Working smarter, together.

Gamma Communications plc
Annual Report and Accounts 2019

Gamma, a listed company, is a leading supplier of business communications services to the UK and Dutch markets.

Strategic Report

Corporate governance

Financial statements

Supplementary information

Empowering people to communicate.

Financial highlights

Revenue

£328.9m +15%

Growth from £284.9m to £328.9m

Profit from operations

£45.5m +32%

Increased from £34.4m to £45.5m

Adjusted EBITDA*

£63.5m +31%

Adjusted EBITDA grew from £48.3m to £63.5m

Dividend

10.5p +13%

Grew from 9.3p to 10.5p

* All adjusted measures set out throughout this document which are described as "adjusted" represent Alternative Performance Measures ("APMs") and are defined and reconciled in the Financial Review section and are applied consistently. Where reference is made to adjusted EPS this is stated on a fully diluted basis ('FD's). Our policy on the use of APMs is included in note 1.

Working smarter, together.

Working together to power the market

"2019 has been a very good year for Gamma; we have seen strong growth in our key products, launched new platforms and continued our European expansion."

Dividend per share

10.5p +13%

Earnings per share

36.1p +20%

I am pleased to present the Annual Report for the year ended 31 December 2019.

Overview of results

Group revenue for the year ended 31 December 2019 increased by £44.0m to £328.9m (2018: £284.9m) an increase of 15% on the prior year. Adjusted EBITDA for the Group increased by 31% to £63.5m (2018: £48.3m). Fully diluted earnings per share for the year increased by 20% to 36.1p (2018: 30.0p). Adjusted fully diluted earnings per share for the year increased by 35% to 40.8p (2018: 30.3p). On a statutory basis profit before tax and profit from operations also increased by more than 30%.

The cash generated by operations for the year was £54.0m compared to £40.6m in 2018. The closing cash balance for the year was £53.9m compared to £35.5m at the end of December 2018. This cash balance has been increased whilst investing £12.4m on capital items, £7.5m on acquisitions and paying £9.2m in dividends.

Overview of the year

As outlined in this report, the year has been a period of strong strategic execution for Gamma with highlights including:

We launched Collaborate and a new Call Recording platform to expand our Unified Communiations as a Service (UCaaS) offering and, in November, we acquired Telsis Direct Limited, Telsis Communication Services Limited, Telsis Services Limited and Telsis GmbH ("Telsis"), which will enable us to develop a Contact Centre solution for release towards the end of 2020.

Strong growth in our key products in the UK of SIP Trunking (units increased by 19%) and Cloud PBX (units increased by 20%).

In addition, in February 2020, we acquired Exactive Holdings Limited and its subsidiaries ("Exactive") which enables us to support enterprise and public sector customers who choose solutions using Microsoft Teams. This represents a fundamental part of our UCaaS strategy.

In the Netherlands we grew our number of Cloud seats to over 22,000. We also acquired Nimsys in February 2019, its integration has gone well and Nimsys is growing strongly. The performance of Dean One in the second half improved following a disappointing first half.

We continue to focus on European expansion and throughout 2019 we conducted discussions with a number of potential acquisitions. In February 2020, we made an offer for VozTelecom OIGAA360, SA and its subsidiaries ("Voz Telecom") in Spain, which (when complete) will give us a foothold into the Spanish market which is set to grow significantly over the coming years.

Board and employees

I was delighted to welcome Henrietta Marsh to the board on 16 April 2019. She brings a wealth of experience gained from serving on the boards of both private and listed companies. Henrietta will chair the Remuneration Committee after the upcoming AGM. Gamma has a strong and experienced Board. We have improved our diversity on the Board and within the Senior Management Team in the last year but there is more to do and we will consider this with future appointments.

The business now has 1,176 employees across three countries. We continue to invest in all of our employees and in particular we assist apprentices to gain valuable work experience, to continue their education and to obtain nationally recognised qualifications. At present, we have 24 apprentices employed in IT, HR, Infrastructure Support, Software Development, Sales and Customer Service. We have a good track record of offering permanent employment at the end of these apprenticeships and expanding opportunities for apprentices across the business remains a priority for Gamma. We consider diversity to be an important part of our culture at Gamma and run a number of programmes across our business to support and promote this.

We encourage employees at all levels to own shares in the company and in July we used our SIP Trust to award £500 of free shares to all employees. The company also offered a sharesave scheme for the fourth year. Once again, it was particularly pleasing to see the exceptionally high take up, with 459 staff choosing to participate in the scheme (2018: 257). Finally, we have launched an "Evergreen SIP" scheme which gives employees another opportunity to buy shares in the company in a tax efficient way.

The Board recognises the high levels of support and commitment from its staff through a period of significant strategic planning and implementation and would like to express its thanks for their dedication, hard work and enthusiasm.

Dividend

Gamma remains committed to a progressive dividend policy which has meant an increase of between 10-15% every year since we listed in 2014. Gamma has paid one third of the dividend as an interim dividend with the final two thirds paid as a final dividend once the results for the year are known.

The Board is pleased to propose a final dividend, in respect of the year ended 31 December 2019, of 7.0 pence per share (2018: 6.2 pence) an increase of 13% which, subject to shareholder approval at the forthcoming AGM, will be payable on Thursday 18 June 2020 to shareholders on the register on Friday 29 May 2020. When added to the 3.5 pence interim dividend (2018: 3.1 pence) this makes a total dividend declared of 10.5 pence for the year as a whole (2018: 9.3 pence).

Governance

During 2018 we adopted the QCA Corporate Governance Code (2018 edition) (the 'QCA Code').

Environmental

As a business which enables other companies to reduce their carbon footprint by communicating and collaborating from multiple sites (which avoids travel), we continue to challenge ourselves on our environmental credentials. We run a certified Carbon Neutral network and we have also now committed to supporting the UN Sustainable Development Goals.

The Board has considered the emerging effects of climate change on the future of the business and we consider them to be low risk.

Outlook

The Board is positive about the outlook for the business in 2020 and beyond.

We have discussed the potential impact of Covid-19 on the business which (to date) has been very limited. Notwithstanding, this remains a matter of close attention for the Board. In particular, we will take measures to ensure the safety of our channel partners, customers, employees and other stakeholders. We are taking regular advice and following guidance from the government and public bodies. We have a sub-group of our Senior Leadership Team who are monitoring the situation on a daily basis and communicating the latest advice to staff.

With respect to our day-to-day operations we are able (should it become necessary) to operate our business with almost all staff working from home. We have stress tested our network to ensure that this is achievable. We believe we will be able to continue to support our customers fully.

The potential impact of the Covid-19 health crisis on the short-term results is difficult to assess at this time. We have a resilient business model and at this point we have seen little effect on our business. We suspect that we may see fewer orders as channel partners and end customers are beginning to introduce travel and meeting restrictions which will make customer visits and lead generation more difficult. With respect to existing orders, installations which require engineers to visit a site are also likely to be delayed and hence revenues will be delayed. At the time of writing it is impossible to know how long this situation is likely to continue for. We have a strong balance sheet and a robust business model and we expect to be able to weather the crisis.

In the longer-term, our product set is well suited to organisations that wish to be able to work remotely as part of their disaster recovery plans. Whilst the current crisis is not desirable, we believe that the experience will demonstrate the advantages of UCaaS to businesses of all sizes across all industries.

As a predominantly channel-focused business, Gamma will continue to concentrate efforts and investment on strengthening our relationships and capabilities to support the channel to be successful. We will also ensure that in the direct business, we continue to focus on growth with larger enterprises and the public sector, and on building on an already strong reputation for operational excellence and service quality. Our support for Enterprise customers may involve offering solutions based on other products (for example Microsoft Teams) as well as our own product set.

Richard Last
Chairman

Providing straightforward services for business

Our business model

Gamma is a leading supplier of Unified Communications as a Service (UCaaS) in the UK and Dutch markets, supplying communication solutions directly and via our extensive network of trusted channel partners.

With a range of Unified Communications, Mobile and Connectivity services, Gamma provides robust and secure solutions that enable organisations to communicate, collaborate and offer a better customer experience.

Our product categories

Unified Communications

Our award-winning range of Unified Communications products enables businesses to raise productivity, boost agility and increase collaboration. From messaging and video calling to instant conference services, we help reduce costs and operational complexity while increasing employee engagement.

SIP Trunking and Call Management

With the UK's leading SIP trunking service we give businesses a more versatile, resilient phone service at less cost. Gamma SIP trunks come with powerful business continuity features plus exceptional inbound call management functionality.

Mobile

Our business-only mobile service features flexible tariffs and powerful bolt-ons. When combined with Gamma's Unified Communications services, employees can keep working wherever they are, remaining 'always-on' to customers.

Connectivity

Our high-performance connectivity products deliver outstanding speeds combined with robust security and resilience measures; from broadband and Ethernet to advanced Network services, we provide businesses with the customisable connectivity they need to grow.

Strengths

Product and Network quality

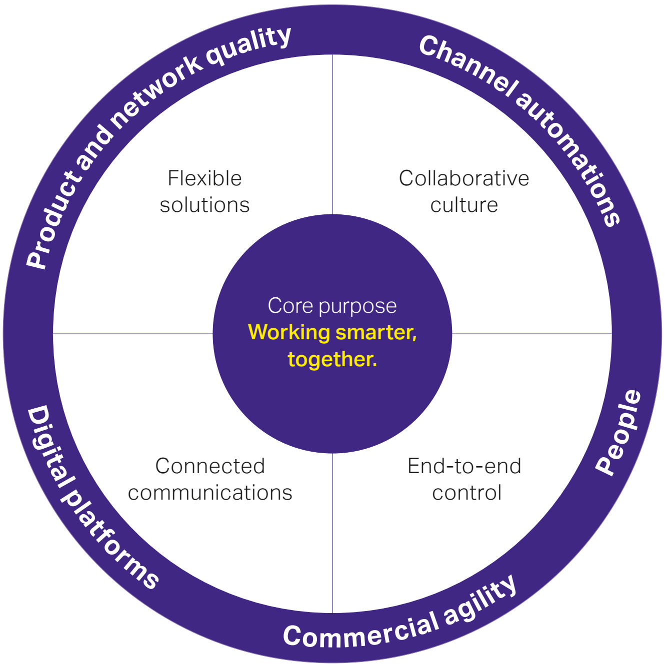
Driving innovation on the back of strong network and product foundations (carrier grade, high availability, and rock-solid end-user performance).

Channel automations

Portal capabilities (built around the channel with overlay support geared to make Gamma easy to do business with).

Digital platforms

Providing channel partners with Gamma Academy and Gamma Accelerate, our training and marketing platforms, to drive channel engagement and growth.



How we sell

UK Indirect
Our primary route to market, the channel is at the heart of what we do. We provide market-leading products to 1000+ channel partners, with an exceptional service wrap.

2019 sales
70%
(2018: 74%)

UK Direct
Our direct business supports the requirements of Enterprises, Mid Markets and Public Sector organisations, looking to contract with network operators.

2019 sales
25%
(2018: 25%)

Overseas
Our overseas entities sell both directly and through the channel. In the Netherlands, Dean One sells via 600+ channel partners, Nimsys, an ICT specialist for workspaces and multi-tenancy buildings and Schiphol Connect, the telecom and internet provider at Schiphol Airport sell directly to end users.

2019 sales
5%
(2018: 1%)

Commercial agility
Providing our partners with leverage and flexibility (driving incentives and not causing price erosion) to sell based on value and not price.

People
Our employees are a key part of our business; they embody the Gamma values, which allows us to deliver better services and build relationships with our customers.

1,176
employees

Supporting effective business communications to empower businesses to work smarter, together.

The way a business communicates with its external and internal stakeholders is a key way for it to differentiate itself and provide effective customer service.

Gamma provides business communication services that are flexible, scalable and secure to meet today's and tomorrow's challenges.

Underpinning the business and users trends are a number of technology and industry directions that support the overall changes in how businesses operate.

Market Trend

The rise of converged and unified communication services

- Businesses are looking for communications solutions that can support them as their way of working changes, and for the communications to be relevant to their customers, whether that be a phone call, a video chat or a collaborative desktop session. The key is matching the communications method to the customer and task requirement.
- Businesses are looking for service simplicity and cost savings in their business communications solutions.
- Business efficiency can be driven by using single phone numbers, and therefore a single voicemail service, which the user can utilise through a mobile or fixed device.

Gamma Response:
Gamma launched Collaborate in the first half of the year, which now has 9,000 users. This provides a fully-integrated messaging, collaboration and audio/video conferencing service to our industry-leading Cloud PBX service, Horizon. We also launched a call recording service and subscription management service, which allows partners to more effectively manage their Cloud seats. We plan to launch a fully integrated contact centre module into our UCaaS suite helping us support business communications.

SIP trunks

1,016k +19%

Horizon users

522k +20%

Market Trend

Network Flexibility

- Customers demand support when changing their business communication requirements. This means service providers need to be flexible.
- New OTT providers can offer applications that are easy to use, but the customer connectivity may not have the capacity or security to support it
- Large network-based operators may have the core capacity, but not the flexibility to deliver the applications that customers need
- Businesses need a balance between fast to deploy applications and a scalable and secure infrastructure that supports all users.

Gamma response:
Gamma is an infrastructure-light provider with a core network that can support the key routing of voice/data and mobile traffic in an integrated core.

We provide simple, easy to consume services underpinned by automated provisioning and support models.

Market Trend

Superfast Connectivity Growth to support the rise of Cloud Services

- Cloud-based applications are now the norm for many businesses and vertical markets. To ensure that these services work effectively, businesses need fast, highly available and secure connectivity from the user to the application.
- The flexibility that on-demand software solutions provide to all businesses (large or small), enables them to deploy new solutions faster and more efficiently.

Gamma Response:
Gamma continues to offer data access services; ethernet services will be used to support larger SME customers and will move to improve bearer models to future-proof their requirements. The Gamma focus is on working to support customers' Cloud-based business applications.

In order to meet these and future trends, Gamma aligns our organisation and focus at all levels to four key brand principals:

Evolve our:

Flexible solutions
Products, pricing and services that can adjust to the changing needs of clients and business.

Collaborative culture
Specialist expertise of business communications working in partnership with clients to achieve the right solution and provide ongoing support when it matters.

Connected communications
Sophisticated, dependable and secure products and services designed to help businesses succeed in the modern world.

End-to-end control
End-to-end control and technical integration for 'always-on' unified communications that give people the freedom to work wherever, whenever.

"We empower people. We give them the belief and ability to achieve more. What sets Gamma apart is how we work with people and not just what we sell to them."

A new strategy drives success

Our people have contributed to another year of excellent results.

I am pleased to report another excellent set of financial results for 2019 which demonstrates the efficacy of the strategy which we set out at the start of 2019.

As well as executing against our short-term commitments, throughout 2019, we focused heavily on planning and executing our medium and longer-term growth strategy for Gamma.

Both our Direct and Indirect channel businesses have continued to perform strongly, and throughout 2019 we were awarded several new multi-year customer and partner contracts. This has enabled us to strengthen both our contracted backlog and revenue and margin visibility, ensuring that we continue to benefit from a very high percentage of recurring revenue and margin.

We have continued to invest and strengthen our sales, service and delivery capabilities across Gamma, and our continued focus and investment on product development will deliver new and exciting product launches during 2020, including a cloudcentre offering. Development of a cloud contact centre offering is a frequent request from channel partners and end users and will open up a part of the market in the larger SME space. Supporting the success of our indirect channel partners is a priority, and we continue to develop and strengthen our self-serve partner portal, while ensuring that our digital platforms (Gamma Academy and Gamma Accelerate) enable our partners to create new opportunities, win market share and drive increased levels of revenue and margin.

The Gamma Academy delivered 19,992 training courses to channel partners during 2019 (2018: 16,602). Gamma Accelerate delivered a significant increase in marketing campaigns run by channel partners during the period with 870 of Gamma’s partners now actively using the platform (2018: 732).

We offer a product set which can be used by other businesses to reduce their carbon footprint and we are proud that we are certified CarbonNeutral©. Notwithstanding, we continue to work hard to reduce our energy consumption. We last monitored our CO_2 emissions between July 2017 to June 2018 which were 2,332 tonnes of CO_2. This was a reduction of 5% compared to the previous twelve months.

Revenue

£328.9m +15%

Gross profit

£166.5m +26%

Strategy

Our strategy has four key elements.

Evolve our strong Cloud telephony position into the Unified Communications as a Service ("UCaaS") market

We focus on the UCaaS market in the UK and Europe and this is expected to grow by 12% annually over the coming five years.

We continue to execute well in the UK and are one of the market leaders in both our core products of SIP and Cloud PBX. In SIP Trunking we have now increased our market share to 31% in the UK. In Cloud PBX, we have increased the number of seats from 435,000 to 522,000 which makes us the second in the market in the UK with a share of 11%.

As a first stage in building a broader UCaaS proposition, we launched a suite of Collaboration services in the first half of 2019. Gamma Collaborate launched as a fully integrated bolt-on to our market leading Horizon product and now has 9,000 users. We have also launched a new integrated Gamma call recording service and a Subscription Management Service, which allows partners to better manage their estate of seats on the platform.

In November we bought Telsis for £4.3m which brings additional development capability which will allow us to launch a fully integrated contact centre module into our UCaaS suite later in 2020.

In the Netherlands we have increased our number of Cloud seats to 22,000. We have made a binding offer for Voz Telecom in Spain which (if accepted by the shareholders) will give us 40,000 Cloud PBX seats in the Spanish market.

By growing our base of SIP and Cloud customers and developing new integrated modules we are able to upsell into our existing base as well as selling to end users who require more functionality.

Where enterprise customers require the functionality of Microsoft Teams, we have now launched a variant of our SIP product which is technically better suited to Teams and which has commercial wrap which will enable partners to sell SIP more easily alongside Teams. We also acquired Exactive in February 2020 which gives us the capability to deploy Teams into customers who require this solution.

Our strategy builds on Gamma's strong foundations and focuses on delivering long-term sustainable growth from a position of expertise and strength across our core products and markets.

Build on our Fixed and Mobile Telecom strength to differentiate our proposition from pure "Over the Top" players (OTTs)

As part of our detailed analysis of the marketplace and our long term strategy development during the year, we reinforced our view that being able to offer a fully integrated suite of connectivity products will be a key differentiator for us from other Cloud PBX providers who only offer an "over the top" software solution.

We continue to offer data access services (Broadband and Ethernet) in the UK and we ended the year with 111,000 Broadband circuits and 13,900 Ethernet circuits.

The Business focused Data services market is undergoing a change, driven by the investment in fibre services from the current large players, BT and TalkTalk, and new infrastructure providers such as CityFibre. This is effectively developing a model where services such as Fibre to the Premises ("FTTP") and Fibre to the Cabinet ("FTTC") can provide high bandwidth broadband services at a cost-effective price that will meet the requirements of the majority of SME businesses. Ethernet services will be used to support larger SME / Midmarket customers and they will move to higher bandwidth services which Ethernet offers to future proof their requirements. Gamma continues to work with BT, TalkTalk and other suppliers to ensure that we can offer a full suite of high bandwidth services to customers as the market evolves.

Some users will access our service over mobile data links (either in addition to or instead of fixed fibre). In the UK we have an agreement with Three UK and started a project to move to a new platform which will give customers increased functionality (for example 5G) but at a reduced cost to Gamma. We expect the new service to go live in early 2021 and for cost savings to be recognised towards the end of 2021.

In the Netherlands, we signed a long-term strategic partnership with T-Systems in December 2018 which has enabled us to strengthen our proposition and market position with both our direct customers and indirect channel partners. In the course of the first year we have added 7,000 mobile users.

Expand to Europe to gain continued growth and scale

We were disappointed with the performance of our Dutch business in the first half of 2019 as the announcement by the incumbent of the imminent closure of ISDN as a product resulted in revenues falling more rapidly than expected in this legacy part of the business. However, performance was better in the second half and our largest Dutch business (Dean One) continues to increase its Cloud seats and Mobile connections. Throughout 2019, we focused on strengthening both our product and partner proposition across the Dutch market. In order to provide additional scale and capability, we also acquired Nimsys in February 2019, which has performed particularly well, and we are also happy with the performance of Schiphol Connect.

As highlighted previously, we have made an offer to acquire Voz Telecom, which is the fourth largest Cloud PBX business in Spain (after the established telecoms providers such as the Mobile Network Operators "MNOs"). The acquisition of Voz Telecom will provide us with an important foundation within a key cloud growth market, which represents a key part of our European expansion strategy. Voz Telecom supplies c40,000 Cloud PBX seats which equates to a market share of c5%.

With an overall market size of c18m PBX seats (slightly smaller than the UK market) and a cloud penetration of only c5%, the Spanish market for Cloud PBX is forecast to grow rapidly in the future.

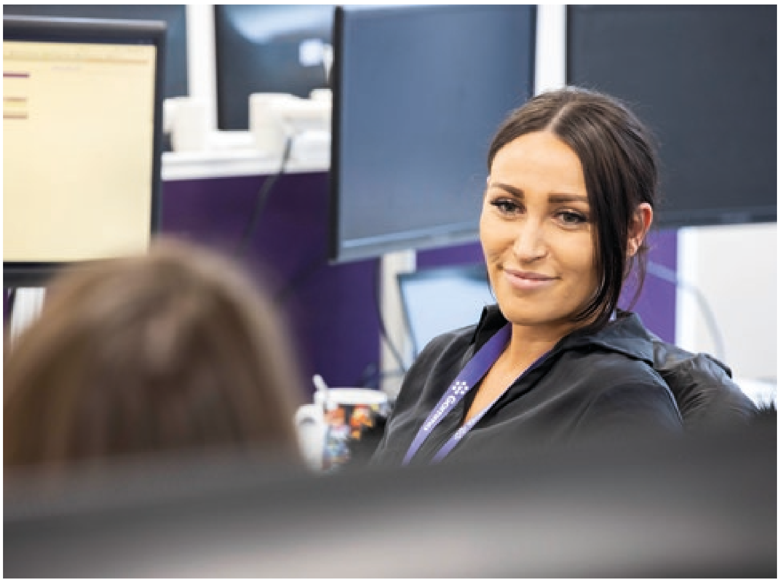
We continue to monitor and assess other acquisition opportunities in both the Dutch and Spanish markets, which will complement and strengthen our position in both countries. In addition, and as part of our stated strategy, we continue to assess acquisition opportunities in both the German and French markets, both of which are characterised with low cloud penetration levels and significant future growth potential.

We do not expect Brexit to affect our plans for expansion or, indeed, to have a materially detrimental effect on the existing business.

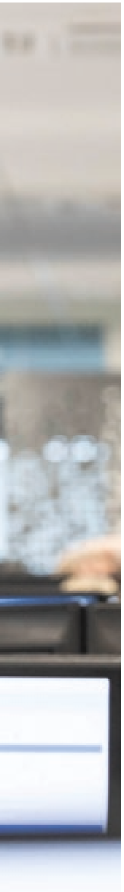
Continue to build on our digital capabilities to assure agility and sustain competitiveness

We continue to invest in key programmes which will enable our digital transformation.

Our strategic aim is to build a digital platform that will enable us to manage our business and to serve our customers more effectively and efficiently. The first objective is to scale and grow economically by taking as many manual processes out of our back-office systems.



We continued our expansion into Europe with Nimsys in the Netherlands and strengthened our UCaaS suite with the acquisition of Telsis.



The second objective is to maintain our position of being easy to do business with. We will build systems which will allow partners and end users to self order, provision and serve.

In 2019 we deployed Release 1 of the "Gamma Hub", our whole business digital platform that will underpin the continued rapid growth of our direct business. Release 1 is the foundation stage of a four-year programme that will transform us into a digital-first organisation and assure agility and sustain competitiveness through intelligent automation and customer self-serve.

In this release, we delivered a single customer support and ticketing platform supporting direct customers across all our market segments, and all our products and services, with a rich engagement and support tool allowing us to create deeper more meaningful relationships with each and every customer. In this release we also deployed a new customer CRM with market-leading sales and marketing automation allowing us to track, nurture and develop opportunities and customers, from our very first engagement, through to in-life support.

In 2020 we will be implementing Release 2, which will start to transform our customer delivery and service management processes creating one seamless and 'digitally connected' experience across the whole customer lifecycle. As part of this phase, we will be streamlining our operating model to lay the foundations for delivering a consistent, high quality yet tailored service experience at scale across all our customer segments.

People and diversity

During 2019, we surveyed our staff to understand the values which underpin Gamma as an organisation. We were delighted with the level of engagement and response from our staff, and that a number of common themes emerged across all groups of staff at all locations. We have distilled all of these contributions to agree Gamma's core Values:

Our values

- **Aim high**
- **Think differently**
- **Consider others**
- **Stronger together**

These values were launched in early 2020 as part of a companywide values program, which included a full brand refresh and the launch of our new Gamma websites. We also introduced a new company strapline "Working Smarter, Together" which seeks to sum up our aspirations as a business. In addition to this, we also refurbished our offices across Gamma with a particular focus on our Manchester and Glasgow offices.

Vision

Empower people to communicate and work smarter, together.

Mission

To provide straightforward Cloud Communications services for business, underpinned by a robust, secure network.

Working smarter, together.

Environmental considerations

We take our responsibilities to the wider environment seriously. As a business which is based on multiple sites, we encourage our people not to travel but rather to use our own collaborative communications tools which both reduces our carbon emissions and promotes employee wellbeing. One of our core values is "Consider Others" and as part of this we aim to reduce waste and to reduce our carbon footprint. We are conscious of our power consumption and seek to buy capital equipment which uses less power than the legacy items it replaces.

We are committed to social responsibility and embed this into our policies and practices.

Summary and outlook

I continue to be very pleased with the execution of both our short-term business objectives and our longer-term 2023 strategy, which we outlined during January 2019 – the business is in good shape and our outlook is positive. We have a robust business model with a high level of recurring revenue and margin, and we continue to stay focused on developing the products and services which enable our customers and our channel partners to be successful and win market share in their respective markets. We continue to see competition across all core market segments, including the UCaaS, data and mobile product areas, where we believe we will see continued price pressure. However, the quality and competitiveness of our products and the strength of our direct and indirect channel businesses provides confidence that we will continue to execute against our commitments.

Throughout 2020 we will build on each of our strategic pillars:

- In UCaaS we will strengthen our partner and end-customer proposition through the launch our fully integrated cloud contact centre module and continue to develop the roadmap for our UCaaS product suite.
- We will work with our strategic partners to deliver quality access technologies (ethernet, broadband and mobile) at competitive prices
- We will continue to build our business in the Netherlands and continue to look for additional opportunities to further develop our business across continental Europe.
- We will develop our portals internally and externally to give our customers and staff the best digital experience within our industry.

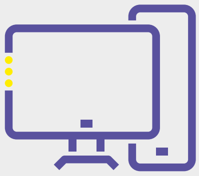
As a final point, I would like to personally thank our staff, partners and customers for their contribution and ongoing support. Our performance during 2019 has been strong, and we remain optimistic about Gamma's future growth prospects.

The Chairman's statement provides our current assessment of the impact of Covid-19 on our future performance.

Andrew Taylor
Chief Executive Officer

A strategy driven by an engaging culture

Cloud Telephony and UCaaS



Evolve our strong Cloud telephony position into the UCaaS market

Our focus

Having established market leading positions in both the SIP and Hosted PBX markets, our focus is to build on that position and take advantage of the emerging Unified Communications as a Service market. This requires us to add both team collaboration (Instant messaging, Video conferencing, Screen Share) and Multi-Channel customer contact products and services. In both cases these need to be integrated with our core Hosted PBX and SIP offerings, underpinned by our fixed and mobile network solutions.

Achievement

In April 2019 we launched our first full UCaaS service called Collaborate, which is integrated to our Horizon hosted PBX product. This service provides Horizon users the ability to set up conference calls, supported by video and screen share capabilities. In November we acquired Telsis which provides us with development capabilities required to build and support Multi-Channel customer contact services for the SME market.

Future Priorities

Our priority for 2020 is to launch a Multi-Channel contact centre solution integrated with our Horizon platform targeted at the SME market. We are also building on our development capabilities to assure a strong product roadmap for our UCaaS product portfolio.

Relevant KPIs:	2 8
Associated risks:	5 6 7

Fixed and Mobile Telecom

Build on our Fixed and Mobile Telecom strength to differentiate our proposition from pure OTTs

Our focus

In anticipation of the forecasted market shift from low end Ethernet to high speed Broadband our focus is on strengthening our Broadband proposition and adding value into these services. At the same time, we have to assure we are competitive in high speed Ethernet services. Whilst the mobile market is relatively flat, we anticipate significant disruption through the launch of 5G services and 'Unlimited' data bundles. This reinforces our decision in 2018 to move to a light MVNO model with an appropriate partnership model that allowed us to exploit this disruption.

Achievement

In November 2019 we announced the partnership agreement with Three UK that supports a smooth transition from our current operating model onto their 5G-ready network. Work is well underway to provide the technologies to effect this transition and establish the new operating model.

Future Priorities

Our priority in 2020 is to complete the implementation of the new operating model with Three and have commenced the migration of customers to the new platform. It should be noted that this is largely a background system process with minimal customer disruption.

We are looking to enhance our Broadband proposition during 2020 whilst assuring we are competitive for the provision of Ethernet services.

Relevant KPIs:	2 5 8
Associated risks:	5 8

Key to KPIs

1 Revenue
2 Gross profit
3 Gross profit margin
4 EBITDA
5 Cash
6 Cash generated by operations
7 EPS
8 Adjusted EPS

KPIs →
See pages 18-21

Key to risks

1 Information and cyber security
2 Operational – Unplanned service disruption
3 Customer service experience
4 Supplier
5 Market landscape
6 Legal and regulatory
7 Our people
8 M&A and climate change

Risks →
See pages 22-27

Company Expansion

Expand into Europe to gain continued growth and scale

Our focus

There are a number of large European markets where the adoption of Cloud communications services is at a much lower level of penetration than the UK. Whilst each country will have its own unique reasons for this, we believe that the advent of UCaaS and the shift to desktop and mobile applications for communication in all forms, will be a new and disruptive driver for the adoption of Cloud-based services. Our focus is to gain a position in relevant markets through acquisition and leverage of our UK experience to gain significant market share through organic and inorganic growth.

Achievement

Following the acquisition of the DX Groep in the Netherlands in 2018 we subsequently acquired Nimsys in February 2019. We also initiated a structured process to identify and prioritise potential acquisitions in three other markets.

Future priorities

We are focused on continuing to identify potential new acquisitions and conclude deals in the primary markets we are interested in.

Relevant KPIs:	2 5 6 8
Associated risks:	5 7 8

Digital Progression

Continue to build on our digital capabilities to assure agility and sustain competitiveness

Our focus

To ensure that we have straightforward sales, service management and product user interfaces which align with customer expectations and differentiate our overall proposition, whilst at the same time allowing us to optimise our operating model and grow efficiently.

Achievement

In March 2019 we launched a new Digital platform for our Direct business that supports the ordering and support of our services.

Future priorities

As we evolve our UCaaS products and services we are placing particular emphasis on building the appropriate design and development capability to assure these services have the most effective user experience for both channel partners and users of our services. We will continue to build out our digital platform for our Direct business enabling us to scale effectively and align with our customers' service management requirements.

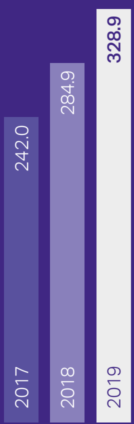
Relevant KPIs:	1 3 6 7
Associated risks:	2 5

Key performance indicators

The assessment of our KPIs, their link to our strategy, movement in the year and their progression is described in the table below.

Revenue (£m)

£328.9m



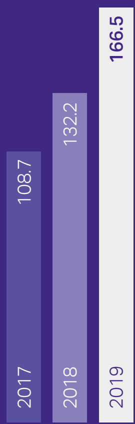
Definition
Revenue from sales made to all customers (excluding intra-group sales which eliminate on consolidation).

Progress
Revenue has grown by 15% year on year as a result of strong growth in our key products in the UK of SIP Trunking (units increased by 19%) and Cloud PBC (units increased by 20%).

Outlook
Growth.

Gross profit (£m)

£166.5m



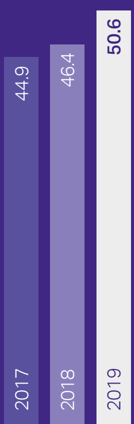
Definition
Revenue less cost of sales.

Progress
Gross profit has continued to grow as a result of increased revenue and efficiencies achieved as a result of building our digital capabilities such as the new Digital platform for the direct business that supports ordering and support of our services.

Outlook
Growth.

Gross margin (%)

50.6%



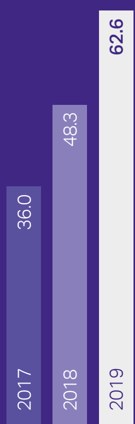
Definition
Gross profit as a percentage of revenue.

Progress
Revenue has grown by a larger amount than cost of sales.

Outlook
Continued growth but expected to slow as the product mix of strategic and enabling versus traditional tends to an equilibrium.

EBITDA (£m)

£62.6m



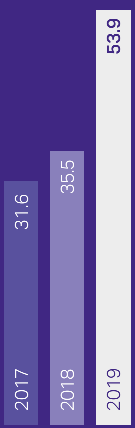
Definition
Earnings before interest, taxation, depreciation, gains and losses on disposal of fixed assets and amortisation, but after exceptional items.

Progress
Exceptional items related to contingent consideration adjustment for Nimsys which is performing above original estimates.

Outlook
Continued growth.

Cash (£m)

£53.9m



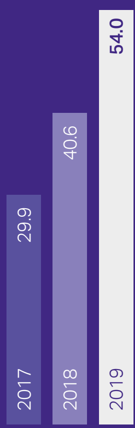
Definition
Cash and cash equivalents held at the end of the year.

Progress
Gamma continues to maintain a high cash level while exploring opportunities for expansion.

Outlook
The Group intends to maintain a cash balance at this level subject to any acquisition opportunities that may arise.

Cash generated by operations (£m)

£54.0m



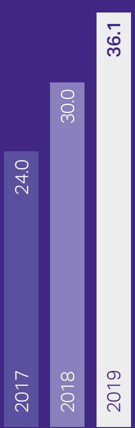
Definition
Net cash flows from operating activities before tax.

Progress
Operational cash flow has continued to increase.

Outlook
Expected to grow in line with EBITDA – cash conversion is expected to remain strong.

EPS (p)

36.1p



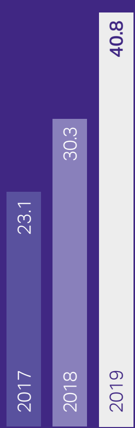
Definition
Earnings after tax divided by the fully diluted number of shares.

Progress
The increase in earnings is as a result of increased revenue and greater efficiencies in margin.

Outlook
Expected to grow in the absence of any unforeseen events.

Adjusted EPS (p)

40.8p



Definition
Adjusted earnings after tax divided by the fully diluted number of shares.

Progress
Adjustments to earnings include in the current year amortisation arising on business compensation, exceptional and related tax benefits.

Outlook
Continued growth.

Performance metrics

The assessment of our KPIs, their link to our strategy, movement in the year and their progression is described in the table below.

Number of hosted seats ('000s)

522

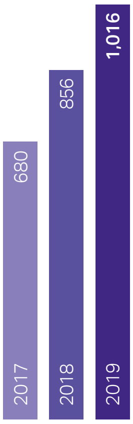
Definition
Number of billed seats at the end of the year on all of the Cloud PBX products.

Progress
We have achieved growth from prior year as planned.

Outlook
Continued growth.

Number of SIP channels ('000s)

1,016



Definition
Number of billed SIP channels at the end of the year.

Progress
We have continued to grow our number of SIP channels during the year

Outlook
Continued growth.

Network availability (%)

99.997%

Definition
Availability of strategic platforms.

Progress
The network has continued to have strong availability throughout the year.

Outlook
Similar.

R&D spend (£m)

£11.3m

Definition
The sum of research costs expensed through the statement of comprehensive income and capital expenditure on development costs in intangibles during the year.

Progress
We have continued to invest in research and development.

Outlook
Continued investment.

Direct customer profile

199

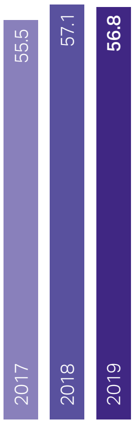
Definition
Number of direct customers generating monthly revenues of above £5,000 at the end of the year.

Progress
We have increased the number of direct customers generating monthly revenue of above £5,000.

Outlook
Continued growth.

Indirect strategic and enabling as a percentage of total revenue (%)

56.8%



Definition
Revenue from strategic products (Inbound, SIP Trunking and Cloud PBX) and enabling products (Ethernet, Broadband and Mobile) within the indirect business (the main revenue segment) as a percentage of total revenue.

Progress
Overall revenue has grown; we have grown our key products in the UK of SIP Trunking by 19%.

Outlook
Growth.

Net Promoter Score Direct (%)

41%

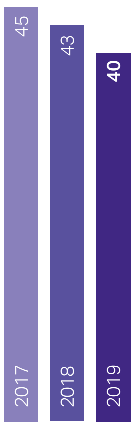
Definition
The Net Promoter Score of a random selection of direct customers measured quarterly and averaged over the year.

Progress
We continued to maintain a score above 40%, which is considered a “good” score.

Outlook
Similar.

Net Promoter Score Indirect (%)

40%



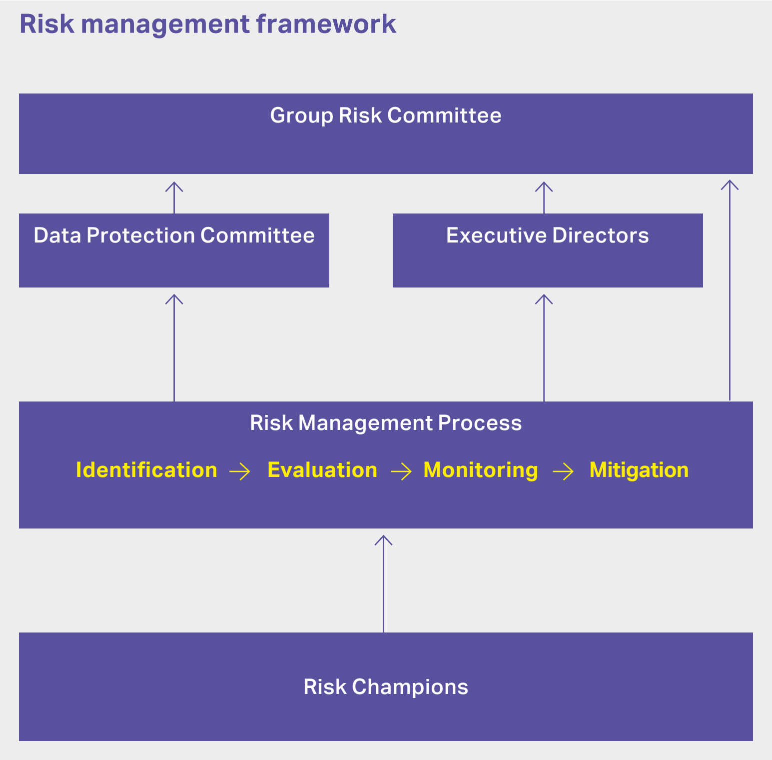
Definition
The Net Promoter Score of a random selection of indirect customers measured quarterly and average over the year.

Progress
We continued to maintain a score above 40%, which is considered a “good” score.

Outlook
Similar.

Understanding the risks that affect the Group

This section describes the principal risks that could have a material adverse impact on the Group and how those risks are identified, evaluated and managed.



How we manage risk

Gamma operates a robust and well-established structure for the management of risk in each area of its business. This process includes the identification, evaluation and scoring of risks based on the likelihood of occurrence, the potential impact, and the adequacy of the mitigation or control actions in place. Each generic area of risk has clearly assigned accountability within the senior leadership team with reporting lines to the CEO and ultimately the Board.

A risk register is maintained which includes all identified risks, their scores, prioritisation and the status of existing controls and mitigations and further actions in progress. Risk management happens at multiple levels within the organisation, supported through a network of nominated people we call 'Risk Champions'. These people are actively encouraged to identify and assess risk across the business and this structure, coupled with the 'top-down' governance enables a business-wide approach to the way the Company manages risk. In this way, a culture of risk awareness and risk management is embedded throughout the organisation.

Our risk governance

The Board has overall responsibility for the establishment and oversight of the Group's risk management framework, for ensuring that an appropriate risk management culture exists within the organisation, and for ensuring the effective identification, assessment and management of individual risks.

In order to assist in this process, with respect to non-financial risk, the Board has established a Group Risk Committee under the Chairmanship of Martin Lea, Independent Non-Executive Director. In addition to its Chairman, the Risk Committee comprises the Company's Chairman, two independent Non-Executive Directors, the CEO and the Group Operations Director. It generally meets quarterly or as otherwise required. The main tasks of the Risk Committee are to:

- ensure the Company has an appropriate and effective risk management and control system;
- ensure that there is a system in place for scanning the environment for new risks; and
- determine the nature and extent of the principal risks and agree with management how they will be managed or mitigated.

Reporting to the CEO and ultimately the Board, the senior leadership team provides executive level governance of the risk management framework and the associated prioritisation of risk mitigation activities. In addition to this, a subset of the senior leadership team forms a 'Data Protection Committee' with a specific focus on risks related to information security and obligations under the GDPR. This committee meets quarterly to assess the current and future risk profile associated with our strategy and other external factors.

Gamma utilises certified frameworks for the management of risk related to information security (ISO 27001), business continuity (ISO 22301) and environmental management (ISO 14001).

Gamma has a series of policies regarding anti-corruption/anti-bribery, human rights and wider environmental and social matters; but the Board does not consider there to be significant risks in these areas. There is also a whistleblowing policy in place.

The risk management process

Within the Risk Management Governance Framework, Gamma has a well-established process for managing risk. The process follows four simple steps.

- **Identification** – Risks can be identified at every level within the organisation and simple online templates are available with supporting guidelines.
- **Evaluation** – Enables the initial potential impact assessment, the likelihood and proximity and subsequent priority of a risk.
- **Monitoring** – Ongoing review and re-evaluation of a risk, with the frequency determined by the relative impact, likelihood and proximity.
- **Mitigation** – Risk owners are assigned and action plans developed and implemented. Robust risk mitigation strategies are subject to regular and rigorous review.

The Risk Committee undertakes a quarterly review of the risk register and in particular the number and status of the principal risks and progress with the implementation of any mitigation plans. In addition, the Committee receives reports on any material incidents, their root causes and mitigating actions; the results of regular cyber security related testing; and updates from the Chief Information Security Officer and other members of the senior leadership team.

Risk appetite

The Company's risk appetite is reflected in the way it assesses, scores, ranks and then manages individual risks.

As a service provider which provides mission critical services to business customers, the Company has a very low risk appetite for anything that could severely disrupt the level and quality of service provided to its customers, or that could give rise to regulatory or legal risks or that could result in a material level of reputational risk.

As a commercial organisation the Company understands that it must accept and then manage certain levels of risk associated with planned growth. This primarily means accepting the inherent risks in taking on large commercial contracts, moving into non-UK geographic territories, making acquisitions and continuing to develop and introduce new products. As the Company continues to build its experience and that of its people, then the level of risk associated with any particular growth initiative will naturally reduce.

Our principal risks and how we mitigate them

The assessment of our principal areas of risk, their link to our strategy, movement in the year and how we seek to mitigate them are described in the table below.

Information and cyber security

Risk impact:	High
Change on prior year	↔
Relevant strategy:	1 3 4

Description
By its very nature, our network infrastructure provides customers with open access to the internet and global voice networks. As such there is a risk from cyber threat and telephony fraud, as well as to the physical infrastructure. Over the last few years the profile around cyber security has changed significantly, including the introduction of GDPR regulation and its associated controls.

Potential impact
A breach of security could have a significant impact on the Group's reputation and in some cases also impact its commercial position. Potential fines could also be enforced if the Company was found to be in breach of its obligations relating to the GDPR.

Mitigating actions
Gamma continues to adapt its governance structure to ensure best practice is followed in the identification and management of information and cyber security risks. This includes: increased frequency and broadened scope of both routine and bespoke penetration testing; mandated cyber security training for all our employees; dedicated security roles to track how cyber threats are evolving and are best detected; and Board visibility of the 'health' of the governance structure.

The Company is represented in various Industry forums to ensure we are fully aware of new areas of risk, methods employed by malicious actors and best practice in the identification and mitigation of risk.

The Company's fraud management applications aim to identify unusual voice traffic patterns quickly and we have a 24/7 operational capability to then assess and mitigate the risk.

Gamma's core infrastructure and operating capability is certified under ISO 27001 for security.

In response to the changing profile of information and cyber security risk the Company has recently adapted its governance structure to include a 'Data Protection Committee' which provides senior leadership team oversight of the principal risks in this area.

Unplanned service disruption

Risk impact:	High
Change on prior year	↔
Relevant strategy:	1 2 4

Description
Reliable, high-quality voice and data services are critical to any business and are the core components of Gamma's products and strategy. Therefore, maintaining very high levels of service availability is central to its credibility, competitive positioning, and its financial performance. This is particularly so as it serves the business market.

Potential impact
If Gamma's network and systems perform below the market expectations then this could have a direct impact on product and revenue growth through reputational impact and could also result in increased operating costs.

Mitigating actions
Gamma operates a comprehensive operational governance framework to manage the availability and performance of its services. This includes the design and architecture of the network, product platforms, capacity planning, change management, security, and business continuity planning and rehearsals, incident management and monitoring. This structure is subject to external audit via our ISO 27001, ISO 22301 and ND 1643 certifications.

There is a mature Incident Management process that is rehearsed on a regular basis. This capability is available 24x7x365 and ensures that we can immediately respond to events that may impact the performance of the services we provide to our customers.

The Company has established an Emergency Communications Committee as part of the communications process which is initiated during any major service incident. This committee ensures that the Company maintains effective communication both internally and externally with customers, suppliers and where necessary the media and regulatory bodies (the latter supported by specialist agencies). This process is rehearsed at least once a year.

Key to strategy

1 **Cloud Telephony and UCaaS**
Evolve our strong Cloud telephony position into the UCaaS market

2 **Fixed and Mobile Telecom**
Build on our Fixed and Mobile Telecom strength to differentiate our proposition from pure OTTs

3 **Company Expansion**
Expand into Europe to gain continued growth and scale

4 **Digital progression**
Continue to build on our digital capabilities to assure agility and sustain competitiveness

Our strategy →
See pages 16-17

Key to change in risk profile

↑ Risk profile increase year on year

↔ Risk profile no change year on year

↓ Risk profile decrease year on year

Risks →
See pages 22-27

Customer Service Experience

Risk impact:	**High**
Change on prior year	↔
Relevant strategy:	1 2

Description
Communications services are critical to business customers. Maintaining an exceptionally high-quality overarching customer service experience is critical to Gamma's reputation, competitive position and ongoing financial success. This includes as examples: the ability for our channel partners and direct customers to easily place orders; to activate services on time; and to be able to access effective administrative or technical support quickly and easily, with all aspects increasingly taking advantage of the available digital platforms and user interfaces.

Potential impact
Delivering poor customer service has two potential impacts: firstly, on the Company's ability to sustain and grow revenues; and secondly, dealing with failure increases the costs of the support operation.

Mitigating actions
Gamma has a comprehensive service development strategy that captures customer feedback and seeks to best align the support interfaces (system and human) with the needs of customers. This strategy delivers tools to put customers in control, digital training material and specific customer service training for customer support teams. The objective is to eliminate any cause of frustration and ensure any customer interaction is as straightforward as possible.

In terms of governance, there is a monthly Operational Review chaired by the Chief Strategy and Operating Officer that reviews performance across all parts of the business. This forum has its own action register to track through any improvements highlighted.

Supplier

Risk impact:	**Moderate**
Change on prior year	↑
Relevant strategy:	2 3

Description
The business relies on a number of key suppliers to provide elements of its products and services. For example, access circuits purchase from other operators to connect to customer premises, and equipment from various hardware and software suppliers that facilitate the provision of Gamma's services.

Potential impact
Failure of one of these suppliers to perform may have an impact on our ability to deliver products and services within the UK and European markets.

The risk profile has increased year on year, due to the strategic plans to expand into Europe. Through this expansion, there is a high likelihood that the number of key suppliers will increase to grow within new geographies.

Mitigating actions
Where possible, the business avoids reliance upon a single supplier for a particular element of its service proposition and governance is in place to ensure key supplier contracts have appropriate clauses in place to assure their performance. Suppliers of important services are monitored carefully and are subject to regular operational reviews which include adherence to Gamma's information security requirements and broader service KPIs. The Risk Committee reviews the most significant risks and the status of related mitigation projects quarterly.

Market landscape

Risk impact:	Moderate
Change on prior year	↔
Relevant strategy:	1 2

Description
New entrants or existing service providers could extend or improve their product capability to compete directly with Gamma's products and services. The communications market is constantly evolving both in terms of the available technologies and also in terms of how people prefer to purchase certain products.

Potential impact
Growing competition may dilute the addressable market, and slow down the rate of growth. If the Company does not at least keep pace with the evolving market then our plans for revenue growth may be negatively impacted.

Mitigating actions
We aim to provide products and supporting services which are more attractive to our customers than those of our competitors. The planning, development and marketing of products and customer service that Gamma provides are closely aligned to the evolution of market demand and of relevant technologies.

The Company periodically undertakes a major strategy review, across products, new and current markets and geographies, the overarching objective of which is to ensure we remain competitive in our key markets and to identify new opportunities for further growth in terms of markets, products and service experience.

Legal and regulatory

Risk impact:	Low
Change on prior year	↔
Relevant strategy:	2 3

Description
The UK's telecommunications sector does not have a 'licence' requirement; it operates under a General Authorisation regime whereby, in combination with relevant UK and European statute, the sector's regulator outlines the required compliance which is presumed from telecommunications companies such as Gamma. Our activities can be impacted by the decisions of relevant legislative, regulatory or judicial bodies both domestically and in the European Union.

Potential impact
The primary potential impact of new decisions would be changes to buy and sell prices for products and the processes Gamma uses for some transactions e.g. when customers switch providers. Should these activities be found to be in breach of the requirements of our General Authorisation, the primary impact would be the cost of negative publicity and any financial penalty levied.

Mitigating actions
Gamma mitigates this risk by continuing to monitor likely legislative or regulatory changes; assessing their risk and potential impact, and regularly engaging with regulators as appropriate.

Our people

Risk impact:	Low
Change on prior year	↔
Relevant strategy:	1 2 3 4

Description
The business has grown rapidly over the last few years, and so far has experienced low staff turnover, and generally has been able to develop or recruit the number and quality of staff required to support our strategic development.

There is a risk to continued growth, product portfolio expansion, and entry into new markets, if the business cannot attract, develop, and retain people of the required skill and experience.

Potential impact
Loss of key individuals or an inability to recruit the required quantity or quality of people could have an impact on the future growth of the business or the quality of services provided.

Mitigating actions
We have a well-established team and a reputation for being a good employer. For example, in 2019, Gamma came 87th in the 'The Sunday Times Top 100 Best Companies to Work For' ranking. This process involved a comprehensive staff survey, the feedback from which is actively reviewed and addressed by the senior management team. The Company is also committed to the People Agenda, with focus on development and leadership programmes, succession planning as well as effective employee engagement initiatives. Furthermore, we have a collaborative culture and a well-defined set of people-oriented values that help to make us an attractive employer.

M&A

Risk impact:	Moderate
Change on prior year	↑
Relevant strategy:	3

Description
Acquisition of new businesses, particularly those in different countries introduces both financial and operational risk. These can arise, for instance, through incomplete due diligence, management distraction, failure of acquired businesses to deliver to their forecasts, misunderstandings due to differing languages and cultures.

Potential impact
These could include: failure to achieve expected financial performance; operational problems which could create reputational damage; distraction of management so opportunities are lost in the existing business.

Mitigating actions
In order to reduce the risks associated with acquisitions: pre-purchase, Gamma applies adequate specialist resource to due diligence, negotiation, and contractual preparation; post-purchase, adequate resource is applied to integration and strategic direction of the acquired business; and brings it under the main governance control processes.

Climate Change

Risk impact:	**Low**
Change on prior year	↑
Relevant strategy:	**n/a**

Description
Climate change has both immediate effects and progressive, long-term effects on the risk profile of businesses. Short-term effects include the increasing frequency of extreme weather events (wind/rain/flood); they may include step changes in costs (taxation on emissions); and will mean that certain sectors of industry find their business models difficult to sustain.

Potential impact
The impact of climate change risks on Gamma is assessed as low. Extreme weather risks are mitigated via existing resilience plans. Gamma's energy costs are a small proportion of its costs and likely regulatory interventions are seen as manageable. The progressive effects on certain industry sectors are not expected to have a material negative effect given the diverse nature of Gamma's customer base. In fact, overall climate change is believed to be an opportunity for Gamma since its products will help customers avoid travel.

Mitigating actions
Gamma already has business continuity plans in accordance with ISO 22301. For instance, Gamma has provided laptops to all staff with a secure connection to the corporate network. Internal systems such as email, network monitoring and customer support tools are available to staff when working remotely. Weather forecasts are monitored closely and in the event of extreme weather, communications procedures are initiated to notify all staff. Gamma has also installed back-up generators at key network and customer support sites to mitigate the risk of power cuts.

Transitory risks

The following are viewed as transitory risks which carry a potential impact to the business as opposed to permanent risk features, and as such not included in the main table, however Gamma believe they are important to comment upon.

Covid-19

The Covid-19 virus has had an impact on economic activity.

The impact could include delays and suspension of hardware supply chain (certain computer or telephone hardware is supplied to customers as part of certain product packages). Suspension of the hardware supply chain would limit new sales of these packages, but would not affect Gamma's ability to provide communications services to existing customers.

If a major outbreak occurred in the UK: staff may be required to self-quarantine at home; staff may be lost or become sick for extended periods; and volumes of new sales may be restricted because Gamma staff and its resellers' staff are unable to meet customer staff.

Gamma is certified to the ISO 22301 business continuity standard and as such the business is fully prepared for site closures and remote working should this be required and as such Gamma views the risk of any disruption to customer services as minimal. Gamma is also working closely with technology partners to assure continuity of hardware supply across our products and services.

Brexit

Gamma's main exposure is to the possible reduction in overall UK economic activity. In 2019, extra hardware stock (for supply to customers with certain product packages) was acquired ahead of the anticipated 'hard Brexit' dates.

The risk impact included in the above tables are described as if no mitigating actions are taken.

Connected communication solutions

We supply a broad range of simplified communications and software services to small, medium and large sized business customers, both through our large network of channel partners and direct.

Proportion of sales

70%

UK Indirect

Our primary route to market, the channel, is at the heart of what we do. Providing services to channel partners, with the partner owning the end customer contract and the relationship.

25%

UK Direct

Gamma supports a number of direct customer relationships, focusing on customers where they are looking for a contract with the network operator. The UK Direct business supports the requirements of Enterprises, Mid Markets and Public Sector organisations.

5%

Overseas

This division consists of sales made in the Netherlands, by DX Groep B. V. and its subsidiary companies. We provide services to both channel partners and directly to the end customer.

UK Indirect

Revenue:
£230.1m
+9.3%

In 2019 Gamma's indirect business has shown robust growth in margin, units, and market share for key service areas of Cloud PBX, SIP Trunking, and Connectivity. Revenue increased by 9% to £230.1m in 2019, and gross profit rose to £119.1m in 2019, an increase of 22%. Gamma remains well placed in a competitive market as our revenue and costs are spread across a spectrum of services, not just connectivity. This approach means re-sign rates remain high, and churn is stable across both Ethernet and Broadband, while creative pricing has driven gross adds.

Our partners are beginning to provide greater integration of these services for their end users, and this will continue in 2020. Gamma is uniquely positioned to provide some of these integrations ready-made, with access to APIs across the product set where modular consumption is preferred.

The Gamma Portal continues to be a key differentiator, making us first choice within our partner community due to the high level of control and ownership it provides. We have expanded the content and capability of our eLearning ("Gamma Academy") and eMarketing ("Gamma Accelerate") platforms. The Gamma Academy, provides partners with a comprehensive set of support, training and product tools. Individuals in the channel community undertook over 19,992 courses in 2019, an increase on over 16,000 in 2018. The Gamma Accelerate portal allows partners to access and customise marketing material, generate new leads, and engage with prospects and customers. In 2019, more than 800 partners used the system, and there was a 10% increase on 2018 for marketing campaigns run.

Our partner programme has grown to over 60 partners across both Gold and Platinum tiers and we continue to evolve the programme whilst protecting its exclusivity. In 2019 we launched Technical Alliance programme to reward partners commitment to Gamma for their chosen products and to ensure that relevant support and provisioning staff are fully trained, qualified and engaged.

We are particularly pleased to have increased our market share of SIP Trunking services again in 2019. Approximately 30% of orders have taken the supplementary "SIP Trunk Call Manager" service adding valuable Cloud-based call management features to complement the connected voice services. We also began trials of our fully integrated Microsoft Teams Direct Routing capability, enabling partners to monetise the SIP and call bundle opportunity within the rapidly growing Microsoft Teams community.

Sales of our Cloud PBX product, Horizon, have remained strong in a marketplace that now has over 100 vendors catering to the SME customer. Gamma's scalability, easy to use digital portals and end-to-end proposition enable it to compete in a market where barriers to entry have fallen dramatically. In 2019 we launched our UCaaS service, Collaborate, which exceeded our expectations with a 7% attachment rate on new orders. Following the acquisition of Telsis in November, we aim to enhance this UCaaS capability throughout 2020, and expect its impact to be an increase in average customer size on Horizon.

We have seen operational efficiencies following the roll out of new regional based account management teams; account manager locations now match their partner base, promoting both time and environmental efficiencies. For the third consecutive year, we have seen a decrease in the number of accounts per head giving each account a more tailored approach.

Looking ahead, we are uniquely positioned to increase market share across our product lines, with Mobile representing an immediate opportunity to continue the strong net growth we have seen. The focus for the indirect channel continues to reflect our core strategic objectives: building out our UCaaS proposition differentiated by fixed and mobile capabilities; and enabling our partners with an evolving set of digital platforms to help them grow their business. This will drive our success as we deliver disruptive, high-quality propositions in existing and targeted new markets.

Daryl Pile
Managing Director – UK Indirect

"The continued success of Gamma's indirect business unit reflects that over 1,000 partners in our channel community decide to place their business with us, something we will never take for granted. We continue to enable our partners through intuitive portals and APIs, whilst ensuring that our service portfolio, development roadmap, and acquisitions drive the value of our channel partners, businesses and Gamma."

Gross profit
£119.1m

Increase
+22.2%

Key channel partners we work with:

- Arrow
- Maintel
- Southern Communications
- Focus Group

UK Direct

Revenue:
£83.6m
+17.9%

Our direct business continues to grow, contributing revenues of £83.6m (2018: £70.9m) and gross profit of £38.2m (2018: £32.8m), up 18% and 17% respectively. We achieved good growth across all our market segments, but our focus on larger customers saw our revenue from the Enterprise business grow by 30%.

We achieved another strong year of contract award, securing £92.3m in 2019, slightly down on 2018 which was swollen by a single large contract. The most pleasing aspect of this order performance was that 36% can be attributed to customers adding more products or services to their existing agreement, demonstrating a high level of customer satisfaction and our focus on cross-selling new products and services to our current customers.

As a customer-centric organisation, the happiness of our customers is everything to us. During 2019 our average Net Promoter Score remained at 41% which is a testament to this effort and focus, and a key factor in why we also re-secured some £27.4m of contracts with existing customers including our very large financial institution which extended and expanded its managed SIP platform and for a further 30 months.

As planned, we launched The Gamma Hub in early 2019 our end-to-end digital platform which has dramatically improved customer engagement. Further releases are scheduled for 2020 that, when deployed across our direct business will provide a single end-to-end system providing customers with a leading digital experience and greatly simplify our delivery and support models.

Enterprise – It has been a good year for the Enterprise business unit with a strong year of sales growth securing £41m of new contracted revenues with leading organisations such as Inchcape plc and David Lloyd for data services and BUPA for UCaaS services. This momentum was primarily due to our Managed Service model that provides customers access to both the latest technologies, such as UCaaS and SDWAN, while complemented with solutions that are optimised, managed and tailored at scale. In addition, we were delighted to re-sign several managed services contracts for further business, including international sandwich shop chain Pret a Manager who extended and upgraded their extensive data network with us for a further 36 months.

Public Sector – We successfully awarded access to the Crown Commercial's Network Services 2 framework (RM3808) for all ten lots that that were applied for. This will allow us to continue to supply the UK public sector with all Gamma's data, voice or mobile services, by either direct award or via a competitive tender process. We additionally became accredited suppliers on Crown Commercial G-Cloud 11 for UCaaS, CCaaS and SIP Services. Despite the challenging backdrop of Brexit, the original network services framework expiry and general budget uncertainty in the sector, our focus on central government provided positive returns with key contract awards, including HMRC and Public Health England who both selected Gamma for large-scale SIP deployments, and the HM Land Registry also awarded us their inbound services. We also had a good proportion of new contract wins across NHS Health, Education, Local government and the Social Housing Sector.

Mid-Market – In the mid-market growth has also been strong and 2019 saw us continue our strategy of focusing on the upper end of the SME market, although this creates a longer sales cycle, contracts awarded are larger, for longer duration and are for typically for multiple products or services. To this end, our team secured new multiyear SIP contracts with Hogg Robinson and Heathrow Airport, International Law firm Hill Dickenson, selected our Microsoft Team Direct Routing service to support their UCaaS deployment. Looking after customers is our passion, and when they re-sign or, better still, expand their agreement with us this is testament to the service we provide. To this end, Hidden Hearing and an existing voice customer awarded us a multiyear contract to connect its 300 sites with data and voice services.

The Loop – Our Manchester fibre network, The Loop, has continued to expand its fibre presence across the Greater Manchester region and now connects more than 70 commercial multi-occupier buildings as well as all of the leading data centres. The network now stretches over 87km through the commercial centres of Manchester, Trafford and Salford with more than 187km of fibre cabling. It is a strategic provider of critical infrastructure to a number of leading organisations in the private and public sector, including Equinix, Peel, the NHS and Manchester City Council and 2019 signed a consolidated five-year contract with MCDA, Manchester City Council's Media Assets holding company to provide fibre and internet to Sharp, Space Studios and the new Arbeta building.

David Macfarlane
Managing Director – UK Direct

"We continue to grow our presence in a challenging market. This is down to a combination of our market-leading products and services combined with our excellent and consistent customer service. Year over year, our existing customers are contracting more and more of their communications estates with Gamma."

Gross profit
£38.2m

Increase
+16.5%

Customer examples

HMRC
Hidden Hearing
BUPA
Pret a Manger
JISC

Overseas

Revenue:
£15.2m
+347.1%

DX Groep
2019 proved to be a transitional year for the DX Groep. In February, the acquisition of Nimsys was completed. Nimsys specialise in offering IT and telecommunication services to the multi-tenant building sector and their customers include the likes of Spaces and HNK. Nimsys adds market breadth to the group in a rapidly growing sector. Our overseas group has contributed £15.2m to revenue in the year and £9.2m to gross profit.

Nimsys
Since the acquisition of Nimsys in February, the company has shown strong organic growth. There were two clear reasons for this; the first is the strong market sector growth for multi-tenant buildings, and the second is the success and growth rate of one of its larger customers across the Netherlands. Looking ahead into 2020, continued growth is expected in both these areas driven by the lack of office space in and around Amsterdam.

Focus for 2020 will be on continued growth and on the integration with Schiphol Connect.

Schiphol Connect
2019 was a strong year in terms of performance for Schiphol Connect. We continued to perform well, building on offering high availability and value-added services to its customer base. This was driven by a number of factors;

Firstly, the migration of customers, voice services from another service provider to a Dean One offering assured cost efficiencies across the group. Secondly, the team were successful in winning a number of large international customers.

Focus for 2020 will be on the integration with Nimsys (as above), with key consideration given toward how best to rationalise suppliers, service our customers and grow our footprint.

Dean One
During the year, Dean One's growth was affected by the ISDN switch-off in the Netherlands, which impacted the first half performance and resulted in an impairment on the intangible assets recognised on acquisition.

On a positive note, clear progress has been made in developing the Cloud PBX offering. It has a brand-new look and feel user interface, plus a much richer feature-set; however, much of the work has been centred around making the platform technically able to support much faster deployment of additional features (which bodes well for future releases). This new service was launched to the wholesale partners in January and Q1 will also see it Retail-partner ready. Additional features will be added as we head further into 2020, development priorities being led predominantly via the Channel and end-user feedback, including highly anticipated Unified Communications features.

Additionally, the launch of the wholesale T-Mobile offering in February has been a big success. Business partners were looking for an alternative to KPN, since they ceased their activities with their challenger brand Telfort. The propositions sold are very similar to the T-Mobile @work portfolio, which has a competitive price point in the business segment with the option that traffic for both voice and data is included to the USA.

2019 was communicated as the year that the incumbent operator (KPN) planned to switch-off 'lower capacity ISDN' circuits.

This meant that all providers/partners who sold this service had to find an alternative voice service for their customers. In Dean's case, this was a rather large number of customers. The challenge here is the plan and path taken to deal with these customers and partners. Whilst many customers took the migration to Cloud option, many (particular the smaller businesses) have remained passive. Whatever the outcome, it's fair to say that the migration to another service has been much more difficult than expected, not just for Dean One, but also for other service providers in the market.

2020 will see Dean One build on its rather unique mission, which is 'To accelerate the productivity and success of the SME workforce and its business partners. Always going the extra mile to provide communication and collaboration services that are tailored to the user's needs and stand out in technical reliability, simplicity and user friendliness.

Willem van Ingen
Managing Director – Dean One

"We are pleased to have completed our first full year as part of the Gamma Group. We have successfully acquired Nimsys which adds market breadth to the group in a rapidly growing sector."

Gross profit
£9.2m

Increase
+384.2%

Customer examples

Nederlandse Publieke
Interxion
Welcomm

Andrew Belshaw
Chief Financial Officer

Financial performance

Revenue
£328.9m +15%

Gross profit
£166.5m +26%

EBITDA
£62.6m +30%

Cash generated by operations
£54.0m +33%

EPS (fully diluted)
36.1p +20%

Adjusted EPS (fully diluted)
40.8p +35%

Another year of strong financial performance for Gamma.

Gamma has performed well during the year, increasing revenue by 15% to £328.9m and gross profit by 26% to £166.5m. This strong performance across all areas of the business. This has resulted in EPS of 36.1p, an increase of 20% from the prior year.

Revenue and gross profit

UK Indirect

	2019 £m	2018 £m	Increase
Revenue	**230.1**	210.6	+9.3%
Gross Profit	**119.1**	97.5	+22.2%
Gross Margin	**51.8%**	46.3%	

Revenue from the UK Indirect business grew from £210.6m to £230.1m (+9%) and gross profit grew from £97.5m to £119.1m – an increase of £21.6m (+22%).

Within the UK Indirect business, the gross profit from the traditional business (which includes calls and lines and trade with other carriers) has seen a slight increase from the previous period which is contrary to the trends seen over the past few years. The call and lines part of the business continues to decline but Gamma is now providing IP telephony services to other carriers which is offsetting this.

We group our data, mobile, SIP and Cloud PBX products as our "growth" products and revenue from growth product sales increased from £162.7m to £186.5m (+15%) and gross profit grew from £85.6m to £106.7m (+25%). The gross margin grew from 53% to 57%, which reflects the fact that the main contributors to this growth were SIP Trunking and our Cloud PBX product (Horizon) which have higher margins than other products. Despite price pressure in Cloud PBX, margins are holding up due to fewer calls being used within bundled offerings.

UK Direct

	2019 £m	2018 £m	Increase
Revenue	**83.6**	70.9	+17.9%
Gross Profit	**38.2**	32.8	+16.5%
Gross Margin	**45.7%**	46.3%	

The UK Direct business continues to grow strongly. The growth was mainly attributable to sales to Enterprise customers increasing by £8.3m. Mid-Market revenue increased by £2.4m and Public Sector grew by £2.1m. This business continues to move from selling to smaller customers to larger enterprise businesses and public sector customers on multi-year deals. The order book remains strong with significant customer wins anticipated in the second half.

The gross margin fell slightly because the margin on larger customers tends to be lower and also more of the new business wins have a higher proportion of access sales (typically Ethernet) which has a lower margin than the voice applications suite of products.

Overseas

	2019 £m	2018 £m	Increase
Revenue	**15.2**	3.4	+347.1%
Gross Profit	**9.2**	1.9	+384.2%
Gross Margin	**60.5%**	55.9%	

The Dutch business contributed £15.2m of revenue in 2019, £9.2m of gross profit – a margin of 61%. There are no comparatives as the business was acquired in October 2018 with a further acquisition in February 2019.

Gamma acquired DX Groep in October 2018 and Nimsys in February 2019. As reported at the half year, the performance of the DX Groep business in the first half was below expectations as a significant amount of legacy ISDN business ceased due to changes made by the incumbent network provider in the Netherlands. In the second half, the performance of the business has improved and sales of Cloud PBX and Mobile were strong. Nimsys has also exceeded our expectations.

The initial acquisition price for DX Groep was £11.5m and no further consideration will be paid due to a greater than expected drop off of ISDN revenue in 2019. As a result, the level of contingent consideration has reduced to nil with an equivalent reduction in the carrying value of associated assets. This is discussed under exceptional items below.

The initial acquisition price for Nimsys was £3.7m with up to another £3.2m payable dependent on performance in 2019 and 2020. Given the performance of Nimsys in 2019, we now estimate that all of the contingent consideration is likely to be paid. Therefore the aggregate consideration for the two Dutch businesses is likely to be £18.4m.

Operating expenses

Operating expenses grew from £97.8m to £121.0m.

We break these down as follows:

	2019 £m	2019 £m	2018 £m	2018 £m	Growth
Expenses included within cash flows from operating activities					
– UK Indirect Business	64.9		60.6		+7.1%
– UK Direct Business	20.1		16.4		+22.6%
– Overseas Business	8.9		2.3		+287.0%
– Central Costs	6.5		2.7		+140.7%
		100.4		82.0	
Depreciation and amortisation					
– tangible and intangible assets	13.4		12.1		+10.7%
– right of use assets	1.7		1.4		+21.4%
– acquisition	2.0		0.4		+400.0%
		17.1		13.9	
Share based payments		2.6		1.9	+36.8%
Exceptional items		0.9		-	
Operating expenses		**121.0**		**97.8**	**+23.7%**

Movements in cash-based expenses were driven by:

- Within the UK Indirect Business, operating expenses, excluding share based payments, have grown by 7.1% (compared to Gross Profit growth of 22.2%). This demonstrates the effect of programmes we have undertaken historically to ensure that we are running the business more efficiently.
- In the UK Direct business, overhead increased by 22.6% (compared to Gross Profit growth of 16.5%). The level of increase is mainly driven by our investment in our digital strategy programme but we also continue to invest in additional sales heads to grow the business.
- The increase in overseas costs is reflective of the inorganic growth and a full year of the DX Groep.
- Central Costs have increased significantly year on year which is due to a number of factors. The first is that we are building a group function in anticipation of operating several businesses around Europe over the coming years. A second factor is the cost of our strategy project. Finally, we have incurred significant due diligence costs on acquisitions, some of which have completed whilst some were not followed through.

Depreciation and amortisation on tangible and intangible assets has increased from £12.1m in 2018 to £13.4m in 2019. This is driven by increased capital expenditure over the past few years. The annual depreciation charge is now in line with the annual capital expenditure spend and is not expected to increase significantly.

Share based payment costs have increased during the year because more executives have been included within the scheme and the rising share price has made the costs of employers, NI for share grants higher than in previous years.

Exceptional items

There were a number of exceptional transactions in the year but all relate to the acquisition of either the DX Groep or Nimsys (both in the Netherlands).

DX Groep

An exceptional item relates to the contingent consideration which is due for the acquisition of the DX Groep. In preparing the statutory accounts for 2018 we made our best estimate of the contingent consideration. During 2019 a higher than expected attrition rate of legacy customers taking ISDN caused the revenues to be lower than expected. It should be noted that the margins made on ISDN in the Netherlands (c.40%) are much higher than in the UK and therefore this acceleration of churn from legacy products has had a disproportionate effect on profit. This means that we have both revised our estimate of the contingent consideration due and have also considered whether the intangible assets and goodwill which were acquired with the business require reduction.

As a result of the above there are three exceptional items:

- A credit of £8.1m arising from the release of the contingent consideration.
- A debit of £3.9m arising from the reduction in carrying value of the intangible assets.
- A debit of £4.2m arising from the reduction in carrying value of goodwill.

In addition to the exceptional items a credit of £1.0m relating to deferred tax movements in connection with the reduction in carrying value of intangible assets has been included within "adjusting tax items".

Nimsys

With respect to Nimsys, the opposite has occurred – the business had performed better than originally expected which meant our initial estimate of contingent consideration was too low and therefore it now needs to be increased.

Following the initial recognition of Nimsys contingent consideration in February 2019, the contingent consideration has been remeasured at the reporting date. The overall balance due has increased by £0.9m which we have charged to the statement of comprehensive income. There is no tax effect.

None of these items relating to either transaction are cash items. The alternative performance measures referred to herein have been adjusted for all of these items.

Alternative performance measures

Our policy for alternative performance measures is set out in note 1. The tables at the bottom of this page reconcile the alternative performance measures used in this report.

Adjusted EBITDA and EBITDA

The combination of increasing sales of new products and operational improvements means that EBITDA grew from £48.3m in 2018 to £62.6m or 30% and adjusted EBITDA grew from £48.3m in 2018 to £63.5m or 31%.

Taxation

The effective tax rate for 2019 was 24% (2018: 18%). This rate is inflated by adjusting tax items of £1.6m and tax on business combinations of £0.5m – neither of these are cash items. The underlying tax rate (ignoring these adjustments) would have been 19%.

Cash flows

The cash balance at the end of the year was £53.9m, up from £35.5m at the end of the previous year.

The ratio of adjusted EBITDA to cash generated from operations was 85% (2018: 84%).

Significant non-operational spend items were:

- Capital spend was £12.4m, which is a decrease from £12.7m in the comparative period. This is discussed in detail below.
- £7.5m was paid for acquisitions net of cash acquired (2018: £11.1m) of which £3.4m was paid for the acquisition of Nimsys and £4.1m for Telsis.
- £9.2m was paid as dividends (2018: £8.1m).

Capital spend

Capital spend in 2019 was £12.4m (2018: £12.7m) as follows:

- Regular spend on maintaining and increasing capacity on the core network was £12.4m (2018: £11.6m):
    - £9.9m was the cost of increasing capacity and development of the core network as well as other minor items such as IT and fixtures and fittings (2018: £9.1m).
    - £1.4m was the capitalisation of development costs incurred during the period (2018: £1.3m).
    - £1.1m was spent with third-party software vendors for the software which underpins our Cloud PBX product (2018: £1.2m).
- Project spend in the current period was nil (2018: £1.1m was spent on the national network).

The Group continues to have no external debt and a number of lenders have indicated that they would be willing to support the Group with debt were it to be required for capital expenditure programmes or M&A activity.

Adjusted EPS (FD) and Statutory EPS (FD)

Adjusted EPS (FD) increased from 30.3p to 40.8p (35%). The growth in adjusted EPS (FD) has been significant due to the strong trading described earlier. Adjusted EPS is EPS as adjusted for exceptional items as defined in the table below.

Statutory EPS (FD) grew from 30.0 to 36.1p (20%). The growth is lower than the adjusted metric because, in the current period, there is an increase in the exceptional amortisation relating to business combinations as well as charge for change in value of deferred consideration which was not present in the prior year. These items are in part offset by an exceptional tax credit relating to the reduction in intangibles.

Dividends

The Board has proposed a final dividend of 7.0p (2018: 6.2p). This is an increase of 13% and is in line with our progressive dividend policy which has meant an increase of between 10-15% every year since we listed in 2014.

Subject to shareholder approval, the final dividend is payable on Thursday 18 June 2020 to shareholders on the register as at Friday 29 May 2020.

Andrew Belshaw
Chief Financial Officer
16 March 2020

The tables below reconcile the alternative performance measures used in this document:

2019 measure	Statutory basis	Amortisation of intangibles	Adjusting tax items	Exceptional items**	Adjusted basis
EBITDA* (£m)	62.6	–	–	0.9	63.5
PBT (£m)	45.2	2.0	–	0.9	48.1
PAT (£m)	34.5	2.0	1.6	0.9	39.0
EPS (FD) (p)	36.1	2.1	1.7	0.9	40.8

2018 measure	Statutory basis	Amortisation of intangibles	Adjusting tax items	Exceptional items**	Adjusted basis
EBITDA* (£m)	48.3	–	–	–	48.3
PBT (£m)	34.5	0.4	–	–	34.9
PAT (£m)	28.4	0.4	(0.1)	–	28.7
EPS (FD) (p)	30.0	0.4	(0.1)	–	30.3

* Profit from operations is the nearest statutory measure to EBITDA and is reconciled on the Consolidated Statement of Comprehensive Income and Note 6 (segemental analysis).

** See Note 8 for further details.

Environmental, social and governance report

Gamma takes its responsibilities towards the environment seriously. We are committed to social responsibility and embed this into our policies and practices. We believe that sound corporate governance is essential in order to effectively run our business and look to engage with a wide range of stakeholders in order to create value for all.

ENVIRONMENTAL

Helping the environment is core to everything we do

Gamma's heritage is to develop products which enable people to communicate and collaborate with colleagues, customers and suppliers without the need to travel. Businesses who choose to use Unified Communications products should travel less and therefore reduce their carbon footprint. Helping the environment is core to everything we do. One of our core values is to "Consider Others" and this includes our global neighbours, not just our near neighbours.

As a business we still produce CO_2 and that is why we have been engaged in carbon offset programmes since 2006. We are committed to being an environmentally friendly company ourselves and where we produce CO_2 we will offset that.

In line with this approach, the Board has confirmed its commitment to supporting the UN Sustainable Development Goals. An initial analysis of the impact of the business has been undertaken; this will be continued throughout 2020 in line with the Global Reporting Initiative and UN guidance.

The Board has responsibility for oversight of environmental issues (and also risks related to climate change which are discussed below). The CEO is responsible for executing strategies that have been agreed with the board which maintain the values to which Gamma has subscribed since its foundation.

Monitoring and offset of carbon emissions

Annual GHG emissions in tonnes CO_2e

We use a third party to monitor our own carbon emissions, with the calculations being done biennially for our UK business – in future years we will include the whole of the Group. The most recent fully analysed information covers the year to 30 June 2018. This was produced using the GHG Protocol and using emissions conversion factors published by the Department of Environment, Food and Rural Affairs (Defra); it generated the carbon emissions results shown below. The GHG Protocol used does not include emissions produced in Gamma's supply chains but, where possible, we work with suppliers who share our values.

Annual breakdown of emissions by source in UK offices

GHG Emissions Source	GHG Emissions 2016/2017 (tCO_2e)	% of total	GHG Emissions 2017/2018 (tCO_2e)	% of total
Electricity	1,726.4	70%	1,497.9	64%
Road Business – Grey Fleet	412.8	17%	402.7	17%
Air Business	113.3	5%	176.2	8%
Natural Gas	20.3	1%	22.8	1%
Road Business – Company Vehicles	36.5	1%	34.8	1%
Road Business – Taxis	5.6	0.2%	8.0	0.3%
Water	1.1	0.04%	1.9	0.08%
Rail Business	145.8	6%	187.6	8%
Total	**2,461.8**		**2,331.9**	

Our total (UK) emissions for 2016/2017 and 2017/2018 were 2,462 tCO_2e and 2,332 tCO_2e respectively, reducing by 5.3% over the time period despite the fact that we were carrying more minutes on our network. Electricity emissions decreased over the two-year period by approximately 13.2% because we continue to invest in capital items which are more efficient than those which they replace. Emissions from our small fleet of vehicles also decreased.

Unfortunately, emissions from transport (air, rail and taxis) increased over the two-year period because we have more employees who travel and our European expansion plans mean we undertake more air travel. We are working to reduce the amount of travel each of our employees undertakes each year.

Whilst a full analysis is not yet available for the year to June 2019, more recent data is available on electricity consumption. This shows that the electricity element of the total has fallen by 2.8% between 2017/18 & 2018/19 again demonstrating our commitment to replacing old inefficient capital equipment with more modern equipment which uses less electricity. The most significant area of energy usage by Gamma is at our data centre in Manchester which accounts for 57% of our electricity usage. By replacing equipment and using modern air conditioning plant we can continue to reduce power usage in this area.

We are also looking at the choices we make when selecting vendors for our computing and network equipment. There is a rolling process of renewal of this infrastructure and in each iteration the new equipment is more energy efficient. This has facilitated a general downward trend in overall electricity consumption despite the Company's continued growth.

Because no organisation can produce no CO_2 footprint, where we do release CO_2 into the atmosphere we made a commitment in 2006 that we would fully offset this. Gamma has held 'Certified Carbon Neutral Company' status (conferred by Natural Capital Partners) since 2006. Over the years we have invested in a variety of "offset projects" which have been a combination of environmentally friendly power generation projects in the developing world and forest conservation. At present, the offsetting projects include Amazon rainforest conservation and reforestation in Kenya:

- Acre Amazonian Rainforest Conservation Project (Brazil) which aims to protect 105,000 hectares of rainforest in the Amazon basin from deforestation. The project works with communicates and local groups to help protect ecosystem services while providing alternative models of economic development which avoid destruction of the forest.
- Meru and Nanyuki Community Reforestation Programme (Kenya) offers hundreds of individual tree planting activities and enables local communities to improve access to food and create additional sources of income beyond subsistence farming, helping to improve the biodiversity of the local area.
- Improved Water Infrastructure Project (Uganda): this project provides clean drinking water to small rural communities by repairing and drilling new boreholes, helping to reduce water scarcity. Boreholes can be used as water wells by installing a vertical pipe casing and well screen, which allows water to be extracted from the ground. By providing clean water, communities no longer need to purify water through boiling. This alleviates pressure on local forests – the predominant source of firewood – and reduces greenhouse gas (GHG) emissions.

Our CarbonNeutral® status is valid until December 2020 and we are committed to renewing our status in the future.

Closer to home, Gamma has been a Woodland Trust Corporate Member since 2010, helping create, restore and protect UK woodland.

Waste Management

As well as producing CO_2, like any business, Gamma produces other waste. The larger waste items are network assets which need to be retired. These are disposed of in compliance with the Waste Electric and Electronic Equipment Directive (WEEE Directive). Such assets are sent to a WEEE certified operator who is engaged to dispose of the items appropriately in compliance with the certificates they provide to us.

Across Gamma sites, more general "office waste" is separated into recyclable and non-recyclable materials. We are looking to make further improvements to our waste management and track the onward processing of the waste.

We do not presently record the mass of waste produced annually.

Climate-related business risks and opportunities

As well as working to reduce Gamma's effect on the environment, the Board has also considered the business risks which are associated with climate change. We believe that climate change presents an opportunity for the Unified Communication industry as the products which are supplied allow business users to reduce their travel.

Notwithstanding, there are risks which were discussed in the "Our principal risks" section of the Annual Report.

Some types of "extreme weather" (which is becoming more frequent as a result of climate change) could pose a risk to Gamma. For example, the impact on assets caused by data centre flooding or extreme wind resulting in roof loss. We maintain our buildings to a high standard and do not build on a flood plain to mitigate this risk. More widely, this type of weather could impact the electrical grid supply and we mitigate this by having our own back-up systems in place on core parts of the network.

Climate change risks are reviewed quarterly by the Risk Committee, which reports to the Board. The committee's initial analysis suggests the primary impact of climate change on Gamma's operations is positive in the sense that it may drive a demand for the core product set whilst recognising that Gamma's own operations primarily consume electricity and that the carbon generation from these is being offset.

SOCIAL

Gamma takes the welfare of all of its stakeholders very seriously

We described how we try to do our best for our Global neighbours earlier. We also focus on working with our stakeholders who are closer to the business. We identify these as our customers, suppliers and our people.

Customers

Gamma's ethos is to provide a robust product at a fair price. Where we are selling via Channel Partners we want our Partner to be able to make a fair margin for the value that they are adding to our End User. We want to produce products which allow our End Users to be able to communicate easily and reliably.

The business has a strong reputation for service and support. We invest time engaging with our customers across a range of topics to ensure our business remains straightforward to deal with. In order to understand overall customer satisfaction levels, we run regular satisfaction surveys from our Sales and Support teams and are pleased to report that over 90% of our customers surveyed in 2019 were satisfied with the support they received. We also track an annual Net Promoter Score (NPS) and recorded a positive score of +40 for 2019 which is well above the industry average for our sector.

Our pricing is fair and transparent.

Data Protection and Privacy

We are mindful of the importance of supporting our customers and those partners we do business with, in their endeavours. In that line, we recognise the need to ensure that any personal data that we may collect is properly protected and that we are transparent and responsible in the way we handle it. Details regarding our privacy policy can be found on our website, at https://www.gamma.co.uk/privacy-policy/

Suppliers

Gamma works with carefully chosen suppliers. The main suppliers are those who provide equipment (both for our own network and for onward sale to customers) and other telecoms businesses.

As part of the communications industry, Gamma recognises that it has a responsibility to take a robust approach to slavery and human trafficking. Gamma is committed to preventing slavery and human trafficking in its own corporate activities and to ensure that its supply chains are free from slavery and human trafficking.

We conduct a regular risk assessment of the different types of supply to identify where there is the greatest risk of modern slavery or human trafficking being involved. The supply of telecommunications software is considered low risk, but the supply of customer premises equipment (such as handsets and routers) which may have been manufactured in low wage countries is considered to carry a higher risk. Hence we choose suppliers who can demonstrate that they are not involved in these practices.

Gamma operates a number of policies which enable it to identify supply chain risk. These are its whistleblowing policy and employee policies within the handbook. We also have a recruitment and agency workers policy so that Gamma uses only specified reputable employment agencies to source labour.

Due diligence reviews are undertaken which evaluate the modern slavery and human trafficking risks of each new high-risk supplier and we review (on a regular basis) the risk profile of each supplier. Where the risk profile is high, Gamma requires evidence from the relevant suppliers that they have detailed written policies and effective procedures in place to control the risk of modern slavery and human trafficking in their own supply chain.

Gamma People

Health and wellbeing

At Gamma, we create a positive working environment for our employees, supporting their health and wellbeing is central to everything we do. We regularly invest in our employee workplace and in 2019 we invested over £1m in the refurbishment of our office environment within our Manchester and Glasgow operational centres, creating facilities which encourage collaboration and promote mental and physical wellbeing.

We provide a free and confidential Employee Assistance Programme (EAP) helpline; alongside a supporting online tool. Through the EAP, employees can access information and advice on everyday matters, as well as more serious issues, and receive counselling. The EAP helpline and online resources are promoted and reinforced through monthly health and wellbeing communications, with a different theme each month, linking to nationwide health and wellbeing campaigns and initiatives such as: World Mental Health Day, Time to Talk Day and Scroll Free September.

Gamma has a network of employees that are fully qualified Mental Health First Aiders, that are situated across all Gamma offices. These employees are trained to further support their colleagues' health and wellbeing at work, by looking out for early signs and symptoms of mental ill health. Where invited they will converse with colleagues experiencing mental health issues or emotional distress and (in more complex cases) they will encourage and signpost colleagues to appropriate support.

We recognise that one important part of wellbeing is to provide some financial security to our employees. Gamma offers all UK-based staff access to a Salary Sacrifice pension scheme, life assurance cover and income protection. These facilities ensure that staff and their dependents are looked after should the worst happen.

Gamma also offers a benefits package, which allows staff to trade salary for benefits such as a bike to work, childcare vouchers and additional holiday as well as access to a health cashback plan. Gamma has also partnered with Reward Gateway to offer staff a variety of discounts from various retail outlets and access to health and fitness discounts including gym memberships. We also offer enhanced maternity and paternity pay and encourage shared parental leave.

Apprenticeships in 2019

24

Sharing in the success of our business growth

In addition to the long-term incentive schemes which offer options to key employees, Gamma is keen to ensure that all employees who would like to be shareholders can do so in the most tax-efficient way. Since 2016, Gamma has offered a Save As You Earn ('SAYE') scheme which allows all eligible employees to acquire shares.

During 2019 we also awarded all eligible employees £500 of free shares using our Share Incentive Plan ("SIP"). This was to recognise the hard work that everyone had put in to deliver an exceptional set of results in 2018. Our SIP is also available to allow employees to buy shares on a monthly basis should they choose to do that. In 2019 44% (2018: 28%) of all employees chose to participate the SAYE scheme, with options being granted over 377,800 (2018: 241,298) shares.

Apprenticeships

The Gamma apprenticeship programme has continued to expand during 2019. We currently have 24 apprentices (2018: 13) across the business in various functions. Our most recent apprentices started their careers in a wide range of specialisms including Finance, IT, Unified Communications and Software Development. The balance of the apprenticeships at Gamma are represented by apprentices from previous years continuing their studies, in some cases up to degree level and existing employees continuing their professional development through the apprenticeship model. At Gamma we are proud of our commitment to developing our employees and see apprenticeships as a great way to support talented people throughout their careers.

Health and Safety

Gamma is committed to working in a way that protects the health, safety and welfare of employees and others. Gamma strives to improve performance on a continual basis. Gamma will promote equally the duties of management and employees. All employees and others working on our premises have a duty to co-operate with supervisors and managers, to maintain health and safety provision, to take care of their own health and safety and that of others, and report any concerns they may have or unsafe conditions they find.

We are pleased to report that there were no fatalities, major injuries, or any dangerous occurrences reported in 2019.

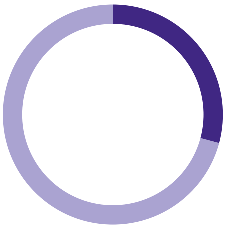
The Company has appointed a member of the leadership team, Andy Morris, who is responsible for monitoring and reviewing the Health and Safety policy. Directors are responsible for making available adequate physical and organisational resources. Managers must devise and implement safe systems of work and supervisors must ensure that workers are briefed and consulted on any risks they are exposed to and comply with safe working practices. Managers are responsible for ensuring the policy is brought to the notice of all employees and others who may be affected by it. Where necessary the Company will employee specialists to assist with meeting statutory requirements and implementing our own policy.

Employee relations and diversity

Gamma has long been committed to building a diverse and inclusive workforce as well as nurturing our reputation of being a great employer to work for. We believe in creating opportunities for all to grow and to flourish at work.

During 2019, we continued the delivery of our bespoke diversity, equality and inclusion (DE&I) training to all UK employees.

On the statutory snapshot date of 5 April 2018, out of the total number of UK employees:



We list some of the data from our UK Gender Pay Gap analysis below.

The median pay gap is the difference between the midpoints in the ranges of hourly earnings of men and women. The mean gender pay gap is the difference between the average hourly earnings of men and women.

Statutory	Mean*	Median*
Gender pay gap	2018: 33.71% (2017: 34.60%)	2018: 25.41% (2017: 25.62%)
Gender bonus pay gap	2018: 78.49% (2017: 86.56%)	2018: 21.13% (2017: 33.85%)

*The mean is the average of a list of numbers. The median is the middle value in all of the numbers listed in numerical order.

Bonus proportions	5 April 2018	5 April 2017
Proportion of males receiving a bonus	93.07%	91.74%
Proportion of females receiving a bonus	92.59%	89.38%

Gamma's Pay Quartiles	% of males in each pay quartile	% of females in each pay quartile
Upper pay quartile	2018: 85.97% (2017: 85.49%)	2018: 14.03% (2017: 14.51%)
Upper middle pay quartile	2018: 76.02% (2017: 77.84%)	2018: 23.98% (2017: 22.16%)
Lower middle pay quartile	2018: 63.18% (2017: 64.77%)	2018: 36.82% (2017: 35.23%)
Lower pay quartile	2018: 57.92% (2017: 58.55%)	2018: 42.08% (2017: 41.45%)

Gamma operates in a sector in which there is a shortage of technically skilled females who choose to pursue a career in telecommunications and technology. We have been keen to address this by ensuring that we recruit in an equal and fair way while maintaining standards of best practice.

We are also keen to change this trend. Since 2017, Gamma has partnered with the University of Salford to encourage more females to undertake science, technology, engineering or maths (STEM) subjects. As part of the University's insight programme, Gamma has organised an initiative which welcomes female students into a work environment. This involves talks from a variety of Gamma staff about their career journeys while also taking part in demonstrations and activities that illustrate work activities and a tour of one of the Gamma offices. Gamma received special thanks and commendation from the leader of the initiative, Professor Takruri-Rizk.

Our Women in Technology Steering Group was established during 2018. It has been working to identify the issues that may hold women back and how these can be addressed. The Group also develops ways to support women's personal growth and career progression at Gamma and considers how we can develop our outreach programme to encourage students from local schools and colleges to study STEM subjects. As a result, employees now attend careers events at several schools in areas local to our offices to help promote the technology sector to all genders.

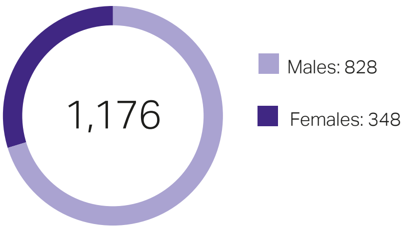
Group employee numbers at 31 December 2019

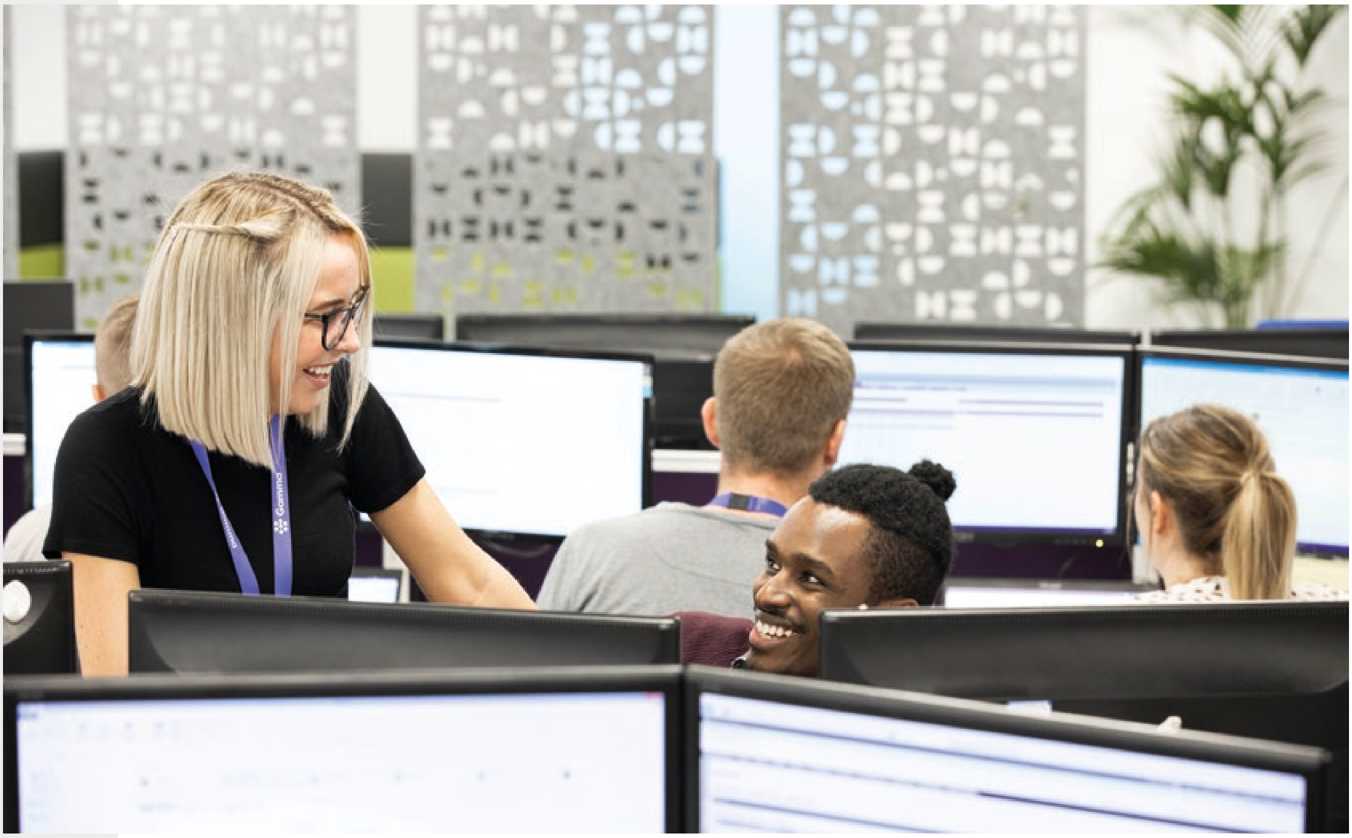
	Male	Female	Total
Directors of Gamma Communications plc	7 (87%)	1 (13%)	8
Senior managers of the Company (including subsidiary Directors)	14 (93%)	1 (7%)	15
Employees	828 (70%)	348 (30%)	1,176

Group employee numbers at 31 December 2018

	Male	Female	Total
Directors of Gamma Communications plc	7 (100%)	–	7
Senior managers of the Company (including subsidiary Directors)	16 (94%)	1 (6%)	17
Employees	756 (72%)	292 (28%)	1,048

Group employee numbers





Giving something back

Giving back to our local communities

Everyone at Gamma is entitled to additional leave each year to help a good cause or to work in the local community to give something back. Throughout 2019 employees from our offices have contributed to the local communities near their offices by volunteering with Salford Foodbank, The Corn Exchange Dementia Café in Newbury (which we also sponsor) and participating in the Boden Boo and Erskine beach clean near the Glasgow office.

Members of our Newbury and London offices spent time at Growing2gether, a local charity which functions primarily as a horticultural therapy and environmental education centre for adults and young people with learning disabilities and physical disabilities. Over a number of days, Gamma helped to build new pathways for the allotment to make these more accessible for wheelchair users.

Employees from our London office supported Shelter by participating in their Vertical Rush event which involves racing up the 42 floors of one of London's tallest buildings – Tower 42. Shelter helps millions of people every year struggling with bad housing or homelessness through their advice, support and legal services.

Each year our offices take part in a coffee morning for Macmillan and the Christmas Jumper Day (in aid of Save the Children).

As well as corporate support for organisations, Gamma also operates a "Double It" scheme. This is a match funding scheme for Gamma employees, where money raised for a charity or good cause which is special to a particular employee is matched by Gamma.

Giving back further afield

During the year we hosted the sixth Gamma Ball Rally. This involves 100 of our channel partners driving in low-cost cars across five European countries over three days. They "compete" in a variety of weird and wonderful challenges for charity and the event concludes with a charity auction. Between this and our charity cycle event ("MTBorRoad") we raised over £100,000 for our chosen charities – Action Through Enterprise and Special Effect: Action Through Enterprise (ATE) aims to reduce poverty in Lawra District, Upper West Ghana through education and social change, while Special Effect uses video games and technology to enhance the quality of life of people with disabilities. Since the first Gamma Ball Rally in 2013 we have raised over £600,000.

Behaving responsibly and ethically

The Directors support high standards of corporate governance and are committed to ensuring the integrity of both their processes and those of the Company as a whole.

Duty to promote the success of the Company

Engaging with our stakeholders and acting in a way that promotes the long-term success of the Company, while taking into account the impacts of our business decisions on our stakeholders, are central to our strategic thinking and our statutory duties in accordance with Section 172(1) of the Companies Act 2006 (s.172). The content below constitutes our s.172 Statement, as required under the Companies (Miscellaneous Reporting) Regulations 2018.

The Board of Directors consider, both individually and together, that they have acted in the way that they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, having regard to the stakeholders and matters set out in s.172 (a-f of the Companies Act) in the decisions taken during the year. Our plan is designed to have a long-term beneficial impact on the Company and its stakeholders.

The Board's intention is to behave responsibly and ethically at all times, in line with our company values, and to ensure that our management teams operate the business in a responsible manner and to the highest standards of business conduct and good governance (see pages 46 to 74). We will contribute to the long-term success of the Company and continue to nurture our reputation as a responsible, successful company that delivers stakeholder value, as outlined in our company purpose.

Our impacts on, and engagement with, our key stakeholder groups are considered within the implementation of our Group strategy. The stakeholder groups are: employees, customers, our suppliers, the environment and our shareholders. How we engage with these groups is covered throughout the report.

Bribery and corruption

Gamma employees must not accept or give to any third party any gift, hospitality or other personal benefit that is likely to influence (or which other people may reasonably think likely to influence) their judgement or be construed as bribery or conflict with duties to any customer or colleague. Approval should be obtained from a Director or the Chief Executive in any matters relating to this.

Gamma takes a serious view of corruption and any actions would be considered gross misconduct.

Fair tax strategy

Gamma's approach to management of its tax affairs is driven by the following objectives:

- Acting with integrity and transparency – the way we do business means we are trusted by all our stakeholders, now and in the future;
- Compliance – paying the right amount of tax at the right time; and
- Reducing the costs of doing business – we deliver services to customers at a price they are willing and able to pay.

The above objectives mean that Gamma has a tax strategy and policies that balance the need to build and maintain trust with stakeholders (including the UK Government) while also maximising the return for investors.

Gamma includes a full tax strategy document on the investors, section of the website.

Communications is a fast moving industry. We work alongside the relevant industry bodies and trade associations.

Regulation

Gamma operates in a regulated industry and the framework within which we work is governed by EU Regulations, Directives and Recommendations, and the UK Government through our regulators, Ofcom, the PSA and the FCA, (and their equivalents in the Netherlands). Each of these will consult with industry from time to time and Gamma (as a significant communications provider in the UK) will participate in consultation responses in its own right and as member of several industry bodies.

Gamma's engagements with the relevant authorities are generally based around a number of key principals promoting transparency and an open marketplace.

- Defend the channel – We recognise that many communications services are provided by channel partners who are themselves SMEs. They do not all have the resources to engage with regulatory bodies in the consultation process nor implement significant levels of regulation.
- We give a voice to UK business – Often regulation is (quite rightly) aimed at protection of the domestic consumer but this can have unintended consequences when applied to business users as well; we aim to ensure that regulation is balanced and fair to business as well as residential users.
- Challenge the cost assumptions for implementation – as there is a high possibility of underestimating the costs of implementing new regulation, especially for smaller channel partners and in the more complex, less vertically integrated value chain that is the hallmark of business-to-business communication provision in the markets in which we operate.
- Ensure that regulation stays current – Communications is a fast moving industry and new services can be offered (for example "over the top" services which are not based on a network) which may not be regulated in a way to provide (in our view) adequate protection for end users or where outdated regulation creates competitive distortions.
- We are selective in responses – we only contribute where we have something relevant to say.
- We work alongside the relevant industry bodies and trade associations.

Political contributions

As part of the Company policy, Gamma employees are prohibited from using the company, products or services to contribute to a political cause.

Whistleblower schemes

Gamma has a whistleblowing policy in place. We are currently investigating the use an external firm for whistleblowing going forward.

Further information in relation to governance can be found in the corporate governance report on page 45.

The Strategic Report was approved by the Board of Directors on 16 March 2020

Andrew Belshaw
Chief Financial Officer

Corporate Governance

Richard Last
Chairman

Ensuring good governance and compliance

Role of the board

— Responsible for the overall conduct of the Group's business including our long-term success.

— Setting our purpose, values, standards and strategic objectives.

— Reviewing our performance.

— Ensuring a positive dialogue with our stakeholders is maintained.

The Board is responsible for establishing and maintaining the system of internal controls which has been in place throughout 2019. The effectiveness of the Group's system of internal controls is reviewed annually by the Audit Committee on behalf of the Board, as referred to in the Audit Committee report.

The Company is committed to strong corporate governance to support long-term value.

Dear shareholder,

Welcome to the Corporate Governance Report for the year ended 31 December 2019, which I am pleased to present on behalf of the Board. The Board recognises that sound corporate governance is an essential underpinning for a growing, publicly quoted business, and is committed to ensuring the integrity of both its processes and of those of the Company as a whole.

Corporate Governance Code

The Directors support high standards of corporate governance. In the prior year the Board of Gamma formally decided to apply the QCA Code. Gamma has adopted this code as it feels it takes key elements of good governance and applies them in a manner which is workable for the different needs of growing companies. The Group's Corporate Governance Compliance Code document which was approved on 29 August 2019 is available on the website www.gammacommunicationsplc.com.

The Board

During the year, we have continued to keep under review the composition of the Board and its committees to ensure that we have the right balance of skills, independence, experience and diversity.

After a thorough search to identify an appropriate Non-Executive Director we were pleased to welcome Henrietta Marsh to the board on 16 April 2019. She brings a wealth of experience gained from serving on the boards of both private and listed companies.

The Company's remuneration policy is designed to ensure that the Company is able to attract, retain and motivate executives and senior management of the right quality to enable the Company to fulfil its objectives and longer-term potential. Please refer to the remuneration committee report for further details around executive pay and its composition.

Relations with shareholders

Communication with shareholders is given high priority by the Board and is undertaken through press releases, general presentations at the time of the release of the annual and interim results and face-to-face meetings. The Group issues its results promptly to individual shareholders and also publishes the same on the Company's website. Regular updates to record news in relation to the Company are also included on the website.

In order to ensure that the members of the Board develop an understanding of the views and concerns of major shareholders there is regular dialogue with institutional shareholders, including meetings after the announcement of the Company's annual and interim results. The Board uses the AGM to communicate with private and institutional investors and welcomes their participation. The Chairman also visits major shareholders.

Looking ahead

The Group's commitment to strong corporate governance and risk management will remain central to the business during 2020 and beyond.

Richard Last
Chairman and Independent Non-Executive Director

Corporate governance framework

The Board has a coherent corporate governance framework, as illustrated below, with clearly defined responsibilities and accountabilities designed to safeguard and enhance long-term shareholder value and provide a robust platform to realise the Company's strategy.

Board of Directors

Chairman
The Chairman is responsible for the leadership of the Board.

Richard Last	Chairman and Independent Non-Executive Director

Executive Directors
They have responsibility for running the Company's business.

Andrew Taylor	Chief Executive Officer
Andrew Belshaw	Chief Financial Officer

Non-Executive Directors
They bring an independent perspective to decision-making; they hold senior management to account; they also support and mentor the CEO and senior management.

Alan Gibbins	Independent Non-Executive Director
Martin Lea	Independent Non-Executive Director
Henrietta Marsh	Independent Non-Executive Director
Andrew Stone	Non-Independent Non-Executive Director
Wu Long Peng	Non-Independent Non-Executive Director

Board of Directors →
See page 48

Board Committees

Audit Committee
The Audit Committee's role is: to provide effective governance over Gamma's financial reporting, including the adequacy of disclosures made in the financial statements; to review the performance of the external auditors; to provide oversight of the Group's systems of internal financial control; and to report to the Board on these matters.

2019 Membership
- Alan Gibbins (Chair)
- Richard Last
- Martin Lea
- Henrietta Marsh

Audit Committee Report →
See page 56

Nomination Committee
The Nomination Committee assists the Board in discharging its responsibilities relating to the composition and make-up of the Board and any Committees of the Board.

2019 Membership
- Richard Last (Chair)
- Alan Gibbins
- Martin Lea
- Henrietta Marsh
- Andrew Stone
- Wu Long Peng

Nomination Committee →
See page 55

Remuneration Committee
The Committee is primarily responsible for determining and agreeing with the Board the broad policy for the remuneration and employment terms of the Executive Directors, Chairman and other senior executives and, in consultation with the CEO, for determining the remuneration packages of senior executive managers.

2019 Membership
- Martin Lea (Chair)
- Alan Gibbins
- Richard Last
- Henrietta Marsh

Remuneration Committee →
See page 60

Risk Committee
The Risk Committee assists the Board in its duty to carry out a robust assessment of the principal non-financial risks facing the Company (financial risk is considered by the Audit Committee).

2019 Membership
- Martin Lea (Chair)
- Alan Gibbins
- Richard Last
- Henrietta Marsh
- Andrew Taylor

Risk Committee Report →
See page 59

Key to committees

- ● Committee Chair
- Ⓐ Audit
- Ⓝ Nomination
- Ⓡ Risk
- R Remuneration

Our highly experienced Board

Our Board blends industry expertise with public company experience and the knowledge and skills of our long-standing shareholders.

Richard Last
Chairman and Independent Non-Executive Director

Appointed to the Board:
2014

Committee Membership:
N Ⓡ R

Skills and experience:
Richard has over 25 years' experience in technology and communication sectors having worked at board level for a number of publicly quoted and private companies in these industries.

Richard is a Fellow of the Institute of Chartered Accountants in England and Wales.

Other roles:
Richard is Chairman and Non-Executive Director of Hyve Group plc (formerly ITE Group plc), a leading international exhibition and conference organisation listed on the London Stock Exchange, of AIM-listed Tribal Group plc, an education software, systems and services group, and Arcontech Group plc, a financial services software company. He is also a Non-Executive Director of Corero Network Security plc, an AIM-quoted IT security solutions provider.

Andrew Taylor
Chief Executive Officer

Appointed to the Board:
2018

Committee Membership:
Ⓡ

Skills and experience:
Andrew has over 20 years' experience in the Telecommunications industry, and has a demonstrable track record of achievement in previous roles, both in the UK and internationally. Previously, Andrew was Chief Executive Officer of Nomad Digital, a provider of IP connectivity and digital solutions to the global transportation sector. In this role, Andrew was responsible for establishing Nomad as a leader in the sector, and when acquired by Alstom in 2017, was serving over 50 global customers from 20 international offices.

Before joining Nomad, Andrew was Digicel's Regional Chief Executive Officer. In this role, Andrew had responsibility for all fixed network services and business/ ICT solutions across 26 international markets.

Prior to this, Andrew was Chief Executive of Intec Telecom plc, a global provider of operational and business software solutions to the Telecommunications industry. Intec was acquired by CSG in 2010.

Other roles:
In July 2019 Andrew resigned from the Board of MDS Holdings Limited. He does not currently hold any other roles.

Andrew Belshaw
Chief Financial Officer

Appointed to the Board:
2014

Committee Membership:
—

Skills and experience:
A Chartered Accountant by background, Andrew has worked in both audit and corporate finance at Deloitte LLP and Ernst & Young, specialising in providing advice to a wide range of clients in the technology sector. After leaving private practice, Andrew worked alongside the Commercial Director in a new business development role at Xansa plc before joining Gamma in 2007.

Andrew has a degree in Maths from St John's College, Cambridge and gained an MBA from Warwick Business School. He is a Fellow of the Institute of Chartered Accountants in England and Wales.

Other roles:
None

Alan Gibbins
Independent Non-Executive Director

Appointed to the Board:
2014

Committee Membership:
A Ⓝ Ⓡ R

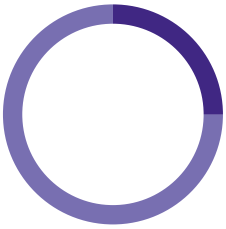
Skills and experience:
Alan has extensive experience of public company reporting and financial services spanning 30 years with Price Waterhouse and PricewaterhouseCoopers LLP, having been a Partner from 1985 until 2006.

His responsibilities included one of the main London audit groups and he was an Audit and Business Assurance Partner. Alan joined Gamma in June 2014 and is Chairman of the Audit Committee.

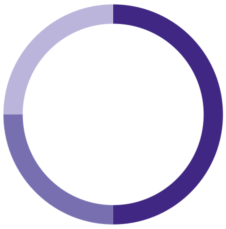
Alan has an MA in Modern History from Lincoln College, Oxford and is a Fellow of the Institute of Chartered Accountants in England and Wales.

Other roles:
Alan is presently Chairman of Jefferies International Ltd and stood down from the Board of BlueBay Asset Management at the end of 2018. He is a Non-Executive Director and Trustee for a number of private not-for-profit companies.

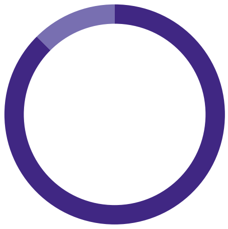
Tenure (since listing in 2014)
- 0-5 years 2
- +5 years 6



Independence
- Independent non-executive 4
- Non-independent non-executive 2
- Executive 2



Board gender
- Male 7
- Female 1



Martin Lea
Independent Non-Executive Director

Appointed to the Board:
2014

Committee Membership:
R R A N

Skills and experience:
Martin has over 20 years' experience leading businesses within the support services, telecommunications and network, integration and service sectors. Most recently, he served as interim CEO at Multicom Security Group and was President and CEO of Invitel from 2004 to 2011. Prior to Invitel, Martin was Executive Vice President of Intertek Group plc and Managing Director of Racal Telecom. Martin joined Gamma in June 2014 and is Chairman of the Remuneration and Risk Committees.

Martin has a BA 1st class (Hons) degree in Business Studies, and is a Fellow of the Institute of Directors.

Other roles:
Martin is also an Independent Non-Executive Director of Epsilon Global Communications PTE Ltd, a privately-owned provider of global communications and infrastructure services.

Henrietta Marsh
Independent Non-Executive Director

Appointed to the Board:
2019

Committee Membership:
A N R R

Skills and experience:
Henrietta has more than 30 years' experience in investment and financial services having worked for 3i Group, Morgan Stanley and ISIS Equity Partners (now Living Bridge Equity Partners) where she founded and chaired the AIM VCT Managers Group. She was formerly a Non-Executive Director and Chair of the remuneration committees at Electric Word plc, Alternative Networks plc and Dods Group plc, all of which were traded on the Alternative Investment Market (AIM) and discoverIE Group plc, which is listed on the London Stock Exchange.

Henrietta has an MA in Mathematics from Cambridge University and an MBA from INSEAD.

Other roles:
Henrietta currently serves as a Non-Executive Director at Herald Investment Trust, which is listed on the London Stock Exchange. She is a member of the LSE's AIM Advisory Group.

Andrew Stone
Non-Independent Non-Executive Director

Appointed to the Board:
2014

Committee Membership:
N

Skills and experience:
Andrew is Managing Partner of St Albans Capital LLP, a family investment management vehicle. From 1993-2006 Andrew held various positions at ED&F Man including Managing Director of ED&F Man Asia. Andrew has been a director of Gamma entities since 2011.

Other roles:
Andrew is also a Founder and Director of Greenstone+, a market leader in non-financial reporting software. Andrew recently joined the Board of Frugalpac, a recycling packaging business. Andrew also sits on the Boards of Epsilon Global Communications Pte Ltd and Calcot Hotels Limited.

Wu Long Peng
Non-Independent Non-Executive Director

Appointed to the Board:
2014

Committee Membership:
N

Skills and experience:
Long Peng has more than 30 years' experience in finance and corporate affairs. Long Peng has been a director of Gamma entities since 2011.

Long Peng is a Fellow Member of the Association of Chartered Certified Accountants in the United Kingdom and a member of the Institute of Singapore Chartered Accountants.

Other roles:
He is a Non-Executive Director of Mapletree Commercial Trust Management Ltd, Epsilon Global Communications Pte and K2 Strategic Pte Ltd.

Leadership team

"We have a strong and talented leadership team who support the Board and are responsible for day-to-day operations within the business."

Andrew Taylor
Chief Executive Officer

Biography available on page 48 Board of Directors.

Andrew Belshaw
Chief Financial Officer

Biography available on page 48 Board of Directors.

Phil Stubbs
Chief Technical Officer

Phil joined Gamma in 2018 to lead the Company's technical strategy and manage the end-to-end design and development of the Gamma network and products. He has over 20 years' experience in delivering high value solutions within communications companies, both within network operators and solution vendors.

Phil spent the early part of his career in software development at Vodafone and has degrees in Electronic Engineering and Mathematics.

Alan Mackie
Chief Marketing and Products Officer

Alan joined Gamma in 2005 and has over 20 years' experience in the telecoms and data managed services industry, working in senior product management, marketing and project management roles. Prior to his current role, Alan was Head of Voice Services at Gamma, having undertaken product/project management roles at application hosting companies, Aspective and Global Crossing earlier in his career.

Alan is a graduate of Napier University, with a degree in Communications Engineering.

John Murphy
Group Operations Director

John joined Gamma in 2011 bringing over 15 years of experience delivering successful customer service projects and large financial programmes within the telecoms, financial services and utilities industries. Having previously spent eight years as a change management consultant, he then took an operational role for Gamma in 2013 and since that time has worked in various senior operational roles before being appointed to Group Operations Director in 2018.

Malcolm Goddard
Group Commercial Director

Malcolm joined Gamma in 2005 bringing over 15 years' experience in M&A, multi-national procurement, business management and IT outsourcing.

Malcolm's early career was with ICI and AstraZeneca, and he has a degree in Engineering from Cambridge University.

Our leadership team have a wealth of experience at Gamma.

Suzie Woodhams
Chief People Officer

Suzie joined Gamma in September 2019 from Optivo where she held the role of Executive Director People and Communications. Prior to this, she was Group HR Director at Telecity Group plc for 12 years. Telecity is a UK based technology business with operations across 13 European countries. As a key member of the management team, Suzie was responsible for driving and promoting the people agenda across the Group and the Board. During Suzie's tenure, Telecity became a leader in their space and grew to employ 800 people with a market capitalisation of £2.6bn.

Andy Morris
Chief Strategy and Operating Officer

Andy joined Gamma in 2006 and has experience in establishing and running high-quality, customer-orientated operations. In his previous roles at Cable & Wireless, he successfully ran a business unit responsible for 12 of the entity's largest corporate customers including Marks and Spencer and Alliance and Leicester. He has also been involved with a number of telecom start-ups in Europe.

Andy spent the early part of his career with GEC Marconi Aerospace and is an Engineering graduate of Nottingham Trent University.

Daryl Pile
Managing Director – UK Indirect

Daryl joined Gamma in 2003 and has a proven track record in overseeing revenue and margin growth in the telecoms industry. With over 17 years' experience, he has taken a number of business development roles including Head of Channel and Sales Director at companies such as Telia, Uniworld and Gamma. Prior to his current position, Daryl was Head of Sales for the PBX / UC channel overseeing the development of around half our channel partners.

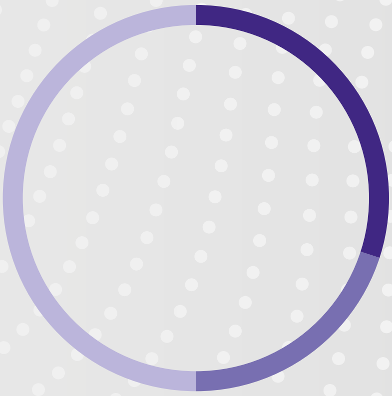
Daryl is a graduate of the University of Surrey with a degree in Economics.

David Macfarlane
Managing Director – UK Direct

David joined Gamma in 2012 following Gamma's acquisition of his managed services business Varidion Limited and now heads up Gamma Network Solutions, our enterprise solutions division. Prior to this, David was the CTO at Sirocom and latterly the Group CTO at Azzurri Communications and has over 25 years' experience in creating and delivering managed services.

Tenure:

- 0 - 5 years: **3**
- 6 - 10 years: **2**
- Over 10 years: **5**



Corporate Governance Report

Corporate Governance Report

Operation of the Board

The Board comprises eight Directors, two of whom are Executive Directors and six of whom are Non-Executive Directors, reflecting a blend of different experience and backgrounds.

Of the Non-Executive Directors, the Group regards Richard Last, Alan Gibbins, Martin Lea and Henrietta Marsh as Independent Non-Executive Directors within the meaning of the QCA Corporate Governance Code (2018 edition).

The Board is responsible to the shareholders for the proper management of the Group. It meets regularly, to review trading performance, set and monitor strategy, examine acquisition and divestment possibilities, approve major capital expenditure projects and other significant financing matters and report to shareholders. The Board delegates authority to the management for the day-to-day business under a set of delegated authorities which cover routine operational matters, purchasing procedures, financial authority limits, contract approval procedures and the hiring of full-time and temporary staff and consultants.

Matters for review by the Board are communicated in advance of formal meetings. All of our Directors are subject to election by shareholders at the first AGM after their appointment to the Board. Thereafter, all Directors are subject to re-election by shareholders at each AGM. In addition, any Non-Executive Director who has served on the Board for more than nine years will be subject to annual re-election.

The Chairman and Non-Executive Directors have other third-party commitments including directorships of other companies. The Company is satisfied that these associated commitments have no measurable impact on their ability to discharge their responsibilities effectively.

Board activities

Strategy

- Reviewed and approved the 2023 strategy;
- Approved the proposed acquisitions of Nimsys and Telsis; and
- Reviewed other potential acquisition targets which did not complete or were ongoing at year end.

Business developments

- Discussed the mobile strategy; and
- Discussed deals with data providers which underpin our access strategy (Broadband, Ethernet).

Financial performance

- Monitored 2019 performance against the approved budget;
- Approved the 2018 Annual Report and Accounts and determined they were fair, balanced and understandable;
- Approved the 2019 half-year results;
- Approved the final dividend for 2018 and 2019 interim dividend;
- Approved the 2020 budget; and
- Received reports from the Audit Committee concerning the overall level of financial governance of the Group.

Board meeting attendance

	Board meeting	Audit Committee	Remuneration Committee	Nomination Committee	Risk Committee
Executive Directors					
Andrew Taylor	11/11	n/a	n/a	n/a	3/4
Andrew Belshaw	11/11	n/a	n/a	n/a	n/a
Non-Executive Directors					
Richard Last (Independent) [1]	11/11	1/1	5/5	2/2	4/4
Alan Gibbins (Independent)	11/11	3/3	5/5	2/2	4/4
Martin Lea (Independent)	11/11	3/3	5/5	2/2	4/4
Henrietta Marsh (Independent) [2]	8/8	2/2	3/3	0/0	2/2
Wu Long Peng	11/11	n/a	n/a	2/2	n/a
Andrew Stone	9/11	n/a	n/a	2/2	n/a

1 Richard Last stepped down from the Audit Committee in April 2019.
2 Henrietta Marsh joined the Board in April 2019.

Corporate governance

- Reviewed and approved the Notice of AGM and corporate governance disclosures;
- Considered the key provisions of the QCA code and its application to the Company;
- Reviewed and approved the Matters Reserved for the Board and each of the Committees' terms of reference;
- Discussed the findings of the Board evaluation and agreed actions for the following year; and
- Chairman and Non-Executive Directors met without the Executive Directors present.

Risk

- Reviewed the status of the principal risks and progress with the implementation of any mitigation plans;
- Received regular reports from Chairs of the committees on matters discussed; and
- Received updates on regulatory developments.

People and culture

- Discussed talent, diversity and succession planning;
- Reviewed the composition of the Senior Leadership Team in the UK and equivalent management groups for the overseas entities;
- Reviewed the results of the annual employee survey;
- Reviewed updates regarding health and safety within the Group;
- Approved the appointment of Henrietta Marsh; and
- Reviewed the Company's values.

Shareholders

- Reviewed feedback following the investor roadshows and other institutional shareholder meetings; and
- The Chair met with shareholders as requested.

Time commitment

The Executive Directors are expected to devote substantially the whole of their time, attention and ability to their duties, whereas, as one would expect, the Non-Executives have a lesser time commitment. The Non-Executive Directors are required to spend sufficient time in the business to discharge their responsibilities. Typically this is 50-60 days per year for the Chairman, 25-30 days per year for Independent Non-Executives with chair of committee responsibilities and 16-20 days for Non-Independent Non-Executives. The Chairman and Non-Executive Directors have other third-party commitments including directorships of other companies. The Company is satisfied that these associated commitments have no measurable impact on their ability to discharge their responsibilities effectively. The Executive Directors are permitted to have third-party commitments with the permission of the Chairman. At present the CEO and the CFO have no external commitments.

During 2019, certain Directors who were not committee members attended meetings of the Audit Committee and Remuneration Committee by invitation. These details have not been included in the table. Where a Director is unable to attend meetings of the Board or of Board Committees, such Director is invited to review the relevant papers for the meetings and provide their comments to the Board or the Board Committees in advance of such meetings.

Training and Development

New Directors receive induction on their appointment to the Board which covers the activities of the Group and its key business and financial risks, the terms of reference of the Board, and its Committees, and the latest financial information about the Group.

The Board ensure that they keep their skills up to date. They are made aware of accounting, regulatory, governance and GDPR changes via papers to the Board, presentations and external documents. An annual review of compliance with the AIM Rules is also performed.

All Directors have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. In addition, the Company Secretary will ensure that the Directors receive appropriate training as necessary. The appointment and removal of the Company Secretary is a matter for the Board as a whole. All Directors are supplied with information in a timely manner in a form, and of a quality, appropriate to enable them to discharge their duties.

Board performance

The Company has a formal process of annual performance evaluation for the Board, its Committees and individual Directors. The Board and its Committees are satisfied that they are operating effectively.

A performance evaluation of the Board, the Board Committees and individual Directors will continue to be conducted annually and the method for such review will continue to be reviewed by the Board in order to optimise the process.

The review is based on a template covering key areas:

- Board composition;
- Board information;
- Board process, internal control and risk management;
- Board accountability;
- CEO and top management; and
- Standards of Conduct.

The areas are scored by all members and reviewed by the Chairman and Company Secretary and compared against the previous evaluation. Lower scores are discussed.

Committees

The following Committees deal with specified aspects of the Group's affairs.

Audit Committee

The make-up and workings of the Audit Committee are set out in the Audit Committee report on page 56.

Remuneration Committee

The make-up and workings of the Remuneration Committee, together with details of the Directors' remuneration, interest in options, together with information on service contracts, are set out in the Report on Directors' Remuneration. No Director is involved in the decision about their own remuneration.

Nomination Committee

The Nomination Committee assists the Board in discharging its responsibilities relating to the composition and make-up of the Board and any Committees of the Board. It is also responsible for periodically reviewing the Board's structure and identifying potential candidates to be appointed as Directors or Committee members as the need may arise. The Nomination Committee is responsible for evaluating the balance of skills, knowledge and experience and the size, structure and composition of the Board and Committees of the Board, retirements and appointments of additional and replacement Directors and Committee members and will make appropriate recommendations to the Board on such matters.

The Nomination Committee is chaired by Richard Last and its other members are Martin Lea, Alan Gibbins, Henrietta Marsh, Wu Long Peng and Andrew Stone.

The Company's policy is to attract and develop a highly qualified and diverse workforce, to ensure that all selection decisions are based on merit and that all recruitment activities are fair and non-discriminatory. We continue to focus on encouraging diversity of business skills and experience, recognising that Directors and managers with diverse skills sets, capabilities and experience gained from different backgrounds enhance the Group.

Risk Committee

The Risk Committee was formed in December 2017 to assist the Board in its duty to carry out a robust assessment of the principal non-financial risks facing the Company (financial risk is considered by the Audit Committee). Its main function is to review the risk register prepared and maintained by management and to re-confirm that the principal risks have been identified and (where appropriate) mitigated. These are included on pages 24 to 27.

The purpose of the Committee is to manage rather than eliminate risk and therefore it cannot provide absolute assurance against any one risk. The role of the Committee will be to review reports from management to consider whether significant risks are identified, evaluated, managed and controlled and whether any significant weaknesses are promptly remedied. It will also indicate a need for more extensive monitoring.

The Risk Committee is chaired by Martin Lea and its other members are Richard Last, Andrew Taylor, Alan Gibbins, Henrietta Marsh and Andy Morris (Chief Strategy and Operating Officer).

Stakeholder Engagement

Relations with shareholders

Communication with shareholders is given high priority by the Board and is undertaken through press releases, general presentations at the time of the release of the annual and interim results and face-to-face meetings. The Group issues its results promptly to individual shareholders and also publishes the same on the Company's website. Regular updates to record news in relation to the Company are also included on the website.

In order to ensure that the members of the Board develop an understanding of the views and concerns of major shareholders there is regular dialogue with institutional shareholders, including meetings after the announcement of the Company's annual and interim results. The Board uses the AGM to communicate with private and institutional investors and welcomes their participation. The Chairman also visits major shareholders.

Relations with employees/employee engagement

The Group recognises the importance of employees to the success of the business and ensures that they are fully informed of events that directly affect them and their working conditions. Information on matters of concern to employees is given in briefings that seek to provide a common awareness on the part of all employees of the financial and economic factors affecting the Group's performance through attendance at employee roadshows which take place twice a year. In addition to this, there is also a process in place which allows employees to contact the CEO anonymously if they wish to bring items to the attention of the Board. We plan to designate a non-executive director for engagement with the workforce.

During 2019 the Group undertook the Best Companies Limited employee engagement survey and achieved a one-star accreditation. The results from this survey attracted a listing in The Sunday Times Top 100 Best Companies to Work For.

Business relationships

Relationships with suppliers and customers are paramount to the way that Gamma operates; the Senior leadership team and the CEO engage on a regular basis with major suppliers and customers.

Suppliers

Gamma's supplier payments policy is to always pay suppliers on or before the agreed term (which will vary from contact to contract). If an invoice is fully authorised on the system, it will pull through to the next available payment run even if this is before the contractual due date. The maximum contractual payment period agreed is 90 days, which was offered by the supplier without Gamma's request. For the year ended 31 December 2019, the average time taken to pay invoices was 29 days.

Gamma currently has a small number of suppliers who are paid via a netting agreement. The terms of these agreements are such that payment can only be processed once the netting is agreed by both sides. This can result in the days taken to pay being abnormally high on some invoices and therefore influencing Gamma's average days taken to pay suppliers. Due to Gamma's dispute policy whereby the disputed value of an invoice is withheld from payment until resolved, this can also result in average days taken to pay being influenced.

Any disputes are raised with the supplier directly at the earliest opportunity. Any valid charges on an invoice are paid, with the disputed amounts being held back until a credit is received or the dispute has been resolved.

Customers (and Customer Satisfaction)

Each customer has a Business Development, Information Assurance and Customer Development manager and is invited to our Customer Roadshows. These roadshows discuss the latest industry trends and opportunities for the channel to target, an update on Gamma's ever-expanding UCaaS and Connectivity product portfolio and panel discussions exploring the future of the Channel and define where the Channel's value lies in a digital world.

Signed on behalf of the Board by:

Richard Last
Chairman and Independent Non-Executive Director
16 March 2020

Richard Last
Chair

Nomination Committee

The Nomination Committee assists the Board in discharging its responsibilities relating to the composition and make-up of the Board and any Committees of the Board.

It is primarily responsible for:

- Evaluating the balance of skills, knowledge and experience of the Board
- Evaluating the size structure and composition of the Board and Committees of the Board
- Retirements and appointments of additional and replacement Directors and Committee members
- Making appropriate recommendations to the Board on such matters.

Membership

The members of the Nomination Committee and the meetings attended are:

	Meetings attended
Richard Last (Chair)	2/2
Alan Gibbins	2/2
Martin Lea	2/2
Henrietta Marsh*	0/0
Wu Long Peng	2/2
Andrew Stone	2/2

* Membership from 16 April 2020.

Dear shareholder,

On behalf of the Board, I am pleased to present the Nominations Committee report for the year ended 31 March 2019 which summarises our membership and activities in the year.

Role and responsibilities

The committee is responsible for periodically reviewing the Board's structure and identifying potential candidates to be appointed as Directors or Committee members as the need may arise.

The Company's policy is to attract and develop a highly qualified and diverse workforce, to ensure that all selection decisions are based on merit and that all recruitment activities are fair and non-discriminatory. We continue to focus on encouraging diversity of business skills and experience, recognising that Directors and managers with diverse skills sets, capabilities and experience gained from different backgrounds enhance the Group.

Activities in the year

The Committee is also delighted to welcome Henrietta Marsh to the Board who was appointed as a new Non-Executive Director in April 2019. There is a formal, rigorous and transparent procedure for the appointment of new Directors to the Board. The Committee interviewed suitable candidates who were proposed either by existing Board members or by an external search firm. Careful consideration was given to ensure that proposed appointees had enough time available to devote to the role and that the balance of skills, knowledge, experience and diversity on the Board is achieved. When the Committee found a suitable candidate, the Chair of the Committee then made a proposal to the whole Board, which retains responsibility for all such appointments. The board approved the appointment of Henrietta Marsh before her appointment.

Diversity

Gamma seeks to have a workforce which reflects the world we and our customers live in, whilst facilitating the delivery of our strategic goals. The Board and the Committee believe that diversity is a wider topic than simply gender and in order to achieve the Group's future growth aspirations, Gamma should remain committed to building a pipeline of diverse talent and to regularly review the HR processes, including recruitment and performance management frameworks.

Succession planning

The committee has considered not only succession plans for the Directors but also has had oversight of a deeper review into the Company's management structure to identify those with potential to develop in the longer-term into future leaders of the business taking into account the challenges and opportunities facing the Company in the medium to long term.

Conflicts of interest

The Board operates a policy to identify and, where appropriate, manage any potential conflicts of interest that Directors may have. It is the role of the Committee to monitor the situation and determine actions to address any potential or actual conflicts that may arise. The Committee reviews all potential conflicts of interest on an annual basis and when new Directors are formally appointed. No conflicts of interest were noted in the year and to the date of this Annual Report.

Re-appointment of Directors

The re-appointment of Directors is subject to their ongoing commitment to Board activities and satisfactory performance. All Directors will stand for re-election annually. The Committee has confirmed to the Board that the contributions made by the Directors offering themselves for re-election at the AGM continue to benefit the Board and the Company should support their re-election.

Richard Last
Chairman
16 March 2020

Alan Gibbins
Chair

Audit Committee

The Audit Committee's role is to provide effective governance over Gamma's financial reporting, including the adequacy of disclosures made in the financial statements; to review the performance of the external auditors; to provide oversight of the Group's systems of internal financial control; and to report to the Board on these matters.

Membership

The members of the Audit Committee and the meetings attended are:

	Meetings attended
Alan Gibbins (Chair)	3/3
Richard Last*	1/1
Martin Lea	3/3
Henrietta Marsh*	2/2

* Henrietta Marsh joined the Board and the Audit Committee in April 2019. Following this appointment, Richard Last, Chairman of the Group, stood down from the Committee in accordance with good corporate governance, having attended one meeting.

Dear shareholder,

I am pleased to present the Audit Committee report for the year ended 31 December 2019. This report details how the Audit Committee fulfilled its responsibilities during the year.

The Committee consists of the three Independent Non-Executive Directors, who between them have a balance of recent and relevant financial and accounting experience, and general business knowledge.

The Committee meets at least three times a year generally just prior to Board meetings to facilitate immediate and efficient reporting to the Board, with additional meetings where necessary. The external auditors are invited to each meeting. The Chairman, CEO and Chief Financial Officer (together with members of the finance team as appropriate), and the other Non-Executive Directors also attend by invitation.

The pattern of meetings follows the public reporting and audit cycle, with meetings to consider the external audit plan; the half year announcement together with the external auditors' review of those results; and the full year Annual Report, again with the external auditors' observations and opinions.

The Committee also meets separately at least once a year with the external auditors without others being present. The Chairman of the Committee maintains a regular dialogue with the Chief Financial Officer and his team and with the external auditors.

Role and responsibilities

The Committee's role is summarised at the beginning of this report. The Committee works within a framework of approved terms of reference which are reviewed annually.

In fulfilment of its role and responsibilities the Committee:

- reviews Gamma's financial statements and finance-related announcements, including compliance with statutory and listing requirements;
- considers whether these statements and announcements provide a balanced and understandable view of Gamma's strategy and performance, and of the risks surrounding internal financial controls. Other risks are considered by the Risk Committee and by the Board as a whole;
- considers the appropriateness of accounting policies and significant accounting judgements and the disclosure of these in the financial statements;
- reviews the effectiveness of financial controls and systems. Gamma does not yet have an internal audit function although certain internal audit-related exercises are commissioned by the Audit Committee from time to time as considered appropriate. The Committee's consideration of internal audit matters and the likely development of internal audit in the future are described below; and
- oversees the relationship with and performance of the external auditors.

Activities of the Committee during the year
In fulfilment of the responsibilities set out above, the Committee's activities have focused on financial reporting and the related statutory audit; and on the assessment of internal financial controls.

Financial reporting and statutory audit
The Committee has reviewed with both management and the external auditors the half year and annual financial statements, focusing on:

- the overall truth and fairness of the results and financial position, including the clarity of disclosures shown in the statements and their compliance with statutory, listing and best practice requirements. This includes accounting disclosures and whether at least equal prominence is given to GAAP results where non-GAAP amounts are disclosed. The Audit Committee is satisfied that Gamma continues to be transparent on these matters and follows best practice;
- the appropriateness of the accounting policies and practices used in arriving at those results;
- the resolution of significant accounting judgements or of matters raised by the external auditors during the course of their half year review and annual statutory audit. Key issues are described in more detail below; and
- the quality of the Annual Report taken as a whole, including disclosures on Governance, Strategy, Risks and Remuneration, and whether it gives a fair and balanced picture of the Group.

As an AIM-listed company, Gamma is not required to comply fully with the UK Corporate Governance Code, but seeks nevertheless to comply in all material respects. Last year the Company adopted the QCA Governance Code ("QCA") issued by the Quoted Companies Alliance in April 2018, which did not require any major adjustments to the Company's governance, including disclosures in these accounts The Committee has satisfied itself that Gamma continues to comply with the QCA Code.

External audit- accounting matters
The Committee discussed, challenged and agreed with Deloitte LLP their detailed audit plans prepared in advance of the audit, which set out their assessment of key risks and materiality. Key risks were assessed to be:

- the accuracy of traffic and pricing data;
- the risk inherent to all companies of management override of internal controls; and
- the valuation of acquired intangible assets – Dean One.

The Committee discussed the materiality used by Deloitte for their audit of the Group Financial Statements. It is satisfied that the materiality thresholds used for reporting to the Committee are such as to give the Committee good oversight of the adequacy of the Group's accounting; and that the scope and approach is appropriate.

Further details of Deloitte's audit and their conclusions thereon are contained in the audit opinion on pages 76 to 79.

Consideration of the audit appointment is given at the end of this Audit Committee report.

Accounting policies, practices and judgements
The selection of appropriate accounting policies and practices is the responsibility of management, and the Committee discussed these with both management and the external auditors. Having considered the key risks, the key audit matters were:

Revenue recognition
The Auditors and the Committee continue their focus on the complexity of auditing the area of revenues (to ensure the accuracy of billings to clients). The Audit Committee continues to be satisfied as to the robustness of the reporting of revenues and associated costs.

Valuation of acquired intangible assets – Dean One
During 2018, the Group acquired DX Groep B.V. (DX). This resulted in the Group recognising intangible assets and goodwill. During the first half of 2019 there was a decline in performance of Dean One, a DX subsidiary, due to a decline in the ISDN revenues; this led to an impairment of the carrying value of goodwill and customer contracts. The committee discussed management's view of the appropriate carrying values.

Other areas of judgement
Since flotation, we have reported on the Committee's review of a number of other areas including the adoption of IFRS 15 (revenues from contracts with customers) and IFRS 16 (leases), both now well embedded; the capitalisation of internal development costs ; the carrying value of fixed assets ; the calculation of the charge for share based payments; the adequacy of provisions for leasehold dilapidations; and provisions for taxation. The Committee is satisfied that all of these areas Gamma's processes and procedures are well developed and appropriate for each of the areas concerned, and that each is properly accounted . Although these are no longer considered material areas of accounting judgement , they are important matters which are kept under review by the Audit Committee.

Assessment of internal financial control

Management is responsible for putting in place internal financial controls over financial reporting to protect the business from identified material risks .

Key controls over indirect revenue are relied upon by Deloitte during the course of their external audit but such reviews are only in support of their statutory audit opinion.

The non-UK subsidiaries are subject to full audits by local audit firms where required. As the Group expands the results of overseas subsidiaries are likely to become more material and we will be moving to appoint Deloitte or another firm to carry out audits of these companies to the Group timetable.

Businesses recently acquired have less developed financial controls than the UK business and Gamma is developing processes to enable it to roll out controls appropriate for the size of each business acquired.

The Audit Committee is of the view that the size of the Group is now such that having some degree of internal audit work carried out is a priority. The Chairman of the Audit Committee and the CFO have continued their dialogue with external providers of internal audit services as to what areas might usefully be reviewed and who is best qualified to do the reviews.

Over the last two to three years Gamma has commissioned internal audit work from KPMG on Gamma's billing system and a high-level review of controls in the areas of purchase to pay; order to cash; HR/payroll; and financial controls/tax/treasury; and from PwC on controls over physical stock. At the present time KPMG are concluding an internal controls health check at Dean One and PwC are reviewing the partner settlement process. A number of helpful observations have been made and are being addressed.

In 2020 we will seek to appoint a single firm as supplier of internal audit services to the Group.

Effectiveness

The Committee are pleased to report that Gamma and Deloitte continue to work together and communicate well and that the external audit has run smoothly and constructively.

Appointment

Deloitte LLP were appointed as Gamma's external auditor for the first time for the year ending 31 December 2015 with reappointment approved annually thereafter. The year ending 31 December 2019 therefore represents Deloitte LLPs' fifth year as the external auditor. Although there are no current retendering plans, the Deloitte partner responsible for the Gamma audit, Andrew Bond, is rotating off the audit having served for five years and his successor has now been introduced.

For the financial year ending 31 December 2020, the Committee has recommended to the Board that Deloitte LLP be reappointed and the Board will be proposing their reappointment.

Alan Gibbins
On behalf of the Audit Committee
16 March 2020

Martin Lea
Chair

Risk Committee

The Risk Committee focuses on "non-financial" risks that are not normally within the remit of the Audit Committee.

It is primarily responsible for ensuring that:

- Management has implemented an appropriate and effective risk management and internal control system.
- There is a system in place to scan the environment for new risks.
- The nature and extent of the principal risks faced is understood and that they are effectively managed and mitigated.
- An appropriate risk management culture exists within the organisation.

	Meetings attended
Martin Lea (Chair)	4/4
Alan Gibbins	4/4
Richard Last	4/4
Henrietta Marsh*	2/2
Andy Morris (Chief Strategy and Operating Officer)**	4/4
Andrew Taylor (CEO)	3/4

* Membership from 16 April 2019
** From January 2020 John Murphy (Operations Director) replaced Andy Morris on the Risk Committee.

In addition to the committee members, quarterly meetings are also normally attended by the CFO, the Company Secretary, the Chief Information Security Officer, and the Chief People Officer.

Dear shareholder,

I am pleased to introduce the Risk Committee Report for the year ended 31 December 2019.

We were very pleased to welcome Henrietta Marsh to the Board of the Company and as a member of the Risk Committee in 2019. The Committee now comprises the Company's four Independent Non-Executive Directors, the CEO, and the Group Operations Director.

Details of our overall risk management governance framework and processes together with the Group's principal risks can be found on pages 24 to 27 of the Strategic Report.

Role of the Risk Committee

The Committee is responsible, on behalf of the Board, for ensuring that management has designed and implemented appropriate risk management and internal control systems, and for the ongoing monitoring and review of the effectiveness of those systems. This includes ensuring that there is a system in place for scanning the environment for new risks and also responding to unexpected ones. It also monitors the risk exposure of the Group and is responsible for agreeing with management how the principal risks will be managed and mitigated or tolerated. The Committee is further responsible for ensuring that an appropriate and evolving risk awareness and risk management culture exists throughout the organisation.

Activities of the Risk Committee in 2019

The Committee met four times in 2019, in order to conduct the following main items of business:

- the regular review of any unexpected and material service incidents or other corporate risk incidents;
- the regular review of the Company risk registers covering business continuity, cyber and physical security, supplier, regulatory, legal, people and more recently climate risks, focusing on the higher risk items and the status of associated mitigation plans;
- determining how recent Group acquisitions would be incorporated into the overall Group risk management and control environment;
- review of the Group's major incident, crisis management and communications plan and of its testing;
- undertaking a review of the Group's approach to the assessment and management of GDPR related risks; and
- reviewing the contents of the principal risks section of the Annual Report.

Looking Forward

The Group continues to grow, not just in size, but also in the breadth and sophistication of services provided, and the diversity of geographic markets within which it operates. These factors together with further developments in environmental governance expectations and standards, mean that risk awareness, identification, assessment and management will continue to be an important aspect of our overall activity and corporate governance. The Group's focus in the coming year will be on further developing and improving its competency and effectiveness in its overall approach to risk management.

Martin Lea
Chairman Risk Committee
16 March 2020

Martin Lea
Chair

Remuneration Committee

The Committee is primarily responsible for determining and making recommendations to the Board on the policy for the remuneration and employment terms of the Executive Directors, Chairman and other senior executives, and for the effective implementation of that policy.

The committee's terms of reference are reviewed and approved by the Board annually, and are available on the Company's website.

	Meetings attended
Martin Lea (Chair)	5/5
Richard Last	5/5
Alan Gibbins	5/5
Henrietta Marsh*	3/3

* Membership from 16 April 2019

Report structure and content

This report is for the year ended 31 December 2019 and is split into three main areas:

Dear shareholder,

I am pleased to introduce the Directors' Remuneration Report for the year ended 31 December 2019.

We were very pleased to welcome Henrietta Marsh to the Board of the Company and as a member of the Remuneration Committee in 2019. The Committee now comprises the Company's four Independent Non-Executive Directors.

The Committee is primarily responsible for determining and recommending to the Board the policy for the remuneration and employment terms of the Executive Directors and the Chairman and, in consultation with the CEO, for determining the remuneration packages of other senior executives. The committee is also responsible for the review of, and making recommendations to the Board in connection with share incentive plans and performance related pay schemes and their associated targets. It is also responsible for the oversight of employee benefit structures across the Group. The Committee's full terms of reference are reviewed regularly and approved by the Board. No Director or other senior executive is involved in any decisions as to their own remuneration.

Link between remuneration and strategy

The Group's strategy is designed to enable the business to continue to grow both its profitability and market share by developing new innovative communications products and services for organisations. The Remuneration Committee is committed to structuring senior executive remuneration that is competitive, enables the Company to attract retain and motivate executives of the calibre required to successfully further develop and execute the Group's strategy, and which rewards good performance. A significant proportion of total remuneration is performance-based and linked to the achievement of current year and longer-term performance measures. Short-term performance is incentivised via an annual bonus scheme which is based on company financial objectives as well as personal performance objectives which typically support strategic initiatives. Long-Term performance is incentivised by a performance share plan (LTIP), which is typically based on the achievement of demanding Total Shareholder Return and Earnings Per Share growth targets.

In addition, the Company has applied a policy of using share incentives across the Group. This includes awards to more senior staff under the Company Share Option Plan (CSOP), as well as both, Save as You Earn (SAYE), and Share Incentive Plans (SIPs), the participation in which is open to all UK employees.

We believe these policies help the Company to continue to grow profitably through the successful execution of its strategy as well as providing alignment between the interests of shareholders and all employees who can share in the Company's success.

Performance and Executive Director remuneration outcomes in 2019

This year has been one of continued positive progress at Gamma. The Chairman's statement (on pages 2 to 3) provides an overview of the strong financial performance and the progress the Group has made. The highlights include revenue growth of 15% to £328.9m, and adjusted profit before tax growth of 38% to £48.1m.

Based on overachievement against the Executive Directors' maximum Adjusted Profit before Tax performance targets (relating to 80% of their maximum bonus potential), and achievement of 80% and 100% respectively of the CEO's and CFO's personal performance objectives (relating to 20% of their maximum bonus potential); the CEO earned a bonus of 120% of salary (compared to the maximum potential bonus of 125%) and the CFO earned the maximum potential bonus of 100% of salary. 25% of the bonus earned in both cases is subject to deferral into shares for three years.

The three-year performance conditions related to the LTIP share option awards made to the CFO, as well as other senior executives in 2016, were exceeded. These options therefore vested in full in 2019. During the year, new LTIP three-year performance share awards were made to the Executive Directors at 125% of salary. Awards under the scheme were also made to other senior executives.

The committee did not exercise discretion in the determination of the Executive Directors, remuneration during 2019.

In line with the general company-wide salary increase, and the remuneration policy, the base salary of the Executive Directors was increased by 2.5% with effect from 1 January 2020.

Non-Executive Director Remuneration

At the time Henrietta Marsh joined the Company as our new Independent Non-Executive Director, the fees of the Non-Executives (excluding the Chairman's fees) were revised, to bring them in line with market norms for publicly quoted businesses of comparable sizes. The review, led by the Chairman and the Chief Executive, took into account the results of a benchmarking exercise undertaken by remuneration advisors h2glenfern as well as other published AIM 50 remuneration data.

As a result of the review the Non-Executive Director fees were increased from £37,142 to £48,000 and the committee chair fees from £6,000 to £8,000 with effect from 1 April 2019.

Changes to Directors' Remuneration Policy

Short-term performance for Executive Directors and other senior executives, continues to be incentivised using a discretionary annual bonus scheme. There have been no changes to policy regarding the annual bonus scheme.

Long-term performance continues to be incentivised by way of a long-term incentive plan (LTIP) based on the achievement of Total Shareholder Return (TSR) and Earnings Per Share (EPS) growth goals over a three-year measurement period. Given the Company's growth profile, its stage of development and the challenges of identifying a relevant peer group, the committee believes that absolute performance goals remain more relevant than comparative performance measures. There have been no changes made to the LTIP scheme structure or rules.

Employee Share Schemes

In order to continue to strengthen the alignment of our employee and shareholder interests, the Group operates a Save As You Earn scheme ("SAYE") and a Share Incentive Plan (SIP) which are open to all UK employees.

In addition, there is a Company Share Option Plan (CSOP) which is designed to enable the Group to selectively incentivise key high performing employees. In 2019 awards of 157,914 options were made to high performing employees under the CSOP.

Under the SAYE scheme, employees who choose to participate are granted options, at a 20% discount to market price, and then save a pre-determined sum over a period of three years. The money saved can then be used by the employee to exercise their options. In 2019 44% (2018: 28%) of all employees chose to participate, with options being granted over 377,800 (2018: 241,298) shares.

In July 2019 the Company issued £500 free shares to each employee under the terms of a SIP scheme. This did not entail the Company issuing new shares as the shares were already held in the Gamma Communications plc SIP trust. The shares are tax-free if held for five years.

Towards the end of the year the Company launched a new "evergreen" (available for people to join at any time) SIP scheme. It allows staff to buy up to £150 of shares each month out of gross salary (Partnership shares). The shares need to be kept for five years for the employees to keep the tax benefit. As at 31 December 2019, 459 employees had joined the scheme.

Employee Remuneration

Based on the Group's performance in 2019, and the contribution and hard work of all its employees, the Board was pleased to approve a 2.5% general salary increase at the end of 2019. Employees in the Group generally participate in a bonus scheme that enables them to earn up to and in exceptional circumstances over-10% of basic salary based on a combination of personal and Group performance.

Governance Disclosure and the Year Ahead

As an AIM-listed company, this report is included as required following the Company's adoption of the QCA Corporate Governance code and as a matter of best practice. It is our intention to continue to increase the scope and content of the report and we have further increased the disclosure in this year's Annual Report on Remuneration. The Directors' Remuneration Report was approved on an advisory basis at the 2019 AGM with 99.3% of votes cast in favour. This Directors' Remuneration Report will again be put to an advisory vote at the forthcoming 2020 AGM.

With effect from the conclusion of the 2020 AGM, Henrietta Marsh will succeed me as Remuneration Committee Chair. I will continue to serve as a member of the committee. Under Henrietta's chairmanship, the committee will continue to ensure that executive remuneration remains aligned with the Group's strategic objectives, and shareholder interests.

On behalf of the committee, I thank you for your support during the last year and hope that you find this report increasingly helpful and informative.

Martin Lea
Remuneration Committee Chairman
16 March 2020

Remuneration policy

This part of the Directors' Remuneration Report sets out the Group's remuneration policy with regard to its Directors.

Consideration of shareholders' views on remuneration

The Company welcomes dialogue with its shareholders over matters of remuneration. The Chairman of the Remuneration Committee is available for contact with institutional investors concerning the approach to remuneration.

Policy on Executive Director remuneration

The Group's remuneration policy is designed to ensure that it can attract, retain and motivate executives and senior management of the right quality to enable it to fulfil its strategic objectives and deliver long-term sustainable growth. The retention of key management and the alignment of management incentives with the creation of shareholder value is a key objective of this policy.

Setting base salary for Executive Directors at an appropriate level is key to management retention. Therefore, the Remuneration Committee seeks to ensure that salaries are market competitive for comparable companies. The aim is to set total compensation within a range around the median level for the Group's peer group.

The Remuneration Committee is directly responsible for setting the remuneration of Executive Directors and for giving guidance on and approving recommendations for the remuneration of other members of the senior management team.

Summary of policy changes for 2020

A statement of how the Company intends to implement its remuneration policy in 2020 is included in the Annual Report on Remuneration. There have been no material policy changes for 2020.

Purpose and link to strategy	Operation	Potential remuneration	Performance metrics
Base salary			
To be set at a level which is sufficiently competitive to recruit and retain Executive Directors of the appropriate calibre, skill and experience to deliver the Company's strategy, and which considers the scope of the individual Directors' contribution to the Group.	Salaries are typically reviewed annually, with any changes effective from 1 January, but exceptionally may take place at other times of the year. When determining an appropriate level of base salary, the committee considers: • Group performance; • the role, responsibilities, experience and personal performance of the Director; and • average workforce salary adjustments within the Group. In addition to the above, salaries are independently benchmarked from time to time against comparable roles at listed companies of a similar size and complexity.	The actual base salaries paid to the Executive Directors and those set for the current year are disclosed in the Annual Report on Remuneration.	Not applicable.
Benefits			
To complement basic salary by providing market competitive benefits to attract and retain executives.	Reviewed from time to time to ensure that benefits when taken together with other elements of remuneration remain market competitive. Benefits for the Executive Directors currently comprise participation in the Group's life assurance and income protection schemes, which are also available to all other UK employees.	The cost of providing these benefits varies year on year depending on the schemes' premiums. The Remuneration Committee monitors the overall cost of the benefits package.	Not applicable.
Pension			
To provide retirement benefits which, when taken together with other elements of the remuneration package, will enable the Group to attract and retain executives.	The Executive Directors (together with all other eligible staff) can participate in the Group's defined contribution (money purchase) pension scheme.	Employer contribution of up to 5.1% of salary per annum is paid into the scheme, which is the same level available to eligible employees across the wider workforce.	Not applicable.

Purpose and link to strategy	Operation	Potential remuneration	Performance metrics
Annual Bonus			
To incentivise the achievement of the Group's annual financial targets, or other near -term strategic objectives.	The Executive Directors and other senior executives participate in a discretionary, annual, performance related bonus scheme. The Remuneration Committee at its discretion may determine that a proportion of any bonus that it awards may be deferred into an allocation of shares or grant of options each with a three-year vesting period and governed by the terms of the Deferred Bonus Plan. Typically, 25% of any bonus awarded to the Executive Directors is deferred into shares. Other than to the extent deferred, under the terms of the deferred bonus plan, bonuses are paid in cash, based on audited financial results. The bonus scheme rules include a claw-back provision.	The maximum bonus (including any part of the bonus deferred into share awards) deliverable under the plan is up to 125% of annual base salary, in the case of the CEO and 100% in the case of the CFO.	Bonus awards are based on annual performance against stretching company financial targets (e.g. Profit before Tax) and personal performance objectives for the individual Directors. Targets are set by the committee at the beginning of each year with up to 20% of the maximum bonus opportunity being based on personal objectives, and the remainder on Group financial performance targets.
Long Term Incentive Plan ('LTIP')			
To motivate executives and incentivise the achievement of longer-term financial performance. To align the interests of executives and shareholders.	The Executive Directors and other senior executives participate in a discretionary LTIP. The plan entitles participants to an allocation of, or options over, free (or nominal value) shares after a performance period of three years (or any other period as the committee may decide), subject to certain performance and service conditions being met. Participation is at the discretion of the Remuneration Committee. Awards will typically be made annually based on a multiple of annual salary. Performance conditions are set by the Remuneration Committee at the time of the award. The plan rules amongst other things include claw-back provisions and a limitation to ensure that new shares issued, when aggregated with all other employee share awards, must not exceed 10% of issued share capital over any ten-year period.	The Remuneration Committee would in normal circumstances expect to make annual LTIP awards to the Executive Directors at a value of up to 125% of base salary. The scheme rules however do allow the Remuneration Committee discretion to make higher value awards.	The vesting of LTIP awards is conditional upon the successful achievement of financial performance conditions over the performance period, which are set by the Committee at the time of the award. Performance conditions currently include compound annual growth in adjusted earnings per share (EPS), and compound annual growth in total shareholder return (TSR) with each having equal weighting i.e. up to a maximum vesting of 50% of the shares. In both cases (TSR and EPS) the Committee has currently determined that at this stage of Gamma's development and its market position, absolute performance measures are more appropriate than relative measures. For future LTIP awards the Committee will assess what performance conditions and associated weightings it considers appropriate in supporting the Company's strategy and longer-term objectives.
All employee share plans			
Executive Directors are eligible to participate in all employee share schemes which are designed to encourage share ownership across the wider UK workforce. These currently include regular Save as You Earn Option Plans (SAYE Plan) and an evergreen Share Incentive Plan (SIP).	Executive Directors may participate in these plans in line with HMRC guidelines currently prevailing, and on the same basis as other eligible UK employees.	Participation levels are in accordance with HMRC limits as amended from time to time.	Not applicable.

Committee discretion, flexibility and judgement in operating the incentive plans.
The Committee retains discretion, consistent with market practice and in line with the various scheme rules, in a number of areas with regard to the operation and administration of the discretionary annual bonus and the LTIP plans. These include, but are not limited to:

The Discretionary Annual Bonus Plan:

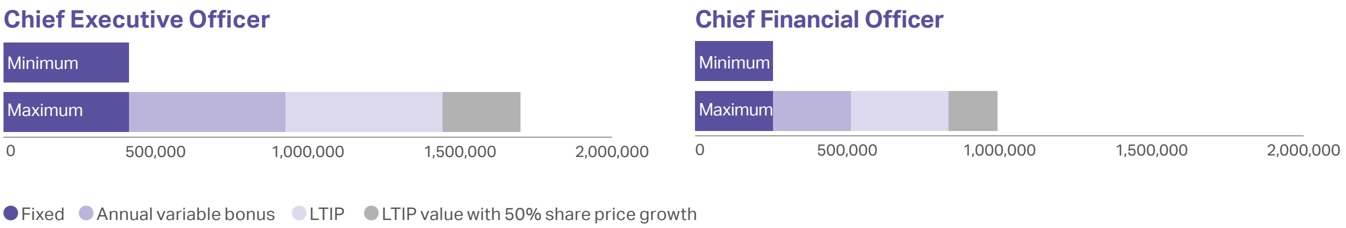
- The scheme participants.
- The review of and setting of annual performance measures and targets.
- The determination and calculation of any bonus payment, including upward or downward adjustment as appropriate.
- The timing of any bonus payments.
- The determination of the proportion of any bonus award that is deferred into an award under the terms of the deferred bonus plan.
- The determination of the treatment of leavers depending on the circumstances.

The LTIP Plan:

- The scheme participants.
- The form and timing of the grant of an award.
- The size of awards made.
- The setting of appropriate performance measures.
- The determination of the treatment of leavers depending on the circumstances.
- Discretion relating to vesting in the event of a change of control of the Company.
- The ability to substitute a cash equivalent in place of shares.
- To make appropriate adjustments to awards required in certain circumstances e.g. Demerger, capitalization or rights issue, or other restructuring events.
- To change any performance or other condition applying to an award, if any event or series of events happen, which result in the Committee considering it is fair and reasonable to make such change.

Illustrations of application of the Policy
The graph below demonstrates how pay varies with performance for the Executive Directors based on the Directors Remuneration Policy described above. This is based on pay for the year ending 31 December 2020.

Element	Description
Fixed	Fixed remuneration is made up of total salary, pension and benefits.
Annual Variable bonus	The annual variable bonus is an incentive scheme where remuneration in the form of cash and deferred shares is received or receivable as a result of the performance conditions that relate to that period.
LTIP	The long-term incentive plan is an incentive scheme where remuneration in the form of shares is received or receivable as a result of the performance conditions that relate to that period.



Assumptions used in determining the level of payout under given scenarios is as follows:

Performance	Fixed pay	Annual variable bonus	LTIP
Minimum	Fixed pay i.e. salary, pension and benefits only.	No bonus	No LTIP vesting
Maximum	Fixed pay i.e. salary, pension and benefits only.	Maximum bonus awarded	Maximum LTIP calculated as the value at the time of the award. The chart also shows the impact of 50% share price growth over the vesting period.

An "on target" figure is not presented because the incentive scheme is structured with stretching targets which, if achieved, results in the executives receiving their maximum remuneration as depicted in the graphs above.

Alignment of Executive remuneration and the market

At the time of appointing our new CEO in 2018, the Remuneration Committee undertook a detailed benchmarking exercise among peer group organisations in order to determine a competitive and appropriate remuneration package. Towards the end of 2018 the committee undertook a further benchmarking exercise to consider the remuneration of the CFO. In undertaking such benchmarking exercises the Company takes into account Gamma's size, market position, profile and outlook, and reviews the remuneration data for a number of comparable UK quoted companies.

In addition to such formal benchmarking exercises, the Committee takes advantage of various annual AIM Directors' Remuneration reports as well as available data about similar and competing companies. The Company aims to position Gamma Directors' salary and annual bonus at the median level, based on appropriate comparator organisations, but to also ensure there is significant incentive and reward for better than average longer-term results through the performance-based Long Term Incentive Plan.

Consideration of pay and employment conditions elsewhere in the Group

The Committee considers the pay and conditions of employees throughout the Group when determining the remuneration arrangements for Executive Directors although no direct comparison metrics are applied. In particular, the Committee considers the relationship between general changes to UK employees' remuneration and Executive Director reward. Whilst the Committee does not directly consult with our employees as part of the process of determining executive pay, the Board does receive feedback from employee surveys that takes into account remuneration in general. The Committee also receives updates from the Chief People Officer.

Policy on recruitment

When hiring a new Executive Director, the Committee will consider the overall remuneration package by reference to the remuneration policy set out in this report. The Committee would not usually expect to pay sign-on payments or compensate new Directors for any variable remuneration forfeited from any employment prior to joining the Board other than in exceptional circumstances, and in such circumstances would aim to compensate the new Executive through the Group's Long Term Incentive Plan (LTIP). LTIP awards are made on an ongoing basis in line with our policy for Executive Directors and other senior executives. In the year of recruitment, a higher award may be made within the limits of the plan (maximum of 200% of salary other than in exceptional circumstances). Salary and annual bonus levels will be set so as to be competitive at the median level with comparable roles in companies in similar sectors, and also taking into account the experience, seniority and the scope of responsibility of the appointee coming into the role. New Executive Directors will be able to participate in the annual bonus scheme on a pro-rated basis for the portion of the financial year for which they are in post. New Executive Directors will receive benefits and pension contributions in line with the Company's existing policy.

Policy on loss of office

The following sets out the Company's policy with regard to exit payments in relation to each remuneration element for Executive Directors. These apply other than in circumstances where the Executive is dismissed for breach of contract, including serious dishonesty, gross misconduct, incompetence, or wilful neglect of duty, in which cases no amount will be payable.

Basic salary: This will be paid over the contractual notice period (CEO: twelve months, CFO: six months) however the Company has the discretion to make a lump sum payment for termination in lieu of notice.

Benefits and Pension contributions: These will normally continue to be provided over the notice period; however the Company has the discretion to make a lump sum payment on termination equal to the value of the benefits payable during the notice period.

Annual Bonus: The payment of any annual bonus would be entirely at the discretion of the Remuneration Committee and if made would be pro-rated to the time of active service in the year that employment ceased. The decision of the Committee, in such circumstances, would take into consideration the financial performance of the Company, the performance of the individual, and the circumstances of the termination of employment.

Long Term Incentive Plan (LTIP): This is governed by the rules of the LTIP scheme. If the Executive Director's employment ceases for reasons of death, ill health, injury, disability or redundancy during the performance period of the LTIP award, then normally in these circumstances, the participant's award will vest on a time pro rata basis subject to the Remuneration Committee assessment of the satisfaction of the performance conditions applying to the award for the period prior to cessation of employment. In all other circumstances if an Executive Director's employment ceases then the award will lapse on the date of cessation, unless the Remuneration Committee determines in its discretion prior to the date of cessation that the award should vest on a time pro rata basis subject to its assessment of the satisfaction of the performance conditions. The Committee retains discretion to decide to waive in full or in part the performance conditions if it feels that is appropriate in any particular circumstances.

Policy on Non-Executive Director remuneration

The Chairman and the other Non-Executive Directors' remuneration comprise only fees. The Chairman's fee is approved by the Board on the recommendation of the Remuneration Committee. The other Non-Executives' fees are approved by the Board on the recommendation of the Chairman and CEO. The Non-Executive Directors are not involved in any decisions about their own remuneration.

Additional fees over and above the base fee are payable to the chairmen of the Audit, Remuneration and Risk Committees. They are reviewed annually with changes effective from 1 January each year. The Chairman and the other Independent Non-Executive Directors are entitled to be reimbursed for reasonable expenses.

Details of the fees paid for 2019 and fees planned for 2020 are set out in the Annual Report on Remuneration.

Directors' Service Agreements

Executive Directors' Service Agreements

The key elements of the Executive Directors' Service Agreements are summarised in the table below:

Key element	CEO Andrew Taylor	CFO Andrew Belshaw
Effective date of Service Agreement	CEO Designate – 4 April 2018 CEO – 23 May 2018	10 October 2014
Notice period	12 months notice given by either party	6 months' notice given by either party
Salary	Basic salary (2019)	Basic salary (2019)
Annual bonus	Discretionary performance-related	Discretionary performance-related bonus
Pension	Nil	Company contributes up to 5.1% of basic salary into defined contribution money purchase scheme
Benefits	Participation in Company life assurance and income protection schemes	Participation in Company life assurance and income protection schemes
Share schemes	Eligible to participate in Company share schemes	Eligible to participate in Company share schemes
Termination payments	The Company has the discretion to make a payment of basic salary in lieu of notice to terminate the employment forthwith in the event of notice being given	The Company has the discretion to make a payment of basic salary in lieu of notice to terminate the employment forthwith in the event of notice being given

Non-Executive Director Letters of Appointment

The Non-Executive Directors have Letters of Appointment stating that their appointment is for an initial term of three years from the date of the appointment letter. The Letters of Appointment provide for termination of the appointment with three months' notice by either party. Reappointment of Non-Executive directors is voted for at each AGM, with the most recent reappointment date being 22 May 2019.

The current Non-Executive Directors' initial appointments commenced on the following dates:

Director	Date of first appointment
Richard Last	17 June 2014
Alan Gibbins	17 June 2014
Martin Lea	17 June 2014
Wu Long Peng	6 June 2014
Andrew Stone	6 June 2014
Henrietta Marsh	16 April 2019

Annual Report on Remuneration

This Annual Report on Remuneration sets out information about the remuneration of the Directors of the Company, for the year ended 31 December 2019. The information in this report is unaudited, unless indicated otherwise.

Remuneration Committee

Membership

The Remuneration Committee consisted of the following Directors during the year to 31 December 2019:

Martin Lea (Chair)	Independent Non-Executive Director
Alan Gibbins	Independent Non-Executive Director
Richard Last	Independent Non-Executive Director and Chairman of the Board
Henrietta Marsh (joined 16 April 2019)	Independent Non- Executive Director

From time to time, the Chief Executive Officer, the Chief Financial Officer and the Chief People Officer are invited to attend committee meetings. The Company Secretary acts as secretary to the Remuneration Committee.

Remuneration Committee responsibilities

The committee is constituted as a formal sub-committee of the Board and operates within its terms of reference, which are reviewed and updated annually. The primary role of the Remuneration Committee is to determine and recommend to the Board the remuneration policy for the Executive Directors. This includes base salary, annual and long-term incentive awards and pension arrangements. In determining the remuneration policy, the Remuneration Committee takes into account many factors including the need for a significant proportion of the Executive Directors' remuneration to be structured so as to link rewards to business performance. The committee also is responsible for oversight of the remuneration of other members of the senior management team and supervising the workings of all of the Group's share incentive plans.

Activities of the Remuneration Committee in 2019

The Committee met five times in 2019 in order to conduct the following main items of business: agree the annual Remuneration Committee report; set senior executive bonus targets for 2019; review and approve proposals for the 2019 all employee SAYE share scheme and an ongoing, evergreen, company-wide SIP scheme; approve senior executive bonus payments relating to 2018 including the CEO deferred bonus award; approve the 2019 LTIP and CSOP awards and set LTIP targets; approve the vesting of the 2016 LTIP options; review the projected dilution impact and cost of various share schemes; conduct the annual review of the Remuneration Committee terms of reference; consider the 2020 Company annual salary review and any changes to overall Company remuneration structure review the Executive Directors' and other senior executive salaries and bonus structures, and determine the remuneration levels for2020.

Advisors

The Company engages external advisors from time to time, both to undertake benchmarking exercises relating to Directors' remuneration and also to advise on broader remuneration matters. In 2019, the Remuneration Committee took independent advice from h2glenfern Remuneration Advisory. This work was principally to a review the Company's level of remuneration-related disclosure (as reported in the in the Annual Report), and general governance. The cost of this work was £4,000 exclusive of VAT.

Remuneration of the Executive Directors (audited)

Director	Year	Salary	Benefits	Annual bonus	Long term incentive (LTIP)	Pension	Total
		£000's	£000's	£000's	£000's	£000's	£000's
Andrew Taylor	2019	402	–	482	–	–	884
	2018	292	–	364	–	–	656
Bob Falconer	2019	–	–	–	–	–	–
	2018	134	–	122	1,210	–	1,466
Andrew Belshaw	2019	252	–	250	469	10	981
	2018	191	–	191	341	10	733

Andrew Belshaw received £2,417 salary in 2019 in lieu of a contribution by the Company to his pension of £2,750. Annual bonuses are shown on an accrued basis and include both the cash and deferred share element. The 2019 bonus includes the value of deterred shares to be granted in 2020.

The value of the LTIP for 2019 relates to the vesting of the 2016 LTIP awards, and the value has been calculated using the share price on the vesting date.

The Directors have no rights under any Company pension schemes that are designated as defined benefit schemes.

In addition to the above, the Company provides life assurance and group income protection for the Executive Directors.

Annual performance bonus 2019.

The maximum annual bonus award opportunity for each Executive Director in respect of the year ended 31 December 2019 was 125% of salary for the CEO Andrew Taylor and 100% of salary for the CFO Andrew Belshaw. The structure of the bonus and the objectives for the Executive Directors are set out in the table and comments below.

Measure	Weighting	Threshold £m	Maximum £m	Outcome £m	% of Bonus Payable		Payment £000s	
					A.Taylor	A.Belshaw	A.Taylor	A.Belshaw
Profit before tax	80%	39.99	44.6	45.2	100%	100%	402	200
Personal Objectives	20%	n/a	n/a	n/a	80%	100%	80	50

The personal objectives set for 2019 were based primarily on:

CEO: The successful conclusion of a strategic mobile partner agreement, establishing an agreed technology/supplier road map for a next generation product evolution and developing a management succession plan.

CFO: The strengthening of the finance team and succession plan development, planning for the further enhancement of the Group's level of disclosure based on FRC code, and internal processes and documentation improvements.

25% of Andrew Taylor's and Andrew Belshaw's bonuses were deferred into an award governed by the terms of the Company's Deferred Bonus Plan. The vesting period for the awards under the terms of the plan is three years.

The Remuneration Committee did not exercise any discretion in determining the bonus awards.

Long Term Incentive Plan ('LTIP').

Vesting of 2016 LTIP awards.

Details of the share options vesting during the year are set out below:

Director	Total number of shares	% Vesting	Shares Vesting	Share price[1] £	LTIP value
Andrew Belshaw	44,002	100	44,002	10.65	468,621

1 The long term incentive figure for the year has been valued using the market value of the shares that vested in 2019 at the vesting date of 13 May 2019.

The face value of the 2016 LTIP vested shares at time of award was £183,598. Of the increase in the value of the shares on vesting, £303,023 was as a result of share price appreciation over the period.

The 2016 LTIP was subject to a combination of performance conditions based on annual compound growth in total shareholder return (TSR) and annual compound growth in earnings per share (EPS) over the three-year period. Details of the performance against these performance conditions are shown below.

Measure	Weighting	Threshold performance (30% vesting)	Target performance (100% vesting)	Actual performance	Vesting Andrew Belshaw % vesting	Number of shares	Values £
Annual compound growth in TSR	50%	8%	15%	38.4%	100%	22,001	234,310
Annual compound growth in EPS	50%	8%	20%	23.8%	100%	22,001	234,310

The Remuneration Committee did not exercise any discretion in determining the achievement of the performance criteria.

Remuneration of the Non-Executive Directors (audited)

Director	Directors' Fees		Committee Chair Fees		Total	
	2019	2018	2019	2018	2019	2018
	£000's	£000's	£000's	£000's	£000's	£000's
Richard Last	100	78	–	–	100	78
Alan Gibbins[1]	45	36	8	6	53	42
Martin Lea[1]	45	36	15	12	60	48
Henrietta Marsh[2]	34	–	–	–	34	–
Wu Long Peng[1]	45	36	–	–	45	36
Andrew Stone[1]	45	36	–	–	45	36

1 With effect from 1 April 2019, the Non-Executive Directors' fees and committee chair fees were increased following a benchmarking exercise.
2 Henrietta Marsh joined the board in April 2019.

Share scheme interests awarded during the year ended 31 December 2019 (audited)

Long Term Incentive Plan ('LTIP').

During the year ended 31 December 2019 the following LTIP awards were granted. The performance conditions are set out below the table.

2019 Director	Type of scheme interest	Basis of award	Number of awards	Vesting date[1]	Face value of award[2]	Exercise price
Andrew Taylor	Nil-cost option	125% of salary	50,964	April 2022	502,509	£0.0025
Andrew Belshaw	Nil-cost option	125% of salary	31,693	April 2022	312,500	£0.0025

1 The vesting date is approximately one month from the date of announcement of the Group's results, which historically has been in March.
2 The face value of the award has been calculated using the closing share price at the vesting commencement date, being 1 April 2019, to estimate the value of the incentive, as the actual value of the award will not be finalised until the closing share price is known when the incentive vests.

2018 Director	Type of scheme interest	Basis of award	Number of awards	Vesting date	Face value of award[1]	Exercise price
Andrew Taylor	Nil-cost option	£750,000	108,381	31 Mar 2021	750,000	£0.0025
Andrew Belshaw	Nil-cost option	125% of salary	34,504	31 Mar 2021	238,769	£0.0025

1 The face value of the award has been calculated using the closing share price of the day prior to the vesting commencement date to estimate the value of the incentive, as the actual value of the award will not be finalised until the closing share price is known when the incentive vests.

Andrew Taylor, upon his appointment as CEO received an initial award of LTIP share options valued at £750,000, which are subject to performance conditions.

At the time of making an award the Remuneration Committee sets challenging long-term performance targets in order to align the interests of the Directors with shareholders and which, together with continuous employment conditions, must be satisfied before an award vests.

The 2019 and 2018 LTIP awards have a performance period of three years starting from the vesting commencement date. The awards will vest as follows:

- 15% of the shares if annual compound total shareholder return ("TSR") over the performance period equals 8%, and 50% of the shares if annual compound TSR over the performance period equals 15% or higher with pro rata straight-line vesting in between; and
- 15% of the shares if the annual compound growth of the Company's adjusted earnings per share between the financial years at the beginning and the end of the performance period is equal to 8%, and 50% of the shares if the annual compound growth of the Company's adjusted earnings per share over the same period is equal to or in excess of 20% with pro rata straight-line vesting in between.

Save As You Earn (SAYE) Share Scheme

There were no awards made to directors under the SAYE scheme during the years ended 31 December 2019, or 2018.

Statement of Directors' shareholding and share interests (audited)

Directors' share interests at 31 December 2019 are set out below:

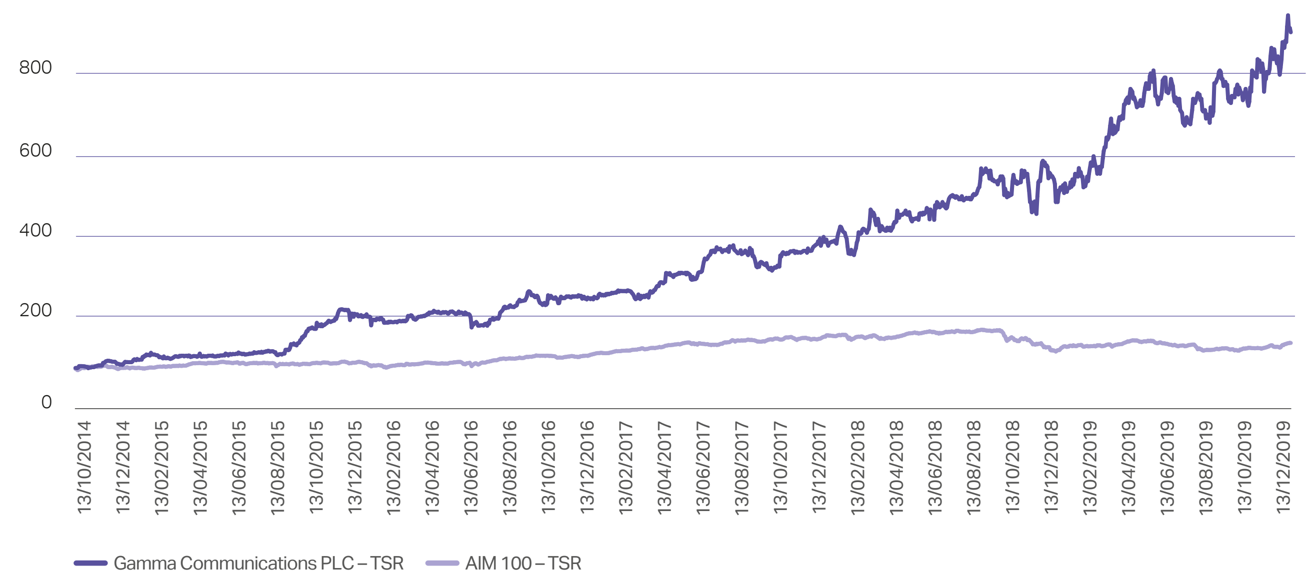
2019	Number of beneficially owned shares	Options: With performance measures	Options: Without performance measures	Options: Vested but unexercised	Options: Exercised during the year
Executive Director					
Andrew Taylor	–	159,345	9,209	–	–
Andrew Belshaw	228,853	104,337	–	–	44,002
Non-Executive Director					
Richard Last	53,475	–	–	–	–
Alan Gibbins	13,368	–	–	–	–
Martin Lea	13,368	–	–	–	–
Henrietta Marsh	1,000	–	–	–	–
Wu Long Peng	–	–	–	–	–
Andrew Stone	393,962	–	–	–	–

Directors' share interests at 31 December 2018 are set out below:

2018	Number of beneficially owned shares	Options: With performance measures	Options: Without performance measures	Options: Vested but unexercised	Options: Exercised during the year
Executive Director					
Andrew Taylor	–	108,381	–	–	–
Andrew Belshaw	228,853	116,646	–	–	48,675
Non-Executive Director					
Richard Last	53,475	–	–	–	–
Alan Gibbins	13,368	–	–	–	–
Martin Lea	13,368	–	–	–	–
Wu Long Peng	–	–	–	–	–
Andrew Stone	200,000	–	–	–	–

Performance graph and table

The Remuneration Committee has chosen to compare the TSR of the Company's ordinary shares against the AIM 100 Index because this index consists of the most comparable companies to the Group. The values indicated in the graph show the share price growth plus re-invested dividends from a £100 hypothetical holding of ordinary shares in Gamma Communications plc from the date of IPO.



Chief Executive's historical remuneration (audited)

The table below sets out the total remuneration of the Chief Executive over the last five years valued using the methodology applied to the single total figure remuneration.

Director	CEO	Total remuneration	Annual bonus payment level achieved (% of maximum opportunity	LTIP Vesting level achieved (% of maximum opportunity)
2019	Andrew Taylor	£884,408	96%	N/A
2018[1]	Andrew Taylor	£655,990	100%	N/A
	Bob Falconer	£1,466,688	100%	92.83%[2]
2017	Bob Falconer	£2,243,428	100%	100%
2016	Bob Falconer	£599,760	100%	N/A[3]
2015	Bob Falconer	£2,320,287	100%	N/A[3]
2014	Bob Falconer	£544,793	100%	N/A[3]

1 Bob Falconer retired as CEO on 23 May 2018 and was replaced by Andrew Taylor.
2 92.827% represents the blended rate for the vesting of Bob Falconer's 2015, 2016 and 2017 LTIP schemes. These schemes achieved performance vesting percentages of 93.875%, 91.847% and 90.046% respectively.
3 Share options schemes prior to the 2015 LTIP scheme (which vested in 2017) did not have performance conditions attached to them.

Percentage change in remuneration of Director undertaking the role of CEO.

The table below outlines the increase in salary, other pay and benefits and annual bonus for the year ended 31 December 2018 and 2019 for Andrew Taylor in comparison to the wider workforce.

2019 Director	% increase in CEO remuneration in 2019 compared with 2018	% increase in employee remuneration in 2019 compared with 2018
Salary, other pay and benefits[1]	2.0%	3.1%
Annual bonus	-2.1%	4.8%

1 In calculating the Group CEO data for 2018, we have used the annual equivalent remuneration amount of £394k for Andrew Taylor, who was appointed on 23 May 2018, to provide a true comparison.

Pay ratio information in relation to the total remuneration of the director undertaking the role of CEO

The table below sets out the ratio of the total remuneration received by the Group CEO to the total remuneration received by our UK employees at the median, 25th and 75th percentiles.

Year	Method	25th percentile pay ratio	50th percentile pay ratio	75th percentile pay ratio
2019	Option A	31.9x	23.2x	14.4x

Pay data	Base salary	Total pay and benefits
Group CEO	£402,008	£884,408
UK employees 25th percentile	£25,545	£27,688
UK employees 50th percentile	£34,962	£38,177
UK employees 75th percentile	£56,100	£61,268

1. "Option A" methodology was selected on the basis that it provides the most robust and statistically accurate means of identifying the median, lower and upper quartile colleagues.
2. The Group Chief Executive remuneration is the total single figure remuneration for the year ended 31 December 2019 contained on page 68.
3. The workforce comparison is based on actual payroll data for the period 1 January 2019 to 31 December 2019.
4. The total single figure remuneration calculated for each employee includes full-time equivalent base pay, annual bonuses for the 2019 performance year, overtime, benefits, allowances and employer pension contributions.
5. Part-time workers have been included by calculating the full-time equivalent value of their pay and benefits.
6. Leavers, joiners and employees on reduced pay (due to sick pay, maternity leave, etc.) have been included.

Relative importance of spend on pay (audited)

The following table shows the Group's actual spend on pay for all Group employees relative to dividends and underlying pre-tax profit.

	2019 £m	2018 £m	Change %
Overall spend on pay, including Executive Directors (£m)	67.2	55.8	+20%
Capital expenditure[1]	12.4	12.7	-2%
Dividends (£m)	9.2	8.1	+14%

1 Capital expenditure has been included in the above table as it represents a key expenditure, being the Group's investment in infrastructure to drive future growth.

Implementation of remuneration policy in the financial year 2020.

There have not been any material changes to the way in which the remuneration policy of the Group has been implemented in 2020.

Executive Directors

The following table summarises the Executive Director remuneration package for 2020

Director	Salary £000's	Benefits	Maximum annual bonus opportunity (% of salary)	Maximum LTIP opportunity (% of salary)	Maximum pension contribution (% of salary)
Andrew Taylor	412	–	125%	125%	–
Andrew Belshaw	256	–	100%	125%	5.1%

Salary: With effect from 1 January 2020, the salaries of the Executive Directors were increased by 2.5%.

Benefits: There were no changes to the benefits arrangements for the year commencing 1 January 2020.

Annual performance bonus: The maximum annual bonus opportunity remains the same as it was in the prior year. The performance measures and weightings are similar to the prior year with 80% of the maximum potential bonus being based on growth in adjusted profit before tax, and 20% based on personal objectives. The specific targets for the annual bonus for 2020 will be disclosed in the 2020 Annual Report on Remuneration.

Pension: There were no changes to the pension arrangements for the year commencing 1 January 2020

Long term incentive (LTIP): It is anticipated that further performance-based share option awards will be made in April 2020. The Committee will determine the levels, performance conditions, weighting and targets to be applied at the time of the award and will disclose them in the 2020 Annual Report.

Non-Executive Directors

The Non-Executive Directors' general fees were increased by 2.5% from the 1 January 2020. There was no increase to the Committee Chair fees at that time.

The following table summarises the 2020 Non-Executive Director fees.

Director	Directors' Fees £000s	Committee Chair Fees £000s	£ Total Fees 000s
Richard Last	102	–	102
Alan Gibbins	49	8	57
Martin Lea	49	16	65
Henrietta Marsh	49	–	49
Wu Long Peng	49	–	49
Andrew Stone	49	–	49

Statement of Voting

During the 2019 AGM, a motion was set for the shareholders to approve on an advisory only basis the Directors' Remuneration Report. 99.3% votes were cast in favour of the motion.

This Remuneration Committee report will be put to an advisory vote at the forthcoming 2020 AGM. This report was approved by the Board of Directors on 16 March 2020 and signed on its behalf by:

Martin Lea
Remuneration Committee Chairman
16 March 2020

Directors' Report

The Directors present their Annual Report, together with the Group's audited financial statements for the year ended 31 December 2019.

The Corporate Governance Statement set out on pages 46 to 47 forms part of this report.

Details of any significant events since the reporting date are included in note 33 to the financial statements. An indication of likely future developments in the business of the Company and details of research and development activities are included in the Strategic Report.

Information about the use of financial instruments by the Company and its subsidiaries is given in note 30 to the financial statements.

Dividends
The Directors recommend a final dividend of 7.0p per ordinary share (2018: 6.2p) to be paid on Thursday 18 June 2020 to ordinary shareholders on the register on Friday 29 May 2020 which, together with the interim dividend of 3.5p (2018: 3.1p), makes a total of 10.5p for the year (2018: 9.3p).

Capital structure
Details of the authorised and issued share capital of the Company and options over shares of the Company are set out in notes 27 and 29 to the Group financial statements. Over the period, the Company had four share incentive schemes by which Directors and employees may:

(i) be granted options under a long term incentive plan (LTIP) to subscribe for nil cost shares in the Company;

(ii) be granted options under the Company Share Option Plan (CSOP);

(iii) be issued shares under a Share Incentive Plan (SIP); and

(iv) be granted options under a Save As You Earn plan (SAYE).

The maximum aggregate number of shares which may be issued in respect of these schemes is limited to 10% of the issued share capital.

Composition of the Group
Details concerning subsidiary undertakings are given in note 17 to the Group financial statements.

Directors
The names and biographies of the Directors during the year and up to the date of signing are disclosed on pages 48 to 49.

Directors' interest in share capital
The Directors' interest in share capital is shown within the Annual Report on Remuneration.

Directors' indemnities
The Company has made qualifying third-party indemnity provisions for the benefit of its Directors of the Company and its subsidiaries which were made during the year and remain in force at the date of this report.

Going concern
The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic Report. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial review section of the Strategic Report and in note 23. Further information on the Group's exposure to financial risks and the management thereof is provided in note 23.

The Board's review of the accounts, budgets and financial plan leads the Directors to believe that the Group has sufficient resources to continue in operation for the foreseeable future. The Directors have considered the impact of Brexit and believe the impact on the Group will be low. The Group has minimal cross-border trading and deals predominantly in Sterling. The European acquisitions will continue to run independently though there could be an impact of foreign exchange translation though this is not anticipated to be material given the size of the overseas operation. The financial accounts are therefore prepared on a going concern basis.

Treasury policy
The objective of the Group's treasury policy is to manage the Group's financial risk and to minimise the adverse effects of fluctuations in the financial markets on the value of the Group's financial assets and liabilities, on reported profitability and on the cash flows of the Group. Note 23 sets out the particular risks to which the Group is exposed, and how these are managed.

Interests in contracts
There have been no contracts or arrangements during the financial year in which a Director of the Company was materially interested and which were significant in relation to the Group's business.

Health, safety, the environment and the community
The Group has a formal Health, Safety and Environmental Policy which requires all operations within the Group to pursue economic development whilst protecting the environment. The Directors aim not to damage the environment of the areas in which the Group operates, to meet all relevant regulatory and legislative requirements and to apply responsible standards of its own where relevant laws and regulations do not exist.

It is the policy of the Group to consider the health and welfare of employees by maintaining a safe place and system of work as required by legislation in each of the countries where the Group operates.

Political contributions
No political contributions were made in the year (2018: £nil).

Disabled employees
Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Auditors and their independence
A resolution to appoint auditors for the year to 31 December 2020 will be proposed at the AGM. The Company has a policy for approval by the Audit Committee of non-audit services by the auditor, to preserve independence.

Disclosure of information to the auditor
Each of the persons who is a Director at the date of approval of this Annual Report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved and authorised by the Board.

By order of the Board,

Andrew Belshaw
Chief Financial Officer
16 March 2020

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual 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 are required to prepare the Group financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union and Article 4 of the IAS Regulation and have elected to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 101 'Reduced Disclosure Framework'. Under company law the Directors must not approve the accounts 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 the parent company 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.

In preparing the Group financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

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.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

This responsibility statement was approved by the Board of Directors and is signed on its behalf by:

Andrew Belshaw
Chief Financial Officer
16 March 2020

Financial Statements

Contents

Independent auditor's report to the members of Gamma Communications plc

Report on the audit of the financial statements

1. Opinion

In our opinion:

- the financial statements of Gamma Communications plc (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2019 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated statement of comprehensive income;
- the consolidated and parent company statement of financial position;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement;
- the group's related notes 1 to 34.
- the company's related notes 1 to 11.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

2. 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 are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3.Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • revenue: accuracy of volume and pricing of indirect usage revenue • acquired intangible assets: impairment review. Within this report, key audit matters are identified as follows: (!) Newly identified (↑) Increased level of risk (↔) Similar level of risk (↑) Decreased level of risk
Materiality	The materiality that we used for the group financial statements was £2.3m which was determined on the basis of 5% of profit before tax.
Scoping	We have audited the entire UK group with the exception of one location, being the newly acquired Telsis Communication Services Limited. We have performed analytical review procedures over the remainder of the Group. The split between full audit procedures and analytical reviews is presented within our overview of the scope of the audit.
Significant changes in our approach	In the prior year we identified a key audit matter in relation to the judgement relating to retail customer contracts and the most sensitive assumptions in the valuation, being the attrition rate and discount rate upon the acquisition of DX Groep B.V. Given this acquisition occurred in the prior year it is no longer a key audit matter. In the year we noted a downturn in performance of Dean One, resulting in the identification of impairment indicators. As a result, we have specifically identified the revenue growth assumptions in the customer relationship intangible asset valuation model to be a key audit matter.

4. Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Revenue: accuracy of volume and pricing of indirect usage revenue

Key audit matter description	Usage revenue is calculated based on the volume traffic of calls and associated pricing. The accurate measurement of the volume of traffic as well as the accuracy of the pricing, which is applied against these volumes to determine the value of revenues has been identified as the key audit matter. In 2019 the group's revenues were £328.9m (2018: £284.9m) of which usage revenue represents £73.3m (2018: £65.3m). The group's revenue recognition principles are disclosed in note 1.
How the scope of our audit responded to the key audit matter	We have obtained an understanding of the relevant controls surrounding the volume and pricing of indirect usage revenue and tested the operating effectiveness of these controls, specifically the rate change reviews, the revenue reconciliations performed (including the reviews thereof), and the analysis of monthly revenue trends. Specialist IT auditors have supported our assessment of the relevant automated controls, the most critical of which being the matching of the rates input and call data records (CDR) automatically within the system to calculate the billing per transaction. We have tested the volumes and prices involved in usage revenues by tracing a sample of invoice information to call data records. We recalculated the revenue in relation to the calls by multiplying the appropriate rate against the minutes. In addition we performed an expectation of total revenues for the year based on the month-on-month trends, movements in minutes as well as rate fluctuations. We compared this expectation to actual revenues, with any differences outside of our threshold investigated further. We also traced a sample of credit notes raised post year end to supporting documentation to test for possible overstatement of revenue.
Key observations	Based on our procedures, we conclude that no material misstatements were identified in respect of the accuracy of the volume of traffic and pricing data used in the indirect usage revenue stream.

5.2. Acquired intangible assets: valuation

Key audit matter description	During 2018 the group acquired DX Groep B.V. (DX). This resulted in the group recognising intangible assets and goodwill of £16.6m and £7.2m respectively. During 2019 there has been a decline in performance of DX. A key factor behind this has been a more significant than expected decline in ISDN revenues. As a result of the decline in performance, Management have considered the individual intangible assets and goodwill recognised upon acquisition for impairment. In making their assessment, Management exercised significant judgement around the discount rates, growth rates and attrition rates used in their forecasts. This resulted in an impairment to the intangible assets and goodwill of £3.9m and £4.2m respectively, with an equivalent reduction in contingent consideration. As such, based on the sensitivities included within Management's model, we have identified the growth assumptions, as well as the discount rate applied in the impairment model, to be a key audit matter.
How the scope of our audit responded to the key audit matter	Throughout the year, we have considered whether any indicators of impairment existed, which included a consideration of the: macroeconomic environment; business performance; and other factors that may impact the recoverable amount of the customer contract intangible assets. We have also gained an understanding of the controls and the implementation thereof, related to management's assessment of the recoverable amount of the customer contract intangible assets. At 30 June 2019, where an indicator of impairment was identified, we obtained, reviewed and challenged management's impairment review, which included: • recalculating the implied rate of return used based on the latest forecasts and consideration; • benchmarking the implied EBITDA multiple; • testing the mathematical accuracy of the models; • assessing the business' historical performance and forecasting accuracy; • challenging management's assumptions, including those related to revenue growth; • recalculating the total impairment charge to be recognised; and • assessing the completeness and accuracy of the disclosures made in the financial statements.
Key observations	Based on our procedures, we concur with the impairment charge recognised in the year and that the remaining carrying value of goodwill and other intangibles is recoverable.

6. Our application of materiality

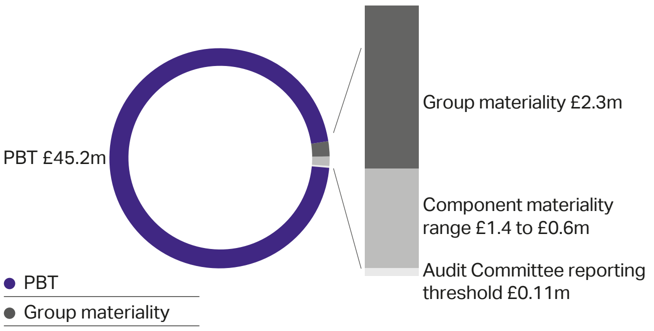
6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
Materiality	£2.3m (2018: £1.8m)	£1.1m (2018: £1.2m)
Basis for determining materiality	5% (2018: 5%) of statutory profit before tax	2% (2018: 2%) of net assets
Rationale for the benchmark applied	We chose this measure as it is the primary statutory measurement used by the users of the accounts and key stakeholders to measure the performance of the Group.	Net assets has been chosen as the benchmark as it is considered the most relevant benchmark for an investment holding company.

We agreed with the Audit Committee that we would report to them all audit differences in excess of £112k (2018: £86k), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.



6.2. Performance materiality
We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Group performance materiality was set at 70% of group materiality for the 2019 audit (2018: 70%). In determining performance materiality, we considered the following factors:

a. Our historical knowledge of the entity's business and our ability to forecast misstatements,

b. The reliability of the entity's internal control over financial reporting,

c. Low turnover of key accounting personnel in previous years,

d. The entity's history of misstatements, both corrected and uncorrected,

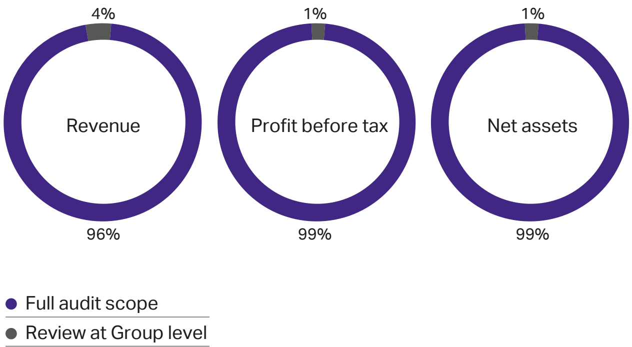
e. Management's willingness to investigate and correct these misstatements.

6.3. Error reporting threshold
We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £112k (2018: £86k), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Scoping
Our Group audit was scoped by obtaining an understanding of the Group and its environment, including controls, and assessing the risks of material misstatement at the Group level. Based on that assessment, we have focused our Group audit scope primarily on the audit work at 4 components (2018: 4). These 4 components represent the principal business units and account for 96% of the Group's revenue, 99% of the Group's pre-tax profit and 99% of the Group's net assets. They have therefore been assessed as the most financially significant components within the Group, with review procedures performed over all other entities. The component materialities ranged from £0.6m to £1.4m, with Gamma Telecoms Limited being the largest single component.

At the parent entity level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit.



7.2. Our consideration of the control environment
We have placed reliance on IT controls as part of our significant risk testing over revenue, the most critical of which being the matching of the rates input and call data records records within the system to calculate the billing per each transaction. We have also tested the operationg effectiveness of a number of revenue controls, specifically in relation to rate-change reviews, the revenue reconciliations performed thereof, and the analysis of monthly revenue trends. Deloitte placed a reliance on these controls as part of our revenue approach specifically in relation to the indirect revenue stream. We did not rely on controls for other parts of our audit, and instead took a fully substantive approach.

8. Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, 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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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 respect of these matters.

9. Responsibilities of Directors

As explained more fully in the directors' responsibilities statement, 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 group's and the parent 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 group or the parent company or to cease operations, or have no realistic alternative but to do so.

10. 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.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

11. Opinions on other matters prescribed by the Companies Act 2006

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 group and the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

12. Matters on which we are required to report by exception

12.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

12.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of this matter.

13. 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.

Andrew Bond FCA
(Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
Reading, United Kingdom
16 March 2020

Consolidated statement of comprehensive income
For the year ended 31 December 2019

	Notes	**2019 £m**	2018 £m
Revenue	4	**328.9**	284.9
Cost of sales		**(162.4)**	(152.7)
Gross profit		**166.5**	132.2
Operating expenses		**(121.0)**	(97.8)
Earnings before depreciation, amortisation and exceptional items		**63.5**	48.3
Exceptional items	8	**(0.9)**	–
Earnings before depreciation and amortisation		**62.6**	48.3
Depreciation and amortisation (excluding business combinations)	7	**(15.1)**	(13.5)
Amortisation arising due to business combination	7	**(2.0)**	(0.4)
Profit from operations		**45.5**	34.4
Finance income	10	**0.1**	0.3
Finance expense	10	**(0.4)**	(0.2)
Profit before tax		**45.2**	34.5
Tax expense	11	**(10.7)**	(6.1)
Profit after tax		**34.5**	28.4
Other comprehensive loss			
Items that may be reclassified subsequently to the income statement (net of tax effect)			
Exchange differences on translation of foreign operations		**(0.4)**	(0.2)
Total comprehensive income attributable to the owners of the parent		**34.1**	28.2
Earnings per share			
Basic per Ordinary Share (pence)	12	**36.6**	30.3
Diluted per Ordinary Share (pence)	12	**36.1**	30.0

Adjusted earnings per share is shown in note 12.

All income recognised during the year was generated from continuing operations.

The notes on pages 84 to 112 form part of these financial statements.

Consolidated statement of financial position
As at 31 December 2019

	Notes	2019 £m	2018 £m
Assets			
Non-current assets			
Property, plant and equipment	14	**32.1**	31.8
Right of use assets	15	**11.4**	4.2
Intangible assets	16	**37.4**	38.0
Deferred tax assets	26	**3.0**	4.4
Trade and other receivables	20	**15.0**	11.9
		98.9	90.3
Current assets			
Inventories	19	**8.1**	6.2
Trade and other receivables	20	**77.5**	62.8
Cash and cash equivalents	21	**53.9**	35.5
		139.5	104.5
Total assets		**238.4**	194.8
Liabilities			
Non-current liabilities			
Other payables	22	**0.2**	0.3
Provisions	24	**0.8**	1.2
Lease liabilities	25	**11.3**	2.9
Contract liabilities		**9.1**	8.5
Contingent consideration	30	**1.1**	8.1
Deferred tax	26	**3.9**	3.9
		26.4	24.9
Current liabilities			
Trade and other payables	22	**46.1**	37.2
Provisions	24	**0.9**	1.0
Lease liabilities	25	**1.3**	1.5
Contract liabilities		**8.0**	7.9
Contingent consideration	30	**1.5**	–
Current tax		**1.7**	0.6
		59.5	48.2
Total liabilities		**85.9**	73.1
Issued capital and reserves attributable to owners of the parent			
Share capital	27	**0.2**	0.2
Share premium reserve	28	**6.6**	4.6
Merger reserve	28	**2.3**	2.3
Share option reserve	28	**3.8**	3.2
Foreign exchange reserve	28	**(0.6)**	(0.2)
Own shares	28	**(0.7)**	(0.8)
Retained earnings	28	**140.9**	112.4
Total equity		**152.5**	121.7
Total equity and liabilities		**238.4**	194.8

The financial statements on pages 80 to 83 were approved and authorised for issue by the Board of Directors on 16 March 2020 and were signed on its behalf by:

Andrew Belshaw
Chief Financial Officer

The notes on pages 84 to 112 form part of these financial statements.

Consolidated statement of cash flows
For the year ended 31 December 2019

	Notes	**2019 £m**	2018 £m
Cash flows from operating activities			
Profit for the year before tax		**45.2**	34.5
Adjustments for:			
Depreciation of property, plant and equipment	14	**9.8**	8.7
Depreciation of right of use asset	15	**1.7**	1.4
Amortisation and reduction in value of intangible assets	16	**13.7**	3.8
Change in fair value of contingent consideration		**(7.2)**	–
Share based payment expense		**2.6**	1.9
Interest income	10	**(0.1)**	(0.3)
Finance cost	10	**0.4**	0.2
		66.1	50.2
(Increase) in trade and other receivables		**(16.7)**	(1.7)
(Increase) in inventories		**(1.9)**	(3.0)
Increase/(decrease) in trade and other payables		**6.3**	(5.7)
Increase in contract liabilities		**0.7**	0.4
Increase/(decrease) in provisions and employee benefits		**(0.5)**	0.4
Cash generated by operations		**54.0**	40.6
Taxes paid		**(7.5)**	(4.3)
Net cash flows from operating activities		**46.5**	36.3
Investing activities			
Purchase of property, plant and equipment	14	**(9.9)**	(10.2)
Purchase of intangible assets	16	**(2.5)**	(2.5)
Interest received		**0.1**	0.3
Acquisition of subsidiaries net of cash acquired	18	**(7.5)**	(11.1)
Net cash used in investing activities		**(19.8)**	(23.5)
Financing activities			
Lease liability repayments		**(1.1)**	(1.6)
Share issues		**2.0**	0.8
Dividends	13	**(9.2)**	(8.1)
Net cash used in financing activities		**(8.3)**	(8.9)
Net increase in cash and cash equivalents		**18.4**	3.9
Cash and cash equivalents at beginning of year		**35.5**	31.6
Cash and cash equivalents at end of year		**53.9**	35.5

The notes on pages 84 to 112 form part of these financial statements.

Consolidated statement of changes in equity
For the year ended 31 December 2019

	Notes	Share capital £m	Share premium reserve £m	Merger reserve £m	Share option reserve £m	Foreign exchange reserve £m	Own shares £m	Retained earnings £m	Total equity £m
1 January 2018		0.2	3.8	2.3	2.8	–	(0.8)	87.0	95.3
Change in accounting policy		–	–	–	–	–	–	3.8	3.8
Issue of shares		–	0.8	–	(1.0)	–	–	1.0	0.8
Recognition of share based payment expense		–	–	–	1.4	–	–	–	1.4
Tax on share based payment expense:									
Current tax		–	–	–	–	–	–	0.7	0.7
Deferred tax		–	–	–	–	–	–	(0.4)	(0.4)
Dividend paid	13	–	–	–	–	–	–	(8.1)	(8.1)
Transaction with owners		–	0.8	–	0.4	–	–	(3.0)	(1.8)
Profit for the year		–	–	–	–	–	–	28.4	28.4
Other comprehensive loss		–	–	–	–	(0.2)	–	–	(0.2)
Total comprehensive (loss)/income		–	–	–	–	(0.2)	–	28.4	28.2
31 December 2018		0.2	4.6	2.3	3.2	(0.2)	(0.8)	112.4	121.7
1 January 2019		0.2	4.6	2.3	3.2	(0.2)	(0.8)	112.4	121.7
Issue of shares		–	2.0	–	(1.4)	–	–	1.3	1.9
Investment in own shares		–	–	–	–	–	0.1	–	0.1
Recognition of share based payment expense		–	–	–	2.0	–	–	–	2.0
Tax on share based payment expense:									
Current tax		–	–	–	–	–	–	1.0	1.0
Deferred tax		–	–	–	–	–	–	0.9	0.9
Dividend paid	13	–	–	–	–	–	–	(9.2)	(9.2)
Transaction with owners		–	2.0	–	0.6	–	0.1	(6.0)	(3.3)
Profit for the year		–	–	–	–	–	–	34.5	34.5
Other comprehensive (loss)/income		–	–	–	–	(0.4)	–	–	(0.4)
Total comprehensive (loss)/income		–	–	–	–	(0.4)	–	34.5	34.1
31 December 2019		**0.2**	**6.6**	**2.3**	**3.8**	**(0.6)**	**(0.7)**	**140.9**	**152.5**

The notes on pages 84 to 112 form part of these financial statements.

Notes forming part of the financial statements
For the year ended 31 December 2019

1. Accounting policies

Basis of preparation
These financial statements are prepared in accordance with the Companies Act 2006 and International Financial Reporting Standards ('IFRS'), issued by the International Accounting Standards Board ('IASB') as adopted by the European Union ('EU'). The financial statements are prepared on a going concern basis and have been prepared on a historical cost basis, except for certain financial instruments which have been measured at fair value.

The financial statements are presented in Pounds Sterling and, unless otherwise stated, have been rounded to the nearest 0.1 million (£m).

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

Going concern
A detailed annual budget and quarterly reforecasts for the next 12-month period are prepared for review by the Board. The Group continues to be profitable and cash generative and has a significant cash balance of £53.9m (2018: £35.5m) and is not reliant on any debt facilities. Therefore, at the time of approving the financial statements, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future.

The Directors have considered Brexit and believe the impact on the Group will be low. The Group has minimal cross border trading; volatility in the exchange rates has been considered but it is not considered to be a material risk. The European companies will continue to operate independently in their local currencies. The Group is highly profitable and has cash reserves which will protect the Group if there is a wider economic impact. Thus it continues to adopt the going concern basis of accounting in preparing the financial statements.

Basis of consolidation
The Group financial statements consolidate the financial statements of Gamma Communications plc ('the Company') and the entities controlled by the Company (its subsidiaries). All subsidiaries have a reporting date of 31 December. On acquisition the Telsis group (consisting of Telsis Direct Limited, Telsis Communication Services Limited, Telsis Services Limited and Telsis GmbH) had a period end of 24 November 2019, this will be amended to 31 December with the first reporting period being an extended period to 31 December 2020. The period since acquisition to 31 December 2019 has been included in consolidation.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

The consolidated financial statements consist of the results of the entities shown in note 17.

Exemption from audit
For the year ending 31 December 2019 the following UK subsidiaries will take advantage of the audit exemption under s479A of the Companies Act 2006.

Subsidiary name	Company registration number
Gamma Telecom Holdings Limited	04287779
Gamma Telecom Limited	04340834
Gamma Business Communications Limited	02998021
Gamma Network Solutions Limited	06783485
Uniworld Bureau Services Limited	07136383

For the year ending 31 December 2019, Gamma Communications Europe B.V. and DX Groep B.V. were entitled to exemption from preparation of consolidated financial statements under Section 408 of the Dutch Civil Code (consolidation exemption for intermediate holding companies).

Revenue
Revenue represents the fair value of the consideration received or receivable for communication services and equipment sales, net of discounts and sales taxes.

Revenue is recognised when the Group has fulfilled its performance obligations under the relevant customer contract.

The Group sells a number of communications products each of which typically consists of all or some of four main types of revenue – voice and data traffic, a subscription or rental, equipment sales and installation fees. Revenue for each element of the sale of the product is recognised as described below.

To the extent that invoices are raised to a different pattern than the revenue recognition described below, appropriate adjustments are made through contract liabilities (formerly deferred income) and contract assets (formerly accrued income) to account for revenue when the performance obligations have been met.

The Group receives payment for products and services from channel partners who onwardly sell to end users. These channel partners are treated as the principal in that transaction because the channel partner has the primary responsibility for providing the products or services to the end user; the channel partner carries the inventory risk; the channel partner is free to establish its own prices either with or without bundling in other goods or services which are not supplied by the Group; and the channel partner bears the credit risk for the amount receivable from the end user. The Group therefore recognises revenue based on the transactions with the channel partner and not the end user.

Voice and data traffic
Revenue from traffic is recognised at the time the call is made or data is transferred.

Revenue arising from the interconnection of voice and data traffic between other telecommunications' operators is recognised at the time of transit across the Group's network.

Subscriptions and rentals
Revenue from the rental of analogue and digital lines is recognised evenly over the period to which the charges relate. Subscription fees, consisting primarily of monthly charges for access to ethernet, broadband, hosted IP services and other internet access or voice services, are recognised as revenue as the service is provided.

A minority of sales of the Cloud PBX product are made under an 'up front' model whereby a channel partner buys the right to use a service for an unspecified period of time into the future. This is treated as an option to obtain future services at a discount and the revenue is spread equally over the estimated future period of usage of that service.

Equipment sales
Revenue from the sale of peripheral and other equipment is recognised when control of the asset has transferred to the buyer, which is normally the date the equipment is delivered and accepted by the customer.

Installation fees
Revenue from installations which cannot be separated from an ongoing service contract, i.e. installations with no standalone value to the customer, will be allocated to initial equipment sale (if any) and ongoing service revenues. The latter element will result in a contract liability which will be released over the length of the contract.

Arrangements with multiple deliverables
Where goods and/or services are sold in a bundled transaction, the total arrangement consideration is allocated to the individual elements based on their relative fair values. This fair value is based on amounts charged on a standalone basis, or by using comparable pricing arrangements observable in the market.

Advances made to channel partners
Advances are sometimes made to channel partners as part of an incentive deal. Where the Group can demonstrate recovery of the advances through contractual claw back provisions and past evidence of recovery, they are deferred and recognised over the period of the contract. Where this is not possible, they are charged directly to the consolidated statement of comprehensive income.

Incentive deals
Where the Company enters into incentive deals it spreads the costs over the period of the deal and attributes a proportion of revenue against these costs. Where there is no revenue the credit is shown against revenue over the period of the deal.

Business combinations
The acquisition method of accounting is used for the acquisition of subsidiaries. The cost of the acquisition is measured at the aggregate fair value of consideration given. Acquisition-related costs are recognised in the consolidated statement of comprehensive income as incurred.

At the acquisition date, the acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 Business Combinations are recognised at their fair value. Certain assets and liabilities are not recognised at their fair value at the acquisition date as they are accounted for using other applicable IFRSs. These include deferred tax assets/liabilities and also any assets related to employee benefit arrangements.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period of one year from the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement measured at fair value at the acquisition date. Subsequent changes are adjusted against the cost of acquisition where they qualify as measurement period adjustments. All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant IFRSs.

Contingent consideration
Contingent consideration arises when settlement of all or part of the cost of a business combination falls due after the date the acquisition was completed.

If the amount of contingent consideration changes as a result of a post-acquisition event, such as not meeting an earnings target, accounting for the change in consideration depends on whether the additional consideration is classified as an equity instrument or an asset or liability.

Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates, and the subsequent settlement is accounted for within equity. For the amounts not classified as equity, this will be measured at fair value at each balance sheet date with the movements being accounted for in the statement of comprehensive income.

Intangible assets
Goodwill
Goodwill arises on business combinations and represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the acquired business at the acquisition date.

Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to the consolidated statement of comprehensive income. Where the fair value of identifiable assets, liabilities and contingent liabilities exceeds the fair value of consideration paid, the excess is credited in full to the consolidated statement of comprehensive income on the acquisition date. Impairment tests on goodwill are undertaken annually at the financial year end.

Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous UK GAAP amounts subject to impairment testing.

Customer Contracts and Brand
Brand and customer contract-related intangible assets acquired as part of a business combination are valued at their fair value at the acquisition date less accumulated amortisation. Amortisation is charged on a straight-line basis through the consolidated statement of comprehensive income. The expected useful economic life of the intangible assets represents the best estimates available and are as follows:

Category	Useful Economic Life
Customer contracts	Seven to thirteen years
Brand	Five years

Notes forming part of the financial statements continued
For the year ended 31 December 2019

1. Accounting policies continued

Development costs
Expenditure on the research phase of an internal project is recognised as an expense in the period in which it is incurred. Development costs incurred on specific projects (whether in respect of new products or enhancement of existing products) are capitalised when all the following conditions are satisfied:

- completion of the asset is technically feasible so that it will be available for use or sale;
- the Group intends to complete the asset and use or sell it;
- the Group has the ability to use or sell the asset and the asset will generate probable future economic benefits (over and above cost);
- there are adequate technical, financial and other resources to complete the development and to use or sell the asset; and
- the expenditure attributable to the asset during its development can be measured reliably.

Development costs not meeting the criteria for capitalisation are expensed as incurred. The cost of an internally generated asset comprises all directly attributable costs necessary to create, produce and prepare the asset to be capable of operating in the manner intended by Management. These typically include employee costs incurred and third-party costs.

Judgement is applied when deciding whether the recognition requirements for development costs have been met. Judgements are based on the information available at each statement of financial position date. In addition, all internal activities related to the research and development of new projects are continuously monitored. Amortisation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful life from the date the asset is available for use, but no more than four years.

Software
Software is comprised of licences purchased from third parties and is initially recognised at cost. Amortisation of these assets, on the same basis as other assets, commences when the assets are ready for their intended use.

Amortisation is provided on software over the useful economic live assigned. This is as follows:

Category	Useful Economic Life
Software	Four years

Impairment of non-financial assets (excluding inventory and deferred tax assets)
Impairment tests on goodwill and other intangible assets with indefinite useful economic lives are undertaken annually at the financial year end. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable.

Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the smallest group of assets to which it belongs for which there are separately identifiable cash flows; its cash generating units (CGUs'). Goodwill is allocated on initial recognition to each of the Group's CGUs that are expected to benefit from the synergies of the combination giving rise to the goodwill.

Impairment charges are included in profit or loss, except to the extent they reverse gains previously recognised in other comprehensive income. An impairment loss recognised for goodwill is not reversed.

Foreign currency
The consolidated financial statements are presented in Pounds Sterling, which is the functional currency of the Company.

Transactions in foreign currency are translated to the functional currency at the prevailing rates when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates prevailing at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in profit or loss, except for foreign currency borrowings qualifying as a hedge of a net investment in a foreign operation, in which case exchange differences are recognised in other comprehensive income and accumulated in the foreign exchange reserve along with the exchange differences arising on the retranslation of the foreign operation.

The results of overseas operations are translated into Pounds Sterling at rates approximating to those prevailing when the transactions took place. The assets and liabilities of overseas operations are translated at the prevailing rate at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income and accumulated in the foreign exchange reserve.

Exchange differences recognised in the profit or loss of Group entities on the translation of long-term monetary items forming part of the Group's net investment in the overseas operation concerned are reclassified to other comprehensive income and accumulated in the foreign exchange reserve on consolidation.

Segment reporting
Operating segments are reported in a manner consistent with the internal reporting provided to the Executive Directors. For further details please see note 6.

Financial instruments
Financial assets
All financial assets are held under the business model of holding the asset to collect the contractual cash flows arising from the assets, which are made up solely of payments of the principal and interest. Therefore, all financial assets are classified at amortised cost.

Except for trade receivables, financial assets are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Trade receivables do not contain significant financing components and therefore are initially recognised at their transaction price, and subsequently treated in line with other financial assets.

Except for trade receivables, impairment provisions are recognised as an expected credit loss provision under the general approach, being the expected credit loss over the next 12 months. Where there is a credit risk on a financial asset that has increased significantly, the impairment provision is measured at the lifetime expected credit loss. Impairment for trade receivables will be measured under the simplified approach with an expected credit loss percentage applied to each ageing category. All financial assets will be reported net of impairment; when the Group has no reasonable expectation of recovering a financial asset, the portion that is not recoverable is derecognised.

These financial assets comprise trade and other receivables, contract assets (formerly accrued income), and cash and cash equivalents in the consolidated statement of financial position.

Cash and cash equivalents includes cash in hand, deposits held at banks and other short-term highly liquid investments with original maturities of three months or less.

Financial liabilities
Financial liabilities include trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Financial liabilities – Derivatives
Forward exchange contracts are entered into to mitigate foreign exchange risk. These contracts are derivatives and therefore measured at fair value through profit or loss. Hedge accounting has not been applied.

Share capital
The Group's Ordinary Shares are classified as equity instruments.

Share based payment expense
Where equity settled shares or share options are awarded to employees, the fair value of the options at the date of grant is charged to the consolidated statement of comprehensive income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the consolidated statement of comprehensive income over the remaining vesting period.

The fair value of the options is measured by use of either the Black-Scholes method or the Monte Carlo method. The latter methodology is used where there are market conditions attached to the share awards.

Leased assets
Leased assets consist of rental property, cars and fibre networks where the Group has the right to control the identified asset.

Upon entering into a lease, a right of use asset and lease liability will be created. The right of use asset will be depreciated over the lease term and if necessary impaired in accordance with applicable standards. The lease liability is subsequently measured by increasing the carrying amount to reflect the interest on the lease liability (by application of the effective interest method, using the Group's incremental borrowing rate) and by reducing the carrying amount to reflect the lease payments made.

Variable rents are not part of the lease liability or the right of use asset. The payments are recognised as an expense in the period in which they are incurred. Variable payments are presented within note 25.

Where lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Where leases are 12 months or less or of low value then payments made are expensed evenly over the period of usage of that asset.

Where the Group has a contract to use part of a fibre or copper pathway and it does not have substantially all of the capacity of the asset then that is not classified as a lease and payments are expensed evenly over the period of usage of that asset. In some instances, a pathway may have a small incidental linkage where the Group is using substantially all of the capacity of a very minor part of the pathway. In this instance the whole contract is not treated as a lease.

The discount rate applied is 4% (2018: 4%), which is the Group's incremental borrowing rate.

Dividends
Dividends are recognised when they become legally payable. In the case of interim dividends to equity shareholders, this is upon payment. For final dividends, this is when they are approved by the shareholders at the AGM. Dividend distributions payable to equity shareholders are included in other liabilities when the dividends have been approved in a general meeting prior to the reporting date.

Taxation
Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax
The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years, it includes items that are tax deductible but do not affect net profit and it further excludes items that are never taxable or deductible.

Notes forming part of the financial statements continued
For the year ended 31 December 2019

1. Accounting policies continued

Deferred tax
Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the consolidated statement of financial position differs from its tax base, except for differences arising on:

- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit; and
- investments in subsidiaries and jointly controlled entities where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the statement of financial position date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Property, plant and equipment
Property, plant and equipment are initially recognised at cost. As well as the purchase price, cost includes directly attributable costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognised within provisions. Assets in the course of construction for use in the supply of communication products, or for administration purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees. Depreciation of these assets, on the same basis as other assets, commences when the assets are ready for their intended use.

Depreciation is provided on all other items of property, plant and equipment so as to write off their carrying value over their expected useful economic lives. It is provided at the following rates:

Category	Useful Economic Life
Network assets	14%–25% per annum straight line
Computer equipment	25%–50% per annum straight line
Fixtures and fittings	20%–25% per annum straight line

Inventory
Inventory (which is all finished goods) is initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all purchase costs, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Weighted average cost is used to determine the cost of ordinarily interchangeable items.

Provisions
Provisions are recognised where there is a present or constructive obligation as a result of a past event. The Group has recognised provisions for liabilities of uncertain timing or amounts relating to leasehold dilapidations and onerous lease provisions. Provisions are measured at the best estimate of the expenditure required to settle the obligation at the reporting date, and, where material, discounted at a pre-tax rate reflecting current market assessments of the time value of money and risks specific to the liability.

Employee Benefit Trust ('EBT')
As the Company is deemed to have control of its EBT, it is treated as a subsidiary and consolidated for the purposes of the consolidated financial statements. The EBT's assets (other than investments in the Company's shares), liabilities, income and expenses are included on a line-by-line basis in the consolidated financial statements.

Alternative performance measures
Adjustments to EBITDA, PBT, PAT and EPS (fully diluted) have been presented because the Group believes that adjusted measures provide valuable additional information for users of the financial statements in assessing the Group's performance. Moreover, they provide information on the performance of the business that Management is more directly able to influence and on a basis comparable from year to year.

The measures are adjusted for the following items:

(a) Amortisation on intangibles arising on acquisition
This adjustment is made to improve the comparability between acquired and organically grown operations, as the latter cannot recognise internally generated intangible assets. Adjusting for amortisation provides a more consistent basis for comparison between the two.

(b) Depreciation and amortisation
Depreciation and amortisation relate to the assets which were acquired by the Group. These are omitted from adjusted operating expenses to allow users of the accounts to compare against other external data sources.

(c) Exceptional items
The Group treats certain items which are considered to be one-off or not representative of the underlying trading of the Group as exceptional in nature.

The Directors apply judgement in assessing the particular items, which by virtue of their scale or nature should be classified as exceptional items. The Directors consider that separate disclosure of these items is relevant to an understanding of the Group's financial performance.

Changes in deferred consideration, reduction of intangible assets and goodwill are considered to be exceptional as they are not representative of the primary activities of the Group.

(d) Adjusting tax items
Where movements to tax balances arise and these do not relate to the underlying trading current year tax charge, these are adjusted in determining certain APMs as they do not reflect the underlying performance in that year.

2. Critical accounting estimates and judgements

The Group makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including best estimates of future events. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment within the next financial year are discussed below.

Critical accounting judgements

Critical judgements, apart from those involving estimations, applied in the preparation of the consolidated financial statements are discussed below:

(a) Principal vs agent classification of channel partners
The Group receives payment for products and services from channel partners who onwardly sell to end users. The Group has considered whether channel partners are acting as a principal or an agent under the criteria in IFRS 15.

Where a channel partner has the primary responsibility for providing the products or services to the end user, carries the inventory risk, is free to establish its own prices and bears the credit risk for the amount receivable from the end user then the channel partner is treated as the principal in that transaction. The Group therefore recognises revenue earned in this way based on the transactions with the channel partner and not the end user.

(b) Revenue recognition
Revenue recognition on contracts may involve providing services over multiple years and involving a number of products. In such instances, judgement is required to identify the date of transaction of separable elements of the contract and the fair values which are assigned to each element. The Group also regularly assesses customer credit risk inherent in the carrying amounts of receivables, contract costs and estimated earnings.

Key accounting estimates

There are no material sources of estimation uncertainty at the reporting date.

3. Changes in accounting policies

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRSs that have been issued but are not yet effective and, in some cases, had not yet been adopted by the EU:

- Amendments to IFRS 3 - Business Combinations (applicable for the period beginning 1 January 2020. Not yet endorsed for use in the EU)
- Amendments to references to the Conceptual Framework in IFRS Standards (applicable for the periods beginning 1 January 2020)
- Amendments to IAS 1 and IAS 8 – Definition of material. (applicable for period from 1 January 2020)
- Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest rate benchmark reform (applicable for period from 1 January 2020)
- IFRS 17 – Insurance contracts (applicable for the period beginning 1 January 2021, not yet endorsed for use in the EU)
- Amendments to IAS 1 – Classification of Liabilities as Current or Non-Current. Applicable from the period commencing 1 January 2022. Not yet endorsed for use in the EU.

The Directors do not expect that the adoption of these standards will have a material impact on the financial statements of the Group in future periods.

Notes forming part of the financial statements continued
For the year ended 31 December 2019

4. Revenue

Revenue in all periods principally arises from the provision of products and services.

Disaggregation of revenue
Revenue is disaggregated into the operating segment and the timing of revenue recognition (at a point in time and over time). The UK segments are disaggregated by either market and/or product type. This disaggregation is shown by note 6.

Contract balances
The following table provides information about receivables, contract assets and contract liabilities from contracts with customers:

	2019 £m	2018 £m
Receivables, which are included in 'Trade and other receivables'	**34.8**	31.0
Contract assets, which are included in 'Trade and other receivables'	**33.1**	27.7
Contract liabilities	**17.1**	16.4

The amount of revenue recognised in 2019 from performance obligations satisfied (or partially satisfied) in previous periods is £nil (2018: £nil).

The contract liabilities are deferred income arising from installations and Horizon upfront subscriptions, which are released to the income statement over the life of the contract.

The contract assets are accrued income, where invoices are raised in a different pattern compared to the revenue recognition to account for revenue when performance obligations have been met.

Significant changes in the contract liabilities balances during the year are as follows:

	2019 £m	2018 £m
Revenue recognised that was included in the contract liability balance at the beginning of the period	**(7.8)**	(7.1)
Increases due to cash received, excluding amounts recognised as revenue during the period	**9.2**	7.8

Transaction price allocated to the remaining performance obligations
The following table includes revenue expected to be recognised in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date.

	2020 £m	2021 £m	2022 onwards £m	Total £m
Revenue expected to be recognised	10.5	5.4	3.6	19.5

5. Contract costs

Capitalised contract costs consist of commissions from the UK Direct division which are directly associated with specific customer contracts and installation costs.

	2019 £m	2018 £m
Commissions		
Capitalised	**1.6**	2.5
Amortised	**1.7**	1.5
Installation costs		
Capitalised	**3.7**	3.2
Amortised	**2.3**	2.0

There was no impairment loss in relation to the costs capitalised (2018: £nil).

6. Segment information

The Group's main operating segments are outlined below:

- UK Indirect – This division sells Gamma's products to channel partners and contributed 70% (2018: 74%) of the Group's external revenue. This also includes the Telsis entities acquired during the year.
- UK Direct – This division sells Gamma's products to end users in the SME, enterprise and public sectors together with an associated service wrap. It contributed 25% (2018: 25%) of the Group's external revenues.
- Overseas – This division consists of sales made in the Netherlands, by DX Groep B.V. and its subsidiary companies contributing 5% (2018: 1%) of the Group's external revenues. This includes the newly acquired Nimsys.
- Central functions – This is not a revenue-generating segment but is made up of the central management team and wider Group costs.

All operating segments sell a combination of traditional products and services (which is mainly voice traffic from which revenues are derived from channel partners and other carriers as well as rentals for wholesale lines) and growth products and services (which consists of IP voice traffic, rental income derived from SIP trunks, hosted IP voice systems and Gamma's hosted inbound product and data products).

Factors that Management used to identify the Group's operating segments

The Group's reportable segments are strategic business units that offer products and services into different markets. They are managed separately because each business requires different marketing strategies and are reported separately to the Board and management team.

Measurement of operating segment profit or loss, assets and liabilities

The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies.

The Group evaluates performance on the basis of profit or loss from operations but excluding non-recurring losses, such as goodwill impairment, the effects of share based payments and exceptional income.

Inter-segment sales are priced along in line with sales to external customers, with an appropriate discount being applied to encourage use of Group resources at a rate acceptable to local tax authorities. This policy was applied consistently throughout the current and prior year.

2019	UK Indirect £m	UK Direct £m	Overseas £m	Central functions £m	Total £m
Revenue from external customers	**230.1**	**83.6**	**15.2**	**–**	**328.9**
Inter-segment revenue	*21.5*	–	–	–	*21.5*
Timing of revenue recognition					
At a point in time	16.4	5.6	–	–	22.0
Over time	213.7	78.0	15.2	–	306.9
	230.1	83.6	15.2	–	328.9
Total gross profit	**119.1**	**38.2**	**9.2**	**–**	**166.5**
Operating expenses	(81.5)	(20.3)	(12.7)	(6.5)	(121.0)
Earnings before depreciation, amortisation and exceptional items	**51.6**	**18.1**	**0.3**	**(6.5)**	**63.5**
Exceptional items	–	–	(0.9)	–	(0.9)
Earnings before depreciation and amortisation	**51.6**	**18.1**	**(0.6)**	**(6.5)**	**62.6**
Depreciation and amortisation (excluding business combinations)	(13.9)	(0.2)	(1.0)	–	(15.1)
Amortisation arising due to business combination	(0.1)	–	(1.9)	–	(2.0)
Profit from operations	**37.6**	**17.9**	**(3.5)**	**(6.5)**	**45.5**
Finance income	0.1	–	–	–	0.1
Finance expense	(0.4)	–	–	–	(0.4)
Profit before tax	**37.3**	**17.9**	**(3.5)**	**(6.5)**	**45.2**
Tax expense	(9.7)	(3.7)	1.5	1.2	(10.7)
Profit after tax	**27.6**	**14.2**	**(2.0)**	**(5.3)**	**34.5**
Other comprehensive loss	–	–	(0.4)	–	(0.4)
Total comprehensive income attributable to the owners of the parent	**27.6**	**14.2**	**(2.4)**	**(5.3)**	**34.1**

External revenue of customers has been derived principally from the United Kingdom and no single customer contributes more than 10% of revenue.

Notes forming part of the financial statements continued
For the year ended 31 December 2019

6. Segment information continued

	UK Indirect £m	UK Direct £m	Overseas £m	Central functions £m	Total £m
Additions to non-current assets	11.6	–	0.8	–	12.4
Reportable segment assets	190.4	23.0	25.0	–	238.4
Reportable segment liabilities	62.0	12.4	11.5	–	85.9

The UK Indirect revenue and gross profit is further split between traditional and growth products below:

	2019 £m	2018 £m
Traditional products and services	**43.6**	47.9
Growth (being strategic and enabling) products and services	**186.5**	162.7
Total revenue from external customers	**230.1**	210.6

	2019 £m	2018 £m
Traditional products and services	**12.4**	11.9
Growth (being strategic and enabling) products and services	**106.7**	85.6
Total gross profit	**119.1**	97.5

The UK Direct revenue by market is detailed below:

	2019 £m	2018 £m
Mid-markets	**27.5**	25.1
Enterprise	**36.1**	27.8
Public sector	**18.6**	16.5
The Loop	**1.4**	1.5
Total revenue from external customers	**83.6**	70.9

2018	UK Indirect £m	UK Direct £m	Overseas £m	Central functions £m	Total £m
Revenue from external customers	**210.6**	**70.9**	**3.4**	**–**	**284.9**
Inter-segment revenue	*52.5*	–	–	–	*52.5*
Timing of revenue recognition					
At a point in time	19.9	3.7	–	–	23.6
Over time	190.7	67.2	3.4	–	261.3
	210.6	70.9	3.4	–	284.9
Total gross profit	**97.5**	**32.8**	**1.9**	**–**	**132.2**
Operating expenses	(75.4)	(16.8)	(2.9)	(2.7)	(97.8)
Earnings before depreciation, amortisation and exceptional items	**35.0**	**16.4**	**(0.4)**	**(2.7)**	**48.3**
Exceptional items	–	–	–	–	–
Earnings before depreciation and amortisation	**35.0**	**16.4**	**(0.4)**	**(2.7)**	**48.3**
Depreciation and amortisation (excluding business combinations)	(12.9)	(0.4)	(0.2)	–	(13.5)
Amortisation arising due to business combination	–	–	(0.4)	–	(0.4)
Profit from operations	**22.1**	**16.0**	**(1.0)**	**(2.7)**	**34.4**
Finance income	0.3	–	–	–	0.3
Finance expense	(0.2)	–	–	–	(0.2)
Profit before tax	**22.2**	**16.0**	**(1.0)**	**(2.7)**	**34.5**
Tax expense	(4.0)	(2.8)	0.2	0.5	(6.1)
Profit after tax	**18.2**	**13.2**	**(0.8)**	**(2.2)**	**28.4**
Other comprehensive loss	–	–	(0.2)	–	(0.2)
Total comprehensive income attributable to the owners of the parent	18.2	13.2	(1.0)	(2.2)	28.2

External revenue of customers has been derived principally from the United Kingdom and no single customer contributes more than 10% of revenue.

	UK Indirect £m	UK Direct £m	Overseas £m	Central functions £m	Total £m
Additions to non-current assets	12.5	0.2	24.9	–	37.6
Recognition on transition to IFRS 16	6.0	0.2	–	–	6.2
Reportable segment assets	146.1	22.0	26.7	–	194.8
Reportable segment liabilities	46.0	12.4	14.7	–	73.1

Notes forming part of the financial statements continued
For the year ended 31 December 2019

7. Profit on ordinary activities

Profit on ordinary activities is stated after charging/(crediting) the following amounts:

	2019 £m	2018 £m
Net foreign exchange	**0.2**	–
Research costs	**9.9**	8.7
Staff costs (see note 9)	**67.2**	55.8
Depreciation of property, plant and equipment	**9.8**	8.7
Depreciation on right of use assets	**1.7**	1.4
Amortisation of intangible assets (excluding business combinations)	**3.6**	3.4
Amortisation arising due to business combinations	**2.0**	0.4
Cost of inventories recognised as an expense	**15.5**	15.5
Impairment of trade receivables	**(0.6)**	(0.2)
Fees payable to the Group's auditors	**0.2**	0.2

Fees payable to the Group's auditor for the audit of the Company and the consolidated financial statements totalled £205k (2018: £197k), which includes £41k (2018: £39k) in respect of the half-year review which is considered a non-audit service. The auditor also provided services for transition to IFRS in Hungary and the related local statutory audit for approximately £13k.

8. Exceptional items

	2019 £m	2018 £m
Contingent consideration adjustment – DX Groep	**8.1**	–
Reduction of goodwill carrying value	**(4.2)**	–
Reduction of intangible assets carrying value	**(3.9)**	–
Exceptional items related to DX Groep acquisition	**–**	–
Contingent consideration adjustment - Nimsys	**(0.9)**	–
Total exceptional items	**(0.9)**	–

The exceptional items relate to the contingent consideration which is due on acquisitions.

In preparing the statutory accounts for 2018, the best estimate of the contingent consideration for DX Groep was made. During 2019, a higher than expected attrition rate of legacy customers taking ISDN caused the revenues to be lower than expected. Therefore, the estimated contingent consideration due has been revised and the associated intangible assets including goodwill have been reduced.

Following the initial recognition of Nimsys, deferred consideration in February 2019, we have remeasured the contingent consideration at the reporting date and updated the balance due. The overall balance due has increased by £0.9m which has been charged to the statement of comprehensive income.

9. Staff costs

	2019 £m	2018 £m
Staff costs (including Directors) comprise:		
Wages and salaries	**54.6**	46.1
Defined contribution pension cost	**3.9**	2.8
Social security contributions and similar taxes	**6.1**	5.0
	64.6	53.9
Share based payment expense (note 29)	**2.6**	1.9
	67.2	55.8

The Group operates a defined contribution pension scheme for the benefit of its employees. The assets of the scheme are administered by trustees in a fund independent from those of the Group.

Employee numbers
The average monthly number of staff employed by the Group during the financial year amounted to:

	2019 Number	2018 Number
Operational	**632**	552
Selling, administration and distribution	**481**	424
	1,113	976

Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, including the Directors of the Company listed on pages 48 to 49, and the Management Committee in place during 2019.

	2019 £m	2018 £m
Salary	**3.3**	3.3
Post-employment benefits	**0.1**	0.1
Short-term employee benefits	**0.8**	0.8
	4.2	4.2
Share based payment expense (note 29)	**1.1**	1.0
	5.3	5.2

Remuneration in respect of Directors is summarised below:

	2019 £m	2018 £m
Salary	**1.7**	1.3
Social security contributions and similar taxes	**0.3**	0.4
	2.0	1.7
Share based payment expense	**0.5**	0.4
	2.5	2.1

During the year, the aggregate amount of gains made by Directors on the exercise of share options was £0.5m.

Remuneration disclosed above includes the following amounts in respect of the highest paid Director.

	2019 £m	2018 £m
Salary	**0.9**	0.7
Share based payment expense	**0.1**	0.1
	1.0	0.8

During the year, one Director (2018: one Director) participated in a private money purchase defined contribution pension scheme.

Key management personnel include the directors, remuneration for whom is disclosed in the remuneration report on pages 50 to 51.

10. Finance income and expense

	2019 £m	2018 £m
Finance income		
Interest received on bank deposits	**0.1**	0.3
Total finance income	**0.1**	0.3
Finance expense		
Interest expense on leases	**(0.4)**	(0.2)
Total finance expense	**(0.4)**	(0.2)
Net finance (expense)/income	**(0.3)**	0.1

Notes forming part of the financial statements continued
For the year ended 31 December 2019

11. Tax expense

	2019 £m	2018 £m
Current tax expense		
Current tax on profits for the year	**9.9**	4.9
Adjustment in respect of prior year	**(0.6)**	0.1
Overseas tax	**0.7**	0.2
Total current tax	**10.0**	5.2
Deferred tax expense		
Origination and reversal of temporary differences	**(1.2)**	0.9
Adjustment in respect of prior years	**0.5**	–
Tax rate change	**(0.2)**	–
Adjusting tax items	**1.6**	–
Total deferred tax (note 26)	**0.7**	0.9
Total tax expense	**10.7**	6.1

The reasons for the difference between the actual tax charge for the year and the standard rate of corporation tax in the United Kingdom applied to profits for the year are as follows:

	2019 £m	2018 £m
Profit before income taxes	**45.2**	34.5
Expected tax charge based on the standard rate of United Kingdom corporation tax at the domestic rate of 19.00% (2018: 19.00%)	**8.6**	6.6
Effects of:		
Tax effect of expenses that are not deductible in determining taxable profit	**0.5**	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(0.2)**	–
Tax rate change	**(0.2)**	–
Tax on business combinations	**0.5**	–
Adjusting tax items	**1.6**	–
Adjustment in respect of prior year	**(0.1)**	(0.5)
Total tax expense	**10.7**	6.1

Deferred tax was calculated based on the tax laws and rates that were enacted or substantively enacted at the balance sheet date. The Finance Act 2019 included provision for the main rate of corporation tax to reduce to 17% from 1 April 2020. Following the UK Budget 2020 on 11 March 2020, the main rate of corporation tax is expected to remain at 19%, however this change had not been substantively enacted at the statement of financial position date and therefore has not been reflected in the deferred tax balances recorded.

12. Earnings per share

The calculation of basic earnings per Ordinary Share is based on a profit after tax of £34.5m (2018: £28.4m) and 94,370,938 (2018: 93,646,411) Ordinary Shares, being the weighted average number of Ordinary Shares in issue during the year.

	2019	2018
Earnings per Ordinary Share – basic (pence)	**36.6**	30.3
Earnings per Ordinary Share – diluted (pence)	**36.1**	30.0

The calculation of the basic and diluted earnings per share is based on the following data:

	2019 £m	2018 £m
Profit after tax	**34.5**	28.4
Shares	**No.**	No.
Weighted average number of Ordinary Shares for basic earnings per share	**94,370,938**	93,646,411
Effect of dilution resulting from share options	**1,246,648**	1,108,034
Diluted weighted average number of Ordinary Shares	**95,617,586**	94,754,445

On 28 February 2020, the Group acquired Exactive Holdings Limited and its subsidiaries; £0.9m of Ordinary Shares will be paid as part consideration by 15 April 2020.

Adjusted earnings per share is detailed below:

	2019	2018
Adjusted earnings per Ordinary Share – basic (pence)	**41.3**	30.6
Adjusted earnings per Ordinary Share – diluted (pence)	**40.8**	30.3

Adjusted profit used in the calculation of adjusted earnings per share is detailed below:

	2019 £m	2018 £m
Profit for the year	**34.5**	28.4
Amortisation arising on business combinations	**2.0**	0.4
Exceptional items (change in value of deferred consideration)	**0.9**	–
Adjusting tax items	**1.6**	(0.1)
Adjusted profit after tax for the year	**39.0**	28.7

13. Dividends

An interim dividend of 3.5p was paid on 24 October 2019 (2018: 3.1p).

A final dividend of 7.0p will be proposed at the Annual General Meeting but has not been recognised as it requires approval (2018: 6.2p). The total amount of dividends proposed is 10.5p (2018: 9.3p). The payments of these dividends do not have any tax consequences for the Group.

14. Property, plant and equipment

	Network assets £m	Computer equipment £m	Fixtures and fittings £m	Total £m
Cost				
At 1 January 2019	76.8	7.5	1.1	85.4
Additions	7.8	1.7	0.4	9.9
Acquisition of subsidiary	0.1	–	–	0.1
Disposals	(16.9)	(0.1)	(0.1)	(17.1)
Exchange difference	0.1	–	–	0.1
At 31 December 2019	**67.9**	**9.1**	**1.4**	**78.4**
Depreciation				
At 1 January 2019	47.1	5.7	0.8	53.6
Charge for the year	8.4	1.2	0.2	9.8
Disposals	(16.9)	(0.1)	(0.1)	(17.1)
At 31 December 2019	**38.6**	**6.8**	**0.9**	**46.3**
Net book value				
At 1 January 2019	29.7	1.8	0.3	31.8
At 31 December 2019	**29.3**	**2.3**	**0.5**	**32.1**

There was no property, plant or equipment held as security at the end of either year. The property, plant and equipment has been considered for impairment indicators and there was no material impairment.

Notes forming part of the financial statements continued
For the year ended 31 December 2019

15. Right of use assets

	Land and buildings £m	Other £m	Total £m
Cost			
At 1 January 2019	5.2	0.2	5.4
Additions	8.7	0.2	8.9
Disposals	(0.3)	(0.1)	(0.4)
At 31 December 2019	**13.6**	**0.3**	**13.9**
Depreciation			
At 1 January 2019	1.1	0.1	1.2
Charge for the year	1.6	0.1	1.7
Disposals	(0.3)	(0.1)	(0.4)
At 31 December 2019	**2.4**	**0.1**	**2.5**
Net book value			
At 1 January 2019	4.1	0.1	4.2
At 31 December 2019	**11.2**	**0.2**	**11.4**

The Group's lease commitments are predominantly made up of office premises, other leases for land and buildings, and cars.

Disposals of right of use assets relate to the decision to exercise break clauses for office premises in August 2019 and the expiration of car leases.

No replacement leases have been committed to in the year ended 31 December 2019 (2018: none).

16. Intangible assets

	Goodwill £m	Customer contracts £m	Brand £m	Development costs £m	Software £m	Total £m
Cost						
At 1 January 2019	19.7	17.2	0.9	8.9	11.4	58.1
Additions	–	–	–	1.4	1.1	2.5
Acquisition of subsidiaries	4.5	5.9	0.2	–	0.9	11.5
Exchange difference	(0.2)	(0.7)	–	–	–	(0.9)
At 31 December 2019	**24.0**	**22.4**	**1.1**	**10.3**	**13.4**	**71.2**
Amortisation and impairment						
At 1 January 2019	4.5	2.5	–	6.4	6.7	20.1
Charge for the year	–	1.7	0.2	1.4	2.3	5.6
Impairment charge	4.2	3.8	0.1	-	-	8.1
At 31 December 2019	**8.7**	**8.0**	**0.3**	**7.8**	**9.0**	**33.8**
Carrying value						
At 1 January 2019	15.2	14.7	0.9	2.5	4.7	38.0
At 31 December 2019	**15.3**	**14.4**	**0.8**	**2.5**	**4.4**	**37.4**

All amortisation on intangible assets is charged to the consolidated statement of comprehensive income and is included within operating expenses.

Due to a fall in ISDN revenues from the Dutch business (which trades as Dean One), the values of goodwill, customer contracts and brand have been reduced by £4.2m, £3.8m and £0.1m respectively. These amounts have been charged to the statement of comprehensive income through the "exceptional items" line and have been included within the Overseas Business" in the segmental analysis in Note 6.

At 30 June 2019, the customer contracts and brand were valued using a multiple-period excess earnings model and a relief from royalty model, respectively. Given the proximity of the original acquisition of Dean One, a fair value less costs to sell approach was used to determine the recoverable amount of goodwill. The valuation techniques utilise Level 2 inputs. The key assumptions used were in respect of the customer contract valuation model and were: the implied rate of return of 21.5%, revenue growth of 12% in the first 5 years followed by 2% to the end of the assets useful economic life and attrition rates of 8%.

The carrying amount of goodwill is allocated to the cash generating units ('CGUs') as follows:

	2019 £m	2018 £m
Gamma Business Communications Limited	**6.8**	6.8
Gamma Network Solutions Limited	**1.2**	1.2
DX Groep B.V.	**3.0**	7.2
Nimsys	**2.2**	–
Telsis	**2.1**	–
	15.3	15.2

CGUs are determined based on how the business units are reported internally.

The carrying value of the Group's goodwill was tested for impairment at 31 December 2019 and 2018.

The recoverable amount has been determined on a value-in-use basis on each CGU using the Board approved budgets, where gross margin percentage is assumed to be held constant and budgeted revenue and overheads are forecasted to grow. These budgets are built on past experience with the entities and are over five years plus terminal value. The long-term growth rates used were 2%. The cash flows are discounted at the pre-tax cost of capital for the relevant CGU. When considering the recoverable amount the break-even point for the assumptions is calculated to understand the sensitivity of the assumptions.

Based on the results of the impairments reviews carried out for each year the recoverable amount in respect of Gamma Business Communications Limited, Gamma Network Solutions Limited, DX Groep B.V., Nimsys Groep B.V. and Telsis entities is greater than the carrying amount of goodwill. The Group has assessed the anticipated future cash flows and the Directors do not consider there to be any reasonably possible changes in assumptions that would lead to such an impairment charge in the future.

17. Subsidiaries

The principal subsidiaries of Gamma Communications plc, all of which the ordinary share capital is 100% owned and have been included in these financial statements in accordance with the merger accounting as set out in the basis of preparation and basis of consolidation note 1, are as follows:

Name	Country of incorporation	Nature of business	Ownership by the Company	Notes
Gamma Telecom Holdings Limited	United Kingdom	Intermediate holding company	Direct ownership	(a)
Gamma Telecom Limited	United Kingdom	Telephony services	Indirect ownership	(a)
Gamma Business Communications Limited	United Kingdom	Telephony services	Indirect ownership	(a)
Gamma Network Solutions Limited	United Kingdom	Telephony services	Indirect ownership	(a)
Telsis Direct Limited	United Kingdom	Telephony services	Indirect ownership	(a)
Telsis Communication Services Limited	United Kingdom	Other telecommunication activities	Indirect ownership	(a)
Telsis Services Limited	United Kingdom	Telephony services	Indirect ownership	(a)
Telsis GmbH	Germany	Other telecommunication activities	Indirect ownership	(b)
Gamma Development KfT	Hungary	Software services	Indirect ownership	(c)
Gamma Communications Europe B.V. (formerly Gamma Communications Netherlands B.V.)	Netherlands	Intermediate holding company	Indirect ownership	(d)
DX Groep B.V.	Netherlands	Intermediate holding company	Indirect ownership	(e)
Dean One B.V.	Netherlands	Telephony services	Indirect ownership	(e)
Schiphol Connect B.V.	Netherlands	Telephony services	Indirect ownership	(e)
Nimsys Groep B.V.	Netherlands	Telephony services	Indirect ownership	(f)
Gamma Communications Ireland Ltd	Ireland	Telephony services	Indirect ownership	(g)
Gamma Communications US Inc	United States	Dormant	Indirect ownership	(h)
Uniworld Bureau Services Limited	United Kingdom	Dormant	Indirect ownership	(a)

Notes:
(a) Registered Office: 5 Fleet Place, London, EC4M 7RD, England.
(b) Registered Office: Rößlerstraße 88, 64293 Darmstadt, Germany
(c) Registered Office: 1054 Budapest, Széchenyi Rakpart 8, Hungary.
(d) Office address: 5 Fleet Place, London, EC4M 7RD, England.
(e) Office address: Krijgsman 12-14, 1186 DR Amstelveen, the Netherlands.
(f) Administrative Office: Herengracht 124-128, Amsterdam, the Netherlands
(g) Registered Office: 6th floor, 2 Grand Canal Square, Dublin 2.
(h) Registered Office: 1313 N. Market Street, Suite 5100, Wilmington, Delaware, 19801, USA.

Gamma Telecom Limited is also a member of NP4UK Limited which is a dormant company (limited by guarantee) incorporated in the United Kingdom.

The Group also consolidates the Gamma Communications plc SIP Trust.

The Group holds no interests in unconsolidated structured entities.

Notes forming part of the financial statements continued
For the year ended 31 December 2019

18. Business combinations

Summary of acquisitions

The Group acquired 100% of the issued share capital of Nimsys Groep B.V. ("Nimsys") on the 4 February 2019. 100% of the share capital of Telsis Direct Limited, Telsis Communication Services Limited, Telsis Services Limited and Telsis GmbH was acquired on 25 November 2019, and these are treated as one acquisition referred to as "Telsis".

Nimsys is a provider of internet, Cloud telephony and associated IT services primarily to the operators and tenants of premium multi-tenant office buildings across the Netherlands. Telsis provides carriers and solution providers with Telephony and Contact Centre applications that can form the core platform for a service provider's go-to-market offering.

Details of the purchase consideration, the net assets acquired and goodwill at acquisition are as follows:

	Nimsys £m	Telsis £m	Total £m
Cash paid	3.7	4.3	8.0
Contingent consideration	1.8	–	1.8
Total purchase consideration	**5.5**	**4.3**	**9.8**

Contingent consideration at 31 December 2019

Nimsys

The potential undiscounted amount payable under the agreement is between £0.3m (€0.35m) for EBITDA in the year ended 31 December 2019 of less than £1.16m (€1.365m) and EBITDA growth less than 5% and £1.5m (€1.8m) for EBITDA of £1.39m (€1.63m) and where growth is greater than or equal to 25%. Values have been translated at the closing exchange rate of 1.1757.

The potential undiscounted amount payable under the agreement is between £0.3m (€0.35m) for EBITDA in the year ended 31 December 2020 of less than £1.22m (€1.43m) and EBITDA growth less than 5% and £1.5m (€1.8m) for EBITDA of £1.45m (€1.71m) and where growth is greater than or equal to 25%. Values have been translated at the closing exchange rate of 1.1757.

The fair value of the contingent consideration at acquisition of £1.8m was based on Nimsys achieving €1.6m EBITDA, representing a 24% increase for 2019 giving €1.3m contingent consideration and €1.7m EBITDA in 2020 representing an 8% increase, giving contingent consideration of €0.6m. Values were translated at the rate at acquisition of 1.1433.

Nimsys B.V. is performing above expectations and therefore the fair value of contingent consideration has increased to £2.6m (€3.1m using a closing exchange rate of 1.1757) which was estimated by calculating the present value of future expected cash flows. The estimates are based on the Group's cost of borrowings and 2019 and 2020 EBITDA €1.64m and €1.9m respectively, and growth of 26% and 15.6% respectively. In the event that the maximum pre-determined EBITDA is achieved by the subsidiary for the year ended 31 December 2020, additional consideration of up to €0.4m may be payable in cash in the first half of 2021.

Telsis

There is no contingent consideration for this transaction.

The assets and liabilities recognised as a result of the acquisitions are as follows:

	Nimsys £m	Telsis £m	Total £m
Cash	0.3	0.2	0.5
Trade receivables	0.3	0.2	0.5
Tangible fixed assets	0.1	–	0.1
Intangible – software	–	0.8	0.8
Intangible – customer contracts	3.5	2.4	5.9
Intangible – brand	0.2	–	0.2
Trade payables	(0.1)	(0.1)	(0.2)
Other receivables	0.1	0.5	0.6
Other payables	(0.1)	(1.3)	(1.4)
Current tax	(0.1)	–	(0.1)
Deferred tax liability/asset	(0.9)	(0.7)	(1.6)
Net identifiable assets acquired	3.3	2.0	5.3
Add: Goodwill	2.2	2.3	4.5
Net assets acquired	**5.5**	**4.3**	**9.8**

Valuations of intangible assets

Customer contracts were valued under the Income Method and the brand under the Relief from Royalty Method.

Acquired receivables

The fair value of acquired trade receivables for Nimsys and Telsis is £0.3m and £0.2m respectively. The gross contractual amount for trade receivables due is £0.3m and £0.2m respectively, of which £nil is expected to be uncollectible.

Revenue and profit contribution (unaudited)

Nimsys contributed revenues of £3.1m and profit after tax of £1.0m to the Group for the period from 4 February 2019 to 31 December 2019.

If the acquisition had occurred on 1 January 2019, consolidated pro-forma revenue and profit for the year ended 31 December 2019 would have been £3.4m and £1.2m respectively. These amounts have been calculated as follows:

	Revenue £m	Profit £m
For the year ended 31 December 2019	3.4	1.1
Add: Transaction costs	–	0.1
For the year ended 31 December 2019 if the acquisition occurred on 1 Jan 2019	**3.4**	**1.2**

Telsis contributed revenues of £0.3m and profit after tax of nil to the Group for the period from 25 November 2019 to 31 December 2019.

If the acquisition had occurred on 1 January 2019, consolidated pro-forma revenue and profit for the year ended 31 December 2019 would have been £2.9m and £0.8m respectively. These amounts have been calculated as follows:

	Revenue £m	Profit £m
For the year ended 31 December 2019	2.9	0.4
Add: Transaction costs	–	0.4
For the year ended 31 December 2019 if the acquisition occurred on 1 Jan 2019	**2.9**	**0.8**

Goodwill

The goodwill of £4.5m (Nimsys £2.2m, Telsis £2.3m) is attributable to the acquired entities. The goodwill is not deductible for tax purposes.

Purchase consideration – cash outflow

	Nimsys £m	Telsis £m	Total £m
Cash paid	3.7	4.3	8.0
Less: cash acquired	(0.3)	(0.2)	(0.5)
Net outflow of cash – investing activities	**3.4**	**4.1**	**7.5**

In the year ended 31 December 2018, the Group acquired 100% of the issued share capital of DX Groep B.V., a provider of telephony services.

19. Inventories

	2019 £m	2018 £m
Raw materials and consumables	**8.5**	6.6
Provision	**(0.4)**	(0.4)
Total inventories	**8.1**	6.2

The replacement cost of inventories equals the balance sheet amount.

Notes forming part of the financial statements continued
For the year ended 31 December 2019

20. Trade and other receivables

	2019 £m	2018 £m
Trade receivables	**34.8**	31.0
Less: provision for impairment of trade receivables	**(4.4)**	(4.6)
Trade receivables – net	**30.4**	26.4
Contract assets	**33.1**	27.7
Prepayments	**25.8**	17.9
Other receivables	**3.2**	2.7
Total trade and other receivables	**92.5**	74.7
Of which:		
Due within one year or less	**77.5**	62.8
Due after more than one year	**15.0**	11.9

The Directors consider that the carrying value of the trade and other receivables is approximately equal to their fair value.

Movements on the provision for impairment of trade receivables are as follows:

	2019 £m	2018 £m
At beginning of the year	**4.6**	2.7
Provided during the year	**0.4**	2.1
Receivable written off during the year as uncollectible	**(0.6)**	(0.2)
	4.4	4.6

The movement on the provision for impaired receivables has been included in the revenue line or operating expense line as appropriate in the consolidated statement of comprehensive income.

The main factors considered by the finance function in determining that the amounts due are impaired are that the customers are unlikely to be trading or the debts are three months and more past due. We provide for all receivables based on knowledge of customer and historical experience and estimate irrecoverable amounts by reference to past default experience. The ageing of these receivables is as follows:

	2019 £m	2018 £m
Not due	**0.2**	0.3
Up to 3 months	**2.3**	2.1
3 to 6 months	**0.8**	0.6
6 to 12 months	**0.5**	0.9
Older than 1 year	**0.6**	0.7
	4.4	4.6

The Group does not have any concentration of credit risk. None of the customers represents more than 10% of trade receivables.

As at 31 December 2019 and 2018 trade receivables as shown below were past due but not impaired. They relate to customers with no default history or where we have an offset arrangement. The ageing analysis of these receivables is as follows:

	2019 £m	2018 £m
Up to 3 months	**4.1**	1.8
3 to 6 months	**0.5**	0.3
6 to 12 months	**0.2**	–
Older than 1 year	**-**	–
	4.8	2.1

21. Cash and cash equivalents

	2019 £m	2018 £m
Cash at bank	**53.9**	35.5

22. Trade and other payables

	2019 £m	2018 £m
Current and non-current		
Trade payables	**6.1**	4.4
Other payables	**3.1**	2.1
Accruals – Cost of sales	**13.3**	13.4
Accruals – Operating expenses (excluding payroll)	**6.5**	4.7
Accruals – Payroll (excluding tax and social security)	**8.8**	6.8
Tax and social security	**4.5**	2.1
Deferred income	**4.0**	4.0
Total trade and other payables	**46.3**	37.5
Book values approximate to fair value at 31 December 2019 and 31 December 2018.		
Of which:		
Due within one year or less	**46.1**	37.2
Due after more than one year	**0.2**	0.3

Within 'Accruals – Cost of sales' is an amount which represents the estimated costs which have yet to be billed by other carriers. This accrual is required because in the telecoms industry, calls and data are passed from one carrier to another and there is a significant level of billing between carriers, and reconciliations are carried out between the data records of each carrier. In some cases, these reconciliations may take some time to perform. Even when a bill has been received, most carriers reserve the right to issue additional bills if they discover that the units thereon were incomplete or the calls were not correctly rated.

Notes forming part of the financial statements continued
For the year ended 31 December 2019

23. Financial instruments – risk management

The Group is exposed through its operations to the following financial risks:

- Credit risk.
- Market risk.
- Fair value or cash flow interest rate risk.
- Liquidity risk.

The Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

Principal financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

- Trade receivables.
- Cash and cash equivalents.
- Trade and other payables.

A summary of the financial instruments held by category is provided below:

Financial assets – amortised cost

	2019 £m	2018 £m
Cash and cash equivalents	**53.9**	35.5
Trade receivables – net	**30.4**	26.4
Contract assets	**33.1**	27.7
Other receivables	**3.2**	2.7
Total financial assets	**120.6**	92.3

Financial liabilities – amortised cost

	2019 £m	2018 £m
Trade payables	**6.1**	4.4
Other payables	**3.1**	1.8
Accruals – Cost of sales	**13.3**	12.8
Accruals – Operating expenses (excluding payroll)	**6.5**	5.4
Accruals – Payroll (excluding tax and social security)	**8.8**	7.0
Lease liabilities	**12.6**	4.4
Total financial liabilities	**50.4**	35.8

General objectives, policies and processes

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's Management Committee. The Board receives monthly reports from the Management Committee through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below:

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or a counterparty to a financial instrument fails to meet its contractual obligations. The Group is mainly exposed to credit risk from credit sales. It is Group policy, implemented locally, to assess the credit risk of new customers before entering into contracts.

The Credit Committee has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings where available. Purchase limits are established for each customer, which represent the maximum open amount without requiring further approval from the Credit Committee.

The Credit Committee determines concentrations of credit risk by monitoring the creditworthiness rating of existing customers and through regular reviews of the trade receivables' ageing analysis.

The Group does not enter into derivatives to manage credit risk.

Quantitative disclosures of the credit risk exposure in relation to financial assets are set out below. Further disclosures regarding trade and other receivables, which are neither past due nor impaired, are provided in note 20.

Due to the Group's procedures for managing credit risk, expected credit losses on all non-trade receivable financial assets are expected to be negligible. Expected impairment for trade receivables is calculated based on historical default rates. Details of this provision are shown in note 20.

Financial assets – maximum exposure

	2019 £m	2018 £m
Cash and cash equivalents	**53.9**	35.5
Trade receivables – net	**30.4**	26.4
Contract assets	**33.1**	27.7
Other receivables	**3.2**	2.7
Total financial assets	**120.6**	92.3

The Credit Committee monitors the utilisation of the credit limits regularly and at the reporting date does not expect any losses from non-performance by the counterparties in addition to those already provided against.

Cash in bank

The Group is continually reviewing the credit risk associated with holding money on deposit in banks and seeks to mitigate this risk by only holding deposits with banks with a credit rating of A or above, unless Board approval is obtained.

Market risk

The market risk relates to foreign exchange. Foreign exchange risk arises because the Group has operations located in Europe and the acquired companies under DX Groep B.V. which are not the same as the functional currency in which the Group companies are operating. Although the fact that its overseas operations are small compared to those in the UK reduces the Group's operational risk, the Group's net assets arising from such overseas operations are exposed to currency risk resulting in gains or losses on retranslation into Pound Sterling. Given the levels of materiality, the Group does not hedge its net investments in overseas operations as the cost of doing so is disproportionate to the exposure.

During the year, the Group entered into one forward foreign exchange contract to mitigate against the foreign exchange risk on foreign contracts. This is in USD and relates to one supplier. The foreign exchange contract was open at year end to cover payments totalling USD$7.0m.

As of 31 December 2018 and 31 December 2019 the Group's exposure to foreign exchange risk was not material. A sensitivity analysis for market risk has not been prepared as the risk is immaterial.

Fair value or cash flow interest risk

The Group's only exposure to interest rate risk arises from the interest rate on fixed term, fixed rate bank deposits.

Analysis of this has not been prepared as this risk is immaterial.

Liquidity risk

Liquidity risk arises from the Group's management of working capital. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

It is the Group's aim to settle balances as they become due.

The Board receives annual 36-month cash flow projections. At the end of the financial year, these projections indicated that the Group expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances.

The following table sets out the contractual maturities (representing undiscounted contractual cash flows) of financial liabilities (excluding lease and contract liabilities):

	Up to 3 months £m	Between 3 and 12 months £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m
2019	**36.4**	**1.3**	**0.1**	**–**	**–**
2018	30.9	–	0.5	–	–

The Group presents a maturity analysis of lease liabilities within note 25.

For more details on the line items included above, see note 22.

Notes forming part of the financial statements continued
For the year ended 31 December 2019

23. Financial instruments – risk management continued

Capital disclosures

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising its return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from the prior year. The Group monitors 'adjusted capital' which comprises all components of equity that are managed as capital (i.e. share capital, share premium reserve, merger reserve, share option reserve and retained earnings).

The Group's objectives when maintaining capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group has historically maintained very low levels of gearing and is not exposed to externally imposed capital requirements. The Group will continue to manage the amount of capital it requires in proportion to risk. The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets.

	2019 £m	2018 £m
Total equity	**153.8**	117.9
Cash and cash equivalents	**53.9**	35.5
Capital	**207.7**	153.4
Total equity	**153.8**	117.9
Overall financing	**153.8**	117.9
Capital-to-overall-financing ratio	**1.35**	1.30

24. Provisions

	2019 £m	2018 £m
Leasehold dilapidation provision	**1.3**	1.4
Onerous lease provision	**–**	0.3
Onerous contracts	**–**	0.5
Other provisions	**0.4**	-
Total provisions	**1.7**	2.2
Of which:		
Due within one year or less	**0.9**	1.0
Due after more than one year	**0.8**	1.2

	Onerous contracts £m	**Leasehold dilapidation provision £m**	**Onerous lease provision £m**	**Other provisions £m**	**Total £m**
At 1 January 2019	0.5	1.4	0.3	-	2.2
Additional provision in the year	(0.5)	0.1	–	0.4	–
Utilisation of provision	–	(0.2)	(0.3)	-	(0.5)
At 31 December 2019	**–**	**1.3**	**–**	**0.4**	**1.7**

Leasehold dilapidations relate to the estimated cost of returning a leasehold property to a defined condition at the end of the lease in accordance with the lease terms. Under IFRS 16, dilapidations costs are accounted for within the right of use asset and released to the profit and loss account through depreciation. The main uncertainties relate to estimating the cost that will be incurred at the end of the lease and also whether the option to break from the lease will be exercised. Leasehold dilapidation provisions relate to property rentals and vary from less than 12 months to in excess of five years.

The onerous lease provision related to lease payments on properties which were considered to be onerous. During the year all the provision was utilised.

From time to time the Group engages in contracts with suppliers where there is a minimum commitment. This is done in instances where the minimum purchase commitment is considered to be comfortably achievable and there is a material commercial advantage to making that commitment. Rarely there may be an unforeseen change in circumstances which means that the commitment becomes onerous and a provision is made at the point it appears that the minimum commitments will not be achieved. Provisions for onerous contracts related to contracts less than two years in length.

25. Lease liabilities

	2019 £m	2018 £m
Maturity analysis – contractual undiscounted cash flows		
In one year or less	**1.7**	1.6
Between one and five years	**6.9**	2.1
In five years or more	**6.6**	1.1
Total undiscounted lease liabilities at 31 December	**15.2**	4.8
Lease liabilities included in the statement of financial position at 31 December	**12.6**	4.4
Current	**1.3**	1.5
Non-current	**11.3**	2.9
Amounts recognised in the comprehensive income statement		
Interest expense on lease liabilities	**0.4**	0.2
Expenses relating to short-term leases	**–**	–
Expenses relating to leases of low value assets, excluding short-term leases of low value assets	**–**	–

The amounts recognised in the statement of consolidated cash flows is £1.1m (2018: £1.6m).

During the years ended 31 December 2018 and 31 December 2019 there were no variable lease payments not included in the measurement of lease liabilities, no sale and leaseback transactions and no income from sub-leasing right of use assets.

26. Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using the tax rate at which it is expected to unwind, being 19% until 1 April 2020 and then 17% from 1 April 2020. Following the UK Budget 2020 on 11 March 2020, the main rate of corporation tax is expected to remain at 19%, however this change had not been substantively enacted at the statement of financial position date and therefore has not been reflected in the deferred tax balances recorded.

The movement on the deferred tax account is as shown below:

	2019 £m	2018 £m
Asset at 1 January	**0.5**	1.7
Change in accounting policy	**–**	3.8
Restated asset at 1 January	**0.5**	5.5
Tax charge recognised in profit and loss	**(0.7)**	(0.9)
Recognised directly in equity	**0.9**	(0.4)
Tax arising on acquisition	**(1.6)**	(3.7)
Net (liability)/asset at 31 December	**(0.9)**	0.5

Deferred tax assets and liabilities are offset where the Group has a legally enforceable right to do so. All deferred tax has been recognised as the Group is consistently profitable and so expects to have sufficient profits which can be utilised. The movements in relation to change in accounting policy relate to the application of IFRS 15, this is not expected to be seen going forward.

The deferred taxation asset/(liability) consists of the tax effect of temporary differences as follows:

2019	Asset £m	Liability £m	Net £m	Credited/ (charged) to profit or loss £m	Credited/ (charged) to equity £m
Difference in capital allowances and depreciation/amortisation	**–**	**–**	**–**	**(1.9)**	**–**
Other temporary and deductible differences	**1.1**	**(0.2)**	**0.9**	**(0.4)**	**–**
Deferred tax on share options	**1.9**	**–**	**1.9**	**–**	**0.9**
Deferred tax on acquisition of subsidiaries	**–**	**(3.7)**	**(3.7)**	**1.6**	**–**
Deferred tax asset/(liability)	**3.0**	**(3.9)**	**(0.9)**	**(0.7)**	**0.9**

2018	Asset £m	Liability £m	Net £m	Credited/ (charged) to profit or loss £m	Credited/ (charged) to equity £m
Difference in capital allowances and depreciation/amortisation	1.9	–	1.9	–	(0.2)
Other temporary and deductible differences	1.5	(0.2)	1.3	(1.0)	–
Deferred tax on share options	1.0	–	1.0	0.1	(0.2)
Deferred tax on acquisition of subsidiary	–	(3.7)	(3.7)	–	–
Deferred tax asset/(liability)	4.4	(3.9)	0.5	(0.9)	(0.4)

Notes forming part of the financial statements continued
For the year ended 31 December 2019

27. Share capital

At 31 December the share capital was as follows:

	2019 Number	2019 £m	2018 Number	2018 £m
Authorised, allotted and fully paid				
Ordinary Shares of £0.0025 each	**94,781,312**	**0.2**	93,984,626	0.2
		0.2		0.2

Ordinary Share movement in the year is as follows:

	Number	Notes
As at 1 January 2019	93,984,626	
March 2019	12,909	(a)
April 2019	32,459	(a)
May 2019	212,998	(a)
July 2019	323,379	(a)
September 2019	162,686	(a)
October 2019	16,993	(a)
November 2019	12,244	(a)
December 2019	23,018	(a)
As at 31 December 2019	94,781,312	

(a) Ordinary Shares were issued to satisfy options which had been exercised.

28. Reserves

The following describes the nature and purpose of each reserve within equity:

Reserve	Description and purpose
Share premium reserve	Amount subscribed for share capital in excess of nominal value.
Merger reserve	Represents the share capital and share related movements of the previous holding company Gamma Telecom Holdings Limited following the common control transaction in 2014. These financial statements incorporate the results of business combinations using the acquisition method with the exception of the common control transaction on the forming of the Group. In the statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.
Share option reserve	Represents credit to equity relating to share based payment expense on share options.
Foreign exchange reserve	Exchange differences relating to the translation of the net assets of the Group's foreign subsidiaries from their functional currency into the parent's functional currency.
Own shares	Purchase of own shares under a SIP scheme.
Retained earnings	All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.

29. Share based payment expense

Share options granted

On 8 May 2019 the Board approved an issue of options under a Save As You Earn scheme which granted 377,800 options over £0.0025 Ordinary Shares at an exercise price of £8.2800. These options will vest in July 2022.

On 13 May 2019 the Board approved an issue of options under the Company Share Option Plan which granted 157,914 options over £0.0025 Ordinary Shares at an exercise price of £10.9000. These will vest in May 2022.

On 3 June 2019 the Board approved an award under the long term incentive plan for the senior management team. 232,674 options were granted over £0.0025 Ordinary Shares at an exercise price of £0.0025 per share which will vest on 1 April 2022 subject to performance conditions. The awards granted will have a performance period of three years starting from the vesting commencement date, being 1 April 2019.

On 20 September and 1 October 2019, the Board approved awards under the long term incentive plan for the senior management team. 3,422 and 4,183 options respectively, were granted over £0.0025 Ordinary Shares at an exercise price of £0.0025 per share which will vest on 1 April 2022 subject to performance conditions. The awards granted will have a performance period of three years starting from the vesting commencement date, being 1 April 2019.

On 22 November 2019, the Board approved awards under the long term incentive plan for the senior management team. 9,209 options were granted over £0.0025 Ordinary Shares at an exercise price of £0.0025 per share which will vest on 1 April 2022. The awards granted will have a performance period of three years starting from the vesting commencement date, being 1 April 2019.

The awards issued under the long term incentive plan will vest as follows:

- 15% of the shares are subject to an award if annual compound total shareholder return over the performance period equals 8% and 50% of the shares are subject to an award if the annual compound total shareholder return over the period exceeds or equals 15% with pro rata straight line vesting in between; and
- 15% of the shares are subject to an award if annual compound growth of the Group's adjusted earnings per share over the performance period equals 8% between the financial years at the beginning and the end of the performance period and 50% of the shares are subject to an award if the annual compound growth of the Group's adjusted earnings per share exceeds or equals 20% with pro rata straight line vesting in between.

The weighted average fair value of awards granted during the year was £4.89 (2018: £2.91).

Share options movements

Movements in the number of options during the year were as follows:

The options below were exercised at a weighted average share price of £11.13, and weighted average exercise price of £2.57, and the weighted average exercise price of share options exercisable at 31 December 2019 was £2.57.

2019 Date of grant	Start of year	Granted	Forfeited/ Cancelled	Exercised	End of year	Exercise price	Class of share	Notes
6 June 2014	20,000	–	–	(5,600)	14,400	£0.2500	Ordinary	(a)
8 May 2015	89,230	–	(35,183)	(18,237)	35,810	£2.7000	Ordinary	(a)
15 April 2016	63,088	–	(2,294)	(44,736)	16,058	£4.3575	Ordinary	(a)
17 May 2016	206,116	–	–	(206,116)	–	£0.0025	Ordinary	(b)
19 May 2016	565,974	–	(36,052)	(521,997)	7,925	£3.4440	Ordinary	(c)
5 April 2017	170,348	–	(13,681)	–	156,667	£4.9325	Ordinary	(d)
9 May 2017	255,395	–	(31,610)	–	223,785	£4.1600	Ordinary	(e)
22 May 2017	198,912	–	–	–	198,912	£0.0025	Ordinary	(f) (l)
3 April 2018	315,353	–	–	–	315,353	£0.0025	Ordinary	(g)
8 May 2018	221,019	–	(20,815)	–	200,204	£5.5520	Ordinary	(h)
23 May 2018	179,974	–	(4,088)	–	175,886	£7.3400	Ordinary	(i)
8 May 2019	–	377,800	(15,763)	–	362,037	£8.2800	Ordinary	(j)
13 May 2019	–	157,914	(3,669)	–	154,245	£10.9000	Ordinary	(k)
3 June 2019	–	232,674	–	–	232,674	£0.0025	Ordinary	(l)
20 September 2019	–	3,422	–	–	3,422	£0.0025	Ordinary	(l)
1 October 2019	–	4,183	–	–	4,183	£0.0025	Ordinary	(l)
22 November 2019	–	9,209	–	–	9,209	£0.0025	Ordinary	(l)

Notes:
(a) Options have vested and are exercisable.
(b) The awards granted will have a performance period of three years starting from the vesting commencement date, being 31 March 2016.
(c) The awards granted will have a performance period of three years starting from the vesting commencement date, being 1 July 2016.
(d) The awards granted will have a performance period of three years starting from the grant date, being 5 April 2017.
(e) The awards granted will have a performance period of three years starting from the vesting commencement date, being 1 July 2017.
(f) The awards granted will have a performance period of three years starting from the vesting commencement date, being 31 March 2017.
(g) The awards granted will have a performance period of three years starting from the vesting commencement date, being 3 April 2018.
(h) The awards granted will have a performance period of three years starting from the vesting commencement date, being 1 July 2018.
(i) The awards granted will have a performance period of three years starting from the grant date, being 23 May 2018.
(j) The awards granted will have a performance period of three years starting from the vesting commencement date, being 1 July 2019.
(k) The awards granted will have a performance period of three years starting from the grant date, being 13 May 2019
(l) The awards granted will have a performance period of three years starting from the vesting commencement date, being 1 April 2019.

There were no lapsed share options during the year.

Apart from the options noted as exercisable, all other options above are outstanding.

Notes forming part of the financial statements continued
For the year ended 31 December 2019

29. Share based payment expense continued

Movements in the number of options during the previous year were as follows:

The options below were exercised at a weighted average share price of £7.51, and weighted average exercise price of £1.15, and the weighted average exercise price of share options exercisable at 31 December 2018 was £2.34.

2018 Date of grant	Start of year	Granted	Forfeited/ Cancelled	Exercised	End of year	Exercise price	Class of share	Notes
6 June 2014	20,000	–	–	–	20,000	£0.2500	Ordinary	(a)
8 May 2015	370,349	–	–	(281,119)	89,230	£2.7000	Ordinary	(a)
8 June 2015	358,698	–	(21,970)	(336,728)	–	£0.0025	Ordinary	(a)
15 April 2016	65,382	–	(2,294)	–	63,088	£4.3575	Ordinary	(b)
17 May 2016	277,986	–	(25,598)	(46,272)	206,116	£0.0025	Ordinary	(c) (l)
19 May 2016	605,681	–	(33,353)	(6,354)	565,974	£3.4440	Ordinary	(d)
5 April 2017	184,032	–	(13,684)	–	170,348	£4.9325	Ordinary	(e)
9 May 2017	273,583	–	(15,089)	(3,099)	255,395	£4.1600	Ordinary	(f)
22 May 2017	261,208	–	(41,323)	(20,973)	198,912	£0.0025	Ordinary	(f) (k) (l)
3 April 2018	–	315,353	–	–	315,353	£0.0025	Ordinary	(h)
8 May 2018	–	241,298	(20,171)	(108)	221,019	£5.5520	Ordinary	(i)
23 May 2018	–	185,424	(5,450)	–	179,974	£7.3400	Ordinary	(j)

Notes:
(a) Options have vested and are exercisable.
(b) The awards granted will have a performance period of three years starting from the grant date, being 15 April 2016.
(c) The awards granted will have a performance period of three years starting from the vesting commencement date, being 31 March 2016.
(d) The awards granted will have a performance period of three years starting from the vesting commencement date, being 1 July 2016.
(e) The awards granted will have a performance period of three years starting from the grant date, being 5 April 2017.
(f) The awards granted will have a performance period of three years starting from the vesting commencement date, being 31 March 2017.
(g) The awards granted will have a performance period of three years starting from the vesting commencement date, being 1 July 2017.
(h) The awards granted will have a performance period of three years starting from the vesting commencement date, being 3 April 2018.
(i) The awards granted will have a performance period of three years starting from the grant date, being 23 May 2018.
(j) The awards granted will have a performance period of three years starting from the vesting commencement date, being 1 July 2018.
(k) The awards vest as follows:
i. 15% of the shares are subject to an award if annual compound total shareholder return over the performance period equals 8% and 50% of the shares are subject to an award if the annual compound total shareholder return over the period exceeds or equals 15% with pro rata straight line vesting in between; and
ii. 15% of the shares are subject to an award if annual compound growth of the Company's adjusted earnings per share over the performance period equals 8% between the financial years at the beginning and the end of the performance period and 50% of the shares are subject to an award if the annual compound growth of the Company's adjusted earnings per share exceeds or equals 20% with pro rata straight line vesting in between.
(l) Options for Bob Falconer were vested early in line with the amount of the vesting period up to his leaving date and hence exercised before the rest of the scheme becomes exercisable. The unvested shares were cancelled.

There were no lapsed share options during the year.

The share options are subject to equity-settled share based payments.

The share options outstanding at 31 December 2019 represented 2% of the issued share capital as at that date (2018:2%) and would generate additional funds of £8.9m (2018: £6.9m) if fully exercised. The weighted average remaining life of the share options was 17 months (2018: 15 months), with a weighted average remaining exercise price of £4.22 (2018: £3.03).

Share based payment expense

Equity-settled share based payments are measured at fair value (excluding the effect of market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share based payments is expensed over the vesting period, based on the Company's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

Application of the fair value measurement results in a charge to operating expenses within the subsidiary company Gamma Telecom Limited. The charge has been made to the profit and loss account of the subsidiary as the employees' services are provided to the subsidiary company. The charge for each year is as listed below:

	2019 £m	2018 £m
Share options issued to key management	**1.1**	1.0
Share options issued to other employees	**1.5**	0.9
Total share based payment expense	**2.6**	1.9

Included within the total share based payment expense of £2.6m (2018: £1.9m) is National Insurance of £0.6m (2018: £0.6m).

Fair value is measured using the Black-Scholes model and the Monte Carlo model (where market performance conditions are imposed). The information set out in the table below is used in the calculations. The expected life used in the model assumes that vesting conditions will be met and all options will be exercised at the earliest opportunity.

	2019 £m	2018 £m
Share price at grant date (pence)	**1060 – 1165**	686 – 762
Exercise price (pence)	**0.25 – 1090**	0.25 – 734
Expected volatility	**27%**	25%
Risk-free rate	**0.531 – 0.770%**	0.817 – 0.878%
Expected dividend yield	**0.9%**	1.4%

The assumptions relating to volatility and the risk-free rate are calculated with reference to other comparable companies within the telecommunications sector.

The Group did not enter into any share based payment transactions with parties other than employees during 2018 and 2019.

30. Fair value measurements of financial instruments

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

The Group only has one level 3 financial liability, being contingent consideration.

The Group's finance team performs valuations of financial items for financial reporting purposes, including level 3 fair values, in consultation with third party valuation specialists for complex valuations. Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information. The finance team reports directly to the CFO.

The valuation techniques used for instruments categorised in level 3 are described below.

The fair value of contingent consideration related to the acquisition of Nimsys Groep B.V. (see note 18) was based on the expected 2019 EBITDA of the business.

The discount rate used is based on the Group's estimated cost of debt. The effects on the fair value of risk and uncertainty in the future cash flows are dealt with by adjusting the discount rate.

The two most significant sensitivities are a change in future EBITDA and change in the value of Pound Sterling. The potential undiscounted amount payable under the agreement is between £0.3m (€0.35m) and £1.45m (€1.71m). Sterling values have been translated at the closing exchange rate of 1.1757. A 10% change in the exchange rate could give a £0.1m impact on the values.

Management has recalculated the fair value at the end of the accounting period and there have been adjustments to both DX Groep and Nimsys contingent consideration.

For DX Groep, in preparing the statutory accounts for 2018, the best estimate of the contingent consideration was made. During 2019 a higher than expected attrition rate of legacy customers taking ISDN caused the revenues to be lower than expected. Therefore, the estimated contingent consideration due has been revised and the associated intangible assets including goodwill have been reduced. In addition, there was an exceptional tax credit of £1.0m in respect of deferred tax related to the intangible assets which were reduced.

Following the initial recognition of Nimsys deferred consideration in February 2019 performance has exceeded expectations and therefore we have remeasured the contingent consideration at the reporting date and updated the balance due. The overall balance due has increased by £0.9m which we have charged to the statement of comprehensive income.

Level 3 fair value measurements

The reconciliation of the carrying amounts of financial instruments classified as level 3 is as follows:

	DX Groep £m	Nimsys £m	Total £m
1 January 2019	8.1	–	8.1
Acquisition of subsidiary	–	1.8	1.8
Adjustment to contingent consideration	(8.1)	0.9	(7.2)
Exchange differences	–	(0.1)	(0.1)
31 December 2019	**–**	**2.6**	**2.6**

	2019 £m	2018 £m
Of which:		
Due within one year or less	**1.5**	–
Due after more than one year	**1.1**	8.1
Total	**2.6**	8.1

Notes forming part of the financial statements continued
For the year ended 31 December 2019

31. Capital commitments

As at 31 December 2019, amounts contracted for but not provided in the financial statements amounted to £11.5m for the Group (2018: £14.4m). This amount is for the purchase of software licences in 2019 and 2018.

The capital commitments in 2019 are payable in USD, with the payable amount being $15.2m. Changes in the exchange rate could cause variances in the value of the commitment.

32. Related party transactions

Details of key management's remuneration are given in note 9.

Dividends of £0.03m (2018: £0.4m) were paid to Directors during the year and no dividends were payable to Directors at the year end.

There were no other transactions with related parties outside of the wholly owned group during the year.

33. Subsequent events

On the 18 February 2020 the Group made an offer to acquire the entire issued and to be issued share capital of VozTelecom. VozTelecom is admitted to trading on the Mercado Alternativo Bursátil in Spain. Accordingly, the offer will be implemented by means of a takeover offer under the relevant Spanish legislation. The offer values the entire issued and to be issued ordinary share capital of VozTelecom at approximately €25.3 million (£21.0 million) on a fully diluted basis. The cash consideration payable pursuant to the offer will be financed from the Gamma Group's existing cash resource (which was £53.9 million as at 31 December 2019). VozTelecom's net debt at 31 December (adjusted for convertible bonds) was approximately €5.2m which would imply an enterprise value of c.€30.5 million (c.£25.3 million).

On the 28 February 2020 the Group acquired Exactive Holdings Limited and its subsidiaries for an initial consideration of £5.0m of which £3.6m is in cash payable immediately, £0.5m held in escrow for 24 months and £0.9m will be in Gamma shares payable by 15 April 2020. Exactive is a leading UK Microsoft Gold Partner and specialist Microsoft Teams UCaaS provider with an excellent reputation and track record. With a growing number of larger business and public sector organisations adopting Microsoft Teams as their collaboration solution, Exactive's expertise and 'Cloud UCX platform' will enable us to address this market segment and business opportunity more effectively.

Due to the proximity of the acquisition to the publication of these accounts and given the materiality of the transaction, the Group has not yet completed the purchase price allocation and it is impractical to give further information.

34. Ultimate controlling party

There is no ultimate controlling party.

Company statement of financial position
As at 31 December 2019

	Notes	2019 £m	2018 £m
Fixed assets			
Investments	3	**13.0**	11.0
		13.0	11.0
Current assets			
Debtors	4	**77.3**	64.5
Cash at bank and in hand		**31.8**	6.5
		109.1	71.0
Creditors: amounts falling due within one year	5	**(53.9)**	(21.1)
Net current assets		**55.2**	49.9
Total assets less current liabilities		**68.2**	60.9
Capital and reserves			
Called up share capital	6	**0.2**	0.2
Share premium account		**6.6**	4.6
Share option reserve		**12.8**	10.8
Profit and loss account		**48.6**	45.3
Shareholders' funds		**68.2**	60.9

As a consolidated statement of comprehensive income is published, a separate profit and loss account for the parent company is omitted from the Group financial statements by virtue of section 408 of the Companies Act 2006. The profit in respect of the Company for the year was £12.5m (2018: £19.1m).

The financial statements of Gamma Communications plc (registered number 08943488) on pages 113 to 114 were approved and authorised for issue by the Board of Directors on 16 March 2020 and were signed on its behalf by:

Andrew Belshaw
Chief Financial Officer

The notes on pages 115 to 117 form part of these financial statements.

Company statement of changes in equity
For the year ended 31 December 2019

	Notes	Share capital £m	Share premium reserve £m	Share option reserve £m	Profit and loss account £m	Total equity £m
1 January 2018		0.2	3.8	9.1	34.3	47.4
Dividends paid	7	–	–	–	(8.1)	(8.1)
Share based payments		–	–	1.7	–	1.7
Issue of shares		–	0.8	–	–	0.8
Transaction with owners		–	0.8	1.7	(8.1)	(5.6)
Total comprehensive income		–	–	–	19.1	19.1
31 December 2018		**0.2**	**4.6**	**10.8**	**45.3**	**60.9**
1 January 2019		0.2	4.6	10.8	45.3	60.9
Dividends paid	7	–	–	–	(9.2)	(9.2)
Share based payments		–	–	2.0	–	2.0
Issue of shares		–	2.0	–	–	2.0
Transaction with owners		–	2.0	2.0	(9.2)	(5.2)
Total comprehensive income		–	–	–	12.5	12.5
31 December 2019		**0.2**	**6.6**	**12.8**	**48.6**	**68.2**

The notes on pages 115 to 117 form part of these financial statements.

Notes forming part of the Company financial statements
For the year ended 31 December 2019

1. Accounting policies

General information
The Company's principal activity is to act as a holding company that does not trade with third parties. The Group, of which this Company is part, is principally engaged in the provision of communications and software services for business.

The Company is a public company limited by shares and is incorporated and domiciled in England and Wales. The address of its registered office is 5 Fleet Place, London, EC4M 7RD.

Basis of preparation
The financial statements have been prepared in accordance with Financial Reporting Standard 100 Application of Financial Reporting Requirements and Financial Reporting Standard 101 Reduced Disclosure Framework.

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

The financial statements have been prepared on a historical cost basis. The presentation currency used is Pound Sterling and unless otherwise stated, has been rounded to the nearest 0.1 million (£m).

The financial statements are prepared on the going concern basis. In assessing whether the going concern assumption is appropriate, the Directors have taken into account all relevant available information about the future trading including profit and cash forecasts and available facilities and funding. It is therefore considered appropriate to adopt the going concern basis of accounting in the preparation of the annual financial statements.

As a consolidated profit and loss account is published, a separate profit and loss account for the Company is omitted from the Group financial statements by virtue of section 408 of the Companies Act 2006. The profit in respect of the Company for the year was £12.5m (2018: £19.1m).

Disclosure exemptions adopted
In preparing these financial statements the Company has taken advantage of all disclosure exemptions conferred by FRS 101. Therefore these financial statements do not include:

(a) certain disclosures regarding the Company's capital;

(b) a statement of cash flows;

(c) the effect of future accounting standards not yet adopted;

(d) the disclosure of the remuneration of key management personnel;

(e) disclosure of related party transactions with other wholly owned members of the Group headed by Gamma Communications plc;

(f) disclosures in respect of financial instruments; and

(g) disclosures in respect of IFRS 2 share based payments.

Investments
Shares in Group undertakings are initially recorded at cost and subsequently adjusted for capital contributions related to share based payments and any provisions for impairment.

The cost of acquisition is the amount of cash or cash equivalents paid and the fair value of other purchase consideration given by the acquirer, together with the expenses of the acquisition. Where the payment of consideration for an acquisition is to be made after the date of acquisition, reasonable estimates of the amounts expected to be paid are included in the cost of acquisition at their present values.

The cost of acquisition is adjusted when revised estimates are made, with consequential corresponding adjustments continuing to be made to the cost of the investment, and therefore goodwill, until the ultimate amount is known.

Financial assets
The Company does not have any financial assets which it would classify at fair value through profit or loss, available for sale or held to maturity. Therefore, all financial assets are classed as loans and receivables as defined below.

Loans and receivables
These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset.

They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Company will be unable to collect all of the amounts due, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable.

The Company's loans and receivables comprise amounts due from Group undertakings, other receivables and cash and cash equivalents in the statement of financial position. Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown within loans and borrowings in current liabilities on the statement of financial position.

Financial liabilities and equity
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Dividends and distributions relating to equity instruments are debited direct to equity.

Notes forming part of the Company financial statements continued
For the year ended 31 December 2019

2. Critical accounting judgements and estimates

Gamma Communications plc is a non-complex entity primarily holding intercompany debtors and creditors. As such there are no critical judgements or accounting estimates that represent a risk of material misstatement over the next 12 months.

3. Investments

	2019 £m	2018 £m
At 1 January	**11.0**	9.3
Capital contributions arising from share based payments	**2.0**	1.7
At 31 December	**13.0**	11.0

At 31 December 2019 the Company held the ordinary share capital of the following subsidiaries.

Name	Country of incorporation	Nature of business	Ownership by the Company	Notes
Gamma Telecom Holdings Limited	United Kingdom	Intermediate holding company	Direct ownership	(a)
Gamma Telecom Limited	United Kingdom	Telephony services	Indirect ownership	(a)
Gamma Business Communications Limited	United Kingdom	Telephony services	Indirect ownership	(a)
Gamma Network Solutions Limited	United Kingdom	Telephony services	Indirect ownership	(a)
Telsis Direct Limited	United Kingdom	Telephony services	Indirect ownership	(a)
Telsis Communication Services Limited	United Kingdom	Other telecommunication activities	Indirect ownership	(a)
Telsis Services Limited	United Kingdom	Telephony services	Indirect ownership	(a)
Telsis GmbH	Germany	Other telecommunication activities	Indirect ownership	(b)
Gamma Development KfT	Hungary	Software services	Indirect ownership	(c)
Gamma Communications Europe B.V. (formerly Gamma Communications Netherlands B.V.)	Netherlands	Intermediate holding company	Indirect ownership	(d)
DX Groep B.V.	Netherlands	Intermediate holding company	Indirect ownership	(e)
Dean One B.V.	Netherlands	Telephony services	Indirect ownership	(e)
Schiphol Connect B.V.	Netherlands	Telephony services	Indirect ownership	(e)
Nimsys Groep B.V.	Netherlands	Telephony services	Indirect ownership	(f)
Gamma Communications Ireland Ltd	Ireland	Telephony services	Indirect ownership	(g)
Gamma Communications US Inc	United States	Dormant	Indirect ownership	(h)
Uniworld Bureau Services Limited	United Kingdom	Dormant	Indirect ownership	(a)

Notes:
(a) Registered Office: 5 Fleet Place, London, EC4M 7RD, England.
(b) Registered Office: Rößlerstraße 88, 64293 Darmstadt, Germany.
(c) Registered Office: 1054 Budapest, Széchenyi Rakpart 8, Hungary.
(d) Office address: 5 Fleet Place, London, EC4M 7RD, England.
(e) Office address: Krijgsman 12-14, 1186 DR Amstelveen, the Netherlands.
(f) Administrative Office: Herengracht 124-128, Amsterdam, the Netherlands.
(g) Registered Office: 6th floor, 2 Grand Canal Square, Dublin 2.
(h) Registered Office: 1313 N. Market Street, Suite 5100, Wilmington, Delaware, 19801, USA.

Gamma Telecom Limited is also a member of NP4UK Limited which is a dormant company (limited by guarantee) incorporated in the United Kingdom.

4. Debtors

	2019 £m	2018 £m
Amounts due from Group undertakings	**77.3**	64.5
	77.3	64.5

Amounts due from Group undertakings are payable on demand.

The Group has considered the expected credit loss arising on amounts due from Group undertakings. The value of the expected credit loss is negligible.

5. Creditors

	2019 £m	2018 £m
Amounts due to Group undertakings	**53.8**	21.1
Accruals	**0.1**	–
	53.9	21.1

6. Share capital

Details of the share capital and movement during the year are given in note 27 to the consolidated financial statements.

7. Dividends paid

Details of the dividends paid during the year are given in note 13 to the consolidated financial statements.

8. Contingent liabilities

The Company had no contingent liabilities at 31 December 2018 or 31 December 2019.

9. Capital commitments

The Company had no capital commitments at 31 December 2018 or 31 December 2019.

10. Related party transactions

The Company has taken advantage of the exemption available within FRS 101 Reduced Disclosure Framework not to disclose transactions with other members of the Group headed by the Company. See note 32 to the consolidated financial statements for details of the disclosed related party transactions.

11. Subsequent events

In February 2020, entities owned by the Company made an offer for Voz Telecom and acquired Exactive Holdings Limited. Further details are given in note 33 to the consolidated financial statements.

Company information

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Registrar

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Gamma

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