

Global Connectivity Plc (the "Company" or "GCON")

Interim Results

Global Connectivity Plc (AQSE: GCON), a leading provider of broadband services to rural areas of the UK through its investment in Rural Broadband Holdings Solutions Limited, today announces its unaudited half year results for the six months ended 30 June 2023.

Overview

- Since completion of its transaction with Tiger Infrastructure Partners LP ("Tiger"), Global Connectivity Plc has been in a period of transition as its subsidiaries are now owned by Rural Broadband Solutions Holdings Ltd (RBSHL) in which the Company continues to own a 15% stake.
- Following the merger with Voneus Broadband and the acquisition of Broadway Partners, GCON's involvement in the broadband market has now been consolidated and it is expected that the Company's asset value will be further enhanced.

Financial Highlights

- Net assets were up by £3.0m compared to 31 December 2022 mainly as a result of a net gain on financial assets at fair value through profit or loss of £3.2m.
- The Company has estimated the fair value of its investment in RBSHL, an unquoted equity instrument, and recognised an increase in fair value based on the information provided by the investee company.
- As at 30 June 2023, the current cash was circa £33k. However, the standard running costs have reduced significantly (by 36% on the same period of the previous year) and the directors expect £0.55m to be received from SWS in repayment of the intercompany loan over the next 18 months.

Operational Highlights

- Macquarie Capital, the Israel Infrastructure Fund and Tiger Infrastructure Partners have merged SWS Broadband and Cadence Networks with Voneus Broadband, and simultaneously acquired Broadway Partners.
- The combined group will be funded with up to £250 million in new capital from the three shareholders and bank lenders to advance the company's and the UK government's shared objective of closing the digital divide.
- The combined company has a target to serve over 350,000 premises across the UK.

Outlook

- GCON's involvement in the broadband fibre market is now anchored.
- It can therefore be expected that the process of seeking suitable investments to further the growth of GCON will accelerate.

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For further information please contact:

Keith Harris
Executive Chairman
Global Connectivity Plc
Email: info@globalconnectivityplc.com
<https://www.globalconnectivityplc.com/>

Claire Louise Noyce
AQSE Stock Exchange Corporate Adviser & Corporate Broker
Hybridan LLP
Tel: +44 20 3764 2341
Email: claire.noyce@hybridan.com
www.hybridan.com

The information contained within this announcement is deemed to constitute inside information as stipulated under the retained EU law version of the Market Abuse Regulation (EU) No. 596/2014 (the "UK MAR") which is part of UK law by virtue of the European Union (Withdrawal) Act 2018. The information is disclosed in accordance with the Company's obligations under Article 17 of the UK MAR. Upon the publication of this announcement, this inside information is now considered to be in the public domain.

Chairman's Statement

SIGNIFICANT DEVELOPMENT

In my Chairman's Statement in our Final Accounts for the year ended 31 December 2022, published on 27 June 2023, I reflected on the anticipated benefits to GCON of our financial and strategic relationship with Tiger Infrastructure Partners Fund III LP ("Tiger"). These arise from the transaction we entered into which led to the formation of Rural Broadband Solutions Holdings Limited ("RBSHL"), the company now owned 85% by Tiger and 15% by GCON.

I am pleased to report that, within a year of signing the agreement with Tiger, RBSHL has been part of a significant transaction with Tiger, both for the development of the whole UK rural broadband market and for GCON. Earlier this week, on 25 September 2023, GCON announced that Macquarie Capital, the Israel Infrastructure Fund and Tiger (through RBSHL) have merged their fibre broadband interests, and simultaneously acquired Broadway Partners.

The combined group will operate under the name Voneus Broadband, under which Macquarie Capital has been operating since investing in this business sector, in 2019. The combined group will be funded with up to £250 million from its three major shareholders and bank lenders to accelerate its progress and the UK government's shared objective of closing the digital divide. These consolidation and financial developments place Voneus in a game-changing position to service the needs of hard-to-reach communities with broadband connectivity. The company has a target to serve over 350,000 premises across the UK.

This transaction creates a business of substantial scale that can benefit from numerous synergies including improved cost economies, a larger future build pipeline and diversified contractor relationships. The component parts which now make up Voneus operate in adjacent geographical areas.

The capital contribution to the new group will be funded disproportionately so that RBSHL will increase its stake in Voneus Broadband from the current 32%. There are no capital demands on GCON, and it has protection from dilution, in respect of its ownership of the combined company, until Tiger's capital contribution exceeds £75 million.

Separately, over the past several months, the board of GCON has been actively investigating appropriate investment opportunities in a variety of technically based businesses that enhance connectivity either between consumers or companies that provide services to consumers where enhanced connectivity is essential. We have declined to pursue two of these opportunities due to these (on more detailed examination) not fulfilling all the criteria that the Company has with respect to suitability, fit and growth potential and are advancing discussions in respect of a further two. Now that GCON's involvement in the broadband fibre market is anchored, it can be expected that the process of seeking suitable investments to further the growth of GCON will accelerate.

Keith Harris
Chairman
27 September 2023

Income Statement

		(Unaudited) Period from 1 January 2023 to 30 June 2023	(Unaudited) Period from 1 January 2022 to 30 June 2022	(Audited) Year ended 31 December 2022
	Note	£'000	£'000	£'000
Turnover		-	-	-
Cost of sales		-	-	-
Gross profit		-	-	-
Net gain on financial assets at fair value through profit or loss	6	3,171	-	-
Other administration fees and expenses	3	(139)	(347)	(338)
Management services recharges		-	51	82
Operating profit/(loss)		3,032	(296)	(256)
Finance income		1	-	-
Reversal)/(increase) of impairment of intercompany loan		-	(356)	616
Net finance income/(expense)		1	(356)	616
Profit/(loss) before income tax		3,033	(652)	360
Income tax expense	4	-	-	-
Profit/(loss) for the period		3,033	(652)	360
Basic and diluted profit/(loss) per share (pence)	5	0.84	(0.18)	0.10

Statement of Comprehensive Income

	Note	(Unaudited) Period from 1 January 2023 to 30 June 2023 £'000	(Unaudited) Period from 1 January 2022 to 30 June 2022 £'000	(Audited) Year ended 31 December 2022 £'000
Profit/(loss) for the period		3,033	(652)	360
Other comprehensive expense		-	-	-
Total comprehensive income/(expense) for the period		3,033	(652)	360

Balance Sheet

		(Unaudited) As at 30 June 2023 £'000	(Unaudited) As at 30 June 2022 £'000	(Audited) As at 31 December 2022 £'000
Assets				
Non-current assets				
Investment in subsidiaries		-	1,966	-
Amounts due from related parties	7	275	-	275
Other financial assets	6	6,375	-	3,204
Subscriptions due		950	950	950
Total non-current assets		7,600	2,916	4,429
Current assets				
Amounts due from related parties	7	308	881	483
Trade and other receivables	8	24	29	89
Cash at bank		33	140	24
Total current assets		365	1,050	596
Total assets		7,965	3,966	5,025
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		288	301	278
Retained earnings		3,925	(120)	892
Total equity		7,909	3,877	4,866
Liabilities				
Current liabilities				
Trade and other payables	9	56	89	159
Total current liabilities		56	89	159
Total liabilities		56	89	159
Total equity and liabilities		7,965	3,966	5,025

The financial statements were approved and authorised for issue by the Board of Directors on 27 September 2023 and signed on its behalf by:

Keith Harris
Director

Selwyn Lewis
Director

Statement of Changes in Equity

	Share capital	Share premium	Warrant reserve	Share Option Reserve	Retained earnings/ (deficit)	Total
	£'000	£'000	£'000	£'000	£'000	£'000
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
Audited						
Balance at 1 January 2022	3,619	-	77	257	532	4,485
Comprehensive income						
Profit for the year	-	-	-	-	360	360
Total comprehensive income for the year	-	-	-	-	360	360
Transactions with owners						
Share based payments relating to share options	-	-	-	21	-	21
Total transactions with owners	-	-	-	21	-	21
Balance at 31 December 2022	3,619	-	77	278	892	4,866
Unaudited						
Balance at 1 January 2023	3,619	-	77	278	892	4,866
Comprehensive expense						
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

Cash Flow Statement

Note	(Unaudited) Period from 1 January 2023 to 30 June 2023 £'000	(Unaudited) Period from 1 January 2022 to 30 June 2022 £'000	(Audited) Year ended 31 December 2022 £'000
Cash flows from operating activities			
Profit/(loss) for the period before tax	3,033	(652)	360
Adjustments for:			
Net gain on financial assets at fair value through profit or loss	(3,171)	-	-
Finance income	(1)	-	-
Increase/(reversal) of impairment of amounts due from related parties	-	356	(616)
Share based payments relating to share options	10	20	21
Operating loss before changes in working capital	(129)	(276)	(235)
Decrease/(increase) in trade and other receivables	65	34	(26)
(Decrease)/increase in trade and other payables	(103)	(49)	21
Cash used in operations	(167)	(291)	(240)
Interest received	1	-	-
Net cash used in operating activities	(166)	(291)	(240)
Cash flows from investing activities			
Investment in subsidiary	-	-	-
Repayment from/(loan to) subsidiary	175	(594)	(521)
Reorganisation costs	-	-	(240)
Net cash generated from/(used in) investing activities	175	(594)	(761)
Cash flows from financing activities			
Issue of shares	-	-	-
Net cash (used in)/generated from financing activities	-	-	-
Net increase/(decrease) in cash and cash equivalents	9	(885)	(1,001)
Cash and cash equivalents at beginning of the period	24	1,025	1,025
Cash and cash equivalents at end of the period	33	140	24

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 2022 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 2023 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 2022 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 2022.

3 Other administration fees and expenses

	Period ended 30 June 2023 (Unaudited)	Period ended 30 June 2022 (Unaudited)	Year ended 31 December 2022 (Audited)
Audit fees	10	8	15
Directors’ remuneration and fees	46	59	112
Directors’ insurance cover	8	11	21
Professional fees	15	75	133
Reorganisation costs*	-	130	(50)
Share based payment expense	10	21	21
Other expenses	50	43	86
Administration fees and expenses	139	347	338

* costs incurred last year were able to be recovered from Tiger when the reorganisation completed on 25 October 2022

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 £6,000. Mr Stone was entitled to receive an annual fee of £15,000 up to his date of resignation on 28 November 2022.

Executive Directors’ fees

The Chairman is entitled to an annual fee of £80,000 (2022: £90,000 but permitted a reduction when he was receiving fees from Secure Web Services Limited whilst it was a wholly owned subsidiary).

All directors’ remuneration and fees

Total fees and basic remuneration (including VAT where applicable) paid to the Directors for the period ended 30 June 2023 amounted to £46,066 (30 June 2022: £58,688) and was split as below. Directors’ insurance cover amounted to £7,959 (30 June 2022: £10,562).

Notes to the Financial Statements (continued)

3 Other administration fees and expenses (continued)

All directors' remuneration and fees (continued)

	Period ended 30 June 2023 (Unaudited)	Period ended 30 June 2022 (Unaudited)	Year ended 31 December 2022 (Audited)
Selwyn Lewis	3	3	6
Michael Langoulant	3	3	6
Christopher Stone	-	8	14
Keith Harris	40	45	85
Expenses reimbursed	-	-	1
	46	59	112

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 (2022: 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 2023 (Unaudited)	Period ended 30 June 2022 (Unaudited)	Year ended 31 December 2022 (Audited)
Profit/(loss) attributable to equity holders of the Company (£'000)	3,033	(652)	360
Weighted average number of shares in issue (thousands)	361,926	361,926	361,926
Basic profit/(loss) per share (pence per share)	0.84	(0.18)	0.10

(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.

Notes to the Financial Statements (continued)

6 Other financial assets

Instruments measured at fair value through profit and loss	30 June 2023 (Unaudited)	30 June 2022 (Unaudited)	31 December 2022 (Audited)
Start of the period	3,204	-	-
Reclassification on reorganisation	-	-	3,204
Net gain on financial assets at fair value through profit or loss	3,171	-	-
End of the period	6,375	-	3,204
Categorised as			
Level 3 – unquoted investments	6,375	-	3,204
Total financial assets	6,375	-	3,204

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. £550,000 relates to a loan (31 December 2022: £725,000). £32,760 (31 December 2022: £32,760) relates to management services recharges which are repayable on demand.

8 Trade and other receivables

	30 June 2023 (Unaudited)	30 June 2022 (Unaudited)	31 December 2022 (Audited)
Prepayments	13	18	19
VAT receivable	11	11	70
Trade and other receivables	24	29	89

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

9 Trade and other payables

	30 June 2023 (Unaudited)	30 June 2022 (Unaudited)	31 December 2022 (Audited)
Directors’ fees payable	-	-	46
Other payables	56	89	113
Trade and other payables	56	89	159

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

10 Post Balance Sheet Events

As of 25 September 2023 Macquarie Capital, the Israel Infrastructure Fund and Tiger Infrastructure Partners have merged SWS Broadband and Cadence Networks with Voneus Broadband, and simultaneously acquired Broadway Partners. The combined group will be funded with up to £250 million in new capital from the three shareholders and bank lenders.