

10 September 2024

Global Connectivity Plc (the “Company” or “GCON”)

Interim Results for the six months ended 30 June 2024

Global Connectivity Plc (AQSE: GCON), through its investment in Rural Broadband Solutions Holdings Limited (“RBSHL”) and thereby an indirect investor in Voneus Limited (“Voneus”), a leading provider of Broadband Services to rural areas of the UK, today announces its unaudited half year results for the six months ended 30 June 2024.

Overview

- It is still less than 12 months since GCON became an indirect investor in Voneus as a result of the merger between Voneus and RBSHL backed by two major international infrastructure investors, the mission of which was to meet the needs of hard-to-reach, rural and market town communities in the UK for fast, reliable broadband connectivity.
- In September 2023, when the merger took effect, it was announced that Voneus had available up to £250 million of new shareholder capital and debt funding. In the short period between then and 30 June 2024, a substantial amount of that capital has been regularly and vigorously deployed to grow the business in respect of all essential KPIs including number of homes passed, those fit for service and, importantly, customer sales.
- We expected that, as a result, this significant capital investment would lead to an increase in the rate of growth of the business and also to the shareholding in Voneus of RBSHL which at 30 June 2024 reached 39.7%. The net asset value of GCON enjoyed a consequent increase in GCON’s derived ownership and asset value compared to 31 December 2023.

Financial Highlights

- Net assets increased by £9.4 million from £7.8 million at 31 December 2023 to £17.2 million at 30 June 2024.
- As at 30 June 2024 the net asset value per share is 4.75p (31 December 2023: 2.16p)
- The Company has estimated the fair value of its investment in RBSHL, an unquoted company, and recognised an increase in that fair value.
- As at 30 June 2024, GCON had current cash of £318 thousand with additional funding due by 31 December 2024.
- Running costs of GCON have for a quoted company been kept at a minimal level.

Operational Highlights

- The management of Voneus has expanded and is an integrated and cohesive unit with consequent benefits for recent and future operating performance.

Outlook

- The increase in pace of investment into Voneus has meant that business progress has exceeded our expectations, with homes passed, including work in progress, exceeding 100,000.
- The £75 million investment threshold after which GCON stands to be diluted, was exceeded in August 2024.
- Any incurred dilution should be compared and measured against the rise in value of Voneus, the future outlook for its business and the shareholding percentage owned by RBSHL in Voneus.

- Our cash resources enable us to maintain our carried investment position in Voneus and to consider the short- and medium-term merits of investing to mitigate dilution.
- We continue our search for compelling investment opportunities in alternative relevant services sectors.

The Directors of Global Connectivity Plc accept responsibility for the contents of this announcement.

This announcement contains information which, prior to its disclosure, was inside information as stipulated under Regulation 11 of the Market Abuse (Amendment) (EU Exit) Regulations 2019/310 (as amended).

- ENDS –

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Chairman's Statement

Since the merger, in September 2023, which created Voneus in its current form, we have based the value of GCON's (derived) shareholding in the company on sensible and conservative principles. In the process, we took into consideration the equity value of Voneus which reflected the latest round of equity capital funding, the increasing stake owned by RBSHL in Voneus and GCON's actual percentage ownership of RBSHL.

The interim and audited final year valuations, as at 30 June 2023 and 31 December 2023 respectively, reflected this methodology. As noted, since the September 2023 merger, there has been significant investment by the main shareholders to a level where the original total financial targets envisaged at the time of the merger are close to being reached. This financial backing has occurred in parallel with the strengthening of the experienced management team of Voneus and as a result the business has grown in all material respects.

Our valuation methodology produces a fair value of our investment in Voneus of £15.9 million as at 30 June 2024. In August 2024, a further capital injection by shareholders into Voneus took place. After careful consideration we elected at this time not to invest to maintain our 15% ownership of RBSHL, but even allowing for the resulting dilution to 11.8% we show a valuation of £13.6 million.

Based on progress to date, should further equity funding be made at a higher valuation and should the Company elect not to participate then, whilst our percentage ownership RBSHL would decrease, the effects of the dilution should be mitigated.

The importance of reliable and fast broadband to homes and businesses in rural areas is now well recognised. The new government has acknowledged this as recently evidenced by the Department for Science, Innovation & Technology in an announcement in August 2024 in pledging to invest £800 million to bring gigabit-capable broadband to an initial 96,000 homes, with a further intention to cover a further 215,000 homes in coming months. Voneus is ideally positioned to take full advantage of the government's shared objective of closing the digital divide. Its performance data point to a fast rollout within its existing footprint, increasing installations with negligible churn. I look forward with optimism to being a part of that successful growth.

Keith Harris

Chairman

9 September 2024

Income Statement

		(Unaudited) Period from 1 January 2024 to 30 June 2024	(Unaudited) Period from 1 January 2023 to 30 June 2023	(Audited) Year ended 31 December 2023
	Note	£'000	£'000	£'000
Net gain on financial assets at fair value through profit or loss	6	9,507	3,171	3,171
Other administration fees and expenses	3	(150)	(139)	(248)
Operating profit		9,357	3,032	2,923
Finance income		2	1	3
Net finance income		2	1	3
Profit before income tax		9,359	3,033	2,926
Income tax expense	4	-	-	-
Profit for the period		9,359	3,033	2,926
Basic and diluted profit per share (pence)	5	2.59	0.84	0.81

Statement of Comprehensive Income

		(Unaudited) Period from 1 January 2024 to 30 June 2024	(Unaudited) Period from 1 January 2023 to 30 June 2023	(Audited) Year ended 31 December 2023
	Note	£'000	£'000	£'000
Profit for the period		9,359	3,033	2,926
Other comprehensive expense		-	-	-
Total comprehensive income for the period		9,359	3,033	2,926

Balance Sheet

		(Unaudited) As at 30 June 2024 £'000	(Unaudited) As at 30 June 2023 £'000	(Audited) As at 31 December 2023 £'000
	Note			
Assets				
Non-current assets				
Amounts due from related parties	7	-	275	-
Other financial assets	6	15,882	6,375	6,375
Subscriptions due		-	950	-
Total non-current assets		15,882	7,600	6,375
Current assets				
Amounts due from related parties	7	33	308	33
Subscriptions due		950	-	950
Trade and other receivables	8	25	24	27
Cash at bank		318	33	461
Total current assets		1,326	365	1,471
Total assets		17,208	7,965	7,846
Equity				
Capital and reserves attributable to owners of the Parent:				
Issued share capital		3,619	3,619	3,619
Warrant reserve		77	77	77
Share option reserve		309	288	299
Retained earnings		13,177	3,925	3,818
Total equity		17,182	7,909	7,813
Liabilities				
Current liabilities				
Trade and other payables	9	26	56	33
Total current liabilities		26	56	33
Total liabilities		26	56	33
Total equity and liabilities		17,208	7,965	7,846

The financial statements were approved and authorised for issue by the Board of Directors on 9 September 2024 and signed on its behalf by:

Keith Harris
Director

Selwyn Lewis
Director

Statement of Changes in Equity

	Share capital	Warrant reserve	Share Option Reserve	Retained earnings/ (deficit)	Total
	£'000	£'000	£'000	£'000	£'000
Unaudited					
Balance at 1 January 2023	3,619	77	278	892	4,866
Comprehensive income					
Profit for the period	-	-	-	3,033	3,033
Total comprehensive income for the period	-	-	-	3,033	3,033
Transactions with owners					
Share based payments relating to share options	-	-	10	-	10
Total transactions with owners	-	-	10	-	10
Balance at 30 June 2023	3,619	77	288	3,925	7,909
Audited					
Balance at 1 January 2023	3,619	77	278	892	4,866
Comprehensive income					
Profit for the year	-	-	-	2,926	2,926
Total comprehensive income for the year	-	-	-	2,926	2,926
Transactions with owners					
Share based payments relating to share options	-	-	21	-	21
Total transactions with owners	-	-	21	-	21
Balance at 31 December 2023	3,619	77	299	3,818	7,813
Unaudited					
Balance at 1 January 2024	3,619	77	299	3,818	7,813
Comprehensive expense					
Profit for the period	-	-	-	9,359	9,359
Total comprehensive income for the period	-	-	-	9,359	9,359
Transactions with owners					
Share based payments relating to share options	-	-	10	-	10
Total transactions with owners	-	-	10	-	10
Balance at 30 June 2024	3,619	77	309	13,177	17,182

Cash Flow Statement

	(Unaudited) Period from 1 January 2024 to 30 June 2024	(Unaudited) Period from 1 January 2023 to 30 June 2023	(Audited) Year ended 31 December 2023
Note	£'000	£'000	£'000
Cash flows from operating activities			
Profit for the period before tax	9,359	3,033	2,926
Adjustments for:			
Net gain on financial assets at fair value through profit or loss	(9,507)	(3,171)	(3,171)
Finance income	(2)	(1)	(3)
Share based payments relating to share options	10	10	21
Operating loss before changes in working capital	(140)	(129)	(227)
Decrease in trade and other receivables	2	65	62
Decrease in trade and other payables	(7)	(103)	(126)
Cash used in operations	(145)	(167)	(291)
Interest received	2	1	3
Net cash used in operating activities	(143)	(166)	(288)
Cash flows from investing activities			
Repayment from subsidiary	-	175	725
Net cash generated from investing activities	-	175	725
Net increase/(decrease) in cash and cash equivalents	(143)	9	437
Cash and cash equivalents at beginning of the period	461	24	24
Cash and cash equivalents at end of the period	318	33	461

Notes to the Financial Statements

1 General Information

These interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the financial statements of the Company as at and for the year ended 31 December 2023 which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the UK.

The interim financial statements for the six months ended 30 June 2024 are unaudited and have not been reviewed by the Company's auditors MAH, Chartered Accountants. The comparative interim figures for the six months ended 30 June 2023 are also unaudited.

2 Basis of preparation

The accounting policies applied by the Company in the preparation of these condensed interim financial statements are the same as those applied by the Company in its financial statements for the year ended 31 December 2023.

3 Other administration fees and expenses

	Period ended 30 June 2024 (Unaudited)	Period ended 30 June 2023 (Unaudited)	Year ended 31 December 2023 (Audited)
Audit fees	8	10	15
Directors' remuneration and fees	60	46	62
Directors' insurance cover	7	8	16
Professional fees	17	15	34
Share based payment expense	10	10	21
Other expenses	48	50	100
Administration fees and expenses	150	139	248

Included within other administration fees and expenses are the following:

Directors' remuneration

The maximum amount of basic remuneration payable by the Company by way of fees to the Non-executive Directors permitted under the Articles of Association is £200,000 per annum. All Directors are each entitled to receive reimbursement of any expenses incurred in relation to their appointment. Mr Langoulant and Mr Lewis are entitled to receive an annual fee of £10,000 (2023: £6,000).

Executive Directors' fees

The Chairman is entitled to an annual fee of £100,000 (2023: £80,000).

All directors' remuneration and fees

Total fees and basic remuneration (including VAT where applicable) paid to the Directors for the period ended 30 June 2024 amounted to £60,448 (30 June 2023: £46,066) and was split as below. Directors' insurance cover amounted to £7,489 (30 June 2023: £7,959).

All directors' remuneration and fees

	Period ended 30 June 2024 (Unaudited)	Period ended 30 June 2023 (Unaudited)	Year ended 31 December 2023 (Audited)
Selwyn Lewis	5	3	6
Michael Langoulant	5	3	6
Keith Harris	50	40	80

Outstanding fees for former director waived	-	-	(31)
Expenses reimbursed	-	-	1
	60	46	62

4 Taxation

The Company is resident in the Isle of Man for taxation purposes. The Isle of Man has a 0% rate of corporate income tax (2023: 0%) to which the Company is subject.

5 Basic and diluted profit/(loss) per share

(a) Basic

Basic profit/(loss) per share is calculated by dividing the profit/(loss) attributable to equity holders of the Company by the weighted average number of shares in issue during the period.

	Period ended 30 June 2024 (Unaudited)	Period ended 30 June 2023 (Unaudited)	Year ended 31 December 2023 (Audited)
Profit attributable to equity holders of the Company (£'000)	9,359	3,033	2,927
Weighted average number of shares in issue (thousands)	361,926	361,926	361,926
Basic profit per share (pence per share)	2.59	0.84	0.81

(b) Diluted

Diluted profit/(loss) per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The company has two categories of dilutive potential ordinary shares: warrants and share options.

Although the Company is reporting a profit from continuing operations for the period the exercise price of the warrants or performance criteria for the share options have not been met and therefore exercise cannot take place yet. The basic and diluted profit per share as presented on the face of the Income Statement are therefore identical.

6 Other financial assets

Instruments measured at fair value through profit and loss	30 June 2024 (Unaudited)	30 June 2023 (Unaudited)	31 December 2023 (Audited)
Start of the period	6,375	3,204	3,204
Net gain on financial assets at fair value through profit or loss	9,507	3,171	3,171
End of the period	15,882	6,375	6,375
Categorised as			
Level 3 – unquoted investments	15,882	6,375	6,375
Total financial assets	15,882	6,375	6,375

The infrastructure funding deal with Tiger Infrastructure Partners Fund III LP (“Tiger”) completed on 25 October 2022. As a result the Company transferred ownership of its two previously wholly owned subsidiaries, Secure Web Services Limited and Cadence Networks to a new intermediate holding company, Rural Broadband Solutions Holdings Limited, of which the Company now owns 15%. At the same time part of intercompany loan with Secure Web Services Limited was capitalised leaving a balance of £825,000 to be repaid over three years at a rate of £275,000 per annum.

The Company has estimated the fair value of its investment in Rural Broadband Solutions Holdings Limited, an unquoted equity instrument, and recognised an increase in fair value based on the information provided by the investee company.

7 Amounts due from related parties

This balance is unsecured and interest free. £32,760 (31 December 2023: £32,760) relates to management services recharges which are repayable on demand.

8 Trade and other receivables

	30 June 2024 (Unaudited)	30 June 2023 (Unaudited)	31 December 2023 (Audited)
Prepayments	13	13	19
VAT receivable	12	11	8
Trade and other receivables	25	24	27

The fair value of trade and other receivables approximates their carrying value.

9 Trade and other payables

	30 June 2024 (Unaudited)	30 June 2023 (Unaudited)	31 December 2023 (Audited)
Other payables	26	56	33
Trade and other payables	26	56	33

The fair value of trade and other payables approximates their carrying value.

10 Post Balance Sheet Events

In August 2024, a further capital injection by shareholders into Voneus took place. After careful consideration the Company elected at this time not to invest to maintain its 15% ownership of RBSHL, the resulting dilution to 11.8% has reduced the fair value of the investment from £15.9 million to £13.6 million.