

# **Hyperoptic Limited**

Report and Financial Statements

Year Ended

31 December 2023

Company Number 07222543

# Hyperoptic Limited

## Report and financial statements for the year ended 31 December 2023

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### Directors

D Tobak  
R Woodward

### Registered office

Kings House, 174 Hammersmith Road, London, W6 7JP

### Company number

07222543

### Auditor

BDO LLP, 55 Baker Street, London, W1U 7EU

# Hyperoptic Limited

## Strategic report for the year ended 31 December 2023

The Directors present their strategic report on Hyperoptic Limited (the “Company”) together with the audited financial statements for the year ended 31 December 2023.

### Principal activity

The Company’s principal activity during the year was to develop facilities for the provision of high-speed internet broadband by deploy and operate a Fibre to the Premise (FTTP) network and through fibre optic cabling in buildings.

### Strategy and business model

The Board believes it has established a strategy and business model that promotes long-term value for shareholders.

The Company’s strategy is to deploy and operate a FTTP or “full fibre” network in buildings and geographic areas with a high customer acquisition potential.

Hyperoptic has a focus on multiple dwelling units in both existing and new development and works closely with freeholders, developers, property managers and residents to bring award-winning gigabit services to residential and business developments that increases the attractiveness and value of each property. Hyperoptic broadband is already available at selected sites in 64 UK towns & cities. The business model will deliver long term value by increasing penetration rates at existing sites, targeting attractive new sites across the UK and extending the Company’s network reach to serve all forms of property types in selected towns and cities.

The Company’s goal is to continue to grow its customer base by providing exceptional customer service and competitive product offerings whilst extending its national fibre network footprint to more than two million homes and businesses.

The Company uses both internal resource and outsource suppliers to build its fibre network.

### Financial key performance indicators

The Company’s key financial performance indicators are set out below:	2023	2022
Revenue	£93.4m	£78.7m
Gross profit	£73.0m	£62.3m
Gross profit margin	78.1%	79.2%
EBITDA <sup>1</sup>	£(4.7)m	£(7.5)m
Capital Investment <sup>2</sup>	£209.5m	£186.0m
Subscribers <sup>3</sup>	311,999	266,856
Average revenue per user (ARPU <sup>4</sup> )	£26.9	£26.7
Total Homes Passed <sup>5</sup>	1,514,162	1,085,763

<sup>1</sup> EBITDA represents the operating loss for the period adding back depreciation and amortisation.

<sup>2</sup> Capital Investment is made up of acquisition of fixed assets and capitalisation of staff costs which together make up the additions in tangible assets for the Company in note 9 of the financial statements.

<sup>3</sup> Subscribers are counted at 31 December 2023 and defined as all residential or business premises paying for service under a commercial contract.

<sup>4</sup> ARPU represents total revenue from subscribers divided by average subscribers.

<sup>5</sup> Total Homes Passed is defined as homes that are connected to the network or are able to be readily connected to the network through completion of a standard end-user connection.

# Hyperoptic Limited

## Strategic report (*continued*) for the year ended 31 December 2023

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### Business review

Hyperoptic is on a mission to be the broadband provider of choice for partners, residents and businesses alike, giving its users the connectivity they deserve, underpinned by five-star customer service. Hyperoptic continues to successfully expand its FTTP network reach by working as a true partner to property owners, developers, and professionals, designing and installing dedicated fibre infrastructure to new buildings and existing developments.

The results for the twelve months to 31 December 2023 show that Hyperoptic is delivering on its ambitions. The Company continued to grow its full fibre network, turnover and customer base compared with the previous twelve month period. This growth was driven by both the continued increase in homes passed during the period as well as an increase in penetration of the existing network footprint.

Total homes passed reached 1,514,162 at 31 December 2023 as the Company continued to increase its rate of network build. In the current year, the Company has benefited from new partnerships in Network and Customer build services has enabled an increased volume whilst remaining focused on quality.

The Company reached significant milestones of connecting over 300,000 Customers to gigabit-capable full fibre across the UK in October 2023, and over 1.5 million Homes Passed in December 2023. In November 2023, the Company connected its 200,000th New Build home, partnering with over 250 developers across Britain. Hyperoptic is also working with over 50 councils to install its services into existing and new social housing properties having continued to agree rights to install fibre across London Boroughs and councils nationwide.

Hyperoptic's subscriber base grew by 45,143 (17%) to a total of 311,999 for the year ending 2023.

Hyperoptic's commitment to excellent service has been recognised by both customers and the industry:

- Hyperoptic has surpassed 20,000 5-star Trustpilot reviews and achieved an overall score of 4.5 stars, demonstrating the Company's focus on customer satisfaction.
- In November 2023, Hyperoptic was awarded the 'Best Consumer Broadband Provider' Award at the annual ISPA Awards. The Company was recognised for its commitment to delivering a high-class customer experience and elevating the standard for broadband. Additionally, Dana Tobak (CEO and Founder) received special recognition for her extensive contributions to shaping UK broadband connectivity.
- Hyperoptic was named Which? Great Value Provider in March 2024

### Financial Review

Turnover for the year was £93.4m (2022: £78.7m), an increase of £14.7m or 19% (2022: £13.6m or 21%). This represents revenue from subscribers in new homes passed as well as an increase in penetration in the existing network. The primary driver of the revenue increase was from the increase in subscribers compared to 2022.

The gross margin percentage reduced slightly in 2023 to 78.1% from 79.2% in 2022 due to an increase in network operating costs including Ethernet Access Direct ('EAD') rental costs, duct and pole access, and data centre rental charges. These costs are linked to the increase in homes passed and network build activity, including preparatory work for future homes passed.

Distribution costs rose by £1.7m to £8.8m (2022: £7.1m) reflecting growth in subscribers and sales activity.

Administration costs increased by £23.3m to £128.4m (2022: £105.1m). The increase in administration costs was primarily driven by an increase in depreciation related to the increased fibre network investment in 2023.

# Hyperoptic Limited

## Strategic report (*continued*) for the year ended 31 December 2023

### Financial Review (*continued*)

Depreciation increased by £16.8m to £58.4m (2022: £41.6m). The remaining increase was due to increased employee and other related costs associated with scaling the business to deliver the long-term Company targets.

As a result of the increased costs (associated with increasing network build and subscriber growth activity) the operating loss increased by £14.0m in the year to £63.1m from £49.1m in 2022.

The Company has continued to grow its network and has invested heavily in growing its homes passed footprint in the year investing £197.6m (2022: £175.4m) in the fibre network. The Company is well positioned to continue the expansion of the network into new sites within existing cities as well as expanding into new geographic areas in the UK.

### Financial position and risk management

As at 31 December 2023 the Company had cash balances of £13.3m (2022: £16.4m) and borrowings of £916.2m (2022: £624m) as stated in Note 12 and in Note 13.

As at 31 December 2023 the size and amount drawn from loan facilities and debt issued from Group undertakings were as follows:

	Facility	Amount Drawn
Facility B	£911.5m	£850m
Revolving Facility	£35m	£20m
Amounts owed to group undertakings	£50m	£46.2m
<b>TOTAL</b>	<b>£996.5m</b>	<b>£916.2m</b>

In December 2023, Facility B was amended to enable, subject to commitments, a total borrowing capacity of £1,250 million. To date, the Company has increased the committed debt under Facility B to £1,105.5 million.

In 2023 the above financial arrangements included covenants relating to the total net debt to homes passed (homes passed being a home which can readily be connected to Hyperoptic's fibre network) and total net debt to subscriber (subscriber being a residential or business customer with less than 3 months' charges outstanding).

As of the date of this report the total amount drawn under the facilities, including the amounts owed to group undertakings, was £999.7m.

### Financial risk management

Hyperoptic has long term funding requirements in order to achieve its goal of passing two million homes with its fibre network. This requires the Company to manage its liquidity closely, draw on committed debt facilities, manage interest rate movements, and ensure funding is available in a timely manner.

The Company's financial risk is monitored closely by the treasury function, who, in conjunction with the business, compile weekly rolling 3-month cash forecasts to manage short term liquidity and ensure debt facility drawdowns are made at the right time whilst minimising interest charges. A monthly review of current and forecast performance against covenants and cash flow is performed with a long-term sensitised business forecast forming the basis for assessing any liquidity risk in the medium to long term. This review is conducted by the CFO and reviewed by the Board. A long-term business plan is formally updated every year, sensitised as required and reviewed quarterly for any movements which impact the liquidity of the business, including long term access to funding sources to support its network construction targets. Qualified financial advisors are engaged early to support capital raises in sufficient time to meet liquidity demands, and progress is regularly reviewed by the Board of Directors. Due to the Company's floating interest rate exposure, linked to SONIA, that it pays on its debt facility, the treasury function also reviews monthly the expected drawdowns on the facility and puts in place appropriate hedging instruments to manage short term and long-term interest rate volatility. At year-end, the entire £850m drawn from the B facility was fully hedged against interest rate volatility.

During the year the Company has met all required covenants under its committed debt facilities.

# Hyperoptic Limited

## Strategic report (*continued*) for the year ended 31 December 2023

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### Trends and factors affecting future performance

The UK Government has set a target for 85% of premises to have access to a gigabit-capable internet connection by the end of 2025. Additionally, the UK Government's 'Levelling Up' White Paper, published in February 2022, set a new target for gigabit-broadband to be available nationwide by 2030, with nationwide coverage defined as "at least 99%" of premises. According to the latest data from thinkbroadband, full fibre rollout now covers over 65.1% of UK homes.

The Government continues to support the acceleration of full fibre rollout, most notably through the provision of £5bn in state aid interventions, new legislation aimed at simplifying land access negotiations, and the expanded trialling of 'flexi-permitting' to simplify the permitting of network-related civil works.

The industry regulator, Ofcom, is also actively encouraging fibre network investment. Through its most recent market review, Openreach pricing is regulated to protect competitor cost recovery. Mechanisms are in place to review Openreach pricing changes to assess any potential impact on competition. Ofcom has also commenced preliminary work for the Telecoms Access Review, which will set the regulations for UK fixed telecoms markets from April 2026 until March 2031. The review aims to ensure that the UK's broadband infrastructure is fit for the future and promotes competition and investment in gigabit-capable broadband. Ofcom is also consulting on a proposed ban on inflation-linked mid-contract price rises and intends to publish a statement in 2024.

Despite further delays, the fixed network industry is moving to a 'gaining provider led' switching service, which will reduce barriers to switching and allow newer entrants like Hyperoptic to more seamlessly connect customers from incumbent operators.

Hyperoptic, established in 2011, has targeted buildings and geographic areas underserved by fast internet connections. Demand for faster, more reliable internet connectivity is growing rapidly, driven by the increased use of higher bandwidth applications like video communication services, high-definition & 4k video streaming, and gaming. Subsequent changes in home working practices post-Covid-19 have highlighted customers' reliance on broadband services. It is likely that more customers in the UK will seek faster, more reliable fibre connections in the coming years.

Hyperoptic is one of several companies, both large and small, deploying FTTP networks, and it is likely that the pace of network build and investment in the sector will continue to grow in the short to medium term. This presents both opportunities and challenges for the company. Increased awareness of and demand for fibre services will enhance the potential for the company to expand its customer base and market share. At the same time, there is likely to be heightened competition as more operators roll out services, along with increased demands on specialist labour and financial resources available for fibre deployment in the UK.

# Hyperoptic Limited

Strategic report (*continued*)  
for the year ended 31 December 2023

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## Principal risks and uncertainties

Risk	Mitigation
<p><b>Health and safety</b></p> <p>The Company is committed to ensuring the health and safety of its employees, contractors, public and anyone who may be affected by our activities by fostering a workplace environment that is safe and inclusive. Protecting the health, safety and welfare of customers is a priority. Due to the nature of the Company's work activities, employees, workers, and other stakeholders could be exposed to potential harm, serious injury or suffer wellbeing issues.</p>	<p>The health and safety of people is the primary focus of the Company. In order to control risk and prevent harm, the Company is focused on achieving the highest standards of health and safety management. This is achieved by establishing effective health and safety procedures and ensuring that effective leadership and organisational arrangements are in place to operate these procedures. There is ongoing development and implementation of a health and safety culture, including delivery of mental health and wellbeing initiatives and support services. Initiatives have been rolled out to foster a physically and psychologically healthy workplace. Improved monitoring processes in place, including regular inspections and audits undertaken by engineers, drivers, and line management. These are reviewed by the safety team and action plans put in place as required. Third party auditing of the management system continues to take place. The Company has a third-party accredited safety management system ISO45001, an internationally recognised safety management system.</p>
<p><b>Market risk</b></p> <p>Demand for the services of the Company may be vulnerable to sudden economic downturns, a lack of confidence in the housing market and the broader economy, reductions in government and private sector spending, regulatory developments (including building and fire regulations) and increases in costs.</p>	<p>The Company's strategic focus is on those market sectors in which a competitive advantage is maintained and that have the most potential for profitable growth. Members of the leadership team participate in political, economic and regulatory forums to maintain effective working relationships with the government and regulatory authorities. Strategic and emerging risks and mitigations identified are managed as part of the overall Risk Management Framework.</p>

# Hyperoptic Limited

Strategic report (*continued*)  
for the year ended 31 December 2023

## Principal risks and uncertainties (*continued*)

Risk	Mitigation
<p><b>Economic uncertainty</b></p> <p>The impact of the war in Ukraine as well as wider global economic uncertainty continues to impact directly and indirectly the UK economy. These factors lead to increasing input costs, higher costs of living and reduced levels of consumer income. This may result in a slowdown in the economy leading to customers delaying purchasing decisions, as well as inflationary pressures on the Company's labour, material and service costs. Specifically inflated energy prices could impact the Company's operational costs, particularly for running data centers &amp; network infrastructure. Additionally, it may also increase the level of counter-party credit and currency risk faced by the Company. Furthermore, a potential recession could diminish business confidence leading to reduced economic activity, increased unemployment which (when combined with an increased cost of living) could lead to reduced revenue.</p>	<p>The Company performs ongoing reviews of external trends and performance. Specifically, the Company continues to monitor the impact of the wider global economic uncertainty and has developed plans to respond to a range of potential scenarios. This includes specific plans that cater for changes in market conditions, complications with the movement and availability of the workforce, pressure on the supply chain, delays in delivery of materials and components, changes in exchange rates and pricing impact of increased tariff and commodity costs. The Company has increased and diversified its supply chain, increased training resources and worked to secure relevant employee visas. The Company does not deliver any contract, projects or services to any other country in the EU. The Company continues to focus on its organizational efficiency as it moves through its business lifecycle and regularly optimises its procurement activity in line with its business priorities and increasing scale.</p>
<p><b>Competition</b></p> <p>The Company needs to actively manage and respond to increased competition in relation to highly competitive providers with low margins. If it does not compete effectively within the telecom sector, the Company runs the risk of losing market share. While service quality, capability, reputation and experience are considered in customer decisions, price often remains the key determining factor.</p>	<p>The Company mitigates competitive risk by seeking to target projects and deploy its capital where it has a competitive advantage and can manage its costs and risks. The risk profile of every project is assessed at the planning stage to determine whether it is in line with the strategic objectives of the Company before approval of the project is given.</p>
<p><b>Project delivery</b></p> <p>Execution of projects involves professional judgement in estimating, planning, design and construction, often in complex environments. The Company's projects could encounter difficulties that could lead to cost and time overruns, lower revenues, litigation or disputes.</p>	<p>The Company's activities are guided by operating throughout the project lifecycle. These, combined with comprehensive management oversight, the risk management process, project reviews, quality audits, peer reviews and customer feedback help mitigate the risk to successful project delivery. There is an ongoing focus on relationships with current and potential suppliers including Senior Executive engagement with major contractors.</p>



# Hyperoptic Limited

Strategic report (*continued*)  
for the year ended 31 December 2023

## Principal risks and uncertainties (*continued*)

Risk	Mitigation
<p><b>Outsource Partners</b></p> <p>The Company utilises outsource partners for a proportion of its network construction. This exposes the Company to the wider economic impacts on these firms and their ability to deliver services to Hyperoptic. Further, loss of outsource partners (e.g. due to liquidation, or performance issues) could lead to disruption of critical service/ capabilities.</p>	<p>The Company has contracted with a number of suppliers to reduce the exposure to any one individual entity. Selection of outsource partners is managed through a detailed procurement process. Contracts are designed so that the Company only pays for network elements that have been built and tested. The Company regularly reviews its partner's quality and cost performance and reprocures to ensure it has access to the best quality, lowest cost delivery of its network.</p>
<p><b>Liquidity risk</b></p> <p>Liquidity risk arises from the Company's management of working capital and the finance charges and principal repayments on its debt instruments as well as its ability to access and secure adequate equity and debt funding during the network build phase of its business lifecycle. It is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due, and could affect its ability to invest, win work or pay dividends.</p>	<p>The Company manages liquidity such that it always has sufficient liquidity to meet its liabilities when due. The Company continually monitors and stress tests its liquidity position by preparing and sensitising both short and long term cashflow forecasts. Funding arrangements are reviewed regularly and approved by the Board. Qualified financial advisors are engaged early to support capital raises in sufficient time to meet liquidity demands.</p>
<p><b>Credit risk</b></p> <p>Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The principal credit risk for the Company arises from its trade debtors.</p>	<p>In order to manage the credit risk, the directors set credit limits for customers, and actively monitor customers that do not pay on time.</p>
<p><b>Interest Rates</b></p> <p>The Company has a floating interest rate exposure linked to SONIA that it pays on its debt facility. Interest rate rises and volatility could increase borrowing costs to the Company.</p>	<p>The Company puts in place appropriate levels of hedging instruments to mitigate its exposure to interest rate volatility and ensures long term financial planning takes into account a range of interest rate scenarios. At year-end, the entire £850m drawn from the senior loan facility was fully hedged against interest rate volatility through to 31 December 2026.</p>

# Hyperoptic Limited

Strategic report (*continued*)  
for the year ended 31 December 2023

## Principal risks and uncertainties (*continued*)

Risk	Mitigation
<p><b>Appointing and retaining talent</b> An inability to attract talent and retain key critical people to drive and grow the business could lead to the unavailability of the necessary experience and expertise.</p>	<p>The Company knows that its people are at the heart of its on-going success. It seeks to offer market-competitive remuneration (which is reviewed regularly), training and career development opportunities, and to be an attractive and engaging employer. Emphasis has been made on employee engagement, belonging, wellbeing and development initiatives.</p>
<p><b>Government and Regulatory Risk</b> A change in government policy or expectations that could impact on the ability to deliver the business strategy. Further, there is a risk that regulation imposed by Ofcom, the National Cyber Security Centre (“NCSC”) and other regulatory bodies could put constraints on the Company’s operating model in complying with those regulations causing increased cost and operational disruption.</p>	<p>The Company actively monitors and participates in policy discussions with both government and regulatory bodies, responding to consultations where requested. It engages with all levels of government and regulators to understand their proposed legal and regulatory positions and potential implications. The Company continuously monitors changes in the market, and the direction of travel of government and regulators. Additionally, the Company maintains relationships with a diverse set of suppliers to mitigate risks associated with specific NCSC High Risk Vendor decisions.</p>
<p><b>Cybersecurity and information protection</b> There could be a data security breach (Hyperoptic data or customer data) involving personal, commercial or product data either from Hyperoptic or a third party. This could occur as a result of a malicious or criminal act, human error or an inadvertent system error. Cyber crime continues to grow to include ransomware and corporate espionage attacks across the globe. The potential impact could harm client or customer relationship, compliance, perceptions of the company’s service or product and/or increase regulatory scrutiny.</p>	<p>The company works to continually counter the risk posed by the current and emerging cyber security threat landscape. We use 2 factor authentication, encryption, 24/7 monitoring, vulnerability scanning and other state of the art tools to manage our environment. We have implemented a cyber security policy framework, a dedicated intranet site and continual employee training. We are members of the UK National Cyber Security Centre. Our work to support the Telecoms Security Regulation adds to security control framework. Our security in-depth threat posture is continually reviewed and managed and considers cyber resilience as a must in our security strategy.</p>

# Hyperoptic Limited

Strategic report (*continued*)  
for the year ended 31 December 2023

## Principal risks and uncertainties (*continued*)

Risk	Mitigation
<p><b>Environmental, Social and Governance (ESG) practices</b></p> <p>The Company recognises the increasing importance of understanding the inherent risks that climate change poses to its operations, network continuity and service obligations. To support the resilience of the network and the individuals, communities and businesses that rely on it, the Company needs to understand and proactively manage the risks of climate change.</p>	<p>The Company is undertaking an assessment of climate risks and opportunities in the first phase of work underway to align ESG practices with the recommendation of the Task Force on Climate Related Financial Disclosures.</p>
<p><b>Resilience of critical infrastructure</b></p> <p>The Company plays a critical role in keeping communities connected. It is essential that Company embed resilience into its infrastructure, IT systems and business operations. The Company must safeguard the network against increasingly extreme physical climate risks, natural hazards, power loss, hardware/ software failure and other adverse events.</p>	<p>The Company has put extensive measures in place to ensure the network can respond effectively to an emerging failure, incident, or disruption. These measures include investment in colocation facilities, resilient devices and connectivity, battery back-up systems and nationwide spares and engineering. In addition, the Company has a Business Continuity framework and plans in place.</p>

## Section 172 statement

The directors of the Company act in the way they consider, in good faith, will be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- (a) the likely consequences of any decision in the long term,
- (b) the interests of the Company's employees,
- (c) the need to foster the Company's business relationships with suppliers, customers and others,
- (d) the impact of the Company's operations on the community and the environment,
- (e) the desirability of the Company maintaining a reputation for high standards of business conduct, and
- (f) the need to act fairly as between members of the Company.

During the year, the directors of the Company made the decision to apply for an increase to the accordion basket in relation to the existing syndicate debt facility, to increase Facility B to a total potential borrowing capacity of £1,250m. This decision was made with careful consideration of the best interests of the Company's stakeholders.

## Shareholder needs and expectations

The Board of the Company acts within the powers granted by the Thunderbird Topco Limited shareholder agreement. The Company's strategy and budgets are approved by the Thunderbird Topco Limited Board, which is controlled by representatives of the shareholders. There is a monthly reporting process and regular feedback from the shareholders.

## Stakeholder and social responsibilities

The Board takes into account wider stakeholder and social responsibilities and their implications for long-term success. The wider stakeholder community has been identified as the employees, customers, suppliers, and regulators.

# Hyperoptic Limited

## Strategic report (*continued*) for the year ended 31 December 2023

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### Stakeholder and social responsibilities (*continued*)

#### ***Our People***

The people and culture of the Company have been instrumental to the success of Hyperoptic since its inception and will be the foundation of its future results. We are committed to going beyond the expected for our customers, communities, and people. The Hyperoptic culture is reinforced across the business in the way we do things which is aligned to our three core behaviours.

- Working smarter, together
- Striving for excellence
- Staying focused

#### Engagement

The Board recognises the importance of engaging employees at all levels in the business, to help them maximise their potential as individuals and make their fullest contribution to the business, which is fundamental to achieving the Company's strategy and long-term objectives. With employees based in both the UK and in Serbia via a branch office effective communication and engagement is paramount. Hyperoptic uses a variety of media to inform employees about the Company's development and prospects and seeks and listens to employees' views and opinions.

The Company regularly holds Business Updates, which are open to all employees, and are the main forums by which the Chief Executive and other senior leaders update all employees on the Company's performance, plans and future outlook as well as providing employees with an opportunity to provide feedback, ask questions, or to seek clarification, on the Company's purpose, goals, direction and results. The most recent Business Update was held in April 2024, and it was an in-person event in the UK and held remotely for Serbia employees.

The Company also checks employee engagement and satisfaction through an annual comprehensive survey with Great Place to Work. Check-in surveys are carried out as needed across divisions outside of this annual survey. Hyperoptic is a Great Place to Work-Certified™ company.

The company also has an Employee Voice program to ensure that insight and opinion are heard from all parts of the company.

#### Health and Safety

The Company remains committed to the effective management and monitoring of health and safety, as well as providing a safe working environment for all employees and partners and ensuring the safety of members of the public with whom the Company comes into contact. Health and Safety remains a key strategic priority to further enhance the Company's performance and to develop the leadership skills and behaviours required to achieve a positive and high-performing culture.

During 2023, there were 2 accidents reportable under the Reporting of Injuries, Diseases, and Dangerous Occurrences Regulations (RIDDOR). Our RIDDOR rate, measured as incidents per 100,000 employees, was 99 (2022: 54), slightly up from 2022 but continuing a downward trend since we implemented an improved Health & Safety Management regime approx. 5 years ago, and significantly below the industry average rate.

In 2023, the Company became ISO45001 accredited for Health & Safety, with annual independent auditing of our Safety Management System taking place, providing evidence of our compliance in this area. We are also applying for CHAS elite accreditation, an industry award recognised as one of the highestSSIP awards. The Company's in-house reporting system continues to provide all employees with the ability to report any accident or incident, as well as Good Spots and injuries, anonymously if needed, and is now being used extensively across the business. The system is available to all staff through the Company intranet and via a smartphone app, providing up-to-date advice and guidance on all Health and Safety matters. These developments will help maintain the highest standards of health and safety within the company.

# Hyperoptic Limited

## Strategic report (*continued*) for the year ended 31 December 2023

### Stakeholder and social responsibilities (*continued*)

#### Joining Hyperoptic

Hyperoptic continues to review its recruitment policies and processes to address any under-representation in particular areas within the business.

The Company use the SHL psychometric tool, which is industry best-practice for measuring suitability against job profiles and rolled out unconscious bias training for recruiting managers combined with additional decision-making training via Skills Booster sessions.

The Company runs an apprenticeship scheme across the business with a focus on attracting diverse talent in those roles where they are under-represented.

The Company continues to actively manage career pathways, which promote internal movement and development.

#### Training

The Company is committed to improving the skills of employees through training and development and through nurturing a culture in which employees feel valued for their contribution and motivated to achieve their full potential.

During 2023 there were 3,427 attendees booked onto 1,892 instructor led courses across Customer Service, Telesales, Technical Training and External courses. The technical training team developed and rolled out a new Health and Safety course for managers, to improve awareness and compliance of H&S in the field. Our online courses continue to prove popular with nearly 20,000 unique attempts across over 400 different courses. We delivered the first of our new Skills Boosters aimed at improving manager effectiveness, with good attendance across topics such as time management skills and running effective meetings. We will continue to build on these sessions during 2024.

#### Equal Opportunities, Diversity and Inclusion

The Company is an active equal opportunities employer and promotes an environment free from discrimination, harassment, and victimisation, where everyone receives equal treatment and career development regardless of age, gender, nationality, ethnic origin, religion, marital status, sexual orientation or disability. All decisions relating to employment practices are objective, free from bias and based solely upon work criteria and individual merit.

The Company has for many years focused on fostering a diverse and inclusive working environment and has implemented specific development programmes to assist business leaders in engaging further with their teams and to enable them to demonstrate the contribution that each individual can make to the success of the Company. The Company is committed to growing a diverse pool of talent for purposes of long-term succession planning.

The Company gives full and fair consideration to applications for employment made by disabled people and encourages and assists the recruitment, training, career development and promotion of disabled people. The Company endeavours to retain and adjust the environment of employees who become disabled during the course of their employment.

#### Employee Gender Diversity Information

	<b>Number</b>				<b>Mix</b>		
	<i>Female</i>	<i>Male</i>	<i>Not Known</i>	<b>Total</b>	<i>Female %</i>	<i>Male %</i>	<i>Not Known %</i>
Directors	1	1	0	2	50.0%	50.0%	0%
Senior Managers	2	4	0	6	33.3%	66.7%	0%
All Other Employees	496	1438	1	1935	25.6%	74.3%	0%
<b>TOTAL</b>	<b>499</b>	<b>1443</b>	<b>1</b>	<b>1943</b>	<b>25.7%</b>	<b>74.3%</b>	<b>0%</b>

Gender information is presented for average monthly number of employees and is consistent with note 4.

Senior managers include all senior executives of the Company as identified as key management in note 5.

# Hyperoptic Limited

Strategic report (*continued*)  
for the year ended 31 December 2023

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## Stakeholder and social responsibilities (*continued*)

### **Customers, Community and Social Responsibility**

The Company aims to treat its customers fairly and do business with them in a sustainable way. It constantly strives to exceed its customers' expectations and it monitors customer satisfaction and feedback using Trustpilot surveys. On occasions where the Company falls short it offers reasonable compensation (including automatic compensation in line with Ofcom guidance) and has a comprehensive complaints code published on its website.

Hyperoptic's Fair Fibre Plan,' the Company provides an affordable tariff, offering discounted rates on its 50Mbps and 150Mbps monthly rolling packages for individuals on specific means-tested benefits. Operating under the 'Fair Fibre Framework,' the Company supports customers with tailored and flexible options, such as payment plans and lower-priced packages, to assist those facing financial difficulties.

In addition to these measures, the Company offers market-leading social tariffs, invests in initiatives—such as supporting the DWP verification checker—to raise awareness of these tariffs, provides automatic compensation, offers free connections for social housing clients, and supplies free gigabit-enabled broadband for community hubs. Throughout, the Company ensures price transparency and commits to no mid-contract price rises.

Throughout 2023, Hyperoptic campaigned to raise awareness of the consumer harm caused by mid-contract price rises and launched a TV ad addressing this issue.

The concept of customers also goes beyond that of just those with paying subscriptions and the Company takes responsibility to extend the positive impact of its services and scale to help benefit the wider community.

To ensure that fibre broadband rollout is of benefit to the widest possible group of people Hyperoptic aims to provide free connectivity to over 400 community centres across the UK, enabling people to access a free gigabit-enabled broadband service in a location local to them. The Company also runs digital inclusion programmes with local authorities across the UK giving people who are digitally excluded the skills they need to benefit from being online. In partnership with Citizens Online, Hyperoptic will fund consulting support and make recommendations for how clients can improve digital inclusion within their organisation and in their area.

Hyperoptic is also working with over 50 councils to install its services into existing and new social housing properties having continued to agree rights to install fibre across London Boroughs and councils nationwide. Hyperoptic offers an Affordable Product Scheme to social housing clients, where Hyperoptic will fund free 50Mb connections for 12 months to 10% of their portfolio. This goes beyond the fair fibre product to reach those who might not be online at all. It is entirely up to the client to decide who the product is offered to and there are no financial or preliminary checks required.

Hyperoptic also remains focused on scaling its network responsibly and working collaboratively with devolved governments to support country-specific investment plans. Hyperoptic is a signatory of Scotland's Full Fibre Charter, which includes support for its Fair Work Convention Framework. (The Fair Work Convention Framework outlines commitments to deliver effective voice; respect; fulfilment; opportunity and security for all workers). A case study on how Hyperoptic connected Glenavon was published on gov.scot website in July 2023.

In June 2023, Hyperoptic announced that it had entered into a partnership with SOS Children's Villages in Serbia as well as a four-year patronship with The Prince's Trust in the UK to further contribute to society and make a meaningful impact in the communities where Hyperoptic employees work. The relationships will be focused on volunteering, fundraising and mentoring. SOS Children's Villages has been working in Serbia since 2004. Founded in Austria, SOS is the world's largest organisation focused on ensuring that children and young people without parental care or who are at risk of losing it, grow up with the care, relationships and support they need to become their strongest selves. The Prince's Trust is dedicated to supporting disadvantaged young people by providing them with education, training, and opportunities for employment. Since its inception in 1976 by King Charles III during his time as Prince of Wales, the organisation has positively impacted over a million young individuals and helped create more than 125,000 entrepreneurs.

# Hyperoptic Limited

Strategic report (*continued*)  
for the year ended 31 December 2023

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## Stakeholder and social responsibilities (*continued*)

### Suppliers

Hyperoptic's suppliers, including its outsourced construction partners, are critical to the growth and success of its business. As a result, the Company aims to treat its suppliers fairly and do business with them in a sustainable way. It also has a responsibility to make sure that its suppliers operate with high ethical standards and that health and safety standards are met.

The Company's procurement department works closely with its supply base to ensure it understands the way in which those businesses operate. Selection of all suppliers is managed through a comprehensive procurement process. The Company has conducted relevant business continuity planning in relation to significant risks to minimise business disruption from its supply base.

The Company is committed to doing all it can to assist in the eradication of slavery and human trafficking. It has a zero-tolerance approach to any slavery or human trafficking activity within its business or in its supply chain.

### Regulators and industry forums

The Company operates under General Conditions of Entitlement (the "GCs") (established by Ofcom in accordance with the Communications Act 2003). There are three broad sections of the GCs: Network Functioning Conditions; Numbering and Technical Conditions; and Consumer Protection Conditions. The directors have established policies to ensure that the Company complies with these obligations as well as other requirements from voluntary codes. As requirements evolve or new ones are established, the Company reviews them and kicks off work streams to ensure that processes are amended accordingly.

The Company is engaged with policy and regulatory development at many levels. This ranges from the CEO having meetings with the Secretary of State, other Ministers and the Chair of Ofcom to the policy team interfacing at senior and working levels with DCMS, Ofcom and the Office of the Telecoms Adjudicator ("OTA"). The OTA are independent of Ofcom and primarily deal with major or strategic issues affecting the rollout and performance of Openreach products and services.

### Risk management

The board seeks to embed effective risk management, considering both opportunities and threats, throughout the organization. The Board has established a risk committee to own the Company's risk management framework and ensure it identifies and addresses all relevant risks in order to execute and deliver the Company's agreed strategy. The principal risks and their mitigations are listed in the Strategic Report on pages 6-10.

The board is mindful of all stakeholder's risk tolerance and risk appetite when setting strategy and carefully determine the extent of risk exposure, especially in the areas of the Company's supply chain, project delivery and liquidity, that the stakeholders will accept.

### Corporate Governance

The Board of Hyperoptic Limited is governed by the Thunderbird Topco Limited shareholder agreement.

The Board members have a collective responsibility and legal obligation to promote the interests of the Company and are collectively responsible for defining corporate governance arrangements.

The Board is supported by committees drawn from the senior leadership that have the necessary skills and knowledge to help the Board discharge their duties and responsibilities effectively.

Good governance supports open and fair business, ensures that the Company has the right safeguards in place and makes certain that every decision it takes is underpinned by the right considerations. Whilst Board oversight is always maintained, key decisions are made by individuals and committees with the most appropriate knowledge and industry experience. Each Board member has a clear understanding of their accountability and responsibilities.

# Hyperoptic Limited

Strategic report (*continued*)  
for the year ended 31 December 2023

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## Corporate Governance (*continued*)

The Board receives regular and timely information (at least monthly) on all key aspects of the business including health and safety, risks and opportunities, the financial performance of the business, strategy, operational matters, market conditions and sustainability, all supported by Key Performance Indicators (KPIs).

Key financial information is collated from the Company's various accounting systems. The Company's finance function is appropriately qualified to ensure the integrity of this information and is provided with the necessary training to keep up to date with regulatory changes. Financial information is currently externally audited by BDO LLP on an annual basis.

This Strategic report was approved by order of the Board on 27 June 2024.

DocuSigned by:

*Richard Woodward*

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**R Woodward**

**Director**



# Hyperoptic Limited

## Report of the directors for the year ended 31 December 2023

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The Directors present their report together with the audited financial statements for the year ended 31 December 2023.

The Directors consider the financial statements to comply with all aspects of the Guidelines for Disclosure and Transparency in Private Equity.

### Future developments

The future developments of the business are discussed in the Strategic report on page 5.

### Results and dividends

The statement of comprehensive income is set out on page 26 and shows the loss for the year. The directors do not recommend payment of a dividend (2022: £Nil).

### Directors

The directors of the Company during the period and subsequent to the reporting period were:

D Tobak            Co-founder of Hyperoptic  
R Woodward

Dana Tobak is the Chief Executive Officer and Co-founder of Hyperoptic Ltd. Prior to founding Hyperoptic Ltd, Dana also successfully co-founded the award-winning broadband ISP "Be Unlimited" before selling it to O2 in 2007.

Richard Woodward is the Chief Financial Officer of Hyperoptic and was appointed as a director on 16 April 2021. Prior to joining Hyperoptic Richard was the CFO, a Director, and subsequently Chief Commercial Officer of Three UK Limited, a mobile telecommunications operator in the UK, which he joined in 2010.

None of the above Directors are employees, officers, or directors of the private equity investors KKR & Co. Inc.

### Directors' indemnities and insurance

The Company's Articles of Association provide for the indemnification of its directors to the extent permitted by the Companies Act 2006 and other applicable legislation, out of the assets of the Company, in the event that they incur certain expenses in connection with the execution of their duties. In addition, and in common with many other companies, the Company has directors' and officers' liability insurance, in respect of certain losses or liabilities to which officers of the Company may be exposed in the discharge of their duties.

### Ownership

Hyperoptic is a private company limited by shares incorporated and domiciled in the United Kingdom. Hyperoptic was incorporated on 13 April 2010. The address of the company's registered office is Kings House, 174 Hammersmith Road, London, England, W6 7JP.

On 1 November 2019, private equity investors KKR & Co. Inc. (KKR) indirectly acquired a majority stake in the Company's parent undertaking. KKR is a leading global investment firm that offers alternative asset management as well as capital markets and insurance solutions. KKR aims to generate attractive investment returns by following a patient and disciplined investment approach, employing world-class people, and supporting growth in its portfolio companies and communities.

# Hyperoptic Limited

## Report of the directors (*continued*) for the year ended 31 December 2023

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### Ownership (*continued*)

KKR sponsors investment funds that invest in private equity, credit and real assets and has strategic partners that manage hedge funds. KKR's insurance subsidiaries offer retirement, life and reinsurance products under the management of Global Atlantic Financial Group. References to KKR's investments may include the activities of its sponsored funds and insurance subsidiaries. For additional information about KKR & Co. Inc. (NYSE: KKR), please visit KKR's website at [www.kkr.com](http://www.kkr.com) and on Twitter @KKR\_Co.

### Information included in the strategic report

As permitted by s414C(11) of the Companies Act, certain directors' report requirements of Schedule 7 of the 'Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 relating to the Company's engagement with employees have been included in the Strategic Report on pages 11-12.

### Financial instruments

The Company policy is to minimise the financial risks of interest rate volatility. The Company uses interest rate swap arrangements to fix the interest rate on a minimum of 70% of the principal outstanding on the senior debt loan facility. As of 31 December 2023, the loan facility had a hedge of 100% on the principal outstanding on the loan. The Company aims to maintain a hedge position averaging a minimum of 70% to 75% over the life of the loan facility. These cash flow hedges were effective monthly, matching the interest period of the loan facility.

Borrowings due to fellow group companies are at a fixed interest rate. The payment of interest is deferred and will continue to be deferred on an ongoing basis.

### Research and development

The Company continues to invest in the development of both its website and its internal network management and customer relationship management software. Costs in respect of this development have been capitalised on the statement of financial position.

### Streamlined Energy and Carbon Reporting ("SECR")

The Company is required to report on energy consumption and Greenhouse Gas (GHG) emissions under the Streamlined Energy and Carbon Reporting (SECR) regulations. The report covers Scope 1 and Scope 2 emissions, encompassing direct emissions from owned or controlled sources and indirect emissions from purchased electricity, respectively. Energy consumption data includes electricity usage in buildings connected to the network, as well as power consumption associated with equipment located at data centres and BT Openreach exchanges. The SECR framework aims to increase transparency, drive improvements in energy efficiency, and support the transition to a low-carbon economy.

#### *UK kWh and CO<sub>2</sub>e Scope 1 and Scope 2 emissions*

The total energy consumption for the Company in the latest financial year for scope 1 and 2 emissions was 21,569,857 kWh (2022: 18,582,008 kWh). The activities that generated this energy consumption, their individual volumes and related emissions were as follows:

# Hyperoptic Limited

## Report of the directors (*continued*) for the year ended 31 December 2023

### Streamlined Energy and Carbon Reporting (“SECR”) (*continued*)

Energy type	Definition	2023	2023	2022	2022
		Total energy use (kWh)	Calculated CO <sub>2</sub> emissions (tonnes of CO <sub>2</sub> e)	Total energy use (kWh)	Calculated CO <sub>2</sub> emissions (tonnes of CO <sub>2</sub> e)
Transport	Emissions from combustion of fuel for transport purposes	11,315,942	2,709.30	10,790,526	2,607.8
Electricity	Emissions from purchased electricity	10,253,915	2,123.50	8,960,680	1,500.4
Gas	Emissions from combustion of gas	-	-	31,918	6

#### *Quantification and reporting methodology*

Energy usage information for office sites has been obtained from energy suppliers. Electricity usage for telecom equipment is based on meter readings for new builds, but for retro sites, the usage is estimated. Energy usage for exchanges and data centres is obtained from suppliers. Emissions have been calculated using the UK Government GHG Conversion Factors for Company Reporting for the year 2023.

#### *Energy efficiency actions*

In 2023, we started to explore options to reduce the size of our fleet by circa 20% to minimise the amount of GHG emissions produced. In 2024, we are also bringing in a new provider of telematics to focus on driver behaviour and ensure efficient driving becomes the norm to improve miles per gallon (‘MPG’) and reduce GHG emissions.

#### *Intensity ratio*

The majority of emissions created by the Company are from the fuel use in its vehicle fleet and the electricity use of its equipment. The emissions are driven by the need to install and maintain network equipment so the chosen metric is the total emissions divided by the capex spent in £ millions. Currently this is felt to be the correct metric to reflect ongoing vehicle and electricity usage attributed primarily to the construction and expansion of the fibre network. As the business matures the Company will also track other intensity metrics to monitor intensity of ongoing operations so it can increase its assurance on energy efficiency initiatives..

As the capex spend for 2023 was £209.5 million (2022: £186 million), the metric for the period from 1st January 2023 to 31st December 2023 was 23.1 tonnes of CO<sub>2</sub> emitted for each £1 million of capex spent. This represents a 1.3% decrease compared to last year (2022: 23.4 tonnes of CO<sub>2</sub> emitted for each £1 million of capex spent). Capital expenditure has increased by 12.6% over the year, outstripping the increase in fuel consumption, despite the rise in emissions from grid electricity.

#### **Branch office**

The Company has a branch office in Belgrade that provides support services.

#### **Equal opportunities**

Equal opportunities are discussed in the “Our People” section of the Strategic report on pages 11 to 12.

# Hyperoptic Limited

## Report of the directors (*continued*) for the year ended 31 December 2023

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### Going concern

Under company law the Company's Directors are required to consider whether it is appropriate to prepare financial statements on a going concern basis.

As part of its active operational and review procedures, the Company prepares a Board approved annual budget and long-term business plan, which reflects the aim of completing a fibre network passing over 2 million homes (through an incremental investment programme of approximately £300 million, principally over the next 2 years), followed by ongoing investment in connecting customers and continuing to expand its homes passed footprint as appropriate. As at 31 December 2023, the Company had passed 1,514,162 homes (2022: 1,085,763) and connected 311,999 customers (2022: 266,856). Since the end of 2019 the Company's investments have been primarily debt funded with funds flowing into the business over a similar period to the necessary capital outlay, rather than funds being fully committed and available upfront.

As at 31 December 2023, the Company had drawn down £870 million (2022: £624 million), and the total committed funds available, including the revolving credit facility, stood at £946.5 million (2022: £659 million). In August 2021, the Company increased its committed debt facility by £124 million to reach a total of £659 million. Following this in December 2022 an accordion agreement with the Company's lenders raised the facility size by £301 million to £960 million; in December 2023 the facility agreement was further amended to provide a total of £1,285 million debt capacity subject to commitments. As at the date of approval of the financial statements, the Company has secured committed funding within the facility of £1,140.5 million. As of the report date, the total amount drawn under the facilities was £950 million. Additionally, the Company's shareholders have provided funding on two occasions in November 2023 and in May 2024 to supplement the drawdowns under the facilities.

The Directors have conducted a comprehensive assessment of the Company's ability to continue as a going concern, including long-term cash flow forecasting, scenario modelling, covenant adherence evaluation, and funding considerations. No issues impeding access to current facilities or covenant compliance were identified. However, funding beyond current existing committed arrangements is required for the Company's planned network expansion within the next 12 months from the approval of the financial statements. It is Management's expectation that sufficient committed funding will be secured to support the ongoing capital expenditure requirements.

In the event that this anticipated committed funding is not available, the Directors believe that by taking prompt action to reduce the level of capital investment and other actions, the business could continue to trade for a sufficient time to identify and secure alternative sources of funding. However, if for any reason such action could not be fully executed, the Company may see an impact on its working capital position or its ability to meet short term obligations as they arise. Therefore, given the Company's reliance on further unsecured funding to continue the roll out of its planned investment programme, these conditions indicate the existence of a material uncertainty which may cast significant doubt on the ability of the Company to continue as a going concern, and therefore that the Company may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Company's long-range business plan demonstrates that, although the business in the short-term continues to be reliant both on external borrowing and on shareholder funding due to the scale and pace of the network rollout, strong returns are anticipated following the network build phase at which point the Directors expect the Company to start generating positive cash flow. Such returns have been demonstrated by the Company's ability to attract customers and generate revenue from the network it has already built since 2013. As such, the Directors believe the Company represents an attractive investment opportunity as demonstrated by the loan facility upsizes in 2021, 2022 and again in 2023, and by its acquisition by KKR in November 2019 as well as the continued financial support of its shareholders. This gives the Directors confidence in the ability to secure additional funding such that we have concluded it is appropriate to prepare the financial statement on a going concern basis, and not include the adjustments that would result if the Company were unable to continue as a going concern.

In addition, the Company has received a letter of support from its ultimate Parent Company, Thunderbird Topco Limited, and a commitment that amounts owing to group undertakings will not be recalled for a period of at least 12 months from the date of approval of these financial statements.

# Hyperoptic Limited

## Report of the directors (*continued*) for the year ended 31 December 2023

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### Post balance sheet events

Subsequent to the reporting period the Company has made the following withdrawals under the debt facility; £25 million in January 2024, £55 million in March 2024 and £20 million in June 2024.

In January 2024, the Company increased its commitments under the debt facility by £25 million, in March 2024 by Euro 10.5 million, in May 2024 by £150 million and in June 2024 by £10m. As a result, the total committed debt facility, including the revolving credit facility of £35 million, reached £1,140.5 million.

In May 2024, the Company's shareholders invested additional equity of £35 million in the Company in the form of Preference B shares.

### Auditor

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Company's auditor for the purposes of their audit and to establish that the auditor is aware of that information. The directors are not aware of any relevant audit information of which the auditor is unaware.

BDO LLP have expressed their willingness to continue in office and a resolution to re-appoint them as auditor will be proposed at a future general meeting.

### Guidelines for Disclosure and Transparency in Private Equity

The directors consider that the Annual Report and Financial Statements comply with the Guidelines for Disclosure and Transparency in Private Equity.

Approved by the Board of Directors on 27 June 2024 and signed on its behalf by:

DocuSigned by:

*Richard Woodward*

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R Woodward  
**Director**

# Hyperoptic Limited

## Statement of directors' responsibilities for the year ended 31 December 2023

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### Directors' responsibilities

The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

# Hyperoptic Limited

## Independent auditor's report

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### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HYPEROPTIC LIMITED

#### Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2023 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Hyperoptic Limited ("the Company") for the year ended 31 December 2023 which comprise Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flow and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

#### Basis for opinion

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

#### *Independence*

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

#### Material uncertainty related to going concern

We draw attention to note 1 to the financial statements which states that the Company is reliant on securing additional funding, which is not guaranteed. Failure to obtain such funding or alternatively implementing successful mitigating actions could have adverse effects on the Company's working capital position and its ability to meet short-term obligations as they arise. As stated in note 1, these events and conditions, along with other matters set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

#### Other information

The Directors are responsible for the other information. The other information comprises the information included in the Report and financial statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

# Hyperoptic Limited

## Independent auditor's report (continued)

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### Other information (continued)

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### Other Companies Act 2006 reporting

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

### Responsibilities of Directors

As explained more fully in the Statement of Directors Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



# Hyperoptic Limited

## Independent auditor's report (continued)

### Auditor's responsibilities for the audit of the financial statements (continued)

#### *Extent to which the audit was capable of detecting irregularities, including fraud*

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

#### *Non-compliance with laws and regulations*

Based on:

- Our understanding of the Company and the industry in which it operates;
- Discussion with management and those charged with governance and those responsible for legal, tax, accounting and compliance procedures; and
- Obtaining and understanding of the Company's policies and procedures regarding compliance with laws and regulations.

We considered the significant laws and regulations to be the applicable accounting framework, UK tax legislation, Data Privacy, Companies Act 2006, Health & Safety Legislation, Bribery Act 2010 and Ofcom regulations.

The Company is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be Companies Act 2006, UK tax legislation and Ofcom regulations.

Our procedures in respect of the above included:

- Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of correspondence with tax authorities for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation; and
- Review of legal expenditure accounts to understand the nature of expenditure incurred.

#### *Fraud*

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management and those charged with governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Company's policies and procedures relating to:
  - Detecting and responding to the risks of fraud; and
  - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud; and
- Considering remuneration incentive schemes and performance targets and the related financial statement areas impacted by these.

Based on our risk assessment, we considered the area's most susceptible to fraud to be management override of controls and inappropriate or incorrect revenue recognition in relation to new subscribers.

# Hyperoptic Limited

## Independent auditor's report (continued)

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### Auditor's responsibilities for the audit of the financial statements (continued)

Our procedures in respect of the above included:

- Testing journal entries throughout the year, which met a defined risk criteria, by agreeing to supporting documentation;
- Challenging management's assessments, assumptions and evaluating data used as the basis for making estimates to assess whether judgements made in making accounting estimates are indicative of potential bias by management; and
- With regards to the risk of fraud on inappropriate or incorrect revenue recognition in relation to new subscribers, our procedures included obtaining a list of the new subscribers added during the year and verifying the reconciliation of the movement of the subscribers during the year. We checked a sample of new subscribers to underlying documentation and the receipt of first payment on commencement of their services to ensure the new subscribers added during the year exist.


We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:  
  
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Mark Ayres (Senior Statutory Auditor)  
For and on behalf of BDO LLP, Statutory Auditor  
London, UK

27 June 2024

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

# Hyperoptic Limited

## Statement of comprehensive income for the year ended 31 December 2023

	Note	2023 £'000	2022 £'000
<b>Turnover</b>	3	<b>93,406</b>	78,666
Cost of sales		<b>(20,437)</b>	(16,344)
<b>Gross profit</b>		<b>72,969</b>	62,322
Distribution costs		<b>(8,843)</b>	(7,136)
Administrative expenses		<b>(128,406)</b>	(105,097)
Other operating income	6	<b>1,164</b>	782
<b>Operating loss</b>	6	<b>(63,116)</b>	(49,129)
Interest receivable and similar income		<b>140</b>	11
Interest payable and similar expenses	7	<b>(66,854)</b>	(27,663)
Fair value movement on interest rate swap	17	<b>(12,322)</b>	695
<b>Loss before taxation</b>		<b>(142,152)</b>	(76,086)
Taxation on loss	8	<b>(178)</b>	(127)
<b>Loss for the year</b>		<b>(142,330)</b>	(76,213)
<b>Other comprehensive income/(expense)</b>			
Currency Translation Difference		<b>(90)</b>	-
<b>Loss and total other comprehensive loss for the year</b>		<b>(142,420)</b>	(76,213)

All amounts recognised relate to continuing activities.

The notes on pages 30 to 40 form part of these financial statements.

# Hyperoptic Limited

## Statement of financial position at 31 December 2023

<b>Company number 07222543</b>	<b>Note</b>	<b>2023 £'000</b>	<b>2023 £'000</b>	<b>2022 £'000</b>	<b>2022 £'000</b>
<b>Fixed assets</b>					
Tangible assets	9		551,455		400,410
<b>Current assets</b>					
Stock	10	24,789		31,463	
Debtors	11	30,120		18,737	
Cash at bank and in hand		13,313		16,383	
			68,222		66,583
<b>Creditors: amounts falling due within one year</b>	12	(140,590)		(91,510)	
<b>Net current liabilities</b>		(72,368)		(24,927)	
<b>Creditors: amounts falling due after more than one year</b>	13	(870,402)		(624,378)	
<b>Net liabilities</b>			(391,315)		(248,895)
<b>Capital and reserves</b>					
Called up share capital	15		60,965		60,965
Share premium account	20		184		184
Profit and loss account	20		(452,374)		(310,044)
Other Reserves	20		(90)		-
<b>Shareholders' deficit</b>			(391,315)		(248,895)

The financial statements were approved by the board of directors and authorised for issue on 27 June 2024.

DocuSigned by:

*Richard Woodward*

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R Woodward  
Director

The notes on pages 30 to 40 form part of these financial statements.

## Hyperoptic Limited

### Statement of changes in equity For the year ended 31 December 2023

	Share capital	Share premium	Accumulated losses	Other Reserves	Total
	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2022	60,965	184	(233,831)	-	(172,682)
Loss and total other comprehensive loss for the year	-	-	(76,213)	-	(76,213)
<b>Total comprehensive loss</b>	-	-	(76,213)	-	(76,213)
Balance as at 31 December 2022	60,965	184	(310,044)	-	(248,895)

	Share capital	Share premium	Accumulated losses	Other Reserves	Total
	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2023	60,965	184	(310,044)	-	(248,895)
Loss and total other comprehensive loss for the year	-	-	(142,330)	(90)	(142,420)
<b>Total comprehensive loss</b>	-	-	(142,330)	(90)	(142,420)
Balance as at 31 December 2023	60,965	184	(452,374)	(90)	(391,315)

The notes on pages 30 to 40 form part of these financial statements.

# Hyperoptic Limited

## Statement of cash flows for the year ended 31 December 2023

	2023 £'000	2022 £'000
<b>Cash flows from operating activities</b>		
Loss for the financial period	(142,330)	(76,213)
Adjustments for:		
Depreciation	58,432	41,568
Interest income	(140)	(11)
Interest expense	64,532	26,798
Fair value movement on swaps	12,322	(695)
Taxation expense	178	127
(Increase)/decrease in inventory	6,675	(18,527)
Decrease / (increase) in receivables	(11,600)	(2,135)
(Decrease) / increase in payables	(9,732)	28,953
	<u>(21,663)</u>	<u>(135)</u>
Interest paid	(63,135)	(26,642)
Tax paid	(45)	(282)
	<u>(84,843)</u>	<u>(27,059)</u>
<b>Cash flows from investing activities</b>		
Acquisition of fixed assets	(154,303)	(136,571)
Capitalised staff costs	(55,173)	(49,436)
Interest received	139	11
	<u>(209,337)</u>	<u>(185,996)</u>
<b>Cash flows from financing activities</b>		
Issue of long-term loans (net)	246,000	219,000
Issue of short-term loans	45,200	-
	<u>291,200</u>	<u>219,000</u>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(2,980)</b>	<b>5,945</b>
Cash and cash equivalents at the beginning of the period	16,383	10,438
Exchange gains/(losses) on cash & cash equivalents	(90)	-
	<u>13,313</u>	<u>16,383</u>
<b>Cash and cash equivalents at the end of the period</b>	<b>13,313</b>	<b>16,383</b>

The notes on pages 30 to 40 form part of these financial statements.

# Hyperoptic Limited

## Notes to the financial statements for the year ended 31 December 2023

### 1 Accounting policies

Hyperoptic Limited is a private company, limited by shares and domiciled in England and Wales. The registered office is set out on the contents page 1. The nature of the Company's operations and its principal activities are set out in the strategic report.

These financial statements have been prepared in accordance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland' and the Companies Act 2006. The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates (see note 2). It also requires management to exercise judgement in applying the Company's accounting policies.

The following principal accounting policies have been applied:

#### *Going concern*

The Directors have undertaken a comprehensive assessment of the Company's ability to continue as a going concern. This included:

- the preparation of a long-term cash flow forecast model, covering a period of 12 months from the date of the approval of the financial statements.
- scenario and stress test modelling to evaluate the potential impact of adverse performance in key risk areas, such as revenue generation, inflation, access to capital, interest rates, and the costs associated with the ongoing expansion of the network.
- an assessment of covenant adherence and availability of the existing committed facilities.
- an assessment of the Company's ability to secure additional committed debt funding under its existing facilities as well as accessing additional committed funding to support its planned network expansion; and an evaluation of a reduced activity cash flow forecast in which the Company pauses its network expansion investment and reduces discretionary spend.

Based on this assessment, no issues have been identified that would impede access to the current facility arrangement and all covenants would continue to be met. However, it should be noted that the Company's planned network expansion requires funding beyond its current borrowing arrangements. As a result, additional sources of funding are required within the next 12 months from the date of approval of the financial statements.

As at the date of approval of the financial statements, the Company has secured commitments of £1,140.5 million out of its amended facility size of £1,285 million including the committed revolver facility. As of the date of this report, the total amount drawn under the facilities was £950 million.

The Company has demonstrated its continued ability to secure increases in its facility funding, with £124 million secured in 2021, £287.5 million in 2023 and a further £194 million to date in 2024 as part of ongoing financing activities. The Company's shareholders have additionally demonstrated their commitment through additional funding being provided on two occasions in November 2023 and May 2024. Furthermore, the Company has made significant progress in expanding its network and subscriber base which totalled 311,999 subscribers at the end of 2023 (2022: 266,856). In light of these achievements, the Directors believe the Company represents an attractive investment opportunity for a variety of finance providers, and it has confidence in its ability to secure the additional funding necessary to support its planned network expansion.

Nevertheless, in the event that additional funding is not secured within the next 12 months, it is anticipated that the planned network expansion would have to be paused and the Company would focus all its resources on customer acquisition and increasing the penetration on its existing network. In such a scenario, management is confident in its ability to limit discretionary spending (including cessation of additional network deployment investment) and execute operational cost-cutting measures, which would provide the necessary time to explore alternative sources of finance. However, the Company could see an impact on the realisation of assets and meeting the obligations as they arise.

# Hyperoptic Limited

## Notes to the financial statements for the year ended 31 December 2023 (*continued*)

### 1 Accounting policies (*continued*)

Additionally, the Company has received a letter of support from its ultimate Parent Company, Thunderbird Topco Limited, providing an undertaking that amounts owing to group undertakings will not be recalled, and that it will continue to provide such financial support as required for the Company to meet its obligations as and when they fall due for a period of at least 12 months from the date of approval of the financial statements.

The Directors acknowledge that the Company is reliant on securing additional funding, which is not guaranteed. Failure to obtain such funding or alternatively implementing successful mitigating actions could have adverse effects on the Company's working capital position and its ability to meet short-term obligations as they arise. These events or conditions indicate the existence of a material uncertainty which may cast significant doubt on the ability of the Company to continue as a going concern, and therefore that the Company may be unable to realise its assets and discharge its liabilities in the normal course of business.

However, given the Company's strong growth and financial and operational performance, track record in successfully increasing its debt facilities, ability to take prompt action to implement cost reduction measures to minimise any potential funding gap, and the ongoing support of its shareholders the Directors have concluded it is appropriate to use the going concern basis for the preparation of the accounts for the year ended 31 December 2023. The financial statements do not include the adjustments that would be required should the going concern basis of preparation no longer be appropriate.

#### *Tangible fixed assets and depreciation*

Tangible fixed assets are stated at cost less depreciation. Costs capitalised include internal personnel costs incurred to bring the network asset up to working condition. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives.

#### Depreciation rates applied

Leasehold improvements	- 20% straight line
Network asset	- 10% straight line
Physical infrastructure asset	- 5% straight line
Software	- 20-25% straight line
Motor vehicles	- 20% straight line
Office equipment	- 25% straight line

At each reporting date fixed assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss to recognise. If there is an indication of possible impairment this is recognised immediately in the income statement.

#### *Revenue*

Revenue is attributable to the sale of high speed Internet broadband and the installation of the infrastructure related to that provision. Revenue is recognised net of sales tax and discounts when the amount of revenue can be reliably measured.

Installation fees are recognised evenly over the installation service period.

Revenue from internet and broadband services provided to residential customers is recognised on a monthly basis commencing when the services are provided.



# Hyperoptic Limited

## Notes to the financial statements for the year ended 31 December 2023 (*continued*)

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### 1 Accounting policies (*continued*)

#### *Derivative instruments*

The Company uses interest rate swaps and floor contracts to adjust interest rate exposures. The fair value of interest rate swap and floor contracts are determined by calculating the present value of the estimated future cash flows based on observable yield curves.

#### *Financial instruments*

Financial assets, other than investments and derivatives are initially measured at transaction price and subsequently held at cost, less any impairment. Derivatives are initially recognised at fair value and are also recognised at fair value in subsequent periods. Movements in fair value are recognised in profit or loss in the Statement of Comprehensive Income. Financial liabilities are initially measured at transaction price and subsequently held at amortised cost.

#### *Operating leases*

Rentals under operating leases are charged to the statement of comprehensive income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

#### *Holiday pay accrual*

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the reporting date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the reporting date.

#### *Stock*

Stock is valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving items. Cost is based on the cost of purchase on a first in, first out basis.

#### *Customer Acquisition Costs*

The directly attributable costs of acquiring customers is capitalised and amortised on a straight-line basis over the expected life of the customer. The expected life of a customer is estimated to be 36 months. These customer acquisition costs have been capitalised within prepayments.

#### *Taxation*

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except that a charge is attributable to an item of income or expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

# Hyperoptic Limited

## Notes to the financial statements for the year ended 31 December 2023 (*continued*)

### 1 Accounting policies (*continued*)

#### *Foreign currencies*

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the reporting date.

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the statement of comprehensive income.

### 2 Significant judgements and estimate

The preparation of financial statements under FRS 102 requires management to make judgements, estimates and assumptions which affect the application of certain accounting policies and reported amounts in the financial statements. The areas requiring a higher degree of complexity or judgement or where the effect of assumptions or estimates are significant to the financial statements are detailed below:

#### *Useful economic life of tangible fixed assets*

The Company depreciates the tangible fixed assets over their useful economic lives which reflects management's estimate for the period that the Company intends to derive future economic benefits from the use of those tangible fixed assets. Changes in the expected level of usage of technological developments could affect the useful economic lives and residual value of these assets. This could affect the future depreciation charge of these assets. The carrying amount of the Company's tangible fixed assets are disclosed in note 9 to the financial statements.

#### *Carrying Value of tangible assets*

At December 31, 2023 the Company recognised £551.4 million in respect of tangible assets. Further information on these assets is included in note 9 to the financial statements. The Company assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Tangible assets have been tested for impairment during the financial period. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations, using a single-scenario discounted cash flow model, in which the Company has applied judgement in the cost of future network expansion and the availability and cost of capital to meet that investment need, as well as in the revenue from subscribers on that future network. Changes to the assumptions or method of calculation within those value-in-use calculations impact the carrying amount of the assets and result in an impairment charge.

### 3 Turnover

All turnover arose from the Company's principal activities within the United Kingdom.

### 4 Employees

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
Staff costs including directors' remuneration, consist of:		
Wages and salaries	<b>84,990</b>	73,745
Social security costs	<b>7,113</b>	6,700
Pension costs	<b>1,809</b>	1,565
Less: costs capitalised	<b>(55,173)</b>	(49,435)
	<b>38,739</b>	32,575

# Hyperoptic Limited

## Notes to the financial statements for the year ended 31 December 2023 (continued)

### 4 Employees (continued)

The average monthly number of employees, including directors, during the year was 1,943 (2022: 1,865), split as follows:

	<b>2023</b> <b>Number</b>	<b>2022</b> <b>Number</b>
Directors	2	2
Head office	217	248
Customer services	211	189
IT and Systems	130	84
Marketing and Sales	139	113
Network and Field	1,244	1,229
	<u>1,943</u>	<u>1,865</u>

### 5 Key management and directors remuneration

Key management personnel include all directors and senior executives of the Company, who together have authority and responsibility for planning, directing and controlling the activities of the group. The total compensation paid to key management personnel for services provided to the Company was £2,753,087 (2022: £2,424,830). The Company paid into the pension scheme for 8 (2022: 8) key management personnel.

The directors remuneration for the period was:

	<b>2023</b> <b>£'000</b>	<b>2022</b> <b>£'000</b>
Emoluments	<u>937</u>	<u>931</u>

Emoluments of the highest paid director was £529,983 (2022: £505,000). Company pension contributions of £12,849 (2022: £12,240) were made to a defined contribution scheme on their behalf.

### 6 Operating loss

	<b>2023</b> <b>£'000</b>	<b>2022</b> <b>£'000</b>
This has been arrived at after charging/(crediting):		
Depreciation of tangible fixed assets - owned by the Company	58,432	41,568
Auditor remuneration:		
- Audit services	223	201
- Tax services	42	34
Operating lease expense	1,432	1,446
Difference on foreign exchange	4	27
Other income	(1,164)	(782)

Other income relates to the receipt of service level credits from a supplier of £1,164,000 (2022: £782,000).

**Hyperoptic Limited**  
**Notes to the financial statements**  
**for the year ended 31 December 2023 (continued)**

<b>7 Interest payable</b>	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
Interest due on loans	66,854	27,663
	<u>66,854</u>	<u>27,663</u>

See note 13 for further details on loans and applicable interest.

<b>8 Taxation on loss on ordinary activities</b>	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
<i>Analysis of tax charge in the year</i>		
<b>Current tax</b>		
UK corporation tax	-	-
Foreign corporation tax – current period	178	127
	<u>178</u>	<u>127</u>
<b>Total current tax</b>	<u>178</u>	<u>127</u>

*Factors affecting tax charge for the year*

The tax assessed for the year is higher than (2022: higher than) the standard rate of corporation tax in the UK. The differences are explained below:

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
Loss on ordinary activities before tax	<u>(142,152)</u>	<u>(78,086)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 23.52% (2022: 19%)	(33,435)	(14,456)
Effects of:		
Expenses not deductible for tax purposes	18,459	5,071
Deferred tax not recognised and other adjustments	15,951	12,396
Remeasurement of deferred tax for changes in tax rates	(975)	(3,010)
Foreign tax suffered	178	127
	<u>178</u>	<u>127</u>
<b>Total tax charge for year</b>	<u>178</u>	<u>127</u>

# Hyperoptic Limited

## Notes to the financial statements for the year ended 31 December 2023 (*continued*)

### 8 Taxation on loss on ordinary activities (*continued*)

#### *Factors that may affect future tax charges*

The Company has an unrecognised deferred tax asset arising from its unrelieved trading losses and fixed asset timing differences, which has not been recognised due to the uncertainty over the level and timing of profits in the future. The unrecognised deferred tax asset is made up as follows:

	2023 £'000	2022 £'000
Unrecognised deferred tax asset	67,225	50,747

The unrecognised deferred tax asset relates to unrelieved trading losses available to carry forward £346,838,776 (2022: £235,465,677), fixed asset timing differences £78,611,851 (2022: £33,489,681) and other timing differences of £671,852 (2022: £1,010,338).

### 9 Tangible assets

	Leasehold Improvements £'000	Network Asset £'000	Physical Infrastructure Access £'000	Software £'000	Motor Vehicles £'000	Office Equipment £'000	Total £'000
<i>Cost</i>							
At 1 January 2023	3,301	330,329	154,022	34,838	6	5,322	527,817
Additions	209	116,214	81,344	11,498	-	211	209,476
At 31 December 2023	3,510	446,543	235,366	46,336	6	5,533	737,294
<i>Depreciation</i>							
At 1 January 2023	2,088	89,853	10,891	20,615	6	3,954	127,407
Charge for the year	568	38,597	10,163	8,389	-	715	58,432
At 31 December 2023	2,656	128,450	21,054	29,004	6	4,669	185,839
<i>Net book value</i>							
At 31 December 2023	854	318,093	214,312	17,332	-	864	551,455
At 31 December 2022	1,213	240,475	143,131	14,222	-	1,368	400,410

# Hyperoptic Limited

## Notes to the financial statements for the year ended 31 December 2023 (continued)

<b>10 Stock</b>	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
CPE, switch and material stock	24,789	31,463
	<u>          </u>	<u>          </u>
<b>11 Debtors</b>	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
Trade debtors	7,745	4,777
Other debtors	1,720	1,413
Amounts owed by group undertakings	9,729	3,642
Prepayments and accrued income	5,945	6,656
VAT recoverable	4,981	2,249
	<u>          </u>	<u>          </u>
	<b>30,120</b>	<b>18,737</b>
	<u>          </u>	<u>          </u>

Amounts owed by group undertakings are unsecured, interest free and repayable on demand. Other debtors include £492,167 deposit for leases which is recoverable after more than one year.

<b>12 Creditors: amounts falling due within one year</b>	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
Trade creditors	5,768	19,354
Amounts owed to group undertakings	72,407	26,203
Corporation tax	(204)	(120)
Other taxation and social security	1,774	1,735
Accruals and deferred income	47,224	43,251
Pension payable	350	349
Other creditors	507	296
Derivative financial instruments (note 14)	12,764	442
	<u>          </u>	<u>          </u>
	<b>140,590</b>	<b>91,510</b>
	<u>          </u>	<u>          </u>

The amounts from group undertakings are unsecured, interest-free, and repayable on demand. Included in the amounts owed to group undertakings is a loan from Thunderbird Topco Ltd of £46.2m (including accrued interest of £1m) (2022: nil), with a fixed interest rate of 15%. The loan is repayable on the lender's written demand or on the maturity date (30 June 2024).

<b>13 Creditors: amounts falling due after more than one year</b>	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
Loan	870,000	624,000
Accruals and deferred income	205	182
Other creditors	197	196
	<u>          </u>	<u>          </u>
	<b>870,402</b>	<b>624,378</b>
	<u>          </u>	<u>          </u>

# Hyperoptic Limited

## Notes to the financial statements for the year ended 31 December 2023 (continued)

### 13 Creditors: amounts falling due after more than one year (continued)

In 2019, the Company entered into a loan facilities agreement of £500 million with an additional £35 million revolving credit facility. The loan arrangement includes covenants relating to the total net debt to homes passed (homes passed being a home which can readily be connected to Hyperoptic's fibre network) and total net debt to subscriber (subscriber being a residential or business customer with less than 3 months' charges outstanding).

In 2021, the Company increased the size of its committed debt facility from £535 million to £659 million.

In December 2022, the lenders in the existing syndicated debt facility approved a £301 million accordion basket, allowing for an increase in the lending facilities up to £925 million for the Company.

In December 2023 a new additional accordion bucket was approved, taking lending facilities up to £1,250 million, excluding the revolving credit facility of £35 million.

During 2023, the Company drew down £226 million (2022: £219 million) from the existing syndicated debt facility, taking the closing facility borrowing to £850 million (2022: £624 million), excluding the revolving credit facility of £35 million, out of which, the Company has drawn down £20 million during the year. This leaves £61.5 million committed but undrawn, with the committed debt facility amounting to £911.5 million, excluding the revolving credit facility.

Facility B1, amounting to £138.1 million of the committed debt facility, bears interest at SONIA plus a 3.5% margin with repayment due on 30 November 2026. Facilities B9 to B15, amounting to £773.4 million of the committed debt facility, bear interest at SONIA plus a 4% margin with maturity on 31 December 2028. The revolving credit facility of £35 million, bears interest at SONIA plus a 3.5% margin with repayment due on 1 October 2026.

Loans from senior credit facility taken from December 2023 cannot exceed 70% of the total amount Hyperoptic has spent on capex since that date.

### 14 Financial instruments

	2023 £'000	2022 £'000
<b>Financial assets that are debt instruments measured at amortised cost</b>		
Trade debtors	7,745	4,777
Other debtors	1,720	1,413
Amounts due from group undertakings	9,729	3,642
<b>Financial liabilities measured at fair value through the income statement</b>		
Interest rate swaps	(12,764)	(442)
<b>Financial liabilities measured at amortised cost</b>		
Bank loan	(870,000)	(624,000)
Trade creditors	(5,768)	(19,354)
Accruals	(42,879)	(39,710)
Amounts owed to group undertakings	(72,407)	(26,203)
Other creditors & pension payable	(857)	(645)

The Company purchased interest rate swaps to manage interest risk volatility on firm future commitments. The fair value of these derivative financial instruments has been calculated by discounting the expected future cash flows at prevailing interest rates.

# Hyperoptic Limited

## Notes to the financial statements for the year ended 31 December 2023 (*continued*)

### 15 Share capital

	Allotted, called up and fully paid			
	2023 Number	2022 Number	2023 £'000	2022 £'000
Ordinary shares of £1 each	60,965,344	60,965,344	60,965	60,965

### 16 Commitments under operating leases

As at 31 December 2023, the Company had commitments under non-cancellable operating leases as set out below:

	Land and buildings 2023 £'000	Land and buildings 2022 £'000	Other operating leases 2023 £'000	Other operating leases 2022 £'000
In under one year	1,035	1,945	1,065	4,887
In one to five years	4,537	7,401	1,268	-
Later than five years	-	1,576	-	-
Total	5,572	10,922	2,333	4,887

### 17 Net debt reconciliation

	1 January 2023 £'000	Cashflows £'000	Non-cash movements £'000	31 December 2023 £'000
Cash and cash equivalents	16,383	(3,070)	-	13,313
Bank Loans	(624,000)	(246,000)	-	(870,000)
Amount owed to group undertakings	-	(45,200)	(1,003)	(46,203)
Interest accrued but not yet paid	(325)	-	(307)	(632)
Interest rate swaps	(442)	-	(12,322)	(12,764)
Total	(608,384)	(294,270)	(13,632)	(916,286)

There are no restrictions over the use of the cash and cash equivalents balances which comprises cash at bank and in hand, and bank overdrafts.



# Hyperoptic Limited

## Notes to the financial statements for the year ended 31 December 2023 (*continued*)

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### 18 Related party transactions

The Company has taken advantage of the exemption conferred by FRS 102 Section 33 "Related Party Disclosures" paragraph 33.1A not to disclose transactions with group companies on the grounds that 100% of the voting rights in the Company are controlled by the group.

The only related party transaction not covered is the rental of the Company's Serbian office premises from a director of the ultimate parent company. The offices were vacated in 2022 and no invoices charged in 2023 (2022: £92,987). This was rented on an arm's length basis at prevailing market rent. There was no balance outstanding due by the Company to the director as at the year-end (2022: £nil).

### 19 Controlling party

100% of the share capital is held by the Company's immediate parent company JHW Bidco Limited a company registered in England and Wales. The Company's ultimate parent company is Thunderbird Topco Limited, a company registered in Jersey. Thunderbird Topco Limited is controlled by KKR.

### 20 Reserves

#### Share premium account

Share premium includes amount subscribed on issue of equity shares in excess of the nominal value, net of any issue costs.

#### Profit and loss account

Profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

#### Other Reserves

Other reserves represent foreign exchange translation differences arising from the translation of the results of the Serbian branch from the local currency to the company's functional currency.

### 21 Post Balance Sheet Events

Subsequent to the reporting period the Company has made the following withdrawals under the debt facility; £25m in January 2024, £55m in March 2024 and £20m in June 2024. In addition, Company had equity injection of £35m in May 2024.

The Company raised the committed debt facility by £25m in January, €10.5m (£9m) in March, £150m in May 2024 and £10m in June 2024. As a result, the total committed debt facility, excluding the revolving credit facility of £35m, reached £1,105.5m.