustment to tax charge in respect of previous periods	(295)	-
Adjust deferred tax to standard corporation tax rate	(203)	(278)
Change in unrecognised deferred tax assets	11,713	5,443
Tax credit for the year	(1,142)	(1,156)

The standard rate of corporation tax applied to reported profit is 19% (2022: 19%).

13. Intangible assets

	Capitalised development costs and other intangibles
	£'000
Cost	
At 1 April 2021	1,926
Additions from internal development	1,858
At 31 March 2022	3,784
Additions from internal development	2,761
At 31 March 2023	6,545
Accumulated Amortisation	
At 1 April 2021	377
Charge for the year	655
At 31 March 2022	1,032
Charge for the year	1,287
At 31 March 2023	2,319
Carrying amount	
At 1 April 2021	1,549
At 31 March 2022	2,752
At 31 March 2023	4,226

14. Property, Plant and Equipment

	Network assets	Leasehold improvements	Motor vehicles	Other assets*	Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Cost					
At 1 April 2021	119,595	1,213	1,237	2,125	124,170
Additions	133,949	102	2,666	1,747	138,464
At 31 March 2022	253,544	1,315	3,903	3,872	262,634
Additions	99,539	17	1,823	1,170	102,549
Disposals	-	(371)	(62)	-	(433)
At 31 March 2023	353,083	961	5,664	5,042	364,750
Depreciation					
At 1 April 2021	5,232	95	251	643	6,221
Charge for the year	7,245	180	634	786	8,845
At 31 March 2022	12,477	275	885	1,429	15,066
Charge for the year	10,877	189	1,155	1,199	13,420
Disposals	-	(105)	(41)	-	(146)
At 31 March 2023	23,354	359	1,999	2,628	28,340
Net Book value					
At 1 April 2021	114,363	1,118	986	1,481	117,948
At 31 March 2022	241,067	1,040	3,018	2,443	247,568
At 31 March 2023	329,729	602	3,665	2,414	336,410

* Asset classes included in the Other Assets category are plant and machinery, office and computer equipment.

15. Right-of-use assets

	Buildings	Network Infrastructure	Total
	£'000	£'000	£'000
Cost			
At 1 April 2021	12,568	-	12,568
Additions	-	2,110	2,110
At 31 March 2022	12,568	2,110	14,678
Additions	-	368	368
Modification	(5,854)	-	(5,854)
At 31 March 2023	6,714	2,478	9,192
Accumulated depreciation			
At 1 April 2021	1,261	-	1,261
Charge for the year	2,521	54	2,575
At 31 March 2022	3,782	54	3,836
Charge for the year	2,054	381	2,435
At 31 March 2023	5,836	435	6,271
Carrying amount			
At 31 March 2022	8,786	2,056	10,842
At 31 March 2023	878	2,043	2,921

The Group leases several assets including buildings and network infrastructure.

The average lease term for buildings was 0.4 years (2022: 4.7 years) and 1.9 years (2022: 3 years) for network infrastructure. The reduction in average lease term for buildings was due to the modification of the Swallow Place and Uxbridge leases from serving notice to exit these leases in August 2023.

The Group has options to purchase certain network infrastructure for a nominal amount at the end of the lease term. The Group's obligations are secured by the lessors' title to the leased assets for such leases. Network infrastructure assets include estimated dismantling costs of £25,000 and dilapidations of £393,000 disclosed in note 23

15. Right-of-use assets (continued)

The maturity analysis of lease liabilities is presented in note 22.

	2023	2022
Amounts recognised in profit and loss:	**£'000**	**£'000**
Depreciation expense on right-of-use assets	2,435	2,575
Interest expense on lease liabilities	415	459
Expense relating to short-term leases	205	278

The total cash outflow for the leases, excluding those recognised in profit and loss for short term leases as disclosed above, was £3,054,000 (2022: £2,972,000).

The Group's leasing activities include leasing business premises, where the offices are situated, along with warehouse and storage facilities. The Group also leases network equipment.

There are no variable lease payments that are included in the lease agreements.

Termination options were applied, relating to building leases. During the year, the Company terminated three of the seven contracts at Swallow Place on 1 September 2022.and also served notice on its office leases at Swallow Place effective 18 August 2023. This decision has been incorporated into the right-of-use assets' and lease liability (note 22) values as at 31 March 2023.

This decision has been incorporated into the right-of-use assets' values as at transition date.

16. Derivative financial instruments

	2023	2022
	£'000	**£'000**
Derivative financial assets		
Derivatives that are designated and effective as hedging instruments carried at fair value:		
Interest rate swaps	13,447	7,284
Interest rate floors	92	530
	13,539	7,814

	2023	2022
	£'000	**£'000**
Current	5,517	972
Non-current	8,022	6,842
	13,539	7,814

16. Derivative financial instruments (continued)

Of the amounts disclosed above, only £8,009,000 (2022: £4,622,000) is considered to be effective at the balance sheet date. Accordingly, the remaining £5,530,000 (2022: £3,192,000) of the hedge has been de-designated and reclassified to the Consolidated statement of profit and loss since inception.

The derivatives are subject to offsetting, master netting agreements. Master netting arrangements allow for the net amount to be paid to the receiving party as opposed to the counterparties exchanging gross amounts at settlement date.

	2023	2022
Derivative asset counterparty	**£'000**	**£'000**
NatWest Markets PLC	5,076	2,934
Investec Bank PLC	5,075	2,929
Banco Santander, S.A. (London Branch)	3,388	1,951
Total	13,539	7,814

The Group did not enter into any other enforceable netting arrangements than disclosed above.

Further details of derivative financial instruments are provided in note 32.

17. Contract costs

	2023	2022
	£'000	**£'000**
Costs to obtain contracts	73	85
Current	51	45
Non-current	22	40
	73	85

In the year ending 31 March 2023, amortisation amounting to £54,000 (2022: £38,000) was recognised in the consolidated statement of profit and loss. There was no impairment loss (2022: £nil) in relation to the costs capitalised.

18. Inventories

	2023	2022
	£'000	£'000
Inventories	8,472	4,826

There was a provision of £2,321,000 against inventories in the year (2022: £369,000).

19. Trade and other receivables

	2023	2022
	£'000	£'000
Trade receivables (gross)	778	504
Loss allowance	(168)	(53)
	610	451
Other receivables	4,220	4,192
Prepayments and accrued income	1,794	2,685
	6,624	7,328

Trade receivables

The Group services consumers and business customers, with charges billed in advance and retains discretion on whether to charge interest on outstanding trade receivables. The practical expedient in IFRS 9 has been taken and the simplified approach set out in IFRS 9 applied to the trade receivables.

Loss allowance for trade receivables is always equal to the lifetime expected credit loss. The expected credit losses are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

The following table details the risk profile of trade receivables based on the Group's provision matrix. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Group's different customer segments.

19. Trade and other receivables (continued)

2023	Not past due	1-30	31-60	61-90	>90	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Gross carrying amount	29	217	133	100	299	778
Lifetime expected credit loss	0	0	6	23	139	168
Expected credit losses rate	0.00%	0.00%	4.64%	23.31%	46.41%	21.61%

2022	Not past due	1-30	31-60	61-90	>90	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Gross carrying amount	238	60	28	28	150	504
Lifetime expected credit loss	1	12	5	6	29	53
Expected credit losses rate	0.63%	19.39%	17.45%	19.70%	19.70%	10.54%

20. Notes to the consolidated cash flow statement

Net debt reconciliation	2023	2022
	£'000	£'000
Opening Net debt	(88,978)	(25,336)
Change in cash and cash equivalents	1,078	11,445
Change in current borrowings	-	(5,000)
Change in non-current borrowings	(162,884)	(70,589)
Change in lease liabilities payable within one year	1,002	(666)
Change in lease liabilities payable after more than one year	7,124	1,168
Closing Net debt	(242,658)	(88,978)

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less.

Borrowings are shown gross of debt issue costs. See note 24.

Non-cash transactions

Additions to buildings and equipment during the year amounting to £368,000 (2022: £2,110,000) were financed by new leases. No additions in 2023 (2022: £nil) were acquired on deferred payment terms, the settlement of which are still outstanding at year end.

21. Trade and other payables

	2023 £'000	2022 £'000
Trade payables	5,873	11,165
Other taxation and Social Security	355	136
Accruals and deferred income	16,284	14,792
	22,512	26,093

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

22. Lease liabilities

	2023 £'000	2022 £'000
Maturity analysis:		
< 1 year	1,910	2,913
1 - 2 years	652	2,464
2 - 5 years	-	5,330
+ 5 years	-	1,044
	2,562	11,751
Less: unearned interest	(107)	(1,170)
	2,455	10,581
Analysed as:		
Current	1,863	2,865
Non-current	592	7,716
	2,455	10,581

23. Provisions

	2023	2022
	£'000	£'000
Lease dilapidations	393	379
Contractor provisions	377	1,700
	770	2,079
Current	770	1,844
Non-current	-	235
	770	2,079

Dilapidations relate to the building leases at Swallow Place and Uxbridge. Contractor provisions relate to unsettled balances with third party contractors currently under negotiation.

Movements in each class of the provision are set out below:

	Lease dilapidations £'000	Contractor provisions £'000	Total £'000
Carrying amount at start of year	379	1,700	2,079
Additional provision charged to plant and equipment	-	151	151
Charged/(credited) to profit or loss			
- additional provisions recognised	158	2,114	2,272
- unused amounts reversed	-	(1,137)	(1,137)
Amounts reclassed to trade and other payables	-	(2,451)	(2,451)
Amounts used during the year	(144)	-	(144)
Carrying amount at year end	393	377	770

24. Borrowings

	2023	2022
	£'000	£'000
Secured borrowing at amortised cost		
Revolving Credit Facility	5,000	5,000
Bank loans	94,486	94,133
Loans from related parties	162,531	-
Debt issue costs	(2,293)	(10,017)
	259,724	89,116
Current	5,000	5,000
Non-current	254,724	84,116
	259,724	89,116

The other principal features of the Group's borrowings are as follows.

(i) The Group has use of a £9,000,000 revolving credit facility. The drawdown on this facility at 31 March 2023 was £5,000,000 (2022: £5,000,000). The facility is available to December 2027. The average interest rate during the year was 7.2% (2022: 4.4%). The interest rate is tied to movements in SONIA, see paragraph (ii) below. The revolving facility loan is repayable on the last day of its interest period which shall not exceed a maximum of six months.

(ii) The Group has a syndicated loan with several counterparties.

A secured loan of £94,000,000 (2022: £94,000,000) was drawn against a facility opened on 20 December 2020. This facility consists of a £251,000,000 Term Facility, that matures in December 2027. Debt drawdowns are subject to meeting pre-determined covenants measuring performance against the business plan. The debt financing sits within G.Network Communications Limited and debt is secured against the shares of the company. Buildforce Construction Limited, another subsidiary, is an additional obligor on the debt agreement. The facilities are due for repayment in December 2027. The loan carried interest rate tied to movements in 3-month LIBOR. However, in August 2021, the Group transitioned its bank borrowings to the SONIA. The other terms that were amended as part of the agreement were non- substantive changes. The Group accounted for the change to SONIA, in the prior year, using the IFRS 9 practical expedient introduced by the Phase 2 amendments, which allows the Group to change the basis for determining the contractual cash flows prospectively by revising the effective interest rate. The average interest rate during the year was 7.2% (2022: 4.4%). Accrued interest of £486,000 is included within the balance. The group mitigates the risk of interest rate rises through interest rate swap agreements, refer to note 27.

(iii) During the year, the Company received convertible and non-convertible loans from its shareholders which incur a "payment in kind" (PIK) interest of 12% per annum. The loans have a principal balance of £85,000,000 (convertible) and £67,900,000 (non-convertible) and an accrued interest balance of £7,583,000 (convertible) and £2,048,000 (non-convertible) respectively as at year-end and are recognised as non-current financial liabilities. The convertible and non-convertible loans are both repayable in the occurrence of an exit event or cessation of Prefect Holdco Limited as a major

24. Borrowings(continued)

shareholder of the Company. Unless otherwise repaid, the convertible loan may be converted to shares in the Company at the agreement of both parties.

The book value of borrowings are not anticipated to materially differ to fair value.

Debt issue costs relate to arrangement, underwriting, commitment, coordination and professional fees. They are being amortised on a straight-line basis over the seven year term of the loan. During the year, £2,928,000 (2022: £1,850,000) was amortised and £4,743,000 (2022: £nil) was taken through the Consolidated statement of profit and loss on undrawn facilities. The remaining £53,000 related to movements in commitment fees payable.

25. Share capital

	2023	2022
	Number	Number
Issued and fully paid:		
Issued ordinary shares of £1 each	8,992,298	8,835,473
At 1 April ordinary shares of £1 each	8,835,473	6,633,997
Issued during the year	156,825	2,201,476
At 31 March ordinary shares of £1 each	8,992,298	8,835,473

The ordinary shares have attached to them voting, dividend and capital distribution rights, they do not carry rights of redemption. During the year 156,825 (2022: 2,201,476) ordinary shares were issued for a cash consideration of £6,409,000 (2022: £89,953,000).

Breakdown of ordinary share issues during the year:

Date of issue	Shares issued	Consideration	Share Capital	Share Premium
	Number ('000)	£'000	£'000	£'000
28-Apr-22	157	6,409	157	6,252
Total	157	6,409	157	6,252

26. Share premium account

	2023	2022
	£'000	£'000
Balance at 1 April	148,592	150,913
Premium arising on issue of equity shares (See note 25)	6,252	87,752
Capital reconstruction transfer to other reserves	-	(90,073)
Balance at 31 March	154,844	148,592

This account holds the premium paid for each ordinary share above the nominal share amount.

A capital reconstruction occurred upon creation of the G.Network UK Communications Limited Group. The difference between the total equity of the acquired entity on the date of reconstruction and the value of the shares transferred results in a reduction in share premium and an increase in other reserves.

27. Cash flow hedge reserve

	2023	2022
	£'000	£'000
Balance at 1 April	4,622	-
Fair value gain arising on hedging instruments during the period	4,702	7,814
Amounts recycled to profit and loss on settlement	(1,315)	-
De-designation of fair value hedges	-	(3,192)
Income tax relating to items that will not be reclassified subsequently to profit and loss	(847)	-
Reclassification of prior year tax on cash flow hedges	(1,156)	-
Balance at 31 March	6,006	4,622
Of which:		
Balance related to continuing cash flow hedges	6,006	4,622

The cash flow hedge reserve represents the cumulative amount of gains and losses relating to continuing cashflow hedges. A gain of £3,247,000 (2022: £3,192,000 gain), has been recognised in the statement of profit and loss for the ineffective portion of this hedge with the £4,702,000 gain (2022: £4,622,000 gain) in fair value on the effective portion of the hedge recognised in other comprehensive income.

28. Accumulated Losses

This reserve is an accumulation of all the net losses the Group has incurred from inception, as seen each year on the consolidated statement of profit and loss. The balance at 31 March 2023 was £151,002,000 (2022: £78,011,000) after taking into account the net loss for the year £74,147,000 (2022: £33,666,000).

29. Deferred tax

No deferred tax assets or liabilities have been recognised in the current year or in the prior year. The unrecognised deferred tax asset at 31 March 2023 is as follows:

	2023	2022
	£'000	£'000
Relating to non-current assets	(2,713)	(1,424)
Related to other timing differences	(2,621)	(3,653)
Relating to tax losses	(27,350)	(11,645)
Total	(32,684)	(16,722)

The company has tax losses carried forward of approximately £109m (2022: £54m). Deferred tax liability relating to fair value gains on hedging instruments through other comprehensive income are offset by an equal and opposite deferred tax asset recognised in profit and loss. The net impact being that no deferred tax asset is recognised as there is insufficient certainty over the availability of future taxable profits to enable deferred tax asset recognition.

30. Contingent liabilities and capital commitments

No contingent liabilities have been identified as at 31 March 2023 or as at 31 March 2022. No material capital commitments have been identified.

31. Retirement benefit plans

Defined contribution plans

The employees of the Group are members of a retirement benefit plan operated by Royal London. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

The total expense recognised in profit or loss of £1,737,000 (2022: £1,649,000) represents contributions payable to this plans by the Group at rates specified in the rules of the plan. As at 31 March 2023, there was £187,000 in respect of the current reporting period had not been paid over to the plans (2022: £100,000).

32. Financial Instruments

(a) Classes and categories of financial instruments and their fair values

The following table combines information about:

- classes of financial instruments based on their nature and characteristics;
- the carrying amounts of financial instruments;
- fair values of financial instruments (except financial instruments when carrying amount approximates their fair value); and
- fair value hierarchy levels of financial assets and financial liabilities for which fair value was disclosed.

Fair value hierarchy levels 1 to 3 are based on the degree to which the fair value is observable:

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

Financial instruments that are measured at fair value and are classified within the fair value hierarchy are derivative assets with a fair value of £13,539,000 at 31 March 2023 (2022: £7,814,000). They are classified as level 2.

(b) Financial risk management objectives

The Group manages financial risks relating to its operations and financing activities, these are managed through internal reporting which analyses exposures to risk. As the Group continues to grow, more robust risk management procedures are being introduced. These risks include market risk (including interest rate risk and price risk), credit risk and liquidity risk.

The Group seeks to minimise the effects of these risks by using derivative financial instruments to hedge these risk exposures. The current use of financial derivatives is governed by the facilities agreements the Group entered into, that mandated the use of derivatives and was approved by the Board of Directors

(c) Interest rate risk management

The Group is exposed to interest rate risk because it borrows funds at both fixed and floating interest rates. The risk is managed by the Group using interest rate swap contracts.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Interest rate benchmark for derivatives and hedge relationships

The Group has £99,486,000 (2022: £99,133,000) of sterling-denominated fixed and floating rate bank borrowings maturing in 2027. Borrowings are hedged in a cash flow hedge using a GBP-SONIA to fixed

32. Financial Instruments (continued)

interest rate swap contract. The Group is counterparty to a derivative based on GBP-SONIA plus fixed spread. The Group has hedge documentation for these derivatives and the hedge relationship and the accumulated gain in the cash flow hedge reserve is deemed to be based on the GBP-SONIA.

Interest rate sensitivity analysis
The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the reporting date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the reporting date was outstanding for the whole year.

If interest rates had been 1% higher and all other variables were held constant, the Group's interest cost for the year ended 31 March 2023 would increase by £859,000 (2022: £632,000).

These additional interest costs would be capitalised under IAS 23: Borrowing costs, as they would fall within the current capitalisation rate of 100 percent.

The Group's sensitivity to interest rates has remained the same during the current year mainly due to the movement in variable rate debt instruments in the opposite direction of the interest rate swaps used to hedge the variability of cash outflow.

Interest rate swap contracts
Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on the fair value of issued fixed rate debt held and the cash flow exposures on the issued variable rate debt held.

The fair value of interest rate swaps at the reporting date is determined by discounting the future cash flows using the curves at the reporting date and the credit risk inherent in the contract and is disclosed below. The average interest rate is based on the outstanding balances at the end of the financial year.

As the critical terms of the interest rate swap contracts and their corresponding hedged items are the same, the Group performs a qualitative assessment of effectiveness and it is expected that the value of the interest rate swap contracts and the value of the corresponding hedged items will systematically change in opposite direction in response to movements in the underlying interest rates. The main source of hedge

ineffectiveness in these hedge relationships is the effect of the counterparty and the Group's own credit risk on the fair value of the interest rate swap contracts, which is not reflected in the fair value of the hedged item attributable to the change in interest rates. No other sources of ineffectiveness emerged from these hedging relationships.

The following tables detail various information regarding interest rate swap contracts outstanding at the end of the reporting period and their related hedged items. Interest rate swap assets are included in note 16.

32. Financial Instruments (continued)

Cash flow hedges

Hedging Instruments outstanding - receive floating, pay fixed

	Notional principle value		Carrying amount of the hedging instrument assets / (liabilities)	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Less than 1 year	167,146	84,509	5,517	970
1 to 2 years	175,700	148,835	5,674	2,448
2 to 5 years	175,700	175,700	2,348	4,396
Total	518,546	409,044	13,539	7,814

	Nominal amount of the hedged item assets/ (liabilities)		Balance in cash flow reserve for continuing hedges	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Variable rate borrowing	(94,486)	(94,133)	8,009	7,814
	(94,486)	(94,133)	8,009	7,814

The interest rate swaps settle monthly and the floating rate is the GBP-SONIA. The Group settles the difference between the fixed and floating interest rate on a net basis.

All interest rate swap contracts exchanging floating rate interest amounts for fixed rate interest amounts are designated as cash flow hedges to reduce the Group's cash flow exposure resulting from variable interest rates on borrowings. The interest rate swaps and the interest payments on the loan occur simultaneously and the amount accumulated in equity is reclassified to profit or loss over the period that the floating rate interest payments on debt affect profit or loss.

(d) Credit risk management

This note details the Group's maximum exposure to credit risk and the measurement bases used to determine expected credit losses.

In order to minimise credit risk, the Group has adopted a policy of only dealing with creditworthy counterparties and/or obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. There are procedures in place to ensure that follow-up action is taken to recover overdue debts. Trade receivables consist of a large number of customers, spread across diverse industries. The financial condition of accounts receivable is monitored on an ongoing basis.

32. Financial Instruments (continued)

(d) Credit risk management (continued)

The Group does not have significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are related entities. The concentration of credit risk is limited because the customer base is large and unrelated.The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings (upper medium investment grade) assigned by international credit-rating agencies. They are in a strong position to meet financial commitments.

(d)(i) Overview of the Group's exposure to credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. As at 31 March 2023, the Group's maximum exposure to credit risk without taking into account any collateral held or other credit enhancements, which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group arises from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

Exposures

The maximum credit risk exposure of the Group's financial assets at the balance sheet date is as follows:

At 31 March		**2023**	**2022**
	Notes	**£'000**	**£'000**
Derivative financial assets	16	13,539	7,814
Trade and other receivables	19	6,624	4,696
Contract assets		295	29
Cash and cash equivalents	20	21,814	20,736
Total		**42,272**	**33,275**

The tables below detail the credit quality of the Group's financial assets, as well as the Group's maximum exposure to credit risk by credit risk rating grades:

Moody's/S&P credit rating of counterparty	**2023**	**2022**
	£'000	**£'000**
A1/A+	5,032	25,616
A1/AA+	5,047	-
A1/A	25,182	-
A2/A	-	2,934
	35,261	**28,550**

32. Financial instruments (continued)

Simplified approach - Lifetime expected credit loss ("ECL") - Trade Receivables

31/03/2022	Note	External credit rating	Internal credit rating	12-month or lifetime ECL?	Gross carrying amount (i)	Loss allowance	Net carrying amount (i)
					£'000	£'000	£'000
Trade receivables 2023	19	N/A	(i)	Lifetime ECL (simplified approach)	778	(168)	610
Trade receivables 2022	19	N/A	(i)	Lifetime ECL (simplified approach)	504	(53)	451

(i) For trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime expected credit losses "ECLs". The Group determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix. Note 19 includes further details on the loss allowance.

(e) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. Details of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk are set out below.

(e)(i) Liquidity and interest risk tables

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest cash flows are floating rate, the undiscounted amount is derived from interest rate curves at the reporting date.

The contractual maturity is based on the earliest date on which the Group may be required to pay.

32. Financial instruments (continued)

	Less than 1 month	1-3 months	3 months to 1 year	1-2 years	2-5 years	5+ years
	£'000	£'000	£'000	£'000	£'000	£'000
Financial Liabilities:						
31 March 2023	22,740	1,452	6,002	545	257,017	-
31 March 2022	26,093	4,757	2,464	5,330	-	95,412
Interest rate swaps (Note 27):						
31 March 2023	-	1,352	4,165	5,674	2,348	-
31 March 2022	-	65	905	2,448	4,396	-

(e)(ii) Financing facilities

The Group is primarily using existing finance facilities to manage liquidity, this is supplemented by cash inflows from trade receivables. Derivative assets yielded cash inflows of £2,234,000 during the year (2022: nil).

The Group has access to financing facilities as described below subject to meeting certain drawdown covenants at the drawdown dates, of which £160,514,000 were unused at the reporting date (2022: £160,867,000).

	2023	2022
	£'000	£'000
Revolving loan facility		
- amount used	5,000	5,000
- amount unused	4,000	4,000
	9,000	9,000
Secured bank loan facilities:		
- amount used	94,486	94,133
- amount unused	156,514	156,867
	251,000	251,000

32. Financial instruments (continued)

(f) Capital risk management

The Group manages its capital to ensure that its entities will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2022.

The capital structure of the Group consists of net debt (borrowings disclosed in note 24 after deducting cash and cash equivalents) and equity of the Group (comprising issued capital, reserves and accumulated losses as disclosed in notes 25 to 28).

The Group is not subject to any externally imposed capital requirements.

Gearing ratio

The gearing ratio at the year-end is as follows:

	2023 £'000	2022 £'000
Debt	264,472	109,714
Cash and cash equivalents	(21,814)	(20,736)
Net debt	242,658	88,978
Equity	108,913	174,111
Net debt to equity ratio	222.8%	51.1%

Debt is defined as long- and short-term borrowings and lease liabilities (excluding derivatives and financial guarantee contracts) as detailed in notes 24 and 22 respectively. Equity includes all capital and reserves of the Group that are managed as capital.

33. Events after the reporting period

The business has a revised strategic plan which focusses on selling, delivering and supporting the growth of the business and as a result, is in the process of changing its operating model. In May 2023, the Company entered into a collective consultation exercise with some of its employees with the aim of reducing the size of the workforce by around a third.

Subsequent drawdowns of shareholders' loans since the balance sheet date amounted to £25,000,000 (2022: nil). In July 2023, the business announced that Prefect Holdco Limited is providing up to £150m of investment to accelerate the next phase of growth. This funding will be provided to the Company and be lent onwards through G.Network Communications London Limited to G.Network

33. Events after the reporting period (continued)

Communications Limited. As a result of this additional funding, the business cancelled the undrawn portion of its existing bank facilities.

34. Related party transactions

The Company has a related party relationship with its subsidiaries.

Subsidiaries	Country of incorporation	% holding of ordinary share capital
G.Network London Communications Limited	UK	100
G.Network Communications Limited	UK	100
Buildforce Construction Limited	UK	100

The remuneration of the Directors, who are the key management personnel of the Group including associated benefits has been disclosed in note 9.

At 31 March 2023 there remains a long-term loan of £98,000 (2022: £98,000) and associated interest of £60,000 (2022: £51,000) outstanding due from a Director who resigned during the year . During the year interest of £9,000 (2022: £10,000) at an interest rate of 10% was accrued on the loan.

During the year, the Company was invoiced and paid £20,000, (2022: £20,000) for services provided by Cube Fibre London Limited. During the year, the Company was also invoiced and paid £20,000 for services provided by USS (2022: £20,000). These payments were made on an arm's length basis.

The Company holds an investment of £1 (2022: £1) in its wholly owned subsidiary, Buildforce Construction Limited, 5 Swallow Place, London, United Kingdom, W1B 2AG, which is incorporated in England and Wales. The subsidiary's principal activity is to undertake network deployment activities. It did not trade during the year or the prior year.

During the year 156,825 (2022: 2,201,476) ordinary shares were issued for a cash consideration of £6,409,000 (2022: £89,953,000) to the Company's joint owners Prefect Holdco Limited and Cube Fibre London Limited. See note 25 for details of the shares issued.

During the year, the Company received convertible and non-convertible shareholder loans from Prefect Holdco Limited, which are both treated as non-current financial liabilities and incur a "payment in kind" (PIK) interest. The loans have a balance including accrued interest of £92,583,000 (convertible) and £69,948,000 (non-convertible) respectively and were lent on from the Company to its subsidiary,

34. Related party transactions (continued)

G.Network Communications London Limited, creating a related party loan owed to the Company from G.Network Communications London Limited. The convertible and non-convertible loans are both repayable in the occurrence of an exit event or cessation of Prefect Holdco Limited as a major shareholder of the Company Unless otherwise repaid, the convertible loan may be converted to shares in the Company at the agreement of both parties.

35. Controlling Party

Prefect Holdco Limited and Cube Fibre London Limited have joint control of the Group. The Directors believe there is no ultimate controlling party.

G.Network UK Communications Limited

Company statement of financial position

As at 31 March 2023

Company statement of financial position

	Note	2023 £'000	2022 £'000
Non-current assets			
Investments	C3	163,835	157,427
Current assets			
Amounts due after more than one year: loans to related parties	C8	162,531	-
Total assets		**326,366**	157,427
Non-current liabilities			
Loans from related parties	C8	(162,531)	-
Total liabilities		**(162,531)**	-
Net assets		**163,835**	157,427
Equity			
Share capital	C4	8,992	8,835
Share premium account	C5	154,843	148,592
Total equity		**163,835**	157,427

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings up to 31 March 2023. The Directors have taken advantage of the exemption available under s408 of the Companies Act 2006 to not present a Company statement of profit or loss. The Company recorded a nil result for the year. The notes on pages 59 - 63 form part of these financial statements which were approved by the Board of Directors and authorised for issue on 27 July 2023.

They were signed on its behalf by:

....

K. Murphy
Director

Company statement of changes in equity

	Note	Share capital £'000	Share premium account £'000	Total equity £'000
Balance at 1 April 2022		**8,835**	**148,592**	**157,427**
Total comprehensive result for the period		-	-	-
Transactions with Owners				
Issue of share capital	C4	157	6,251	6,408
Balance at 31 March 2023		**8,992**	**154,843**	**163,835**

	Note	Share capital £'000	Share premium account £'000	Total equity £'000
Total comprehensive result for the period		-	-	-
Transactions with Owners				
Issue of share capital	C4	8,835	148,592	157,427
Balance at 31 March 2022		**8,835**	**148,592**	**157,427**

C1. Accounting policies

The Company financial statements are presented under FRS101. The Group's consolidated financial statements have been prepared in accordance with UK-adopted International Accounting Standards ("Adopted IFRSs"). The accounting policies of the company are consistent with those adopted by the Group under International Accounting Standards with the addition of the following:

Exemptions applied

The Directors have taken advantage of the exemption available under s408 of the Companies Act 2006 to not present a Company statement of profit or loss.

The Company is a qualifying entity under FRS 101 and as such has taken advantage of the following disclosure exemptions as a result of the information being included in the consolidated financial statements of G.Network UK Communications Limited which can be found earlier within this report :

- the requirements of IAS 7 Statement of Cash Flows.

- the requirements of IFRS 7 Financial instruments: Disclosures

Operating costs

The Company incurred audit fees of £19,000 during the year (2022 period: £6,300). These fees were settled on its behalf by its subsidiary, G.Network Communications Limited.

The Company had no other operating revenue or operating expenses for the period.

The Company had no employees during the period and did not pay emoluments to its Directors.

Investments

Investments are stated at their cost less any impairment losses.

Whenever events or changes in circumstance indicate that the carrying value of Investments may not be recoverable, and asset is reviewed for impairment. An asset's carrying value is written down to its estimated recoverable amount, being the higher of the fair value less costs to sell and value-in-use, if that is less than the asset's carrying amount.

The carrying value of non-current assets are reviewed for impairment only when events indicate the carrying value may be impaired. Impairment indicators include both internal and external factors.

Equity

Company equity relates to Ordinary share capital acquired in G.Network London Communications Limited and Share premium showing the premium paid for each ordinary share above the nominal share amount.

C2. Significant accounting judgements, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities, at the end of the reporting period. Uncertainty about the assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

In the process of applying the Company's accounting policies, there were judgements, estimates or assumptions that management consider to have a significant effect on the amounts recognised in the financial statements.

Impairment of investment

Management performed an impairment assessment on the network asset at a group level using a value in use model and determined that the recoverable amount exceeded the carrying amount and as such no impairment loss was recognised at a group level. As such, no impairment has been recognised on the investment.

C3. Investments

	2023	2022
	£'000	£'000
Investment in G.Network Communications Limited	163,835	157,427

The subsidiary undertakings of the Company at 31 March 2023 are disclosed below.

G.Network Communications London Limited, Third Floor, 5 Swallow Place, London, United Kingdom, W1B 2AG, of which the company has a 100% shareholding. The principal activity of the subsidiary is to operate as a holding company.

G.Network Communications Limited, 5 Swallow Place, London, England, W1B 2AF, of which the company has an indirect 100% shareholding. The principal activity of the subsidiary is the construction and development of infrastructure and facilities for the provision of high speed internet broadband through fibre optic cabling in London, connecting new customers to our network and the provision of full fibre internet services to customers.

Buildforce Construction Limited, 5 Swallow Place, London, United Kingdom, W1B 2AG, of which the company has an indirect 100% shareholding. The principal activity of the subsidiary is to undertake network deployment activities. It did not trade during the period.

C4. Share capital

	2023 Number	2022 Number
Issued and fully paid:		
8,992,298 (2022: 8,835,473) ordinary shares of £1 each	8,992,298	8,835,473

	2023 £	2022 £
1 ordinary share of £1 each entitled issued upon incorporation	8,835,473	1
Issued during the period ordinary shares of £1 each	156,825	8,835,472
At 31 March 2023 ordinary shares of £1 each	8,992,298	8,835,473

The ordinary shares have attached to them voting, dividend and capital distribution rights. The shares do not carry rights of redemption. During the period 156,825 (2022: 8,835,472) ordinary shares were issued for a consideration of £6,409,000 (2022: £157,427,585).

Breakdown of ordinary share issues during the period:

Date of issue	Shares issued	Consideration	Share Capital	Share Premium
	Number ('000)	£'000	£'000	£'000
28-Apr-22	157	6,409	157	6,252
Total	157	6,409	157	6,252

C5. Share premium account

	2023 £'000	2022 £'000
Balance at start of period	148,592	-
Premium arising on issue of equity shares (See note C4)	6,251	148,592
Balance at 31 March	154,843	148,592

This account holds the premium paid for each ordinary share above the nominal share amount.

C6. Contingent liabilities

No contingent liabilities have been identified as at 31 March 2023 (2022: none). No material capital commitments have been identified.

C7. Events after the reporting period

The business has a revised strategic plan which focusses on selling, delivering and supporting the growth of the business and as a result, is in the process of changing its operating model. In May 2023, the Group entered into a collective consultation exercise with some of its employees with the aim of reducing the size of the workforce by around a third.

Subsequent drawdowns of shareholders' loans since the balance sheet date amounted to £25,000,000 (2022: nil). In July 2023, the business announced that Prefect Holdco Limited is providing up to £150m of investment to accelerate the next phase of growth. This funding will be provided to the Company and be lent onwards through G.Network Communications London Limited to G.Network Communications Limited. As a result of this additional funding, the business cancelled the undrawn portion of its existing bank facilities.

C8. Related party transactions

The consolidated financial statements for G.Network UK Communications Limited are the highest level at which financial statements are consolidated for the Group. The Company has a related party relationship with its wholly-owned subsidiary, G.Network Communications London Limited, incorporated in the UK. The investments shown in note C2 represent all transactions with the subsidiary in the reporting period.

Prefect Holdco Limited and Cube Fibre London Limited have joint control of the Company. The Directors believe there is no ultimate controlling party.

During the period a total of 156,825 (2022: 8,835,473) ordinary shares (150,430 to Prefect Holdco Limited and 6,395 to Cube Holdco) were issued for a total consideration of £6,409,000 (2022: £157,427,585) to the Company's joint owners (£6,146,000 consideration from Prefect Holdco Limited and £263,000 from Cube Fibre London Limited). See note C4 for details of the shares issued.

During the year, the Company received convertible and non-convertible shareholder loans from Prefect Holdco Limited and Cube Fibre London Limited, which are both treated as non-current financial liabilities and incur a "payment in kind" (PIK) interest. The loans have a balance including accrued interest of £92,583,000 (convertible) and £69,948,000 (non-convertible) respectively and were lent on from the Company to its subsidiary, G.Network Communications London Limited, creating a related party loan owed to the Company from G.Network Communications London Limited. The convertible and non-convertible loans are both repayable in the occurrence of an exit event or cessation of Prefect Holdco Limited as the major shareholder of the Company Unless otherwise repaid, the convertible loan may be converted to shares in the Company at the agreement of both parties.

C8. Related party transactions (continued)

Loans to related parties (G.Network Communications London Limited)
Convertible

	2023 £'000	2022 £'000
Balance as at 1 April	-	-
Loans advanced	85,000	-
Interest income receivable	7,583	-
Balance as at 31 March 2023	**92,583**	**-**

Non-convertible

	2023 £'000	2022 £'000
Balance as at 1 April	-	-
Loans advanced	67,900	-
Interest income receivable	2,048	-
Balance as at 31 March 2023	**69,948**	**-**

Loans from related parties (Shareholders):
Convertible

	2023 £'000	2022 £'000
Balance as at 1 April	-	-
Loans advanced	85,000	-
Interest expense accrued	7,583	-
Balance as at 31 March 2023	**92,583**	**-**

Non-convertible

	2023 £'000	2022 £'000
Balance as at 1 April	-	-
Loans advanced	67,900	-
Interest expense accrued	2,048	-
Balance as at 31 March 2023	**69,948**	**-**

Report on the audit of the company financial statements

Opinion

In our opinion, G.Network UK Communications Limited's company financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2023;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Consolidated Financial Statements (the "Annual Report"), which comprise: the Company statement of financial position as at 31 March 2023; the Company statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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.

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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. 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 based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 March 2023 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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.

Auditors' 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 auditors' 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. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Companies Act 2006, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting of unusual journals or manipulating accounting estimates which could be subject to management bias. Audit procedures performed by the engagement team included:

- Enquiring with management and those charged with governance around potential litigation and regulations;
- Reviewing board minutes;
- Auditing the risk of management override of controls, including through testing unusual journal entries and testing accounting estimates which could be subject to management bias; and
- Reviewing financial statement disclosures for compliance with applicable laws and regulations.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Other matter

We have reported separately on the group financial statements of G.Network UK Communications Limited for the year ended 31 March 2023.

Paul Norbury (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
27 July 2023