RNS Number : 2395B
Rural Broadband Solutions PLC
09 June 2021

9th June 2021

Rural Broadband Solutions Plc (the "Company" or "RBBS")

Final results

Rural Broadband Solutions Plc (AQSE: RBBS), a leading provider of broadband services to rural areas of the UK,
today announces its Final Results for the year ended 31 December 2020.

Financial Highlights:

- Cash balances up by £0.66m to £0.79m benefitting from the £2.5m raised on the admission of the enlarged Company (less the cash consideration of the acquisition of £1.239m).
- Fixed assets up by £0.6k to £0.6k as a result of the acquisition of SWS.
- Revenue reflects only 2 months as SWS was not acquired until the end of October 2020.
- However SWS's revenue for the whole of 2020 was £761k (£730k for 2019).
- Monthly fee-paying clients is 2,348 as at the 31st December 2020.

Operational Highlights:

- By acquiring SWS, RBBS has been transformed into an operating company with the strategic objective of becoming a major presence in the provision of broadband services to rural areas in the UK.

Post period highlights:

- Monthly fee-paying clients is now 2,571 (up from 2,348 as at the period end).
- As the revenue is recurring and as customer churn is very low, revenue is continuing to grow from the existing network. Current annual run rate is circa £820k of predominantly subscription revenues.
- Since acquiring SWS, we have concentrated on preparing the foundations for business growth by enlarging the management team and the premises required to operate a substantially bigger operating entity. This programme of strategic hires has now been completed.
- Following the earlier announcement made on 25th May 2021, RBBS is pleased to announce this morning with the annual results that the Company has now appointed Chris Stone as a Non-Executive Director of the Company with effect from 8 June 2021. Chris Stone has 2.6% of the entire issued share capital of RBBS which he received through the Placing on Admission. His investment in the Company of £200,000 on Admission gave him 8m shares and 8m warrants. His 8 million shares are held through Hobart Capital Markets LLP and he has 8 million warrants in his own name.

Outlook:

- The current growth does not include the growth that will be generated as a result of the Project Gigabit Opportunity and the Fibre to the Premise (FTTP) solution for small towns.
- In the light of the strengthening demand for better quality broadband in rural areas of the UK, we have increased our ambitions for anticipated penetration of the market through planned expansion into small towns the Premise using our Fibre to the Premises (FTTP) solution.
- This solution is possible because we are now fully accredited within Openreach. As such we have the ability to re-use its ducts and poles and have access to its telephone exchanges and 'dark fibre'. We are therefore able to add an FTTP solution to our portfolio. Planning, costing and initial development have already commenced for this project.
- We hope to reclaim most of our expansionary capex under the Project Gigabit voucher scheme. £190,680 ringfenced so far against 69 registered vouchers. In total 1,652 enabling expressions of interest received for voucher funding have been received. We plan to register 25 'gigabit village' projects potentially enable 2,659 additional customers not currently being

served. This would take us to our initial target of 5,000 monthly paying customers within the published timescale of within 3 years from the acquisition of SWS.

Chris New, Chief Strategist & Technical Officer, commented:

"RBBS is strategically focused to build upon the solid foundation and experience gained by SWS in the rural broadband sector. Having now developed the potential to add Fibre to deliver the 'last mile' enables a hybrid combination of gigabit capable technologies to implement the best engineering solution into smaller communities. Many of which would not be considered viable by other more rigid, single solution companies."

For further information please contact:

Keith Harris
Executive Chairman
Rural Broadband Solutions Plc
www.ruralbroadbandsolutions.com
info@ruralbroadbandsolutions.com

AQSE Stock Exchange Corporate Adviser
Alfred Henry Corporate Finance Limited
Jon Isaacs
jisaacs@alfredhenry.com
www.alfredhenry.com
Tel: +44 (0) 203 772 0021

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

Chairman's Statement

Recent Corporate Progress
In October 2020, we concluded the acquisition, associated equity fund raising and re-admission of our stock exchange listing (on AQSE). These inter-connected corporate moves transformed SAPO into an operating company with the strategic objective of becoming a major presence in the provision of broadband services to rural areas in the UK. We re-named the company Rural Broadband Solutions PLC.

Through that reverse acquisition we absorbed SWS, an existing and leading force in that market in the Shropshire region of England, west of Birmingham. SWS had been operating for over a decade and had grown steadily and prudently, with virtually no loss of customers and improving financial metrics.

Some Key Numbers
The results include two months of operational results with revenues of £128k resulting in an operating loss of £648k (before amortisation) which includes a full year of PLC expenses of £235k as well as listing and acquisition (of SWS) costs of £415k.

Cash balances were up by £0.66m to £0.79m benefitting from the £2.5m raised on the admission of the enlarged Company (less the cash consideration of the acquisition of £1.239m). Fixed assets were up by £0.6k to £0.6k as a result of the acquisition of SWS.

It is also worth noting that although the accounts only show 2 months' worth of SWS trading, SWS's revenue for the whole of 2020 was £761k (£730k for 2019). As the revenue is recurring and as customer churn is very low, revenue is continuing to grow from the existing network and the number of monthly fee-paying clients is now 2,571 (up from 2,348 as at the 31st December) this would give a current annual run rate of circa £820k of predominantly subscription revenues. This growth does not include the growth that will be generated as a result of the Project Gigabit Opportunity and the Fibre to the Premise (FTTP) solution for small towns.

The Effects of the Pandemic

At the time of writing we have therefore existed as an operating public company for a little over six months. The acquisition of SWS was negotiated and funded whilst the UK was entering the first phase of the Covid-19 pandemic. The pandemic changed, perhaps forever, the living, studying and working environment for every family throughout the UK. Virtually overnight, 'Working at Home' became a necessity and a reality. Remote working was bolstered by the move from metropolitan life to rural are-as for some families. As a result, the business opportunity presented by mastering and further developing rural broadband coverage, already identified by SWS, became a starkly apparent "must have". For many it became an essential tool not only to provide effective communication but also for every day existence. It is surprising to note that 80% of the UK is officially classified as "rural". Such areas accommodate 20% of the population or approximately 12 million people which demonstrates the cur-rent size of the opportunity.

Growth of the Business

In the Chairman's Statement in last year's Annual Report and Accounts of SAPO, I made reference to our wish to "take full advantage of the promise presented" by increasing demand for better broad-band services in the UK and in rural areas in particular, and I stated that "we will be pushing forward to deliver the implementation of our growth strategy". Since October of last year, this is what we have been doing although the Company's ambition has now grown to reflect the much larger market opportunity that now prevails.

During that time, we have concentrated on preparing the foundations for business growth by enlarging the management team and the premises required to operate a substantially bigger operating entity. This programme of strategic hires has now been completed. We have also been deploying the proceeds from our newly raised equity capital, (as stated above) not only to continue to grow our core customer base, which is described in more detail below, but also to plan a much more aggressive expansion into the rural broadband market.

In the equity fund raising described above, we welcomed to our company as owners, an array of new shareholders, including the vendor of SWS. The financial results reported in previous pages of the Re-port reflect the costs of the process of acquisition and re-listing and the implementation of the infra-structure and foundations of our operating business. The attraction of acquiring SWS was influenced by the opportunity to work with its founder, a leading rural broadband service practitioner. Chris New, as noted, became a shareholder in RBBS and has become our Chief Strategist and Technical Officer. He has an enviable track record in the field of Fixed Wireless transmission of broadband services in rural territories. From that base, we are concentrating on growing the size and scope of our business in Shropshire for the benefit of our shareholders and the satisfaction of our customers and will be looking to take our trading model into other rural areas of the UK.

Our original business plan sought to double our customer base to 5,000 within three years. We have already been able to extend the penetration of our core territory in Shropshire by increasing the number of recurring Fixed Wireless Access (FWA) customers in the past six-month period from 2,300 to 2,571, and that rate of growth is increasing. On average, we are installing services into 10 new customers per week. We anticipate that this rate of growth will increase further as our Gigabit enabled service is rolled out.

The Project Gigabit Opportunity

In the light of the strengthening demand for better quality broadband in rural areas of the UK, we have increased our ambitions for anticipated penetration of the market. In the middle of March 2021, Building Digital UK (BDUK), which is part of the Department of Culture, Media and Sport, (DCMS), re-launched its rural gigabit-capable funding scheme under the new brand, 'Project Gigabit'. It continues to pledge £5 billion, with an initial £1.2 billion being released over the next four years, of which £210 million is allocated to the consumer driven voucher scheme.

The scheme enables community groups to access up to £1,500 per domestic household and £3,500 per business. The scheme is only available to registered Communication Providers who can implement solutions through the redemption of the voucher funding. SWS is appropriately registered to be able to take advantage of this opportunity. Shropshire has provided an additional boost by registering under the Gigabit scheme to provide top ups to the basic national voucher value; this brings the fund up to a value of £4,000 per domestic household and £7,000 per business which lie within the county boundary. It is therefore hoped that most of our capital spend will be reclaimed under this scheme.

As noted, we have already increased our recurring FWA customer base to 2,571. We have delayed the start of gigabit-capable implementation due to the need to register with the new voucher scheme and the evolving plan to add a 'Fibre to the Premise' (FTTP) solution to our hybrid product range. We are continuing to receive interest for gigabit-capable connections and have gained 1,652 expressions of interest for voucher funding. Of these, 256 have been attributed to village projects already identified as feasible. 69 vouchers have been registered for funding in two projects, ring fencing an initial £190,680. We are aiming to register a further 25 'gigabit village' projects in the coming months, with a view to converting 248 existing customers from FWA to gigabit-capable and a potential 2,659 additional customers not currently being served. This would take us to our initial target of 5,000 monthly paying customers within the published timescale.

Through the process of sourcing higher bandwidth capacity within our gigabit-capable network, we have identified a larger customer base opportunity which can be developed in parallel with, and in addition to, the original 5,000 properties initially targeted. We estimate that this population coverage will also be achieved within three years. We have identified 20 new 'gigabit town' projects within the Shropshire area, consisting of over 2,000 business and 42,000 domestic properties. With the emergence of this new opportunity, we are now in the process of identifying other areas in the UK into which we can implement this scalable model. In order to be able to meet this expanded project target, we have partnered with a national engineering and fibre installation company, with a 30 year track record and more than 1,000 skilled engineers. This will allow us to target more areas simultaneously without the need to carry a large engineering overhead.

Fibre to the Premise (FTTP) solution for small towns

Fibre to the Cabinet (FTTC) copper connections are severely restricted in respect of delivery; they can deliver a maximum of 80 Mbps to premises within a range of 300 metres from a green cabinet. This drops rapidly to 30 Mbps within 1 kilometre and to 10 Mbps within its maximum range of 3 kilometres.

FTTP incurs lower operating expenditure than FWA and is regarded as the best solution available in the market. It is able to deliver multigigabit speeds, restricted only by the equipment joined by the fibre, thereby creating for RBBS a valuable future-proof asset. Each 'gigabit town' contains a local tele-phone exchange and has properties which are currently reached by an FTTC solution. These are the towns to which the 'gigabit villages' would have ultimately connected with long reach copper based connections. They also lie within Area 3 (rural areas which can access a voucher under the DCMS gigabit project scheme). Therefore, they can be captured using the same model as that used for villages, but on a much larger scale and predominantly with pure fibre. Independently, these towns are currently seen as too small to attract significant competition but yet as a group create a considerable potential base for revenue growth for our Company.

Accreditation within Openreach

We are fully accredited within Openreach. As such we have the ability to re-use its ducts and poles and have access to its telephone exchanges and 'dark fibre'. We are therefore able to add an FTTP solution to our portfolio, not only within the newly identified towns but also to the original villages. High capacity bandwidth to the villages will be supplied over our existing wireless mast infrastructure which is currently undergoing gigabit-capable upgrades. Those targeted properties which lie outside the village or town and are unable to be uplifted by us to an FTTP solution will still be able to receive a faster broadband connection through our existing FWA mast coverage.

Capital Availability and Outlook

We are encouraged and excited by the planned expansion of our services and by the potential for the Company borne from the existing and growing size of the rural broadband market. We are also encouraged by the ever increasing demand within the UK for nationwide fast and reliable broadband. Our dynamic business sector has become critical element in returning the economy to growth within the short and long term. We are focused on delivering first rate services to our growing customer base thereby maximising our return on investment to all our stakeholders.

We are cheered that over the last several months a number of dedicated sources of capital are seeking opportunities to fund the growth areas that I have described above. Such investment inevitably will concentrate on high quality human resources and in this respect I would like to record my sincere thanks to our management team which, under the leadership and aspiration of Chris New and our Chief Financial Officer, Simon Hersh, has faced the challenging and fast evolving environment with skill, hard work and dedication. As a result, I look forward with confidence to our achieving the progress we are seeking throughout this year and beyond.

Keith Harris
Chairman

8 June 2021

The Directors of Rural Broadband Solutions Plc accept responsibility for this announcement.

For further information, please contact:

Keith Harris
Executive Chairman
Rural Broadband Solutions Plc
www.ruralbroadbandsolutions.com
info@ruralbroadbandsolutions.com

AQSE Stock Exchange Corporate Adviser
Alfred Henry Corporate Finance Limited
Jon Isaacs
jisaacs@alfredhenry.com
www.alfredhenry.com
Tel: +44 (0) 203 772 0021

Consolidated income statement
for the year ended 31 December 2020

	Note	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Turnover		128	-
Cost of sales		(30)	(25)
Gross profit/(loss)		**98**	**(25)**
Other administration fees and expenses		(769)	(352)
Other operating income		23	-
Amortisation of intangible assets		(23)	-
Operating loss		**(671)**	**(377)**
Finance income		5	10
Finance expenses		(23)	-
Foreign exchange gain/(loss)		(31)	(5)
Net finance (expense)/income		**(49)**	**5**
Loss before income tax		**(720)**	**(372)**
Income tax expense		(8)	-
Loss for the year		**(728)**	**(372)**
Attributable to:			
- Owners of the Parent		(728)	(372
		(728)	**(372)**
Basic and diluted loss per share (pence) attributable to the owners of the Parent during the year	3	**(0.35)**	**(0.42)**

Consolidated Balance sheet
at 31 December 2020

	As at 31 December 2020 £'000	As at 31 December 2019 £'000
Assets		
Non-current assets		
Intangible assets	1,372	-
Right-of-use assets	30	-
Fixed assets	605	-

Subscriptions due	950	750
Total non-current assets	**2,957**	**750**
Current assets		
Stock	187	-
Trade and other receivables	146	547
Cash at bank	789	94
Total current assets	**1,122**	**641**
Total assets	**4,079**	**1,391**
Equity		
Capital and reserves attributable to owners of the Parent:		
Issued share capital	3,041	1,663
Warrant reserve	77	-
Retained earnings	409	(556)
Total equity	**3,527**	**1,107**
Liabilities		
Current liabilities		
Bank loan	12	-
Lease liability	28	-
Trade and other payables	212	284
Total current liabilities	**252**	**284**
Non-current liabilities		
Bank loan	153	-
Lease liability	69	-
Deferred tax	78	-
Total non-current liabilities	**300**	**-**
Total liabilities	**552**	**284**
Total equity and liabilities	**4,079**	**1,391**

Consolidated statement of cashflows
for the year ended 31 December 2020

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Cash flows from operating activities		
Loss for the year before tax	(720)	(372)
Adjustments for:		
Finance income	(5)	(10)
Finance expenses	23	-
Depreciation and impairment of tangible fixed assets	30	-

Amortisation of intangible assets	23	-
Foreign exchange loss	31	5
Operating loss before changes in working capital	**(618)**	**(377)**
Decrease in trade and other receivables	360	11
(Decrease)/increase in trade and other payables	(265)	137
Cash used in operations	**(523)**	**(229)**
Interest received	5	-
Net cash used in operating activities	**(518)**	**(229)**
Cash flows from investing activities		
Purchase of tangible fixed assets	(108)	-
Net cash on acquisition of subsidiary	(946)	-
Net cash used in from investing activities	**(1,054)**	**-**
Cash flows from financing activities		
Issue of shares	2,291	290
Principal paid on lease liabilities	(23)	-
Interest paid on lease liabilities	(1)	-
Net cash generated from financing activities	**2,267**	**290**
Net increase/(decrease) in cash and cash equivalents	695	61
Cash and cash equivalents at beginning of the year	94	33
Foreign exchange losses on cash and cash equivalents	-	-
Cash and cash equivalents at end of the year	**789**	**94**

Notes to Preliminary Results for the Period Ended 31 December 2020

1. General information

1 General information

The financial information set out above does not constitute statutory accounts for the purpose of the Isle of Man Companies Act 2006. The financial information has been extracted from the statutory accounts of Rural Broadband Solutions Plc and is presented using the same accounting policies, which have not yet been filed with the Registrar of companies, but on which the auditors gave an unqualified report on 8 June 2021.

The preliminary announcement of the results for the year ended 31 December 2020 was approved by the board of directors on 8 June 2021.

Rural Broadband Solutions Plc (formerly known as SAPO PLC) (the "Company") was incorporated and registered in the Isle of Man under the Isle of Man Companies Acts 1931 to 2004 on 27 June 2006 as a public limited company with registered number 117001C. On 7 January 2011 with the approval of Shareholders in general meeting, the Company was re-registered as a company under the Isle of Man Companies Act 2006 with registered number 006491v. Rural Broadband Solutions Plc and its subsidiaries' (the "Group") investment strategy is to identify investment opportunities and acquisitions in the developing market for rural broadband in the UK. The Company seeks to provide Shareholders with an attractive total return achieved primarily through capital appreciation.

The Company's administration is delegated to Mainstream Fund Services (IOM) Limited (the "Administrator"). The registered office of the Company is Millennium House, 46 Athol Street, Douglas, Isle of Man, IM1 1JB.

Pursuant to a prospectus dated 20 October 2006 there was an authorisation to place up to 50 million shares. Following the close of the placing on 26 October 2006, 30 million shares were issued at a price of 100p per share.

The shares of the Company were admitted to trading on the AIM Market of the London Stock Exchange ("AIM") on 26 October 2006 when dealings also commenced. On the same date the shares of the Company were admitted to the Official List of the Channel Islands Stock Exchange (the "CISX").

As a result of a further fundraising in May 2007, 32,292,810 shares were issued at a price of 106p per share, which were admitted to trading on AIM on 22 May 2007.

On 4 June 2018 the listing of the Company's shares on the AIM market of the London Stock Exchange and on TISE was cancelled.

Pursuant to an Admission Document dated 2 December 2019 there was a placing of 29,000,000 shares on 2 December 2019. On the same date the shares of the Company were admitted to trading on the Aquis Stock Exchange (formerly the NEX Exchange Growth Market).

Pursuant to an Admission Document dated 23 September 2020 there was a placing of 100,000,000 shares and 100,000,000 warrants for the fundraising, consideration shares of 16,000,000 in relation to the acquisition of Secure Web Services Limited (note 27) and 800,000 shares and 1,622,400 warrants issued in consideration for services on 21 October 2020. On the same date the shares of the Company were re-admitted to trading on the Aquis Stock Exchange.

The Company's agents perform all functions, other than those carried out by the Board.
.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

2.1 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. The financial statements have been prepared on a going concern basis, with assets stated at realisable amounts and provisions of the estimated liquidation costs.

Adoption of new and revised International Financial Reporting Standards (IFRSs)

A number of new standards, amendments to standards and interpretation are effective for annual periods beginning after 1 January 2021 and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Group. The relevant standards are as follows.

Adoption of new and revised International Financial Reporting Standards (IFRSs)

Reference	Title	Summary	Application date of standard (Periods commencing on or after)
IFRS17	Insurance contracts	Principles for the recognition, measurement, presentation and disclosure of insurance	1 January 2021
Amendment to IAS 1	Presentation of Financial Statements' on Classification of Liabilities as Current or Non-current	The amendment clarifies that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by expectations of the entity or events after the	1 January 2022

		reporting date (for example, the receipt of a waiver or a breach of covenant).	
Amendments to IAS 37	Provisions, Contingent Liabilities and Contingent Assets' on Onerous Contracts-Cost of Fulfilling a Contract	The amendment clarifies which costs an entity includes in assessing whether a contract will be loss-making. This assessment is made by considering unavoidable costs, which are the lower of the net cost of exiting the contract and the costs to fulfil the contract. The amendment clarifies the meaning of 'costs to fulfil a contract'. Under the amendment, costs to fulfil a contract include incremental costs and the allocation of other costs that relate directly to fulfilling the contract.	1 January 2022
Annual improvements cycle 2018 -2020		These amendments include minor changes to: IFRS 9, 'Financial Instruments' has been amended to include only those costs or fees paid between the borrower and the lender in the calculation of "the 10% test" for derecognition of a financial liability. Fees paid to third parties are excluded from this calculation. IFRS 16, 'Leases', amendment to the Illustrative Example 13 that accompanies IFRS 16 to remove the illustration of payments from the lessor relating to leasehold improvements. The amendment intends to remove any potential confusion about the treatment of lease incentives.	1 January 2022

2.2 Significant accounting estimates and judgements

The Group makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that 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.

(a) Trade receivables and Loans and receivables
The Group assesses its trade receivables and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in profit or loss, the Group makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

2.3 Foreign currency translation

(a) Functional and presentation currency
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Pound Sterling, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the company income statement.

(c) Group companies
The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
(ii) income and expenses for each income statement are translated at average exchange rates; and
(iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to other comprehensive income. When a foreign operation is disposed of, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale. On the partial disposal of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of exchange differences recognised in other comprehensive income is re-attributed to the non-controlling interests. In any other partial disposal of a foreign operation, the proportionate share of the cumulative exchange differences recognised in other comprehensive income is reclassified to profit and loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.4 Revenue and expense recognition

Revenue from the provision of broadband services is recognised by reference to the month it is provided. Revenue is shown net of value added tax.

Interest income is recognised in the financial statements on a time-proportionate basis using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the period.

Expenses are accounted for on an accruals basis.

2.5 Basis of consolidation

Subsidiaries
Where the company has control over an investee, it is classified as a subsidiary. The company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control. De-facto control exists in situations where the company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists, the company considers all relevant facts and circumstances including the size of the company's voting rights relative to both the size and dispersion of other parties who hold voting rights, substantive potential voting rights held by the company and by other parties, other contractual arrangements and historic patterns in voting attendance.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and continue to be included until control is lost or ceases.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Transactions and non-controlling interests
The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group.

Transactions eliminated on consolidation
Intra-group balances and transactions, and any unrealised gains/losses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

2.6 Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Group has determined that its chief operating decision-maker is the Board of the Company.

The Board reviews the Group's internal reporting in order to assess performance and allocate resources. Based on this internal reporting to the Board, it has been determined that there is only one operating segment, the provision of broadband services in the UK.

2.7 Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:
- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets (<£5k) and short-term leases (less than 12 months remaining). The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

2.8 Tangible fixed assets

Tangible fixed assets are measured at cost, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost of the assets less their residual values over their useful lives on the following bases:

Plant & Machinery	Written off over 1, 3, 4, 6 or 10 years
Motor vehicles	25% straight line
Fixtures & fittings	25% straight line
Computer equipment	25% straight line
Freehold buildings	Over the period of the lease payments and over 10 years

The gain or loss arising on disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset and is credited or charged to profit or loss.

2.9 Financial assets and financial liabilities

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. The Board determine the classification of its financial assets at initial recognition. At 31 December 2020 the Group did not have any financial assets at fair value through profit or loss or available for sale.

Trade and other receivables
Trade and other receivables and loans to third parties are stated at their cost, less any impairment losses

Cash at bank
Cash at bank are stated at fair value.

Financial liabilities at amortised cost comprise trade and other payables, and borrowings. They are classified as current and noncurrent liabilities depending on the nature of the transaction, are subsequently measured at amortised cost using the effective interest method.

Borrowings
Borrowings are recognised initially at the fair value of proceeds received, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing costs are expensed in the consolidated income statement under the heading 'finance expenses'. Arrangement and facility fees together with bank charges are charged to the income statement under the heading 'other administration fees and expenses'.

Trade and other payables
Trade and other payables are recognised initially at fair value and subsequently at amortised cost using the effective interest method.

2.10 Government grant

A government grant is recognised only when there is reasonable assurance that (a) the entity will comply with any conditions attached to the grant and (b) the grant will be received. The grant is recognised as income over the period necessary to match them with the related costs, for which they are intended to compensate, on a systematic basis.

2.11 Taxation

The Company is resident for taxation purposes in the Isle of Man and is subject to income tax at a rate of zero per cent. The Group is liable for tax in the UK on the activities of its subsidiary.

The tax expense represents the sum of the tax currently payable, which is based on taxable profits for the period. The Group's liability is calculated using tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is recognised on differences between the value of assets (other than goodwill) and liabilities recognised in a business combination and the amounts that can be deducted or assessed for tax. The deferred tax recognised is adjusted against goodwill.

Deferred tax assets are recognised to the extent that they are expected to be recovered in the foreseeable future.

2.12 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.13 Warrants

The Company estimates the fair value of the future liability relating to issued warrants using:

- residual method, where a warrant was issued and included as a part of a package placement of "1 share + 1 warrant";
- the Black-Scholes pricing model taking into account the terms and conditions upon which the warrants were issued, if the warrant was granted on its own.

Warrants relating to equity finance are recorded as a reduction of share premium based on the fair value of the warrants.

2.14 Distributions

Distributions are recognised as a liability in the period in which they are declared and approved.

2.15 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

2.16 Retirement benefits

For defined contribution schemes the amount charged to profit or loss is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

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 year.

	Year ended 31 December 2020	Year ended 31 December 2019
Loss attributable to equity holders of the Company (£'000)	(728)	(372)
Weighted average number of shares in issue (thousands)	205,964	87,896
Basic loss per share (pence per share)	**(0.35)**	**(0.42)**

(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 one category of dilutive potential ordinary shares: warrants.

As the Group is reporting a loss from continuing operations for the year, in accordance with IAS 33, the warrants are not considered dilutive because the exercise of the warrants 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.

END