Rural Broadband Solutions Plc

(‘RBBS’ or the ‘Company’)

Interim Results

**Continued strong operational performance focusing on the installation of fibre network and growth of Cadence Networks.**

Rural Broadband Solutions Plc (AQSE: RBBS), a significant provider of high speed broadband to rural areas of Great Britain, announces its unaudited half year results for the six months ended 30 June 2022.

**Financial Highlights**

* Group revenue for the 6 months to 30 June 2022 (H1) increased to £688k versus £395k for the same period in 2021 (74% increase year on year)
* Cadence’s revenue was £197k, including a £30.8k charged to SWS and was up by 2.5x from £80k in H1 2021
* Gross margin for the group was at 60% (64% in 2021). This includes SWS gross margin which was 72% (up from previous year) and Cadence with gross margin at 50% (there is no previous year comparative, but the gross margin is in line with expectation)
* All other group costs for H1 came to £1.13m (£672k in H1 2021) resulting in a loss after tax of £652k (versus a loss of £401k in 2021). This loss includes a one off cost in connection with the proposed fundraising (£130k)
* The main reason for the year on year increase in costs continues to be staff related expenses, marketing costs and additional depreciation. This reflects the fact that SWS continues to strengthen its management team as it continues to build an operational and management infrastructure capable of both building and running a much larger network
* Group net assets as at 30 June 2022 were £3.9m (£4.5m as at 31 December 2021)

**Operational Highlights**:

* SWS has completed deployment of the first two villages in our 10Gbps capable XGS-PON fibre network with the first 60 customers live on the service already
* The rest of our initial voucher project submission (5 villages and 3 towns) are to go live by the end of the 2022
* A further 12 villages and 4 towns are being reviewed by Building Digital UK (BDUK) as voucher projects
* Progress continues to be made on upgrading Fixed Wireless customers to ultrafast services based on LTU technology (i.e., 30Mbps to 90Mbps)
* Soft launch of the new "SWS Voice" VoIP product. Replacing customers’ existing landline phone or third party products has been successful with 24 customers on the service now.

**Chairman’s Statement:**

In the Chairman’s statement to shareholders in December 2021, I wrote that, since our Initial Public Offering in October 2020, we had invested the proceeds thereof and those of a subsequent secondary equity offering in December 2021, to build the foundations for a larger and stronger operating entity. I discussed in that statement the opportunities your board identified as a result of the continuing trend towards fast connectivity in even the most remote areas of the UK becoming an increasingly essential utility. In November 2021, the All-Party Parliamentary Group on the Rural Powerhouse warned that “Rural Britain is not a museum” and is being “held back” by, among other things, “slow” broadband connectivity. Your company is one of those at the forefront of providing the information highways that can level up the great divide.

The investment we have made in our dark fibre ring and backhaul capability, provided by the December 2021 acquisition of Cadence (CNL), gave RBBS a significant foundation upon which to build its own national data network and efficiently provide innovative connectivity to a wide range of rural towns and villages. We have also invested in an experienced and enlarged executive management and board capability to provide the expertise to facilitate a step change in customer numbers. The fund raising in December 2021 helped RBBS in achieving its strategic objective of becoming a major presence in the provision of broadband services to rural areas in the UK. The acquisition of CNL has allowed RBBS to create its own national network to enable us to build our own fibre network.

Whilst implementing our growth strategy, it became clear that the rural broadband market was likely to develop more quickly and to a larger extent than anticipated when we embarked on this enterprise. From our discussions with Analysys Mason, an experienced specialist consultancy in the field of digital infrastructure planning, it was apparent that there was an ever increasing demand within the UK for nationwide fast and reliable broadband. It was equally apparent the strategy on which we were embarked would require a further considerable deployment of capital.

At this stage, the vision was clear, but the opportunity was immediate. We had strengthened our executive team and Board and had developed our technology and accreditation relationships and were therefore well placed to capitalise on Project Gigabit, which was on the horizon, to pass 4,500 homes by the end of 2022. It was apparent that, with the opportunity ahead, we should seek to partner with an infrastructure fund with proven expertise, strong capital backing and a shared belief in our vision.

In June 2022, we announced our Final Results for the year ended 31 December 2021. In that announcement Chris New, our Chief Executive Officer, commented that we were looking forward to closing our infrastructure funding in support of our wider growth strategy. This process is now at a very advanced stage.

**Keith Harris**

Chairman

29 September 2022

Consolidated Income Statement

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | (Unaudited)  Period from 1 January 2022 to 30 June 2022 | (Unaudited)  Period from 1 January 2021 to 30 June 2021 | (Audited)  Year ended 31 December 2021 |
|  | Note | £’000 | £’000 | £’000 |
|  |  |  |  |  |
| Turnover |  | 688 | 395 | 887 |
| Cost of sales |  | (278) | (149) | (333) |
| **Gross profit** |  | **410** | **246** | **554** |
|  |  |  |  |  |
| Other administration fees and expenses |  | (1,125) | (602) | (1,783) |
| Other operating income |  | 1 | 25 | 26 |
| Amortisation of intangible assets |  | (7) | (70) | - |
| **Operating loss** |  | **(721)** | **(401)** | **(1,203)** |
|  |  |  |  |  |
| Finance expenses |  | (7) | - | (8) |
| **Net finance expense** |  | **(7)** | **-** | **(8)** |
|  |  |  |  |  |
| **Loss before income tax** |  | **(728)** | **(401)** | **(1,211)** |
|  |  |  |  |  |
| Income tax expense |  | 76 | - | 97 |
| **Loss for the period** |  | **(652)** | **(401)** | **(1,114)** |
|  |  |  |  |  |
| **Attributable to:** |  |  |  |  |
| - Owners of the Parent |  | (652) | (401) | (1,114) |
|  |  | **(652)** | **(401)** | **(1,114)** |
|  |  |  |  |  |
| **Basic and diluted loss per share (pence) attributable to the owners of the Parent during the period** | 3 | **(0.18)** | **(0.13)** | **(0.36)** |

Consolidated Statement of Comprehensive Income

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | (Unaudited)  Period from 1 January 2022 to 30 June 2022 | (Unaudited)  Period from 1 January 2021 to 30 June 2021 | (Audited)  Year ended 31 December 2021 |
|  | Note | £'000 | £'000 | £'000 |
| **Loss for the period** |  | **(652)** | **(401)** | **(1,114)** |
|  |  |  |  |  |
| Other comprehensive expense |  | - | - | - |
|  |  |  |  |  |
| **Total comprehensive expense for the period** |  | **(652)** | **(401)** | **(1,114)** |
|  |  |  |  |  |
| **Total comprehensive expense attributable to:** |  |  |  |  |
| - Owners of the Parent |  | (652) | (401) | (1,114) |
|  |  | **(652)** | **(401)** | **(1,114)** |

Consolidated Balance Sheet

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | (Unaudited)  As at 30 June 2022 | (Unaudited)  As at 30 June 2021 | (Audited)  As at 31 December 2021 |
|  | Note | £’000 | £’000 | £’000 |
| **Assets** |  |  |  |  |
| **Non-current assets** |  |  |  |  |
| Intangible assets |  | 1,619 | 1,302 | 1,626 |
| Right-of-use assets |  | 13 | 24 | 17 |
| Fixed assets |  | 1,007 | 613 | 831 |
| Subscriptions due |  | 950 | 950 | 950 |
| **Total non-current assets** |  | **3,589** | **2,889** | **3,424** |
| **Current assets** |  |  |  |  |
| Stock |  | 322 | 234 | 223 |
| Deferred tax |  | 96 | - | 20 |
| Trade and other receivables |  | 84 | 92 | 177 |
| Cash at bank |  | 329 | 506 | 1,340 |
| **Total current assets** |  | **831** | **832** | **1,760** |
| **Total assets** |  | **4,420** | **3,721** | **5,184** |
|  |  |  |  |  |
| **Equity** |  |  |  |  |
| Capital and reserves attributable to owners of the Parent: |  |  |  |  |
| Issued share capital |  | 3,619 | 3,041 | 3,619 |
| Warrant reserve |  | 77 | 77 | 77 |
| Share option reserve |  | 301 | - | 257 |
| Retained earnings |  | (120) | 8 | 532 |
| **Total equity** |  | **3,877** | **3,126** | **4,485** |
| **Liabilities** |  |  |  |  |
| **Current liabilities** |  |  |  |  |
| Bank loan |  | 38 | 134 | 37 |
| Lease liability |  | 27 | 28 | 26 |
| Trade and other payables |  | 345 | 267 | 472 |
| **Total current liabilities** |  | **410** | **429** | **535** |
| **Non-current liabilities** |  |  |  |  |
| Bank loan |  | 100 | 31 | 119 |
| Lease liability |  | 33 | 57 | 45 |
| Deferred tax |  | - | 78 | - |
| **Total non-current liabilities** |  | **133** | **166** | **164** |
| **Total liabilities** |  | **543** | **595** | **699** |
| **Total equity and liabilities** |  | **4,420** | **3,721** | **5,184** |

Consolidated Statement of Changes in Equity

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | |  | | |  | |
|  | |  | | | Attributable to owners of the Parent | | | | | |  | |
|  | | Share capital | | Share premium | | | Warrant reserve | | Share  Option  Reserve | Retained earnings/ (deficit) | | Total | |
|  | | £’000 | | £’000 | | | £’000 | | £’000 | £’000 | | £’000 | |
| **Unaudited** | |  | |  | | |  | |  |  | |  | |
| Balance at 1 January 2021 | | 3,041 | | - | | | 77 | | - | 409 | | 3,527 | |
| **Comprehensive expense** | |  | |  | | |  | |  |  | |  | |
| Loss for the period | | - | | - | | | - | | - | (401) | | (401) | |
| Total comprehensive expense for the period | | - | | - | | | - | | - | (401) | | (401) | |
| **Balance at 30 June 2021** | | **3,041** | | **-** | | | **77** | | **-** | **8** | | **3,126** | |
|  | |  | |  | | |  | |  |  | |  | |
| **Audited** | |  | |  | | |  | |  |  | |  | |
| Balance at 1 January 2021 | | 3,041 | | - | | | 77 | | - | 409 | | 3,527 | |
| **Comprehensive expense** | |  | |  | | |  | |  |  | |  | |
| Loss for the year | | - | | - | | | - | | - | (1,114) | | (1,114) | |
| Total comprehensive expense for the period | | - | | - | | | - | | - | (1,114) | | (1,114) | |
| **Transactions with owners** | |  | |  | | |  | |  |  | |  | |
| Issue of shares | | 578 | | 1,237 | | | - | | - | - | | 1,815 | |
| Share based payments relating to share options | | - | | - | | | - | | 257 | - | | 257 | |
| Transfer to retained earnings | | - | | (1,237) | | | - | | - | 1,237 | | - | |
| Total transactions with owners | | 578 | | - | | | - | | 257 | 1,237 | | 2,072 | |
| **Balance at 31 December 2021** | | **3,619** | | **-** | | | **77** | | **257** | **532** | | **4,485** | |
|  | |  | |  | | |  | |  |  | |  | |
| **Unaudited** | |  | |  | | |  | |  |  | |  | |
| Balance at 1 January 2022 | | 3,619 | | - | | | 77 | | 257 | 532 | | 4,485 | |
| **Comprehensive expense** | |  | |  | | |  | |  |  | |  | |
| Loss for the period | | - | | - | | | - | | - | (652) | | (652) | |
| Total comprehensive expense for the period | | - | | - | | | - | | - | (652) | | (652) | |
| **Transactions with owners** | |  | |  | | |  | |  |  | |  | |
| Share based payments relating to share options | | - | | - | | | - | | 44 | - | | 44 | |
| Total transactions with owners | | - | | - | | | - | | 44 | - | | 44 | |
| **Balance at 30 June 2022** | | **3,619** | | **-** | | | **77** | | **301** | **(120)** | | **3,877** | |

Consolidated Cash Flow Statement

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | (Unaudited)  Period from 1 January 2022 to 30 June 2022 | (Unaudited)  Period from 1 January 2021 to 30 June 2021 | (Audited)  Year ended 31 December 2021 |
|  | Note | £’000 | £’000 | £’000 |
|  |  |  |  |  |
| **Cash flows from operating activities** |  |  |  |  |
| Loss for the period before tax |  | (728) | (401) | (1,211) |
| Adjustments for: |  |  |  |  |
| Finance expenses |  | 7 | - | 8 |
| Gain on sale of tangible fixed assets |  | - | - | (3) |
| Depreciation and impairment of tangible fixed assets |  | 160 | 112 | 245 |
| Amortisation of intangible assets |  | 7 | 70 | - |
| Share based payments relating to share options |  | 44 | - | 257 |
| **Operating loss before changes in working capital** |  | **(510)** | **(219)** | **(704)** |
| Increase in stock |  | (99) | (47) | (36) |
| Decrease/(increase) in trade and other receivables |  | 93 | 54 | (18) |
| (Decrease)/increase in trade and other payables |  | (127) | 55 | 240 |
| **Cash used in operations** |  | **(643)** | **(157)** | **(518)** |
| Interest paid |  | (7) | - | (8) |
| **Net cash used in operating activities** |  | **(650)** | **(157)** | **(526)** |
| **Cash flows from investing activities** |  |  |  |  |
| Purchase of intangible fixed assets |  | **-** | (114) | (43) |
| Purchase of tangible fixed assets |  | (330) | - | (359) |
| Sale of tangible fixed assets |  | **-** | - | 8 |
| Net cash on acquisition of subsidiary |  | **-** | - | (77) |
| **Net cash used in investing activities** |  | **(330)** | **(114)** | **(471)** |
| **Cash flows from financing activities** |  |  |  |  |
| Issue of shares |  | - | - | 1,675 |
| Principal paid on lease liabilities |  | (13) | (11) | (118) |
| Interest paid on lease liabilities |  | - | (1) | - |
| Repayment of loans |  | (18) | - | (9) |
| **Net cash (used in)/generated from financing activities** |  | **(31)** | **(12)** | **1,548** |
| Net (decrease)/increase in cash and cash equivalents |  | (1,011) | (283) | 551 |
| Cash and cash equivalents at beginning of the period |  | 1,340 | 789 | 789 |
| **Cash and cash equivalents at end of the period** |  | **329** | **506** | **1,340** |

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 consolidated financial statements of the Group (RBBS and its subsidiary) as at and for the year ended 31 December 2021 which have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union.

The interim financial statements for the six months ended 30 June 2022 are unaudited and have not been reviewed by the Company’s auditors Jeffreys Henry LLP. The comparative interim figures for the six months ended 30 June 2021 are also unaudited.

**2 Basis of preparation**

The accounting policies applied by the Group in the preparation of these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements for the year ended 31 December 2021.

**3 Basic and diluted loss per share**

*(a) Basic*

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Group by the weighted average number of shares in issue during the period.

|  |  |  |  |
| --- | --- | --- | --- |
|  |  |  |  |
|  | Period ended  30 June 2022 (Unaudited) | Period ended  30 June 2021 (Unaudited) | Year ended  31 December 2021 (Audited) |
| Loss attributable to equity holders of the Company (£’000) | (652) | (401) | (1,114) |
| Weighted average number of shares in issue (thousands) | 361,926 | 304,092 | 305,836 |
| **Basic loss per share (pence per share)** | **(0.18)** | **(0.13)** | **(0.36)** |

*(b) Diluted*

Diluted 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.

As the Group is reporting a loss from continuing operations for the period, in accordance with IAS 33, the warrants and share options are not considered dilutive because the exercise of the warrants or share options would have an anti-dilutive effect. The basic and diluted loss per share as presented on the face of the Consolidated Income Statement are therefore identical.