Empowering people to communicate

Gamma Communications plc
Annual Report and Accounts 2023

Gamma is a leading technology-based provider of communication services across Europe.

ONLINE

Our 2023 online report
View our online Annual Report and Accounts 2023.
www. gammagroup.co/annual-report-2023

PAGE 02

Chair's statement
Read the Chair's statement where our new Chair, Martin Hellawell, presents his initial views and reports on Board changes.

PAGE 14

Chief Executive Officer's statement
Our CEO's report explains progress against our strategic objectives.

PAGE 23

Financial review
Read our CFO's report which sets out our 2023 financial performance.

Strategic report

Revenue

£521.7m +8%

Grew from £484.6m to £521.7m (these figures include acquisitions made)

Gross profit

£267.2m +8%

Grew from £247.7m to £267.2m

Adjusted EBITDA

£114.3m +9%

Grew from £105.1m to £114.3m

Profit before tax

£71.5m +10%

Grew from £64.9m to £71.5m

Dividend per share

17.1p +14%

Grew from 15.0p to 17.1p

Adjusted EPS (fully diluted)

75.1p +5%

Grew from 71.8p to 75.1p

2023	£521.7m
2022	£484.6m
2021	£447.7m

2023	£267.2m
2022	£247.7m
2021	£228.5m

2023	£114.3m
2022	£105.1m
2021	£95.4m

2023	£71.5m
2022	£64.9m
2021	£67.2m

2023	17.1p
2022	15.0p
2021	13.2p

2023	75.1p
2022	71.8p
2021	64.0p

PAGE 44

TCFD report

Read our TCFD report which explains our commitment to the environment.

Governance report

Financial statements

Additional information

> "There are exciting opportunities, and I am looking forward to working with the Board and management to help Gamma capitalise on those in the times ahead."

I am pleased to present my first Chair's statement for Gamma in yet another year of record performance.

Prior to joining Gamma in July 2023, I followed the Company for many years and with admiration for many reasons. Gamma covers a vast area of technology including cloud-based telephony and communication systems, voice enablement of collaboration platforms such as Microsoft Teams, connectivity, mobile, networking and security with great expertise and experience. It provides wide-ranging services on these technologies including design, implementation, management and support.

The Company has an enviable and growing customer base both in the UK and overseas. That customer base comprises all types of organisations from small and mid-sized organisations which are extensively covered by a remarkable channel partner network, to large organisations covered either jointly with partners or through the Company's own client teams. Partner and customer loyalty is outstanding, driven by an obsession with customer service and a can do attitude.

Financially, Gamma continues to enjoy organic growth combined with a strong appetite for meaningful inorganic growth, excellent levels of profitability, recurring revenues and cash generation resulting in a very robust balance sheet with a healthy level of cash. The Company has a very strong Board and leadership team and very high levels of corporate governance. Most importantly Gamma has chosen its team members wisely and I am constantly impressed by their quality, passion and attitude.

Unsurprisingly the market is constantly changing and at an ever accelerating rate. The pandemic in part led to great technology change during that period when we could no longer meet in person. The way we communicate has changed beyond all recognition. Voice is still an important feature but so is video, mail, text, WhatsApp, web chat, chat bots and social media, to name but a few. Automation and now particularly Artificial Intelligence play an increasingly important part in those communications. Security concerns around all those technologies are increasing by the day, so this drives the technology to keep up to combat these threats.

That is the fascinating universe Gamma operates in.

The Company needs to move at a pace in such a fast-moving market and it is doing that. In the short time I have been with the Company the executive team supported by the Board has made a number of important moves and decisions.

Gamma unequivocally recognises that the technology giants like Microsoft, Amazon and Cisco are already significant players in this space and their presence will only increase. We embrace those vendors and provide value by enhancing their offering with our own technologies like our voice enablement of Teams product Operator Connect and/or by providing a range of customer-centric services to enable our partners and customers with these technologies. One of the main reasons we purchased Coolwave in February 2024 was to enable us to provide Operator Connect in far more geographies.

We recognise that the investment required to build our own technologies for customers with complex requirements is beyond our reach and we should service those customers by integrating third-party platforms. This is not new. Our flagship cloud telephony product has always been based on third-party technology, in this case Cisco's, and we are very clear that will continue as a future direction. By acquiring EnableX in December 2023, we extended our market share and optionality in this space with the Ericsson-LG solution. Our own technology development will focus on customers with less complex needs which are not adequately served by global technology companies, with products such as PhoneLine+.

As I've already mentioned, the complexity of solutions in this area makes security concerns of paramount importance. Hence why we acquired Satisnet in August 2023.

The executive team, led by our CEO Andrew Belshaw, who has such in-depth knowledge of the Company and the sector, is making sound investment decisions at pace to ensure Gamma stays at the forefront of this industry. I thank the team for its excellent work, for welcoming me on board and for answering an endless stream of questions as I get up to speed in this industry!

Board composition

During 2023 Richard Last and Martin Lea left the Board, having served as Chair and a Non-Executive Director, respectively, for nine years since our IPO in 2014. I would like to thank them both for steering Gamma on such a successful path.

Henrietta Marsh has informed the Board of her intention to retire as the Senior Independent Non-Executive Director at the conclusion of the 2024 AGM having served on the Board since April 2019. She has been invaluable to the Board over the last five years, providing thoughtful and considered guidance and support to drive growth. Henrietta chairs the Remuneration Committee and is the Workforce Engagement Director. In the short time I have worked with Henrietta, I have found her to be an outstanding Board member and I have thoroughly enjoyed working with her. Her expertise in board and public company matters, her thoroughness, tenacity, diligence and commitment are first rate. She will be a significant loss to the Gamma Board and I wish her well for the future.

Overview of results

Dividend per share

17.1p +14%

Grew from 15.0p to 17.1p

Earnings per share (fully diluted)

54.9p +8%

Grew from 50.6p to 54.9p

Adjusted earnings per share (fully diluted)

75.1p +5%

Grew from 71.8p to 75.1p, growth reduced from 12% in 2022 primarily due to impact of UK statutory tax rate change.

Cash generated by operations

£123.5m +25%

Grew from £99.1m to £123.5m

In light of Henrietta's departure, the Nomination Committee reviewed the Board's roles and the composition of its Committees and has made several changes, which will take effect from the close of the 2024 AGM. I am pleased that Rachel Addison, who has served on the Gamma Board since October 2022, will assume the role of Senior Independent Director and Chair of the Remuneration Committee. Rachel has extensive experience in working with public companies, with recent financial and operational management experience, and as the Remuneration Committee Chair of Hyve plc before it was taken private in June 2023. She has an inquisitive approach and is challenging management in key areas.

We have also decided to combine the Audit and Risk Committees, with the joint Committee being chaired by Charlotta Ginman. As the oversight of risk and internal controls matters becomes more interlinked, we felt this was the right time for this change. This joint Committee will comprise solely independent Non-Executive Directors, being Charlotta Ginman, Rachel Addison and Xavier Robert, with Bill Castell and John Murphy no longer being members of the Risk Committee and now attending by invitation. This change also supports our ongoing aim of closer alignment with the UK Corporate Governance Code.

I will assume the role of Workforce Engagement Director at the close of the 2024 AGM. The Board agreed I was well-placed to take on this responsibility given my recent experience as CEO of Softcat and I will work to ensure a regular cadence of meetings with our employees, reporting feedback regularly to the Board.

As part of the Nomination Committee's succession planning discussions, we remain mindful of the Board's diversity, both from gender and ethnicity perspectives. Today the Board has a gender balance of 62% male, 38% female. The Committee continues to recognise that there are regrettably no ethnically diverse Directors on the Board and has the clear intention to address that at the earliest opportune time.

Board evaluation

Following the external evaluation that was undertaken in 2022, the Board completed an internal evaluation at the end of 2023. This was facilitated through the use of an online questionnaire which all Directors completed. Fortunately the output supported my experience. This is an excellent Board with very high-calibre individuals, exercising governance standards not unlike what I am used to seeing in a FTSE 250 company. All Board members prioritise Gamma work and put considerable effort and time into their roles. The executive and non-executive teams are working as one team with a very healthy level of support, encouragement, challenge and debate, particularly on strategic matters.

We identified areas for improvement in 2024 including the effectiveness of certain Board papers, and of the structure and content for the annual strategy day. These changes will support the Board's desire to continually improve and allow us to encourage, challenge and guide management appropriately.

Employees

We have welcomed employees from Satisnet, EnableX and Coolwave since I joined; all three being excellent additions to our portfolio of solutions. I enjoyed meeting a number of our employees at our Manchester office in October, and found their insights into the business invaluable. I look forward to engaging with more of our colleagues in my role as Workforce Engagement Director.

We saw a pleasing reduction in employee attrition to 15.5% by the end of 2023, from a rate of 26.4% at the end of 2022, reflected in our consistent engagement survey scores. While inflationary pressure on wages eased, we remained aware of pressure on living costs and again offered employees the opportunity to receive part of their annual bonus before the end of the year, to assist with costs in the festive season.

Following our decision to consolidate the development of our own products and the combining of the German and Dutch senior leadership team, we regrettably announced a redundancy programme at the end of 2023. This was necessary to right-size our operations for future growth and we were able to offer several employees alternative roles.

At the start of 2023 we launched new values and communicated these to all our employees. We continue to believe that the Gamma culture of being a good place to work, with development potential for all, is a differentiator which allows us to recruit the talented individuals that we need to drive the business forwards.

The Board and I would like to express our thanks to all our staff for their dedication, hard work and enthusiasm.

Dividend

Gamma remains committed to a progressive dividend policy which has seen the dividend increase by between 10-15% every year since our IPO in 2014. Gamma has paid one third of the dividend as an interim dividend with the final two thirds as a final dividend once the results for the full year are known. We intend to continue this policy.

The Board is pleased to propose a final dividend, in respect of the year ended 31 December 2023, of 11.4 pence per share (2022: 10.0 pence), an increase of 14%. Subject to shareholder approval at the forthcoming AGM, this dividend will be payable on Thursday 20 June 2024 to shareholders on the register on Friday 31 May 2024. When added to the 5.7 pence interim dividend (2022: 5.0 pence) this makes a total dividend of 17.1 pence for the year (2022: 15.0 pence) an increase of 14%.

Capital allocation policy

The Board is aware of the cash the Company continues to generate and wants to deploy this cash in the best way for our shareholders. Having taken on board the views of our largest shareholders and following a review of our capital allocation framework, we are announcing an intention to launch a share buyback programme of £35 million to be executed over the next six months, until early September. We have instructed Investec to manage the programme on our behalf. We will provide regular updates on the number of shares purchased and confirm once the programme has concluded.

Sustainability

We remain committed to providing transparency and actively engaging with our stakeholders to ensure alignment with our environmental objectives. We ensure that management are incentivised to achieve our aims through ESG targets as part of their bonus metrics and regularly monitor progress. I was impressed to see that each of the Executive Committee members have personalised ESG bonus criteria and clear ownership responsibility.

In 2022, we announced a science-based net-zero target of 2042, supporting both the Paris Agreement's aims to limit the temperature increase to 1.5°C globally and the UN Sustainable Development Goal 13: Climate Action. We are pleased to confirm that the SBTi has verified Gamma's net-zero science-based target by 2042.

In 2023 we published our first Sustainability Report, highlighting progress made in all areas of ESG (environment, social and governance). We have published our first report under the Task Force on Climate-related Financial Disclosures ("TCFD") and we have reported compliance with ten out of the eleven recommendations. Further detail can be found on page 44.

While we are absolutely committed to adhering to good governance in this area, I will continue to focus my thoughts on what we are actually doing to improve the environment, and fortunately examples are numerous in Gamma.

I would like to thank all the Gamma team, our partners, customers, suppliers and shareholders for your support and encouragement and for helping to make Gamma the company it is today. I think there is plenty more to come.

I look forward to working with the Board and management on Gamma's next stage of growth.

Martin Hellawell
Chair

24 March 2024

Supporting business acceleration

Our differentiators

Our purpose is to:
Empower the people at the heart of good business.

Our mission is to:
Make communication more human.

Our vision is to:
Create a better connected world in which we can work smarter for the benefit of business, people and the planet. When it comes to business, the combination of what we do and how we do it has developed a robust model that generates dependable, high-quality earnings on a recurring basis.

Our differentiators:
We consider ourselves to be a genuinely distinct and exceptional communications service provider, and the following five aspects distinguish us from other companies:

- Authentic and approachable
- Intuitive technology
- Our people and ethics
- Complete product set
- Embrace simplicity

How we create value

Our product categories

A developer and provider of UCaaS, CCaaS, voice, data and mobile communication services for businesses of all sizes.

Unified Communications
Gamma provides Unified Communications as a Service ("UCaaS") to allow businesses to bring together multiple communication types in one service and, by deploying in the cloud, ensure they can be accessed wherever they are needed.

Voice Enablement
Gamma enables other applications providers such as Microsoft Teams to make and receive telephone calls using phone numbers utilising our core voice network.

Connectivity
Modern day voice services require data connectivity to operate. Gamma provides a full suite of connectivity connections and services across fixed and mobile.

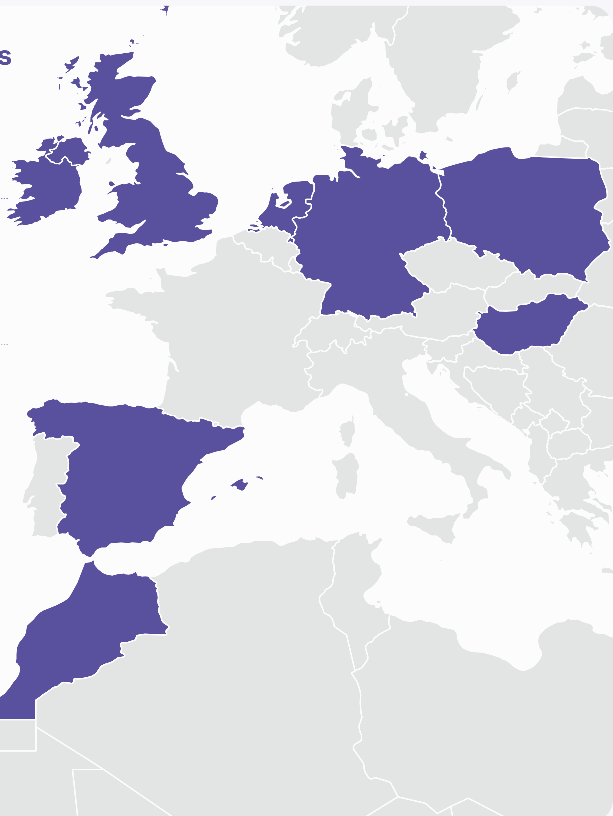
Where we operate

Gamma supplies communication solutions into the UK, Dutch, Spanish and German business markets, as well as having employees in eight countries.

Proportion of sales
Gamma Business
64%

Gamma Enterprise
21%

Europe
15%



Gamma is a leading provider of technology-based communication solutions to businesses in Western Europe. The wider communications market is still growing strongly and Gamma is well positioned to benefit from the key growth areas.

Communications are critical to all businesses, large or small. Gamma's communications services provide those critical services to businesses across Europe.

In the UK, around one third of all business calls transit the Gamma network. Gamma supports tens of thousands of small businesses as well as large Enterprises and Public Sector organisations.

How we sell

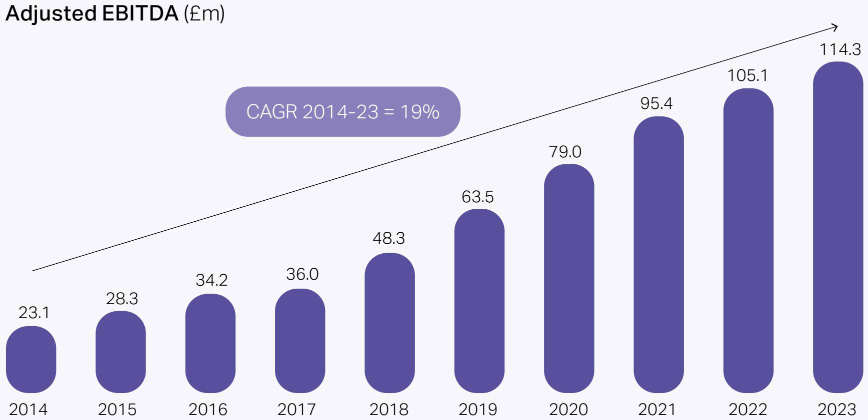
We supply a broad range of simplified communications and software services to small, medium and large-sized business customers, both through our large network of channel partners and directly.

Gamma Business
Our primary route to market, the channel is at the heart of what we do. We provide market-leading products to 1,000+ channel partners, with an exceptional service wrap.

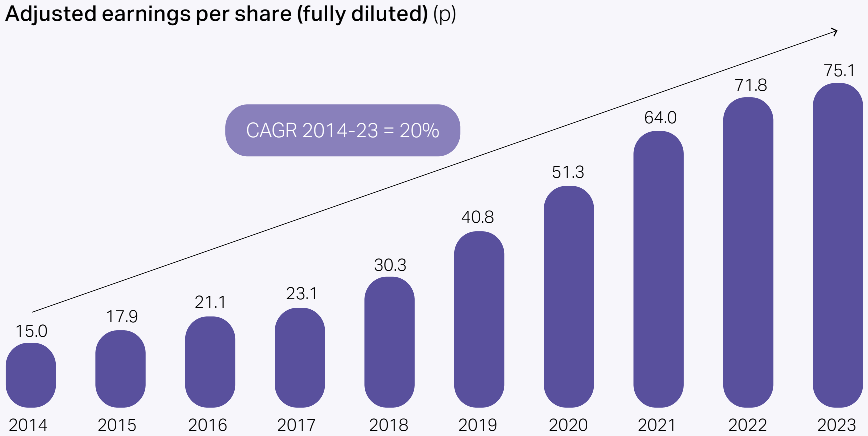
Gamma Enterprise
Our Enterprise business supports the requirements of Enterprises and Public Sector organisations looking to contract directly with the network operator.

Europe
Our European businesses sell both directly and through the channel consisting of sales in Germany, the Netherlands and Spain.

Adjusted EBITDA (£m)



Adjusted earnings per share (fully diluted) (p)



Who we support

AA

HM Revenue & Customs

London Stock Exchange

Home Office

Department for Work & Pensions

Reed

central coop

Positioned to benefit from a growing communications market

How we do business is as important as what we do, and Gamma's ethos is as important as the capability we provide.

Our brand promise is to deliver 'communications with a conscience'.

Our consistent growth

Gamma has been serving businesses in the UK since 2002. More recently, we have expanded into Europe offering the same innovative communications tools with our high levels of customer service.

Our smallest customer may be a business with one employee and our largest customer has over 90,000 employees.

Gamma has customers in the UK, Germany, the Netherlands, Spain, Belgium and Ireland. Following our acquisition of Coolwave Communications in January 2024, we are now able to offer communications services in around 20 countries.

Gamma delivers its portfolio of solutions through a mix of routes to market. We typically serve small and medium-sized businesses through a network of channel partners. The customers of our Channel Partners are our "end users". In the UK our channel partners tend to be wholesalers (i.e. they own the contract with the end user), while in Europe they tend to be dealers (i.e. Gamma contracts directly with the end user and the partner takes a commission).

Larger organisations tend to be served directly through an Enterprise sales force which delivers custom solutions based on Gamma's core portfolio. It also serves the UK Public Sector, including some key Government departments.

Our commercial model is based on multi-year subscription contracts. This combined with the market drivers means we have a strong recurring revenue model with stable margins and high levels of cash generation.

In the past ten years Gamma has grown its revenue from £173.2m to £521.7m, a CAGR of 13%; at the same time Adjusted EBITDA has grown from £23.1m to £114.3m (a CAGR of 19%). Over the next five years European UCaaS seats are expected to nearly double and Gamma is well placed to exploit that growth.

Our solutions

Our portfolio of products provides a range of services to enable companies of all sizes to establish and maintain connections and conversations that drive their businesses. Gamma's core solutions fall into three categories

- Unified Communications Software;
- Voice enablement (which allows Unified Communications Software to make and receive calls using phone numbers); and
- Connectivity – broadband, ethernet and mobile

Unified Communications Software – UCaaS

Unified Communications as a Service ("UCaaS") allows businesses to bring together multiple communication types in one service and, by deploying in the cloud, ensure they can be accessed wherever they are needed.

At their core are telephony services which manage how phone calls can be made, received and managed within an organisation. This can then be extended with video, messaging and wide collaboration capabilities.

Gamma provides UCaaS services from a number of providers. We partner with providers like Microsoft, Cisco, Ericsson-LG and Amazon to provide their services, where appropriate, to our partners and customers. We also offer solutions based on our proprietary IP tailored to address specific needs, such as PhoneLine+ and Horizon Contact.

PhoneLine+, developed in house by our GammaLabs software team, is a basic UCaaS solution which is designed for micro-businesses (fewer than ten users), replacing traditional landline services using VoIP technology to deliver voice calls over the broadband network.

Horizon Contact, our cloud-based customer engagement platform, allows our UK UCaaS users to add additional communication channels, like email and SMS, within one contact centre application, which solves more customer problems and allows us to increase Average Revenue per User ("ARPU") from our customer base. This approach allows us to blend deep understanding of local specific needs with the technological advances made by the leading technology businesses in the world.

Gamma has a unique position in the European marketplace – with 3,000 channel partners across Europe and over one million end users on our UCaaS solutions. Our scale and breadth mean we occupy a unique position in the market with deep reach and connection into each country which global businesses do not want to replicate, and connections to those larger businesses which smaller, local channel partners cannot replicate.

Voice enablement

We also provide "voice enablement" to support UCaaS software solutions. Providers like Microsoft and Cisco produce high-quality software but in order to be able to use that software to make and receive calls using phone numbers, the user needs the communications infrastructure capability which Gamma has. Gamma has the ability to "host" phone numbers for its end users and its network enables it to route telephone calls to and from those numbers – this requires a sophisticated infrastructure coupled with the ability to comply with local regulation in every country in which this solution is provided.

Historically, businesses bought hardware communications systems which were physically located in their premises. Gamma has voice-enabled these for nearly 20 years using a technology known as "SIP trunking ", which uses internet access to carry voice rather than typical telephone networks. Now the same expertise can be used to allow, for example, a user of Microsoft Teams to use Teams to call telephone numbers. This is a growth area for our business and we are the market leader for voice enablement of MS Teams in the UK and the Netherlands. Following our acquisition of Coolwave, by the end of the year we expect to be able to provide this solution in around 20 countries (and we intend to grow that number).

There are very few companies which can provide both the UCaaS software and voice enablement across multiple countries with the quality that Gamma is able to provide.

Connectivity

We also provide the connectivity required for modern day voice services. Unified Communications is based on IP Telephony which requires data connectivity to the internet. This can be achieved using broadband, ethernet or a mobile device. By partnering with local experts, Gamma provides these solutions to our customers in every country in which we operate.

In order for any business to fully exploit the next generation of communication tools, they need a UCaaS solution, voice enablement of that solution and connectivity. Gamma can provide all three of those elements across Europe.

Our wider portfolio

These three broad product areas constitute the majority of our portfolio. We include them and the other parts of our proposition in "Gamma Elements", which describes how everything we do fits together and how we deliver our full capabilities to market.

Very few other providers are able to provide all the things we do across Europe and to a business of any size. Gamma does this in a way which makes it easy for our partners to resell and makes it easy for our end users to get the communication solution that they need. Our service wrap differentiates us from our competitors – we make a complex solution easy to deploy and use as well as providing support for our partners and their customers (our end users).

Gamma does all of this with a suite of provisioning tools and a level of service quality which is market leading.

Businesses need Gamma

Excellent communications will always be important to all businesses whether large or small. None of Gamma's end users are able to do what they do without our support.

In the UK, around one third of all business calls transit the Gamma network. Gamma supports tens of thousands of small businesses as well as large enterprises.

We deliver communications with a conscience which allows every one of our end users to optimise the running of their organisation.

In summary

Gamma supports thousands of businesses across Europe of all shapes and sizes. Each one of them relies on Gamma for its communications solution and to stay connected.

The communications market is forecast to continue to grow as communication needs evolve and the technology landscape changes.

Our portfolio fits the needs of the market today and continues to evolve to meet predicted future needs. Our approach to doing business, "communications with a conscience", continues to support our existing partners and customers as well as introducing new ones to Gamma.

- Our portfolio and combination of own assets and solutions from large technology companies means that our partners and customers will continue to have access to the most relevant and innovative technology.
- Gamma has more than 3,000 partners across four of the largest economies in Europe – we have unrivalled reach into the market.
- We have the ability to provide voice enablement solutions in a number of countries – very few companies have the ability to do this and to provide the UCaaS solutions.
- Gamma can also provide the full suite of connectivity offerings – supplying everything that any business needs for a full communications solution.
- We pride ourselves on very high standards of customer service which remains a crucial part of Gamma's offering to the business market. In 2023 Gamma scored 4.9 in its Value Enhancement Score survey, which is above industry benchmarks for both High-Tech (4.4) and Telecoms (3.9).

Gamma's unique combination of solutions, routes to market, and how we do business, mean that we are the best placed business-to-business communications provider to be able to capitalise on a European market which is forecast to double its UCaaS seats over the next five years.

The future of business communications

The overall communications and information and communications technology market (across our geographies) is expected to grow to €44.8bn by 2028.

DRIVER 1

Creating human experiences

Trend

As consumers and as employees, each of us as individuals are driving the requirements for communications providers. We are all used to the smartphone-era ease of use, completeness and ubiquity of high-quality technology interactions and we are bringing those expectations and standards into all aspects of our lives.

As consumers, we want more ways to talk to the businesses that we want to transact with, when we want to talk to them, and we want them to maintain a record of our interaction so we do not have to repeat ourselves and we feel like a valued customer.

As employees we have the same expectations and expect to be able to work without any penalty regardless of where we are. As a result we are demanding more and more from the collaboration and communication tools our employers are deploying.

Businesses of all sizes are having to react to this and are looking for solutions to provide these experiences to their customers and employees. Gamma is well positioned in these markets with a range of solutions that address the need to make people's experience feel more human.

Artificial Intelligence ("AI") plays an increasingly important role in this space as businesses look for solutions which allow them to deliver great experiences to customers as efficiently as possible. Machine intelligence and Generative AI techniques allow consumers to interact with virtual agents to handle simple tasks, or AI can support human agents in responding more quickly and effectively to any questions or queries, among other uses.

How we capitalise

Gamma's contact centre tools (also referred to as CCaaS) support multiple communication channels (voice, SMS, email, WhatsApp etc) and allow businesses of all sizes to deliver an improved experience to their customers, irrespective of their size.

This includes the very smallest business, not just businesses which recognise themselves as a "contact centre".

Because these solutions are core to the relationship between a business and its customers there is an appreciation of the value that the service delivers and an increased willingness to pay for the solution.

DRIVER 2

A new way to work

Trend

Most businesses now have parts of their teams working across different locations. Most will also be using an increasing number of tools, systems and applications which allow remote access to data.

This means all businesses are exploring how they update their technology and communications estates to support these new ways of working.

Businesses are assessing their needs and are increasingly beginning to adopt cloud-based services, either as new services or migrating their on-premises services to cloud-based equivalents. Some are adopting stand-alone cloud telephony services and some are integrating this with an existing Microsoft Teams, or similar, installation.

How we capitalise

Gamma provides the connectivity services which support this new work paradigm, either fixed or mobile, and our applications and tools enable businesses, their employees, their customers and their suppliers to talk to each other and work together. This includes video and messaging services to allow remote and hybrid teams to stay connected.

Gamma is a market leader in voice enablement to hardware PBX equipment in the UK and one of the largest providers of cloud services. We are also one of the leading providers of technology to allow Microsoft Teams to make and receive telephone calls.

This means we have a range of services which allow us to meet customers' needs in both cloud and on-premises modes and we can support businesses as they migrate across modes.

DRIVER 3

Connecting everything securely

Trend

The internet continues to drive changes in the way the world works. This impacts every person and every business. We are increasingly using services that transmit and receive data over the internet, resulting in higher consumption of data and bandwidth whether we are at home, in the office or on the move.

This trend is now extending to machines and applications exchanging information, the internet of things ("IoT") and using AI to manage and drive intelligent decisions from data produced by these machines and applications. The growth in these demands will continue, driving demand for Gamma's services in the future.

As the amount of data crossing networks, and its importance to businesses increases, so does the need for services to secure that data. These cyber security services will be required by all businesses and with increasing sophistication.

How we capitalise

As a consequence of these changes, parts of the market for communications services are forecast to grow significantly over the next five years. There are two core areas of growth – cloud technologies, and machine-based connectivity and data services. There will be both new customer acquisition and customer migration opportunities within this.

There are specific drivers in specific markets which are accelerating or driving these changes. One example of this is "PSTN Switch off" in the UK, where the underlying analogue telephony services are being withdrawn which means all businesses must move their connectivity and voice services to an alternative solution by December 2025.

There are similar structural changes happening across Europe, such as the continued roll out of fibre in Germany and the increasing coverage of 5G mobile services in Spain.

Gamma's range of services means we are well positioned to support businesses to navigate this change.

Making progress against our strategic objectives

Our goal is to be the leading provider of UCaaS services to SMEs in Western Europe and to be a trusted communications partner to large Enterprises.

Strategic pillar 1

Develop multiple routes to market in each country in which we operate

There are multiple opportunities for us to sell to end users in each country in which we operate. Our goal is to ensure that we have all the appropriate routes to market and required supporting systems to access all parts of the markets in which we operate.

This is a combination of the right products, the right channels and the right internal infrastructure to be able to serve the markets efficiently. This will increasingly require a digital-first mindset and necessitate operating in as automated and intelligent way as possible.

We continue to develop and support our existing and new routes to market in all the countries we operate in. This is underpinned by continued investment and modernisation of our supporting infrastructure and technology. Colin Lees has joined Gamma recently as our new Chief Technology Officer to ensure the delivery of this capability.

Links to KPIs

- 1 Revenue
- 2 Gross Profit
- 4 Adjusted EBITDA

Links to principal risks

- 1 Failure to develop new routes to market in response to changing buying behaviours
- 2 An uncertain competitive landscape causes loss of market share
- 4 Inability to attract and retain talent
- 7 Legal and regulatory non-compliance in the telecommunications market
- 8 Inability to maximise M&A opportunities
- 9 Customer needs become misaligned with Gamma's products

Strategic pillar 2

Develop a common pan-European product set for UCaaS and CCaaS for SMEs

The communication needs of small and medium-sized businesses across Europe have a common set of core requirements. We will establish a common set of products to address those needs in all the markets we operate in. This will be a combination of products we build ourselves and those we bring into the portfolio through partnership.

We continue to ensure that we have the right products in our portfolio, balancing investment in new and emerging technology with the need to maintain the services which our customers rely on.

As an example we are evolving our portfolio of UCaaS products to offer clear, differentiated products for each segment of the market, bringing together products from the large global technology companies and those we deliver ourselves.

Our extensive distribution capability and the resulting close connection to the market mean that we are uniquely placed to represent the needs of businesses to our global technology partners and equally to explain the value and benefit of those solutions to businesses across Europe.

Links to KPIs

- 1 Revenue
- 2 Gross profit
- 4 Adjusted EBITDA
- 10 Adjusted EPS (fully diluted)

Links to principal risks

- 1 Failure to develop new routes to market in response to changing buying behaviours
- 2 An uncertain competitive landscape causes loss of market share
- 3 Over-reliance on any single supplier
- 4 Inability to attract and retain talent
- 5 Unplanned service disruption
- 6 Data loss and cyber attacks
- 7 Legal and regulatory non-compliance in the telecommunications market
- 8 Inability to maximise M&A opportunities
- 9 Customer needs become misaligned with Gamma's products

We have four strategic pillars which guide the direction and approach of the business in achieving this goal.

Our approach to delivering solutions depends on the specific needs of the customer group we are targeting. We have a mix of capabilities that we either develop ourselves or we partner with global technology businesses to bring their solutions to market.

We typically provide our own solutions to smaller businesses and partner for the more complex needs of larger customers. In all cases we work to develop a range of add-on and complementary services which increase the value to our customers and partners, making the complete service unique to Gamma.

Strategic pillar 3

We will become a trusted partner to Enterprises across Europe, transforming their communications estates

Enterprises have more complex communication needs than SMEs and also prefer to work with fewer providers, especially those who remove the burden of them owning and operating large estates.

In this segment, we use our proximity to the market and the customer to develop a deep understanding of their needs. We use this to tailor the specific solution we provide, blending Gamma and partner products and our managed service capability to become a true partner to our larger customers.

Our breadth of coverage and capability means that we can offer services ranging from secure, resilient networking through to high intensity contact centre capability and many combinations in between. We can deliver services from Amazon, Microsoft and Cisco along with many other large technology providers.

As we build our European presence our goal is to serve Enterprise and Public Sector customers across all countries in which we operate.

Links to KPIs

- 1 Revenue
- 2 Gross profit
- 4 Adjusted EBITDA
- 10 Adjusted EPS (fully diluted)

Links to principal risks

- 1 Failure to develop new routes to market in response to changing buying behaviours
- 2 An uncertain competitive landscape causes loss of market share
- 3 Over-reliance on any single supplier
- 5 Unplanned service disruption
- 6 Data loss and cyber attacks
- 7 Legal and regulatory non-compliance in the telecommunications market
- 9 Customer needs become misaligned with Gamma's products

Strategic pillar 4

Create an organisation that engages all our people with a common set of values and goals

Our people make Gamma who we are. To maintain our unique offering and position in the market we must ensure we have a diverse, engaged and passionate workforce. The competition for talent in all markets across Europe remains fierce and Gamma must create and continuously develop a culture and approach that distinguishes Gamma positively in all the markets we operate in.

We redefined and launched our new Gamma values at the start of 2023, which more accurately reflect the behaviours exhibited by our people, demonstrating the value we place on them.

We also launched a Group-wide Equality, Diversity and Inclusion programme called "You Belong". This focused on the development of four new employee community groups – Wellbeing, Women, Early Careers, and Multicultural. To date, over 450 employees have signed up to take part in activities organised by the You Belong communities.

Building on the You Belong approach, Gamma continues to ensure we are actively involved in supporting groups of talent which are under-represented, for example working with apprentices.

We're there, and we care

We love to grow

We step up and own it

We do the right thing

Links to KPIs

- 2 Gross profit
- 4 Adjusted EBITDA
- 10 Adjusted EPS (fully diluted)

Links to principal risks

- 1 Failure to develop new routes to market in response to changing buying behaviours
- 2 An uncertain competitive landscape causes loss of market share
- 4 Inability to attract and retain talent
- 8 Inability to maximise M&A opportunities
- 9 Customer needs become misaligned with Gamma's products

Gamma is uniquely placed to benefit from powerful market drivers

Revenue
£521.7m +8%
Grew from £484.6m

Adjusted EBITDA
£114.3m +9%
Grew from £105.1m

Profit before tax
£71.5m +10%
Grew from £64.9m

I am pleased to report another set of strong results for Gamma in 2023. Group revenue for the year ended 31 December 2023 increased by £37.1m to £521.7m (2022: £484.6m), an increase of 8% on the prior year. Adjusted EBITDA for the Group increased by £9.2m (9%) to £114.3m (2022: £105.1m). Profit before tax for the year was £71.5m, an increase of 10% from the prior year figure of £64.9m.

Fully diluted earnings per share for the year increased by 8% to 54.9p (2022: 50.6p); Adjusted earnings per share (fully diluted) for the year increased by 5% (2022: 12%) to 75.1p (2022: 71.8p). The reduction in percentage growth relative to the increase in revenues was primarily due to the adverse impact of the increase in UK statutory corporation tax rate in April 2023. Adjusted items are reconciled in the Alternative Performance Measures on page 160.

Cash generated by operations for the year was £123.5m compared to £99.1m in 2023. The closing Net Cash balance for the year was £136.5m (2022: £94.6m). This cash balance has increased despite investing £23.0m in capital items, paying £30.5m in relation to acquisitions (including repayment of debt acquired) and paying £15.2m in dividends.

Continuing to deliver our strategy

As I reported in early 2022, we began a five-year strategic review, mapping our competitive and market landscape out to the end of 2026. This was undertaken in the context of the aftermath of the COVID-19 pandemic, the rise of hybrid working and the resulting changes in the communications market.

As a result of this review we identified four strategic priorities:

- Develop a common pan-European solution set for UCaaS and CCaaS for SMEs.
- Develop multiple routes to market in each country in which we operate.
- Become a trusted partner to Enterprises across Europe, transforming their communications estates.
- Create an organisation that engages all our people with a common set of values and goals.

Throughout the year we continued to build on each of these strategic pillars to grow every part of our business.

"Gamma has produced another strong set of results and the opportunities which lie ahead of us suggest a promising future for the group."

Develop a common pan-European solution set for UCaaS and CCaaS for SMEs.

Gamma has a disparate solution set across Europe – each business which we have bought has had its own set of customer solutions. When selecting which solutions to sell in each market we have considered both the needs of the market and the most economical way of providing that solution, for example, is it more profitable to partner with another company or to build that capability ourselves.

As technology becomes more complex, it can be more economical to adopt best of breed third-party solutions rather than building our own technology. We therefore expect to take more third-party technology and incorporate it into the managed services which we offer to channel partners and our own end users. As an example, Artificial Intelligence ("AI") is affecting many industries, and communications is no exception. AI will be incorporated into both the solutions which our end users need to be able to run their businesses, and into the tools which we need to run our own network and business. Where high quality third-party solutions exist, it does not make economic sense for Gamma to build its own suite of AI tools so we will partner with technology leaders to make these solutions available to our end users.

Global providers of technology recognise the added value that Gamma can bring to their solutions because of our high levels of service (which make solutions easy to provision and consume), our communications network (which means we can voice enable products) and our wide distribution reach across Europe.

Gamma is unique in having that combination – service, a network and a wide distribution.

In the UK, we continue to sell our core Horizon Cloud PBX solution (which has always incorporated software licensed from Cisco). During the year, we strengthened our partnership with Cisco, which will allow us to sell the more complex solutions which they have been developing. This includes Cisco's collaboration software (which is a "bolt on" addition to Horizon providing video conferencing). We have stopped ongoing development of some of our own collaboration software (although this is still available and expected to generate revenue) and we will, in future, provide Cisco's video conferencing solutions alongside our own product. Cisco's suite of communication solutions uses AI to enhance the user experience, for example "Audio Intelligence" is a set of AI, software and hardware technologies that powers clear communication across the entire Cisco portfolio. It includes features such as noise removal, music mode and optimised framing. For end users who require an enhanced virtual meeting experience, AI also features in the solution itself with an AI assistant that provides real-time transcription of calls as well as meeting summaries for those who join late or miss calls.

As well as deepening our relationship with Cisco, towards the end of 2023 Gamma acquired EnableX. This gives us a relationship with Ericsson-LG ("ELG") which allows access to ELG's UCaaS solution, iPECS. iPECS is a cloud communications solution that unites the hybrid workplace on a single platform available on any device, anywhere. There are already 130,000 users in the UK on our iPECS UCaaS solution and 15 million users worldwide using iPECS applications and hardware. It is easy to use and has an intuitive user interface.

We intend to include both the ELG and Cisco solutions in our portfolio.

Gamma intends to sell iPECS and the Cisco Suite in every country in which we operate. We believe this will make us unique amongst pan-European communications providers because we intend to have a full UCaaS portfolio which starts with our in-house developed product, PhoneLine+ for micro-businesses, Horizon and iPECS for SMEs, and the Cisco suite of solutions for the larger SME and Enterprise customers.

We will also have a solution set which can be integrated with MS Teams if users require. We plan to work with a partner to supply MS Licences to our own Channel Partners who are not able to supply them to end users. Additionally, we are able to simply "voice enable" MS Teams for those users who only require Teams to make and receive calls using phone numbers. The popularity of Teams continues to be a growth driver for Gamma.

As we work to roll out this common solution set across 2024, Gamma continues to sit in a unique position within our industry – channel partners across Europe want to work with us because of the variety of solutions we can offer their end users, and the global technology companies (such as Cisco and ELG) want to work with us because of our breadth of distribution capability. We continue to work with other global solution providers to explore the possibility of adding other relevant solutions into our portfolio.

It will take us some time to achieve our goal of a common solution set, but we are progressing well. By partnering where it makes sense to do so, it will be more cost effective for us to introduce new technology and we will be able to do it more quickly.

We will develop multiple routes to market in each country in which we operate.

I am pleased with the strong portfolio of solutions that we are now able to offer. However, Gamma has always been known for its high levels of customer service and, in particular, for making solutions easy to provision and to operate. This task is made more complex because we support multiple routes to market.

In the UK we have focused on the indirect route to market through our valued channel partners who sell mainly to SME customers. We have sold to UK-based Enterprise and Public Sector customers directly. In Europe there are a variety of sales models including wholesale, resale, dealer and direct.

The customer portal which we have had in operation in the UK is widely recognised as industry leading. In Europe we have acquired several portals of varying degrees of quality. Portals are important because customers want to order solutions made up of multiple components – not only do we need to provide third-party software and hardware, we need to bundle this with our own voice enablement services at the point of provisioning which, among other things, ensures that end users can continue to use the same telephone numbers which they have always had.

During 2023, we have been reviewing the underpinning systems which we use to support our businesses across Europe. We have concluded that we need to enhance our portals to improve user experience and allow us to get solutions to market quickly. At the start of 2024 we welcomed Colin Lees to Gamma as CTO. Colin joins us from Openreach where he was CTO. Colin brings with him a wealth of experience in the design of user portals and how they interact with the underlying telecoms network. He will use this knowledge to work with our team of developers to enhance the portals, which will give our customers the excellent quality of service which they are accustomed to, but which is better able to grow and develop with Gamma.

As well as being a differentiator in the market, our future portal will support all the routes to market which we use.

In addition, throughout 2023, we continued to invest in the Gamma Hub (which is used by our Enterprise customers in the UK). This allows our customers to place orders, which both gives them a better experience and reduces our overheads due to the high level of automation. We continue to invest in this to consistently give our customers excellent service.

Become a trusted partner to Enterprises across Europe, transforming their communications estates.

SME customers continue to be a driver of growth for us. However, it is important to note that Gamma should not be considered "only" a supplier to SMEs. We continue to service and win customers in the Enterprise and Public Sector space in the UK and increasingly now in the Benelux region.

Throughout 2023, Microsoft and AWS have become large and important partners to us. Our Microsoft Teams voice enablement solution continues to be developed and has been deployed by some of the largest UK Enterprise and Public Sector organisations. We also deployed Microsoft Operator Connect across all our businesses and have secured several European and pan-European contracts. In Benelux we secured significant Operator Connect wins, including for a large Dutch university and our first Belgian customer, providing Operator Connect for a large municipality. We believe we are the largest provider of voice enablement for Teams both in the UK and the Netherlands. Our acquisition of Coolwave at the start of 2024 brings capabilities which will allow us to voice enable Teams in around 20 countries; in time this will be via the Operator Connect programme. This will significantly increase the market we are able to serve with this product.

Our contact centre SmartAgent solution, which enhances the Amazon AWS Connect platform, has grown considerably in 2023, with over 13,000 customer service agents using SmartAgent in the UK and Europe. Our new contract wins include the Government Digital Project and Shawbrook Bank. During the year we have continued to develop SmartAgent, allowing existing customers to adopt new features such as WhatsApp messaging. This is important as it enables us to monetise communication channels which are not traditional voice and text. We have also introduced AI for solving our customers' problems without them needing to interact with a person – again we are able to charge on a per unit basis for this "call deflection" service.

Alongside our hyperscale partnerships we continue to win significant managed service contracts for SD-WAN, UCaaS, CCaaS and Mobile solutions in both Enterprise and Public Sector. During 2023 Central England Co-op and Redde Northgate plc both awarded us multi-year contracts for large SD-WAN estates. Epping Forest and Gloucester Councils adopted our combined UCaaS and CCaaS solution and the Home Office has selected Gamma as its mobile provider for the next three years.

We further enhanced our managed service capability with the acquisition of Satisnet, a Cyber Security Managed Security Services Provider, and have successfully cross sold this service to several existing customers including Reed.

Create an organisation that engages all our people with a common set of values and goals.

As reported previously, Gamma has identified four key values which are at our core. These values unite us across all of our business units in each country we operate in:

We're there and we care – caring for our employees, our customers, our environment and all stakeholders;

We love to grow – not only growing as a business, but also reflecting that we are made up of individuals who strive for personal growth;

We do the right thing – we act openly in our relationships both within and outside of Gamma;

We step up and own it – everyone within our organisation takes ownership of problems and helps one another to solve them.

We celebrate these values with our quarterly awards and annual dinner for award winners.

Throughout 2023, our Charity Forum facilitated our employees taking part in various national sporting events, organised a UK-wide charity raffle and supported matched funding on a variety of individual and team activities.

I am also pleased to say that in 2024 we will be working with two UK universities providing scholarships for students on STEM programmes.

Gamma Business

Gamma Business is our business unit which sells to SMEs in the UK, mainly via Channel Partners. Revenue in 2023 grew from £309.4m to £332.2m – an increase of 7%.

Our growth in the UK SME market through our channel partners continues to be strong. Across the Group our net adds in Horizon were 46k (2022: 75k) and our net adds in PhoneLine+ were 12k (2022: 1k), primarily driven by Gamma Business. In addition, our new acquisition, EnableX, added 25k users on the iPECS platform in 2023. On a pro-forma basis the Group added 83k seats of Cloud PBX products in 2023. We're delighted with this strong growth in the current economic climate.

We have delivered growth in our product aimed at micro-businesses, PhoneLine+. Businesses are slowly beginning to understand that existing "single line" products (based on legacy technology) are being withdrawn between now and the end of 2025. Notwithstanding this, some potential customers are moving to "Metallic Path Framework" or "MPF" solutions provided by some network providers – these solutions effectively mimic the PSTN and mean that the end user does not need a cloud solution such as PhoneLine+. We expect these solutions to be retired over the next five years as local telephone exchanges are closed which will mean that the growth of PhoneLine+ is likely to be slower than anticipated in 2024 and 2025 but stronger after this period.

While the sales of PhoneLine+ accelerated, the Horizon base continued to increase but net new volumes were lower than in previous years. This was caused by both a reduction in gross adds and a slight increase in churn. The latter is driven by end users ceasing the service and returning their phone numbers to the general pool (as opposed to moving to another operator); in other words, this is due to businesses ceasing to trade or downsizing in response to a weakness in the economy.

The reduction in gross adds was due to some customers requiring features which Horizon does not support. As noted above, we have addressed this by the addition of Ericsson-LG in 2023. In 2024 we intend to add Cisco solutions to the portfolio. We now have a more complete set of solutions than we have ever had, and we can meet the needs of all businesses.

The cross-selling of additional modules for Horizon (such as call recording or collaboration) continues to be pleasing and our penetration rates continue to increase, which is important as this offsets any ARPU reductions on the sales of the core Horizon product. As we extend the portfolio of solutions (as described above) and new technologies, such as AI, come into the communications space, the opportunity to cross sell and up sell increases across PhoneLine+, iPECS and Cisco.

Connectivity remains a core component of our portfolio, and we grew our UK volumes of both broadband, to 168k (2022: 158k), and ethernet, to 20.9k (2022: 19.4k). In 2024 we will continue to focus on the geographic availability and pricing of our services to give our customers and partners the connectivity services they need to support their business.

We continue to be the leading supplier of voice enablement for Teams and we now have a base of 429k (2022: 356k) users taking either our Operator Connect or Direct Routing Solutions. As mentioned above, our acquisition of Coolwave will increase the total addressable market for voice enablement of Teams. The acquisition will also enhance the offering from our Service Provider business (which is reported within Gamma Business). The Service Provider business provides carrier services such as hosting telephone numbers and connecting calls. Our customers are carriers who wish to run a service in the UK but do not have network capabilities. Our customers include several of the hyperscalers and over half of Gartner's magic quadrant providers in UCaaS, CCaaS and CPaaS. We will also be able to offer these customers services in around 20 countries, which greatly enhances the growth prospects of this part of the business unit.

Gamma Enterprise

Gamma Enterprise revenues, supported by the acquisition of Satisnet, which contributed £4.6m of revenue, grew from £102.0m to £110.1m in 2023 – an overall increase of 8%.

The general softness in the economy noted above also affected the organic growth of our Enterprise business unit. We saw elongated sales cycles with decisions delayed. Whilst our growth in 2023 was therefore lower than anticipated, our pipeline going into 2024 is strong because those buying decisions were delayed, not avoided, and customers are now being signed up. Our portfolio strength and variety is enabling us to win a large and varied group of Enterprise and Public Sector customers. Our ability to build and manage their solutions assists us in re-signing contracts with our existing customers. Our Microsoft Teams voice enablement solution has been deployed by the largest UK Enterprise and Public Sector organisations such as HMRC, DWP and the London Stock Exchange. During 2023 Central England Co-op and Redde Northgate plc both awarded us multi-year contracts for large SD-WAN estates. Epping Forest and Gloucester Councils adopted our combined UCaaS and CCaaS solution and the Home Office has selected Gamma as its mobile provider for the next three years.

Europe

Our growth in Europe was also pleasing. Revenue in 2023 grew from £73.2m to £79.4m – an increase of 8%.

During the year we added 7k seats of Cloud PBX – mainly driven by sales in Germany. The German market continues to be slow to embrace Cloud PBX (and indeed cloud products in general) and penetration remains below 20%. We see Germany as a significant driver for growth in the medium term and longer term – annual growth rates are likely to be lower than we have seen in the UK but, given the overall market is larger, growth will likely last for many years to come. As well as the organic growth potential, we continue to seek acquisitions to improve our scale and market position in Germany.

While Teams usage in Europe lags behind that of the UK, we are building a base of Operator Connect customers and we are now the leading supplier of Operator Connect in the Netherlands – albeit the market is very immature.

Key market trends

UK market growth

We have identified three key trends in the UK market which will continue to drive our growth.

More complex communications solutions are being required by users

Both changing working patterns (e.g. hybrid and home working) and new technologies (e.g. omnichannel and AI) mean that businesses are becoming more demanding in what they require from their communications systems.

This presents opportunities, but there is also the risk that Gamma fails to keep up with the additional demands. The gross adds on our Horizon solution were slightly lower than in previous years because Horizon lacks features which some end users are now demanding. We have responded to this trend by broadening our UCaaS portfolio in the UK to include more feature-rich solutions from Ericsson-LG and Cisco.

Over time we expect to require a broader portfolio of solutions which incorporate all of the latest technologies to be able to compete across the whole market as needs and demands become more complex. Through a combination of partnering with the global technology giants and developing our own solutions where it is commercially sensible to do so, we will be the only pan-European communications provider which is able to supply solutions to all customers no matter how complex their needs are.

PSTN Switch off

At the end of 2025, BT will cease to provide services which are underpinned by the PSTN. This will mean that millions of consumers and micro-businesses will need to seek another solution for their broadband and voice. While some are choosing to delay their digital journey through temporary MPF solutions or may choose to cancel their landline altogether, Gamma is well placed to provide next generation solutions for forward-thinking businesses. Gamma can supply both broadband and voice – the latter being provided by our own PhoneLine+ solution, Horizon or iPECS. We see this as an opportunity for growth over the coming years.

Hardware PBX to cloud migrations

We expect a trend to emerge where end users who have taken Gamma SIP to voice enable a hardware PBX will move towards a full UCaaS solution. We have not seen this happening in volume during 2023. We believe that the lack of migration to date has been because the hardware PBX solutions which are still in use are more feature rich than the Cloud PBX products which have been widely available and are generally bought on long-term contracts.

As Cloud PBX solutions become more feature rich, this trend will accelerate and we expect end users to migrate away from a SIP/hardware solution. There is a risk that Gamma may lose business, but we believe we are well placed to increase ARPUs for customers who stay with Gamma. The wholesale ARPU from a SIP customer is typically around £1.25 per user per month. If these customers migrate to a Teams solution, that can double, and it can increase further if end users migrate to one of Gamma's UCaaS offerings. To capitalise on this coming trend it has been important for Gamma to increase the breadth of its UCaaS portfolio. Hardware PBXs are not homogenous and have a variety of features. As noted previously, Gamma now has a wide variety of cloud solutions and is therefore able to meet the needs of most end users.

European market growth
Gamma first acquired businesses in Europe in 2018 and, in the past five years, we have built up a large amount of experience and knowledge of the European communications markets.

Market conditions in the Netherlands and Spain continue to be difficult. The Dutch market is already well penetrated for Cloud PBX and, in Spain, the market is dominated by the MNOs (particularly Telefonica). We do see voice enablement (and particularly voice enablement of MS Teams) as being a growth driver in the Netherlands and Spain over the medium term.

There is a bigger market opportunity in Germany where the cloud market continues to be under-penetrated compared to the rest of Europe. During the year the CEO of our German business, Achim Hager, retired and we thank him for his contribution to the Group. We appointed Gerben Wijbenga, our Dutch CEO, to an expanded role as CEO of a combined Northern Europe business. We also appointed a new Sales Director, Thomas Muschalla, who joined us from nFon (the German market leader by size for Cloud PBX) where he held the same role. We believe that we have a management team and a set of solutions which will enable us to capitalise on the market movement to Cloud PBX as this develops.

Outlook
The communications market in Europe continues to grow and evolve. We have identified growth opportunities in the UK and Europe, in SME and Enterprise (using both our own solutions and those of third parties). We believe our improving portfolio of solutions will meet the communications challenges which businesses are facing today and in the future. The recent acquisition of Coolwave has increased the addressable market for our voice enablement products (including MS Teams) and provides new opportunities for our Service Provider business (which is part of Gamma Business).

We saw some evidence of a softer economy in 2023, although early signs in 2024 are that there is some improvement. We believe that our enhanced product set will continue to drive growth but the current economic climate may temper the rate of acceleration. Conversely, the reduction in inflation has reduced pressure on overheads and particularly salaries.

In October 2024, Gamma will celebrate ten years as a listed company. We have grown revenue, Adjusted EBITDA and Adjusted EPS (fully diluted) in every one of the nine years to date and we expect growth to continue in 2024 as we add more users both in the UK and Europe. We have a robust business model based on recurring revenue from solutions that are critical to the businesses which use them. Our continued profitability, strength in cash generation and healthy net cash balance leave us well placed to maximise the opportunity even in challenging macro-economic times.

I look forward to working with our customers, partners and colleagues for the benefit of all our stakeholders as we continue to grow the business over the coming years.

Andrew Belshaw
Chief Executive Officer

24 March 2024

Measuring our progress

The assessment of our KPIs, their link to our strategy, movement in the year and their progression are described here.

Financial

KPI 1

Revenue

£521.7m +8%

2023	£521.7m
2022	£484.6m
2021	£447.7m

Revenue from sales to all customers.

Our progress
Revenue has grown in the year due to continued growth in our key products in the UK and Europe and acquisitions.

Outlook and strategic focus
Continued growth with further adoption of the cloud.

Gamma monitors growth in revenue as it shows how successful Gamma has been in expanding its markets and growing its customer base.

KPI 2

Gross profit

£267.2m +8%

2023	£267.2m
2022	£247.7m
2021	£228.5m

Revenue less cost of sales.

Our progress
Gross profit has continued to grow in the year in line with revenue.

Outlook and strategic focus
Continued growth with further adoption of the cloud.

Gross profit is a measure used to evaluate the performance of the Group as well as each of the operating segments.

KPI 6

Cash

£136.5m +44%

2023	£136.5m
2022	£94.6m
2021	£52.8m

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

Our progress
Cash has substantially grown.

Outlook and strategic focus
The Group expects cash to increase subject to further acquisition opportunities that may arise and potential one-off returns of capital to shareholders.

Cash demonstrates financial strength and the ability to pay sustainable dividends to our shareholders.

KPI 7

Net cash

£134.8m +46%

2023	£134.8m
2022	£92.5m
2021	£49.5m

Cash and cash equivalents less borrowings at the end of the year.

Our progress
Net cash has substantially grown.

Outlook and strategic focus
The Group expects net cash to increase subject to further acquisition opportunities that may arise and potential one-off returns of capital to shareholders.

Net cash shows the liquidity position of the Group.

KPI 8

Cash generated by operations

£123.5m +25%

2023	£123.5m
2022	£99.1m
2021	£89.8m

Net cash flows from operating activities before tax paid.

Our progress
Cash generated by operations has continued to grow.

Outlook and strategic focus
Cash generated by operations is expected to grow in line with EBITDA.

Cash generated by operations is a measure of the quality of Gamma's earnings. It provides financial strength and the ability to pay sustainable dividends to our shareholders as well as reinvestment in the business in line with our capital allocation policy.

KPI 3

Gross margin

51.2% +0%

2023	51.2%
2022	51.1%
2021	51.0%

Gross profit as a percentage of revenue.

Our progress
Gross margin is in line with the prior year.

Outlook and strategic focus
Gross margin is expected to remain consistent across the Group.

Gross margin is a measure of the Group's profitability.

KPI 4

Adjusted EBITDA

£114.3m +9%

2023	£114.3m
2022	£105.1m
2021	£95.4m

Profit before tax excluding interest, depreciation, amortisation and adjusted for exceptional items.

Our progress
Adjusted EBITDA has continued to grow.

Outlook and strategic focus
Continued growth with further adoption of the cloud and continuing group-wide cost control.

Adjusted EBITDA is the primary measure used to evaluate the performance of the Group as well as each of the operating segments.

KPI 5

Adjusted PBT

£97.9m +12%

2023	£97.9m
2022	£87.8m
2021	£77.2m

Adjusted PBT is profit before tax adjusted for exceptional items, amortisation arising from business combinations and changes in fair value of contingent consideration and put option liability.

Our progress
Adjusted PBT has grown in line with adjusted EBITDA and with increased interest income in 2023 due to higher interest rates.

Outlook and strategic focus
Continued growth in line with Adjusted EBITDA.

Adjusted PBT includes all income and costs except taxation and adjusting items and therefore provides a view of the core financial performance of the Group.

KPI 9

EPS (fully diluted)

54.9p +8%

2023	54.9p
2022	50.6p
2021	55.2p

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

Our progress
EPS has grown strongly in spite of increases to the tax rate in the UK.

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

Long-term growth in EPS (fully diluted) is a fundamental driver to increasing shareholder value.

KPI 10

Adjusted EPS (fully diluted)

75.1p +5%

2023	75.1p
2022	71.8p
2021	64.0p

Diluted EPS with earnings adjusted for exceptional items, amortisation arising from business combinations and changes in fair value of contingent consideration and put option liability and related tax benefits.

Our progress
Fully diluted Adjusted EPS has continued to grow despite the increase in the UK tax rate..

Outlook and strategic focus
Fully diluted Adjusted EPS is expected to continue to grow.

Fully diluted Adjusted EPS is a measure of how successful we are in our strategy and ultimately how Gamma increases value for its shareholders.

KPI 11

Recurring revenue

89% 0%

2023	89%
2022	89%
2021	89%

The percentage of revenue recognised over time over total revenue. See note 4 in the financial statements.

Our progress
Recurring revenue is in line with the prior year.

Outlook and strategic focus
Maintain a high proportion of recurring revenue.

Recurring revenue gives an indication of future performance of the business.

Performance metrics

In addition to its key performance indicators, Gamma also tracks performance against additional metrics that further assist in measuring progress.

PM 1

UK Cloud PBX seats

954k +25%

2023	954k
2022	766k
2021	686k

Number of UK billed seats at the end of the year on our Cloud PBX products (Horizon, iPECS, PhoneLine+ and CircleLoop).

Our progress
The acquisition of EnableX added 130k iPECS (Pragma) seats, with continued growth on our existing Cloud PBX products.

Outlook and strategic focus
Continued growth.

Growth in this metric demonstrates the ability of the sales force to win new customers while also retaining existing relationships.

PM 2

UK SIP PBX Trunks

1,019k -3%

2023	1,019k
2022	1,053k
2021	1,010k

Number of UK SIP channels enabling traditional hardware PBX at the end of the year.

Our progress
SIP PBX channels have started to decrease due to the move to Cloud.

Outlook and strategic focus
Continued decline. Decline in this product represents a move towards Cloud and an opportunity to increase revenue through the migration to our Cloud solutions.

PM 3

UK SIP Cloud Trunks

398k +8%

2023	398k
2022	367k
2021	298k

Number of UK SIP channels enabling a non-Gamma Cloud PBX at the end of the year.

Our progress
Continued growth as we support voice enablement across the market.

Outlook and strategic focus
Continued growth. Growth in this metric demonstrates that Gamma can create value through our voice enablement capability, even when a non-Gamma Cloud PBX is chosen as the end-user solution.

PM 4

UK MS Teams Users

429k +21%

2023	429k
2022	356k
2021	124k

Number of Microsoft Teams users who are voice enabled, either through Operator Connect or MS Teams Direct Routing.

Our progress
Continued growth.

Outlook and strategic focus
Continued growth. Growth in this metric demonstrates that Gamma can create value through our voice enablement capability, even when Microsoft Teams is chosen as the end-user solution.

PM 5

UK network availability

100.0%* +0%

2023	100.0%
2022	100.0%
2021	100.0%

Availability of UK strategic platforms.

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

Outlook and strategic focus
To continue to have strong availability.

Having a stable, available network helps to attract and retain customers.

* UK core network 99.999% rounded

PM 6

R&D spend

£31.7m +9%

2023	£31.7m
2022	£29.1m
2021	£19.6m

The sum of research costs expensed through the Consolidated statement of profit or loss and capital expenditure on development costs in intangibles during the year (which excludes any impairment charge).

Our progress
We have continued to invest in research and development.

Outlook and strategic focus
Continued investment.

New and continued development on our products contributes to overall growth, alongside key partnerships.

Continued strong financial performance

Revenue
£521.7m +8%
Grew from £484.6m to £521.7m

Gross profit
£267.2m +8%
Grew from £247.7m to £267.2m

Adjusted EBITDA
£114.3m +9%
Grew from £105.1m to £114.3m

Profit before tax
£71.5m +10%
Grew from £64.9m to £71.5m

Adjusted PBT
£97.9m +12%
Grew from £87.8m to £97.9m

Cash generated by operations
£123.5m +25%
Grew from £99.1m to £123.5m

EPS (fully diluted)
54.9p +8%
Grew from 50.6p to 54.9p

Adjusted EPS (fully diluted)
75.1p +5%
Grew from 71.8p to 75.1p

“The Group delivered continued strong financial performance with good gross profit growth flowing through to Adjusted EBITDA and considerable cash generation.”

Bill Castell
Chief Financial Officer

Overview

Gamma has performed well during the year, increasing revenue by 8% to £521.7m (2022: £484.6m) and gross profit by 8% to £267.2m (2022: £247.7m). Group Adjusted EBITDA increased by 9% to £114.3m (2022: £105.1m), profit before tax increased by 10% to £71.5m (2022: £64.9m) and Adjusted PBT increased by 12% to £97.9m (2022: £87.8m). EPS (fully diluted) increased to 54.9p (2022: 50.6p) while Adjusted EPS (fully diluted) increased by 5% (2022: 12%) to 75.1p (2022: 71.8p). The reduction in Adjusted EPS (fully diluted) growth was primarily due to the adverse impact of the increase in UK statutory corporation tax rate in April 2023.

In the reporting of financial information in this Financial review, the Group uses certain measures in addition to those reported under IFRS, under which the Group reports. These measures are known as Alternative Performance Measures ("APMs"). The Group believes that these additional measures, which are used internally, are useful to users of the financial information in helping them understand business performance. The Group does not considered these APMs to be a substitute for, or superior to, the equivalent measures calculated and presented in accordance with IFRS. These APMs are explained, defined and reconciled from the most comparable IFRS metric on pages 160 to 162 and used consistently period on period.

Revenue and gross profit

Gamma Business

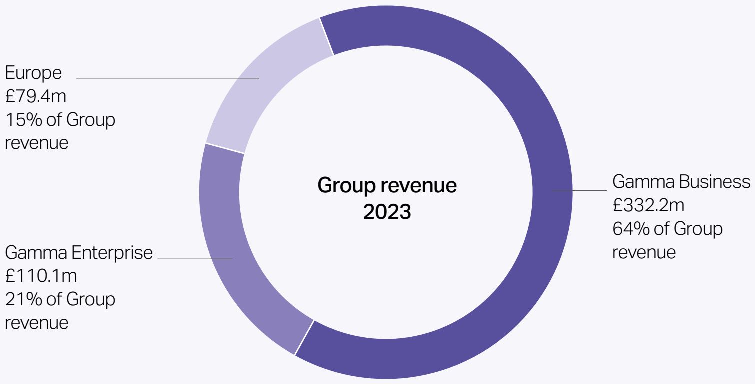
Overall, the growth in Gamma Business has been strong. Growth was primarily driven by our UCaaS portfolio, which includes our Horizon Cloud PBX solution as well as those SIP trunks supporting MS Teams implementations and other non-Gamma Cloud PBX solutions. UCaaS unit growth continued, with PhoneLine+ (Gamma's own software solution) making a more significant contribution to the product mix. Horizon Cloud PBX and additional module bolt-ons net growth was lower than in prior periods, partially due to this change in mix. Revenue growth has also been supported through targeted price rises, including across our connectivity portfolio. Gross margin has been stable with previous periods, which is in line with expectations, as the mix of UCaaS and connectivity products is now reasonably consistent.

Gamma Enterprise

Gamma Enterprise has continued to have significant contract wins, including UK-wide SD-WAN solutions for Redde Northgate plc and the Denholm Group, and a Microsoft Teams implementation with a Contact Centre as a Service ("CCaaS") overlay for Gloucester County Council. There have also been a number of wins for our AWS omnichannel contact centre, via our enablement tool SmartAgent, with the Government Digital Project and Shawbrook Bank. In addition, Satisnet Limited, the UK-based Managed Security Services Provider that was acquired in August 2023 has been successfully integrated, contributing £4.6m of revenue and £1.5m of gross profit in the year. The gross margin decrease is due to Satisnet having a lower gross profit margin.

Europe

Growth in both SIP and UCaaS, with UCaaS supported by the NeoTel acquisition, resulted in an improved year-on-year financial performance with good growth in both European revenue and gross profit. Results were further bolstered by positive foreign exchange movements, with a Euro that strengthened against Sterling compared to the prior year. Gross profit growth was 8% excluding foreign exchange movements. The gross margin improvement was supported by the successful integration of the NeoTel business acquired in 2022.



Gamma Business

	2023 £m	2022* £m	Change
Revenue	332.2	309.4	+7%
Gross profit	176.1	163.7	+8%
Gross margin	53.0%	52.9%	

Gamma Enterprise

	2023 £m	2022* £m	Change
Revenue	110.1	102.0	+8%
Gross profit	52.6	49.3	+7%
Gross margin	47.8%	48.3%	

Europe

	2023 £m	2022 £m	Change
Revenue	79.4	73.2	+8%
Gross profit	38.5	34.7	+11%
Gross margin	48.5%	47.4%	

* See note 4 for segmental change information and restated comparatives.

Operating expenses

Operating expenses grew from £182.3m in 2022 to £200.2m (£184.2m net of £16.0m exceptional items outlined below). We break these down as follows:

	2023 £m	2022 £m	Change
Expenses included within cash generated from operations	152.9	142.6	7%
Depreciation and amortisation (excluding business combinations)	21.3	17.7	20%
Amortisation arising due to business combinations	10.0	9.5	5%
Exceptional items	16.0	12.5	28%
Total operating expenses	200.2	182.3	10%

Expenses included within cash generated from operations increased by 7%, comprising the following:

- The UK businesses' operating expenses grew by 7% (compared to gross profit growth of 7%). These expenses (the majority of which relate to staff) have been actively controlled with mitigating product price changes where appropriate given the inflationary environment.
- The increase in European operating expenses costs was 10% (compared to gross profit growth of 11%). This was adversely impacted by the stronger Euro and general inflationary pressures. Excluding the impact of foreign exchange movements, the increase was 8%.
- Central costs remained broadly flat from the prior period.

Depreciation and amortisation on tangible and intangible assets (excluding business combinations) increased to £21.3m (2022: £17.7m). The annual depreciation and amortisation charge remained below the annual capital expenditure spend.

Amortisation arising due to business combinations increased to £10.0m (2022: £9.5m). This reflected an increased level of intangible assets as a result of further bolt-on acquisitions in the year, as well as the impact of a full year of amortisation on the NeoTel intangible assets in 2023.

Exceptional items

There were two exceptional items in the year (2022: two), a significant non-cash impairment of £12.7m and a significant one-off restructuring cost of £3.3m. The cash cost of the restructuring in the year was £0.2m (2022: £nil), with the remainder payable in 2024.

Restructuring costs

Following organisational changes related to the expanded UCaaS offering and the combining of the German and Dutch senior leadership teams, a restructuring exercise was carried out in late 2023, which resulted in one-off severance costs of £3.3m.

Development cost intangible asset impairment

A non-cash impairment of £12.7m on intangible development cost assets has been recognised in the year. This resulted from stopping ongoing development of some of our own collaboration software following the acquisition of EnableX in December 2023, which provides a partnership with Ericsson-LG that further expands our UCaaS offering, along with the strengthening of our partnership with Cisco.

The exceptional items in 2022 were impairment of goodwill on the Spanish cash-generating unit ("CGU") and a small loss on disposal of a subsidiary.

A non-cash impairment of the Spanish CGU was recognised in 2022 (£12.2m). This CGU was impacted by challenging local market economic conditions. It was anticipated that the achievement of future business performance targets may take longer than originally forecast. This, combined with the increase in discount rates applied, resulted in an impairment.

On 5 August 2022 Gamma completed the sale of ComyMedia, previously part of the Spanish CGU, for €1. ComyMedia specialised in IT solutions and had little fit with the rest of Gamma's European business. An exceptional loss of £0.3m was recognised relating to proceeds on disposal less the book value of the net assets of the business. ComyMedia generated a negligible EBITDA contribution in 2022 prior to disposal.

Adjusted EBITDA

Adjusted EBITDA grew from £105.1m to £114.3m (9%) driven by the revenue and gross profit growth in both the UK and Europe together with Group-wide cost control.

Profit before tax

Profit before tax grew from £64.9m to £71.5m (10%), driven by the revenue and gross profit growth in both the UK and Europe together with Group-wide operating expense cost control. In addition, finance income increased by £4.6m to £5.4m (2022: £0.8m) due to an increased amount of cash held alongside an increase in interest rates. Finance costs reduced slightly from £1.3m to £0.9m.

Taxation

The effective tax rate for 2023 was 25% (2022: 24%). This increase follows the statutory UK rate rising from 19% to 25% in April 2023. The effective tax rate in 2023 applied to trading profits was above the 23.5% statutory UK average rate due primarily to expenses that are not deductible in determining taxable profit. The rate in 2022 was increased relative to the statutory rate at the time by the goodwill impairment charge on the Spanish CGU, which is a non-deductible tax expense. The tax rate in future years will increase as a result of a full year of the UK tax rate increase to 25%.

Net Cash and cash flows

The Group had Net Cash of £134.8m (2022: £92.5m). This comprised cash and cash equivalents of £136.5m (2022: £94.6m) at the end of the year, offset by borrowings of £1.7m (2022: £2.1m) held by European trading subsidiaries and which pre-dates their acquisition by Gamma.

Cash generated by operations was £123.5m (2022: £99.1m). The ratio of cash generated by operations as a percentage of Adjusted EBITDA ("Adjusted cash conversion") was 108% (2022: 94%). The increase in cash conversion was primarily the result of favourable year-on-year working capital movements totalling £19.2m, including:

- A year-on-year favourable movement of £16.8m in relation to trade and other receivables, with the majority of the cash effect of the unwind of some prepayments in 2022 and 2023 and with the remainder attributable primarily to improved debtor days.
- A year-on-year favourable movement of £1.6m in relation to advance inventory purchases in 2022 to de-risk potential supply chain delays.

The primary cash items which are not directly related to trading were:

- Capital spend was £23.0m, which is an increase from £20.7m in the comparative period. This is discussed below.
- £30.5m was the total payment for acquisitions net of cash acquired (2022: £9.8m): £8.3m for the acquisition of Satisnet (net of cash acquired), £18.9m for the acquisition of EnableX (net of cash acquired) which included £7.7m to repay all EnableX borrowings on acquisition, £0.9m of contingent consideration paid in cash as final payment for Exactive and £2.4m of contingent consideration based on milestones achieved in 2022 in relation to Mission Labs.
- £1.3m was paid to acquire the remaining 3.95% of shares in Gamma Holding GmbH.
- £4.9m (2022: £0.8m) of interest was received on cash and cash equivalents, increased during the year due to higher cash holdings and improved interest rates.
- £1.9m was received from the issue of shares (2022: £3.1m) on the exercise of share options.
- £15.2m was paid as dividends (2022: £13.3m).

Gamma's Group treasury policy is governed by the Audit Committee. Gamma manages cash centrally and seeks to maximise value and return whilst balancing associated risks. The policy manages concentration risk by setting an appropriate limit on the amount that can be placed with any one institution, and manages credit risk by setting a minimum requirement around the credit rating of the financial Institution. Given 85% of Group revenue is generated from our UK business, all deposit balances are held with large established UK financial institutions. Cash in Europe is held for working capital purposes and follows the credit rating requirements as set out above.

Capital spend

Capital spend in 2023 was £23.0m (2022: £20.7m) broken down as follows:

- £5.6m on the core network, including increasing capacity as well as computer equipment and fixtures and fittings (2022: £6.8m).
- £14.4m on the capitalisation of development costs incurred during the period (2022: £13.1m). The increase was due to the continued development of our own portal and our own voice applications (in part using the capabilities acquired with Mission Labs) and is partially offset by the amounts paid to third parties as outlined below.
- £3.0m with third-party software vendors for the software which underpins our Cloud PBX products (2022: £0.8m).

Adjusted EPS (fully diluted) and EPS (fully diluted)

Adjusted EPS (fully diluted) increased from 71.8p to 75.1p (5%), which compares to a 12% increase in 2022. The reduction in growth is primarily due to the increase in statutory UK corporation tax rate to 25% in April 2023. There will be a continued impact on Adjusted EPS (fully diluted) growth in 2024 when the statutory tax rate increase impact will be annualised.

EPS (fully diluted) increased from 50.6p to 54.9p (8%). The growth is higher than the adjusted metric because, in the current year, amortisation relating to business combinations has grown at a slower rate. The growth rate has also been impacted by the increase in statutory UK corporation tax rate to 25% in April 2023.

Acquisitions

The acquisitions of Satisnet and EnableX in the year were the primary driver behind the £30.4m increase in intangible assets from £124.3m to £154.7m. These acquisitions created intangible additions of £46.1m, including £36.6m of goodwill and £6.6m of customer contract intangible assets. The exercise to identify and value EnableX acquired intangible assets remains provisional at this time due to proximity of the acquisition to the year end.

Acquisitions were also the primary reason behind the increase in contract liabilities from £17.0m to £26.2m, with £1.9m acquired with Satisnet and £4.5m acquired with EnableX.

Acquisitions also drove the £4.4m increase in contingent consideration from £5.0m to £9.4m. Additions totalled £7.5m (£3.9m in relation to Satisnet and £3.6m in relation to EnableX). These were partially offset by settlement of the final element of the Exactive contingent consideration for £1.1m and settlement of £2.4m of contingent consideration in relation to the 2022 Mission Labs milestones, both of which had been previously accrued.

Share premium also increased by £4.9m in the year from £18.0m to £22.9m. £2.8m of this increase was attributable to the Satisnet acquisition, where £2.8m of the consideration was in ordinary shares issued. Exercise of share options also increased share premium by £1.9m.

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. In assessing going concern, management and the Board have considered:

- The principal risks faced by the Group as set out on pages 28 to 33.
- The financial position of the Group.
- The strong cash position – at 31 December 2023 the Group had cash and cash equivalents of £136.5m (2022: £94.6m) and Net Cash of £134.8m (2022: £92.5m). Borrowings of £1.7m (2022: £2.1m) were all acquired with acquisitions made in previous years.
- Budgets, financial plans and associated future cash flows which incorporate completed acquisitions up to the date of this Annual Report including the Coolwave acquisition and the share buyback programme of £35m to be executed in 2024, including liquidity and borrowings.
- Sensitivity analysis, which has shown that EBITDA would need to decrease by more than 100% for the Group to need additional borrowing (assuming no mitigating actions had been taken). We consider this to be highly unlikely.

The Directors are satisfied that the Group and Company have adequate financial resources to continue in operational existence for the foreseeable future, being a period of at least 12 months from the date of this report. Accordingly, the going concern basis of accounting continues to be used in the preparation of the Annual Report for the year ended 31 December 2023.

Capital allocation policy

Gamma has a strong unlevered balance sheet and continues to generate significant operating cash flow. The Board's main priorities when it comes to our cash is to enhance the growth of the business, both organically and through acquisition, and to reward shareholders through growth in earnings alongside our progressive dividend policy while retaining a robust capital base.

Where there is surplus cash over and above the needs of funding that organic and inorganic growth, the Board will consider additional one-off returns of capital to shareholders. After applying the Board's capital allocation framework we are announcing an intention to launch a share buyback programme of £35m to be executed over the next six months, until early September.

The Board will continue to keep its capital allocation policy and further distributions to shareholders under review, with consideration of other potential uses of capital that may drive value for shareholders over the medium term.

Dividends

The Board is proposing a final dividend of 11.4p (2022: 10.0p). This is an increase of 14% and is in line with our progressive dividend policy.

Subject to shareholder approval, the final dividend is payable on Thursday 20 June 2024 to shareholders on the register on Friday 31 May 2024.

Bill Castell
Chief Financial Officer

24 March 2024

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, mitigated and managed.

How Gamma manages risk

Gamma operates a well-established structure for the management of risk in each area of its business. An integrated risk management process provides visibility of risks across the Company over a five-year time horizon, and facilitates consistent data-driven decision-making. This process is maintained within a centrally managed framework and supported by dedicated personnel who apply a consistent assessment of Gamma's risks and proportionate controls.

The process includes the identification, evaluation and scoring of risks based on the likelihood of occurrence and the potential business impact. These scores are aligned with the mitigation or control actions in place. A centralised risk register is maintained which includes all identified risks, their scores, prioritisation, the status of existing controls and action planning. Risks are categorised and aligned to Gamma's business priorities to ensure appropriate visibility, evaluation and mitigation.

Risk management happens at multiple levels within the organisation and all employees are encouraged to consider Company risks. The organisation level at which risk is owned is determined by its severity. This ensures the owner has the appropriate authority to respond to a risk. Alongside an ongoing education and training programme, the Company continues to build a risk aware culture.

Each category of risk has clearly assigned accountability within the Executive Committee and wider leadership team with reporting lines to the CEO and ultimately the Board.

Risk governance

The Board has overall responsibility for the establishment and oversight of the Group's risk management policy and 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.

To assist in this process a Group Risk Committee is chaired by Rachel Addison (Non-Executive Director). In addition to its Chair, the Risk Committee comprises two other Non-Executive Directors, the CFO and the COO. The Chair and the CEO have a standing invitation to join. It generally meets three times a year, or as otherwise required, and liaises where necessary with other Board Committees, and maintains a close relationship with the work of the Audit Committee.

The main tasks of the Risk Committee are to ensure that:

- Management has implemented an appropriate and effective risk assessment, risk management and internal control system.
- The nature and extent of the principal risks faced are understood and that they are effectively managed and mitigated, along with determining the overall risk appetite.
- An appropriate risk management culture exists within the organisation.

Gamma utilises certified frameworks for the management of risk related to information security (ISO 27001), business continuity (ISO 22301) and environmental management (ISO 14001). These frameworks are also supported by associated policies.

Gamma also has a series of policies regarding anti-bribery and corruption, modern slavery and human trafficking, ethical behaviour and wider social and governance matters. 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 – All employees are encouraged to consider and document risks within their working routines and the risk management process supports this at every organisational level. Identification may be reactive where an employee locates a risk, or proactive where category-specific risks will be modelled in a risk workshop, e.g. longer-term climate-related risks, an example of this is given in our TCFD report on page 44. Gamma's Executive Committee will raise and discuss risk within various regular forums ensuring risk is an embedded business process.

Assessment – Risks are assessed by the risk owner in terms of likelihood, proximity and impact against the assessment criteria. By measuring risks against consistent criteria, it allows comparison of risks on a like-for-like basis.

Risk response – Once assessed, a risk response option is selected and implemented which will determine any action that is required to reduce the risk impact and/or likelihood. Risks are either "tolerated", "treated", "avoided", e.g. by changing strategy or tactics, or "transferred", e.g. moving contractual liabilities to a third party.

Monitoring, reporting and escalation – Every principal risk is monitored to keep the relative impact, likelihood and proximity current. A structured reporting model is implemented with:

- All risks and related risk management plans reviewed quarterly by the respective owners.
- The most severe risks and related management plans reviewed quarterly by the Executive Committee and subsequently by the Risk Committee.
- Control design and implementation subjected to internal audit.

Unpredictable and significant events

Where highly unpredictable, significant, and close proximity risks (sometimes referred to as black swan events) occur they are managed through Gamma's risk management process and are closely monitored by the relevant team within Gamma. They are assessed, scored and managed using the integrated framework, recognising the assessment and Company response must be enacted at the pace of the event. A post-risk review occurs to ensure the Company learns and adjusts its risk framework where appropriate.

Risk appetite

The Board conducted a formal annual review of risk appetite, and acknowledges the necessity for informed risk-taking in pursuit of the Group's strategic objectives. Gamma's risk appetite shapes the Group's risk and control framework, as well as its daily control activities.

Gamma's principal risks and how they are mitigated

Our business is subject to various risks and uncertainties. In the subsequent pages, we have outlined the risks that we consider most significant to Gamma's business and performance at present.

Changes in year

Principal risk

Our principal risks remain unchanged this year. Additionally, we evaluate whether we perceive the risk level associated with each principal risk to be increasing or decreasing. There is one principal risk where we believe there is an increased level of risk compared with last year: Data loss and cyber attacks. This is due to the evolving landscape surrounding cyber threats and sophisticated attacks, with businesses becoming increasingly vulnerable.

Emerging risk

The Group's ongoing risk management process involves the identification and evaluation of emerging risks, assessing their impact on the business. This is achieved through operational risk assessments and various horizon scanning initiatives. Neither of the emerging risks highlighted in the 2022 Annual Report – a recession and heightened inflationary pressures in the UK – transpired to the point of material concern.

Climate change

Climate change is recognised as an emerging risk. Failure to proactively act may result in it becoming a principal risk in the future, due to the following considerations:

- The changing regulatory landscape in the territories in which the Group operates.
- Climate-related events, ranging from extreme weather conditions to supply chain disruptions, pose tangible risks to its infrastructure, operations and supply chains.
- The transition to a low-carbon economy may present financial challenges.

Gamma is committed to proactively address environmental challenges and ensure the long-term resilience of its business. This is demonstrated by Gamma's robust strategies that encompass climate risk assessments, setting emissions reduction targets and enhancing supply chain resilience. This is detailed in the Task Force on Climate-related Financial Disclosures ("TCFD") on page 44 to 59.

Artificial Intelligence ("AI")

Gamma is already leveraging AI in some of its products and sees partnerships with big technology companies as the opportunity to further capitalise on this emerging technology. AI is monitored from the following two perspectives:

- New entrants to the market developing generative AI products that outperform our products in the market or commoditise the market to be predominantly price driven. Both are enabled by the acceleration of AI adoption and availability. Although possible, the level of research and development required to do so would be substantial and likely to be prohibitive.
- Increased fraud and cyber attack driven by generative AI toolsets. Traditional controls will need to be bolstered to ensure we are able to cope with new threats as they are better understood.

Macro-economic and geopolitical uncertainty

Another emerging risk is macro-economic and geopolitical uncertainty. As the Ukraine and Russia war continues and wider tensions and political unrest in the Middle East occur, there may be further inflationary pressures or unpredicted supply chain issues. Gamma's recurring revenue streams could become destabilised should inflationary pressures result in insolvency within our partners and customer base. Gamma holds a regular Credit Committee which reviews any building bad debt within its customer base and informs management of any developing trends so that appropriate mitigating actions can be taken.

Ref	Principal risks	Strategic relevance	Risk score	Trend
1	Failure to develop new routes to market in response to changing buying behaviours		High	↔
2	An uncertain competitive landscape causes loss of market share		High	↔
3	Over-reliance on any single supplier		Medium	↓
4	Inability to attract and retain talent		Medium	↓
5	Unplanned service disruption		Low	↓
6	Data loss and cyber attacks		High	↑
7	Legal and regulatory non-compliance in the telecommunications market		Medium	↔
8	Inability to maximise M&A opportunities		Medium	↔
9	Customer needs become misaligned with Gamma's products		Medium	↓

Our principal risks key

Risk trend:

- Increasing
- Stable
- Decreasing

Strategic link:

- Develop multiple routes to market in each country in which we operate
- Develop a common pan-European product set for UCaaS and CCaaS for SMEs
- We will become a trusted partner to Enterprises across Europe, transforming their communications estates
- Create an organisation that engages all our people with a common set of values and goals

① Failure to develop new routes to market in response to changing buying behaviours

Risk trend: Stable

Strategic link:

Potential impact

Gamma's inability to adapt to market changes in a timely manner could limit its opportunity to grow as the business needs to have access to the largest possible proportion of its target audience for each of its key products and services. If new routes to market are not identified and executed successfully this could result in competitors gaining market share.

Mitigating actions

- Gamma continually assesses the effectiveness of its current routes to market: direct, indirect and digital.
- The Company also routinely assesses how customer buying behaviour is changing in its core markets.

Changes in the year

Gamma continues to focus on the harmonisation of its brand and product portfolio across the Group, with investment having been made in both product and brand personnel to serve unique country markets. Rebranding activities have also occurred across its European subsidiaries to enhance brand awareness.

Gamma finalised organisational changes that aligned its sales and marketing teams to customer segments, providing focused efforts towards addressing how each segment procures IT and communications products and services.

Opportunities

The market for buying and selling communication services is changing and businesses are researching and procuring services in a wider range of ways. Gamma is well placed to respond rapidly to these changes, therefore improving customer acquisition rates and the value of each customer relationship.

② An uncertain competitive landscape causes loss of market share

Risk trend: Stable

Strategic link:

Potential impact

If the Company loses its competitive edge, in terms of product, pricing strategy and service development, then its plans for revenue growth and market position may be negatively impacted. This would be caused by the loss of its customers and a diluted addressable market.

Mitigating actions

- Gamma consistently gathers market insight to ensure that its products, marketing and customer service are closely aligned to the evolution of market demands and adoption of relevant technologies.
- In addition, Gamma monitors the development of third-party products to ensure a fast follower approach when taking products to market.
- Gamma's build, buy or partner strategies are informed by its competitive position and strengths in key market segments.

Changes in the year

Gamma has continued to observe both market consolidation and advancing UCaaS and CCaaS product portfolios from global technology giants targeting certain market segments, particularly large enterprise. Gamma responds to these types of market trends by continually testing the relevance of its own product portfolio within each market.

Opportunities

Gamma's continued ability to select the right market segments to serve with its own products as well as distribute third-party products will widen its addressable market.

③ Over-reliance on any single supplier

Risk trend:

Strategic link:

Potential impact
An over-reliance on any single supplier may result in missed opportunities where supplier market-led plans are misaligned with Gamma's core markets.

Failure of key suppliers to perform may have an impact on the Company's ability to deliver products and services and its creditability in the business market.

Mitigating actions
- Gamma reviews and adjusts the Company policy and plans regarding the diversification of its supply chain.
- Gamma continues to carefully consider build, buy or partner strategies, reducing the risk of over-reliance on any one supplier.
- Gamma performs ongoing supplier monitoring through regular performance reviews and adherence to service KPIs.
- Gamma utilises market intelligence to understand the competitive landscape and the intentions of strategic suppliers.

Changes in the year
Gamma has established new supplier relationships over the course of 2023 with a view to further strengthening its market opportunities within the UK and Europe.

Opportunities
Leveraging multiple long-term partnerships with suppliers in key product and technology areas will increase Gamma's addressable markets and geographical reach.

④ Inability to attract and retain talent

Risk trend:

Strategic link:

Potential impact
Gamma is dependent on its employees to achieve its strategic priorities. Therefore, reliance is placed on the Group's ability to recruit, develop and retain employees. If the Group loses key people, this could have an impact on its ability to deliver business objectives.

Mitigating actions
- Nurturing talent across Gamma remains a crucial part of its strategy and internal succession plans.
- Gamma conducts a regular review of remuneration packages, share schemes, training and communication with employees as well as maintaining annual performance review processes which promote positive employee engagement.
- Employee satisfaction is measured bi-annually using the "Gamma Pulse survey". Anonymous feedback is provided through this platform which enables managers to act more swiftly to reinforce positive trends and tackle any negative sentiment.

Changes in the year
Gamma has introduced a number of employee benefit schemes which have had a positive impact on employee attrition rates. For example, Gamma introduced a virtual GP, electronic vehicle schemes and private medical insurance (UK employees).

Opportunities
The growth of the Group has increased the opportunities for internal promotion and transfers which will enable Gamma to develop its workforce of the future.

Our principal risks key

Risk trend:
- Increasing
- Stable
- Decreasing

Strategic link:
- Develop multiple routes to market in each country in which we operate
- Develop a common pan-European product set for UCaaS and CCaaS for SMEs
- We will become a trusted partner to Enterprises across Europe, transforming their communications estates
- Create an organisation that engages all our people with a common set of values and goals

5 Unplanned service disruption

Risk trend: Decreasing

Strategic link:

Potential impact
If any of Gamma's services are disrupted, and therefore unavailable to its customers, for any material length of time, then this could result in loss of customer confidence.

Mitigating actions
- Gamma has a comprehensive operational governance framework to manage the availability and performance of services.
- Business continuity planning and disaster recovery plans are established in critical areas.
- A 24/7 crisis response framework is utilised and regularly tested.

Changes in the year
The Company has continued to advance personnel skills and technology used within its Business Continuity department within 2023.

Gamma's crisis management processes were further enhanced in 2023. This involved formalising a crisis response framework, in conjunction with specialist third parties.

Further adoption of highly resilient and automated public cloud services for parts of Gamma's product infrastructure has reduced the likelihood of service disruption.

Opportunities
Continuing the programme of investment in Gamma's resilience and crisis management policies and processes will further differentiate Gamma in the business market. This could lead to higher than anticipated customer and product growth.

6 Data loss and cyber attacks

Risk trend: Increasing

Strategic link:

Potential impact
A major security incident could have a significant reputational impact and in some cases impact Gamma's commercial position. Potential fines could also be enforced if the Company were found to be in breach of its obligations relating to various regulations e.g. the Telecommunications Security Act or the General Data Protection Regulations ("GDPR").

Mitigating actions
- Ongoing penetration testing and continuous compliance checks are extended across critical infrastructure.
- Integrated security behaviours training is in place and well adopted.
- Ongoing investment in Gamma's cyber security strategy will continue to advance threat detection and controls.
- Continual review of adherence to ISO 27001 and National Cyber Security Centre Essentials Plus schemes are in place within the Company.
- Gamma has representation on industry forums to stay aware of emerging threats.

Changes in the year
Through partnerships with bigger companies with global brands and growth in the UK public sector, Gamma is becoming increasingly visible to malicious actors.

Gamma has continued to evolve its security control environment and governance structure at pace, investing in both personnel and technology to improve security in 2023. Gamma's standard security controls have matured to include routine and bespoke penetration testing; continuous compliance checks; and integrated security behaviours training, which is mandatory for all employees. In addition the acquisition of Satisnet enhances our own internal capabilities in mitigating this risk.

Opportunities
Continuing the evolution of Gamma's approach to security controls and embedding these in Gamma's day-to-day operations will allow the Company to continue to leverage its reputation as a robust and credible communications provider to the business market.

7 Legal and regulatory non-compliance in the telecommunications market

Risk trend:

Strategic link:

Potential impact
The Company's activities can be impacted by the decisions of relevant legislative, regulatory or judicial bodies both domestically and in other non-UK territories within which it operates, the outcomes of which could put Gamma at a competitive disadvantage in its target markets. Legal and regulatory non-compliance could lead to significant reputational damage and resultant fines.

Mitigating actions
- Ongoing monitoring of likely legislative or regulatory changes within each market is in place.
- Gamma engages with regulators as appropriate, lobbying where the impact of legislative changes could be of material consequence.
- When changes are identified, internal resource is aligned to ensure the impact is understood and controls required are applied.
- Training surrounding competition law and anti-competitive behaviour is provided to employees with roles where this risk may occur.

Changes in the year
Changes in legislation or regulation will result in additional investment being required to comply, such as the Network and Information Security Directive ("NIS2") and Critical Entities Resilience ("CER") legislation in Europe. Additionally, Gamma has invested in a programme of work to respond to the impact of the Telecommunications Security Act ("TSA").

Opportunities
Through the convergence of telecoms and ICT customer buying behaviours, there will be further opportunity for Gamma to establish strategic partnerships in adjacent markets where ICT companies are unable to fulfil all parts of a customer requirement.

8 Inability to maximise M&A opportunities

Risk trend:

Strategic link:

Potential impact
If Gamma fails to identify, acquire and successfully integrate acquisitions the Company could fail to achieve its strategic goals.

Mitigating actions
- Potential targets are constantly sought out and analysed by dedicated personnel to support key areas of Gamma's growth strategy.
- Critical reviews of M&A opportunities are undertaken against Gamma's value and return on investment hurdle rates.
- Gamma applies specialist resource and third parties to conduct thorough due diligence, negotiation and contractual preparation.
- To ensure a cohesive integration Gamma also ensures that its Executive Committee responsibilities are aligned to any new acquisition to support the ongoing development and growth post-acquisition.

Changes in the year
M&A remains an important part of Gamma's future growth plans in terms of extending its geographic reach, gaining further scale in existing markets. Gamma has increased the number of dedicated personnel in this area to strengthen deal execution and integration planning. Gamma strengthened its product offering with two acquisitions during 2023 and one in early 2024.

Opportunities
Gamma's strong balance sheet, coupled with an effective inorganic growth strategy, will provide opportunities to rapidly move into adjacent markets and acquire additional scale.

Our principal risks key

Risk trend:

- Increasing
- Stable
- Decreasing

Strategic link:

- Develop multiple routes to market in each country in which we operate
- Develop a common pan-European product set for UCaaS and CCaaS for SMEs
- We will become a trusted partner to Enterprises across Europe, transforming their communications estates
- Create an organisation that engages all our people with a common set of values and goals

9

Customer needs become misaligned with Gamma's products

Risk trend:

Strategic link:

Potential impact

If Gamma fails to deliver against market demands, products are likely to become unattractive to existing and prospective customers resulting in lost revenue and market share.

Mitigating actions

- Gamma's product strategy is regularly assessed to diversify and/or rationalise Gamma's portfolio according to market demands.
- Gamma ensures that it maintains a two-way dialogue with its customers to understand their needs, primarily via direct customer and wholesale channel partner feedback processes.

Changes in the year

In 2023 Gamma undertook a thorough assessment of its UCaaS product strategy. The outcome of this assessment identified significant partnership opportunities which will help better align its portfolio to market needs for the long term.

Opportunities

Gamma's ability to effectively migrate customers to next generation cloud voice platforms and services will ensure Gamma strengthens its market position as a leading voice provider in the UK and Europe.

Maintaining strong stakeholder relationships is essential to Gamma's long-term success

Shareholders

Shareholders are key beneficiaries in the value that we create. We are committed to transparent and open engagement with them.

Key areas of interest
- Financial performance
- Dividends
- Capital allocation
- Share price
- Strategy
- Business model
- Behaviours towards other stakeholders including in environmental, social and governance areas

How we engage
Our principal means of engaging with our shareholders are through:
- Communications such as trading updates and other announcements made through a regulatory information service, Annual Reports and notices of general meetings.
- Regular one-to-one meetings with shareholders, with the CEO and CFO being available to shareholders or potential shareholders.
- All members of the Board, including the Chair and Senior Independent Director, being available to meet with shareholders.
- Attendance at roadshow events organised by the broker who also provides analyst coverage of the Group.
- Information on the investor section of our website.
- Discussions held during the Annual General Meeting (AGM).

What we have done
- Continued strategic investment both organically and through acquisition, bringing new capabilities and new market opportunities to the Group.
- Gamma continues to comply with the Quoted Companies Alliance Corporate Governance Code (QCA Code).

Links to other relevant sections

The Gamma business	Page 06
Our strategy	Page 12
TCFD	Page 44

Our people

Developing and attracting high-quality talent is a key driver of our success.

Key areas of interest
- Safe working environment
- Development and progression
- Competitive remuneration and benefits
- Diversity and inclusion
- Environmental footprint
- Workplace policies
- Collaboration
- Share price

How we engage
- Henrietta Marsh (Senior Independent Non-Executive Director) is the Workforce Engagement Director.
- The Non-Executive Directors met with employees to discuss their views of working at Gamma.
- During 2023 the Gamma Employee Survey was conducted on a biannual basis and provides valuable insight to senior management. Results are reported to the Board which uses the information to shape future surveys to areas of interest.
- Quarterly webcasts are led by the CEO and other senior management on Company performance and activities of the Group.
- During Wellness Week Gamma actively encouraged feedback and ideas from employees.

What we have done
- Continued to invest in our People function.
- Acted upon feedback from the Employee Survey creating Company-wide and individual team action plans, including aligning quarterly roadshow meetings to the strategic pillars and values; better visibility of internal vacancies; and greater focus on training and development.
- Launched our You Belong groups, bringing like-minded groups of employees together to discuss topics and suggest ways the Company can improve their experience.

Links to other relevant sections
Our people Page 40

Customers

UK Channel Partners

Gamma's ethos is to provide robust solutions 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 the end user.

Key areas of interest
- Innovative solutions
- Long-term relationships
- Value
- Service
- Product development
- Product availability

How we engage
- Gamma Channel Partner Programme.
- 24/7 UK-based technical help.
- Each channel partner has a dedicated Business Development Manager who is responsible for ensuring that they have what they need from Gamma to build their own business. Channel partners also have access to the Gamma Business Senior Management Team.
- Regular in-person or virtual roadshows to showcase new products and to share the development roadmap.

What we have done
- Through the Gamma Channel Partner Programme, we offer a suite of additional training resources – the Gamma Academy. These resources, tools and information are all accessible online.
- All our Channel Partners were invited to our GammaVerse conference, held in October in the Vox, Birmingham, which included showcases and presentations of Gamma's solutions and expert insights into the communications industry. This event was attended by the Chair and Executive Directors.

Links to other relevant sections
The Gamma business Page 06

Customers

End users:

To provide reliable, innovative products and services that meet the needs of the end users.

Key areas of interest
- Product quality
- Product availability
- Product cost

How we engage
- We assign customer service managers to each account, giving a consistent point of contact within Gamma.
- We offer 24/7 support through our support team.
- The support infrastructure is co-located, meaning that end users get through to the right person to handle the query.
- Gamma offers a service scheme to allow customers to choose the level of service required to match the end customer needs.
- Customer satisfaction surveys are completed utilising the Net Promoter Score methodologies and the results are shared with the Board.

What we have done
- Our Gamma Enterprise business unit organises an annual conference for our customers which allows them to stay in touch with the senior team at Gamma as well as to share knowledge with their peers.
- In Gamma Business we have continued to develop our online sales and support platform in line with our strategic plan to give our customers the best service possible at all stages of their interaction with us.
- In Europe we have continued to develop our brand, so that customers can better understand our culture and values, and have been first to market with new Microsoft voice services to allow us to address the changing needs of customers.

Links to other relevant sections

The Gamma business	Page 06
Our strategy	Page 12

Suppliers

Developing strong operational relationships is key to success.

Key areas of interest
- Social and ethical impact
- Payment practices
- Long-term partnerships to develop innovative products and solutions

How we engage
- We partner with key suppliers to ensure that we have common goals and strategies.
- We ensure responsible procurement, undertaking due diligence on new suppliers and regularly reviewing existing suppliers in line with policies approved by the Board.
- Gamma's supplier payments policy is to pay suppliers on or before the agreed term (which will vary from contract to contract).
- Executive Directors maintain direct relationships with key suppliers to ensure matters can be raised at the appropriate level.

What we have done
- Every key Gamma supplier continues to have an allocated owner in procurement to ensure a consistent approach to supplier management.
- To ensure that Gamma's business is conducted ethically, sustainably and within the local law, Gamma has implemented an Ethical Procurement policy and expects its suppliers to meet the principles outlined in the policy.
- Gamma publishes an annual Modern Slavery Statement which can be found on our website.

Links to other relevant sections

TCFD	Page 44

Regulators

We operate within the requirements of a regulated industry across all geographies.

Key areas of interest

Ofcom regulates the UK market, with its duties set out in the Communications Act 2003. Its primary duties are:

- To further the interests of citizens in relation to communications matters; and
- To further the interests of consumers in relevant markets, where appropriate, by promoting competition. Much of the UK compliance landscape is derived from EU law, and while we remain cognisant of the risks of divergence in future, we expect the UK and EU regulations to remain closely aligned.

How we engage

- Engaging with Ofcom both formally and informally, including regular contact with Gamma's Executive Directors.
- Responding to consultations published by government or regulators, where appropriate.
- Working alongside industry to agree processes that ensure policy objectives achieve the desired outcomes for end users. We educate our partners on changes to their business practices that will result from changes in regulation, either directly using webinars and meetings or via trade associations.

What we have done

- We continue to highlight the complex supply chains that require nuanced processes. We share our experiences of how our partners operate in a diverse market that promotes choice and competition for businesses but only if industry processes are able to accommodate these routes to market now and in the future.
- Challenged the cost assumptions made of implementation – these are sometimes underestimated.
- Contributed extensively to industry working groups to solve challenges facing the industry and to the benefit of our end users.
- Built long-lasting links with cross-border trade associations which we utilise to identify key upcoming threats to our business model in our key geographies and jointly lobby the regulator by presenting alternative solutions.

Communities

We have a duty to conduct business in a responsible way that aligns with our purpose and values.

Key areas of interest

- Environmental and social impact
- Improving quality of life
- Protecting people
- Diversity and inclusion

How we engage

- We are committed to supporting the communities in which we are based and are enhancing our charitable giving plan.

What we have done

- Supported communities via financial donation including a matching scheme for funds raised by employees.
- Supported through time donated, where employees are given one day a year to help support their chosen charity.
- The Company has formally partnered with Speakers for Schools and is designing a nationwide programme to support young people in understanding the technology industry, raising their confidence levels, mentoring and providing opportunities for work experience. Both Executive Directors have taken part in this initiative.
- The Company supported employees to take on physical challenges such as Tough Mudder and The Great North Run and together we raised over £133k for charities in our communities such as Rossendale Hospice, Mind and Anthony Nolan.

Links to other relevant sections

Our people Page 40

TCFD Page 44

Section 172

The Board of Directors considers, both individually and together, that it has acted in the way that it considers, in good faith, would be most likely to promote the success of the Group for the benefit of its members as a whole, having regard to the stakeholders and matters set out in section 172 (a)-(f) of the Companies Act in the decisions taken during the year.

The Board considers the matters set out in section 172 of the 2006 Act in all its discussions and decision-making, which includes all of the stakeholders listed in the previous section on pages 34 to 37 along with:

The likely consequences of any decision in the long term:

The Directors recognise that the decisions they make today will affect the Group's long-term success. During the year the Board continued to monitor the Group's strategy, which is discussed further on page 12, which shows how the Group will increase value for all our stakeholders. This guides the Board's decisions between short and long-term investments.

The interests of the Company's employees:

The Board recognises that our people are a key differentiator and they are always considered as part of the Board's discussions and decision-making. The Board is committed to the people agenda, with focus on development and leadership programmes, succession planning as well as effective employee engagement initiatives. The Group has invested in our People function, including strengthening the Reward and Learning and Development teams. Regular employee engagement surveys are performed across the whole Group with results and actions being discussed at the Board level. Henrietta Marsh (SID) is the Workforce Engagement Director and will be replaced by Martin Hellawell following her retirement at the 2024 AGM. The Remuneration Committee takes an active interest in the remuneration of employees at all levels to ensure that the overall reward is equitable. We have expanded our disclosures on people and further detail is included in the Our people section on page 40.

The need to foster the Company's business relationships with suppliers, customers and others:

The Board understands the importance of fostering good relationships with its stakeholders. More detail about how it engages with its stakeholders is on pages 34 to 37. The Board also relies on its subcommittees and senior management to develop relationships and to share the views of the relevant stakeholders. Board members meet with partners at large customer events like GammaVerse, as well as monitoring the relationship with key customers and suppliers via the Executive Directors and the Executive Committee.

The impact of the Company's operations on the community and the environment:

The Board recognises the importance of its decisions on the community and the environment. The Board adopted the UN Sustainable Development Goals in January 2020 and since then Gamma has assessed each goal in depth to understand how the business is best placed to make a meaningful contribution. Through the ESG Committee, the Board ensures that environmental policies and suitable governance structures are established to align with Gamma's committed environmental targets. Gamma has held "Certified Carbon Neutral Company" status (conferred by Climate Impact Partners) since 2006 and has committed to become a carbon net-zero business by 2042. Gamma published its first TCFD report in 2023 which can be found on page 44 onwards.

The desirability of the Company maintaining a reputation for high standards of business conduct:

The Board intends that Gamma be a positive contributor to society as a whole, to the UN Sustainable Development Goals, to its employees, customers, suppliers, shareholders and other stakeholders, and to the environment. To this end Gamma requires that all its employees and Directors: a) comply with the law in each jurisdiction where Gamma operates; b) where specified in a Company policy, meet a higher standard than basic "compliance with local law", and c) maintain high ethical standards whenever representing Gamma or its Group companies. This is set out in the Ethical Conduct policy which is publicly available on the Group's website. There is a whistleblowing facility across all Group companies, using external specialist suppliers, and reporting in the first instance to two Independent Non-Executive Directors, which enables employees to raise concerns if they wish.

The need to act fairly as between members of the Company:

The Board recognises that it has to balance competing interests in reaching its decisions. Where there are conflicting interests, the Board will act as equitably and fairly as it is able to take into account the implication for each stakeholder.

Decisions made during the year:
The principal decisions taken by the Board during the year, along with how the Directors considered stakeholder interests when taking into consideration their duties under section 172 of the Companies Act, are set out below.

Principal decision and stakeholders considered	Board's decision-making process	Long-term considerations
Dividend Shareholders, our people, customers and suppliers.	The Board considers its commitment to a progressive dividend policy which has seen the dividend increase by between 10-15% every year since IPO in 2014. It considers the financial resources required to execute our strategy, including organic investment needs and acquisition opportunities; maintaining a sufficient level of dividend cover and equitable treatment of our stakeholders.	The Board aims to ensure that dividends are consistent with the Company's financial performance without detriment to the strength of the balance sheet and future sustainability.
Acquisitions Shareholders, operating companies, suppliers, future employees and partners, and professional advisers.	The Executive Directors provide information to the Board on potential acquisitions. The Board considers this information taking the Group's strategy as well as the impact on different stakeholders into account. The acquisitions of Satisnet in August 2023, EnableX in December 2023 and Coolwave Communications in February 2024 went through this process.	The Board considers the long-term benefits of the investment versus the short-term impact on different stakeholders.
Capital allocation Shareholders, our people and customers.	The Group's budget, approved by the Board, sets the allocation of capital to deliver our growth strategy through investment in R&D, capital expenditure, talent and acquisitions. The weighting of each is determined by our strategic priorities over the short to medium term. The Board reviewed R&D investments, resulting in a change to the portfolio of development opportunities and an associated non-cash impairment. In March 2024 the Board approved a share buyback programme of up to £35m to return value to our shareholders.	Balancing investment for future growth through capital efficiency while supporting our people and customers in the short term as well as meeting shareholder expectations.
Board composition Shareholders and our people.	During the year Martin Hellawell was appointed as Chair and Independent Non-Executive Director following a thorough search process, the detail of which can be found on page 73. The Nomination Committee made recommendations on the composition of the Board's Committees resulting in changes to the Chairs of the Risk and ESG Committees.	The Board considered the different stakeholders when making the decision along with the Company's future strategic needs. There was also consideration of the skills and experiences of the existing Non-Executive Directors and their tenures with Gamma when considering new candidates and the roles each would assume.
Employees Our people, customers and shareholders	In Q4 2023, following a strategic change to our UCaaS offering, and the combination of the German and Dutch senior leadership teams, it was necessary to restructure parts of the business. This was the first time that Gamma had undertaken such a programme and careful consideration was given as we realigned our workforce to meet the Company's future strategic plans. Approximately 5% of our workforce were affected, with some employees offered the opportunity to redeploy into other, suitable roles.	The scope and timing of the restructuring was considered, to ensure the skills and experience of employees met with the Company's future strategic plans.

Building a high performing, supportive and inclusive workplace

Employee engagement

At Gamma, employee engagement is not only a significant aspect of the culture but is our foundation for retaining employees and attracting new talent to the business.

In 2023, Gamma redefined and launched a new set of values, which form the foundation for organisational success.

The Group wholeheartedly embraces these values, as evidenced by the quarterly Gamma Values Awards, where employees nominate their colleagues for displaying behaviours and actions that exemplify one of the four Values. Between March and December 2023 there were 580 nominations, with 13 employees recognised as Gamma Values Winners (four winners per quarter, with an additional winner in the last quarter of 2023).

In addition, questions about Gamma values have been incorporated into the biannual Gamma Employee Survey. By leveraging the Peakon Employee Voice tool, employees are engaged with a series of questions, allowing them to provide their personal ratings and comments. This feedback equips the business with clear and detailed insights, enabling swift analysis and prompt implementation of actions. In the most recent survey, conducted in October 2023, 1,803 individuals were invited to participate, with an 82% participation rate, generating 10,304 comments.

The findings from the survey are promptly shared with the CEO, the Executive Committee and the Gamma People Business Partners. They are also broadcast to all employees by email and shared on the subsequent quarterly webcast. In addition, these results are presented to the Board. After each survey, the leadership team examines the feedback and scores, and works in conjunction with their teams to initiate action. Managers put into action their own localised plans; an approach Gamma believes is enhancing levels of engagement.

During 2023, we saw overall employee attrition reduce by 10.9% pts from 26.4% to 15.5% at the end of 2022 which is pleasing. Our voluntary attrition also reduced by 8.4% pts in the same period and is comfortably below the UK private sector average. This reaffirms the "Loyalty" score observed in our most recent engagement survey which was above the technology industry benchmark.

Equality, diversity and inclusion ("EDI")

Gamma is committed to creating an inclusive and collaborative environment that focuses on belonging for all – enabling people to thrive and do their best work. In 2023, Gamma's equality, diversity and inclusion priorities remained to:

- build a diverse and inclusive workplace where everyone is valued;
- understand its current demographics and use this data to inform strategy;
- attract under-represented groups to Gamma so the workplace is reflective of the communities the Company operates in; and
- develop, engage, and provide opportunities for all employees to grow and deliver their best work.

Having defined the EDI priorities, in 2023 Gamma launched a Group-wide EDI programme called "You Belong". This focused on the development of four new employee community groups – Wellbeing, Women, Early Careers, and Multicultural. To date, over 450 employees have signed up to take part in activities organised by the You Belong communities. The aim in 2024 is to ensure greater representation from outside the UK in the employee communities.

Additionally, an annual campaign of awareness, centred around day/week/monthly celebrations has been established to better educate all employees about the diversity that exists within the Gamma workforce.

Gamma also improved its demographics data collection approach in 2023, to better understand its workforce and inform the EDI strategy. This will be enhanced by the implementation of a new Group-wide HR system in 2024.

For new entry talent, the Gamma recruitment team worked with hiring managers and external partners to focus on diverse shortlists for positions. To demonstrate progress, the team reported quarterly on recruitment data, including shortlists, and hiring across the Group. Gamma also developed materials for social media channels to start building brand awareness. In 2024, Gamma will continue to build these networks and attraction strategies to focus on diverse talent pools and work with internal communities to drive engagement with these sourcing strategies.

Sharing in the success of Gamma's business growth

Gamma is keen to make sure that all employees who would like to be shareholders can do so in a tax-efficient way. In the UK, Gamma operates an optional Save As You Earn ("SAYE") scheme, which allows eligible employees to acquire shares, and a Share Incentive Plan ("SIP") that allows employees to buy shares monthly. In 2023, 29% (2022: 29%, 2021: 34%) of eligible employees chose to participate in the SAYE scheme, with options being granted over 372,921 shares (2022: 257,201, 2021: 155,514).

In addition to the UK SIP and SAYE schemes, Gamma offers two discretionary executive share plans. Executive Directors and other members of the Executive Committee participate in a discretionary Long-Term Incentive Plan ("LTIP"). The plan entitles participants to an allocation of, or options over, free (or nominal value) shares subject to certain performance and service conditions being met.

During 2023, we introduced a Restricted Share Award scheme where employees in business-critical roles (outside of the Executive Committee) could be made an award, therefore further aligning the financial interests of our senior employees with those of our shareholders.

Health, safety and wellbeing

Gamma experiences few workplace injuries and during 2023 had no fatalities or major injuries related to work. All employees complete risk assessments for their working environment, including remote and hybrid patterns. The Company continues to work with third-party specialists to ensure its employees are supported and environments are safe.

In 2023, Gamma expanded its Wellbeing Team into mainland Europe and now has 22 Mental Health First Aiders across the UK, Netherlands, Spain, Morocco, Germany and Hungary. In July 2023, in support of the Samaritans' Talk to Us campaign, the Wellbeing Team delivered 30-minute "bitesize sessions" to employees which explored key aspects of self-care and how to support oneself during any decline in wellbeing.

Gamma had another successful Wellbeing Week in 2023, dedicated to raising awareness of the importance of wellness for its employees. Wellbeing Week focused on five key themes: Healthy Minds, Physical Health, Mental Health, Financial Wellbeing and Feeling Good. Activities included daily webinars, challenges and signposting to the support Gamma provides. Feedback was extremely positive, and employees scored the week as 8.9 out of 10 for raising important topics related to wellbeing.

Through the Wellbeing Community, several important topics have been raised by our employees on what they would like the Company to focus on in the future, such as health insurance, meditation sessions and menopause awareness.

Skills and talent

Gamma is focused on attracting, retaining and developing the critical skills required to win today and continue to transform the business for success tomorrow.

Gamma provides employees access to a blend of online and face-to-face development. This begins with onboarding/induction – a structured five-week digital programme for new UK joiners to equip them with a foundational understanding of Gamma, its solutions, markets and customers, as well as its way of working, culture and values. Alongside, starters are invited to attend more detailed product training, based on the needs of their role. In addition, Gamma runs Welcome Days (face-to-face and virtual) every six weeks on average, to ensure that new joiners onboard effectively and hear key messages directly from the Executive Committee and senior leaders. The aim in 2024 is to extend this programme across mainland Europe.

Personal and professional learning is further supported by the Gamma Academy and LinkedIn Learning, which provides employees with access to over 16,000 expert-led courses, enabling continuous growth and development.

In 2024 Gamma will focus on identifying strategic skills and capability needs for the business, understanding its top talent, and building focused development opportunities that ensure a strong succession pipeline for the future.

Apprentices and graduates

To support this critical talent pipeline, in 2023 Gamma appointed a dedicated Early Careers Manager. The initial focus was to expand Gamma's use of the England and Scotland levies, supporting employees while on their apprenticeships, and assessing our existing approach across all early careers activities to build a future Group-wide strategy.

The Gamma apprenticeship programme continued with 37 apprentices across various functions, business units and locations. The programme is a blend of new entrant apprentices and existing employees continuing their professional development through the apprenticeship model. This is an increase from the six recorded apprentices in 2022, as the data we track now includes the apprentices Gamma employs in Germany, as well as the additional investment made in the UK (England and Scotland).

In Germany, Gamma hired seven new apprentices in 2023, across Marketing, Software Development, System Administration and Commercial. There were five existing apprentices who graduated and successfully integrated into teams such as Presales, Marketing and Development Operations – they now continue to gain professional work experience and deeper knowledge.

Gamma's Technology graduate scheme is in its second year, with a further seven graduates joining in 2023. Gamma now has 14 graduates in the Technology function. The aim of the programme is to offer graduates experience of four different areas of technology across a two-year period. Gamma guarantees the graduate a permanent position at the end of successfully completing the programme.

As of December 2023, the gender split of employees either undertaking an apprenticeship or in a graduate position was 52% male to 48% female.

Gamma is also looking at additional future talent pipelines – leveraging best practice from its businesses in different countries. For example, in 2023 in Spain, Gamma collaborated with local technological schools to provide three-month internships in Customer Service. The Company also worked with Cerdanyola town council (where the Spanish headquarters are located) to help people with difficulties in finding work secure roles in the Company.

Gender pay gap

Ensuring that pay for all employees is fair and equitable, irrespective of who they are or what their background is, has been an ongoing priority for Gamma during 2023. We have introduced some new initiatives, such as job levels, diverse shortlists and employee communities, which have contributed to further positive movement in our gender pay analyses.

The gender pay gap report for the snapshot date of 5 April 2023 shows 1,208 employees within the Gamma Telecom Holdings Limited UK workforce (excluding Mission Labs) – 826 men and 382 women.

Gender	% of workforce 2023 vs (2022)
Male	68.4 (68.1)
Female	31.6 (31.9)

Below is the data from the UK Gender Pay Gap analysis.

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.

Pay and Bonus Gap

	Mean % 2023 vs (2022)	Median % 2023 vs (2022)
Pay Gap	15.0 (19.8)	25.2 (22.5)
Bonus Gap	58.8 (72.3)	19.0 (25.6)

Proportion of males and females receiving bonus

Gender	% receiving a bonus 2023 vs (2022)
Male	89.9 (87.9)
Female	91.9 (91.7)

Pay quartiles

Quartile	Male % 2023 vs (2022)	Female % 2023 vs (2022)
Upper	73.8 (76.0)	26.2 (24.0)
Upper middle	76.2 (73.7)	23.8 (26.3)
Lower middle	63.6 (61.5)	36.4 (38.5)
Lower	59.9 (61.3)	40.1 (38.7)

There continues to be a shortage of technically skilled females who choose to pursue a career in the technology and telecommunications sectors within which Gamma operates. Male employees continue to make up much of the workforce across the sector. We plan to implement initiatives to address this challenge; whether this be working more closely with our recruitment partners, improving our internal processes, or introducing talent programmes to support development and progression.

In 2024 Gamma will continue to assess its gender pay gap and look at ways to progressively close it, working to ensure that all employees are treated fairly.

During 2023, we also introduced job levels across Gamma, where roles are underpinned by a uniform framework and a consistent approach to salary ranges can be determined.

Further details regarding our 2023 gender pay gap can be found in our separate disclosure on our website.

Group employee numbers at 31 December 2023

	Male	Female	Total
Directors of Gamma Communications plc	5 (62%)	3 (38%)	8
Senior managers of the Company (including subsidiary directors)	48 (80%)	12 (20%)	60
Employees*	1,283 (68%)	612 (32%)	1,895

Group employee numbers at 31 December 2022

	Male	Female	Total
Directors of Gamma Communications plc	6 (67%)	3 (33%)	9
Senior managers of the Company (including subsidiary directors)	56 (79%)	15 (21%)	71
Employees	1,147 (68%)	533 (32%)	1,680

Senior managers are as defined in the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013. Gamma reassessed the categorisations for 2023.

During 2023 we focused efforts on working with hiring managers and third party recruitment partners to develop effective, diverse shortlists and talent pools across all levels of role. This is a long-term plan to create a more diverse pipeline of talent that has the potential to reach senior management in time.

* Total employees, including Directors and senior managers

Number of students reached through 7 STEM workshops

255

Total amount raised for Gamma's long-standing charity partners through The Gamma Ball Rally

£85k

Total amount raised over the ten-year partnership for long-standing charity partners

£750k

Whistleblowing

Gamma has a Whistleblowing Policy and independent reporting system available to all employees, workers and other relevant third parties. The system is available 24/7 either online or via the telephone with multi-language functionality.

Wrongdoing reports are sent directly from the third-party provider to Gamma's Whistleblowing Officers who are Independent Non-Executives on the Board. They either delegate follow-up to a panel made up of representatives of Gamma's Executive Committee or they may choose to deal with it independently, including obtaining external advice. Gamma has trained appropriate employees to manage the investigation process, and whistleblowing incidents are regularly reported to the Board.

Gamma's onboarding programme explains the whistleblowing approach to all new starters, and Gamma remains committed to providing awareness and training to existing staff.

Giving Back

Gamma's 2023 social value commitment focused on supporting the communities in which it is based, alongside its Charity Forum which has coordinated the raising of over £133k during the year.

Gamma once again partnered with Speakers for Schools during 2023, developing a programme to equip young people with a greater understanding of the technology industry, raising their confidence, and delivering a message that technology and telecommunications is for everyone. Seven workshops were held across five schools in the UK, reaching 255 students, ranging in age from 11-16 years old. The workshops focused on breaking the stigma that STEM careers are more suited to a particular gender or "technical" person. Students met employees from a range of departments, including members of the Executive Committee, to gain an insight into which transferrable skills were needed to fulfil a technical versus non-technical role. Gamma has a broad range of colleagues that volunteer to support these events to help inspire students and provide them with a wider perspective on what their options are for their future careers and opportunities.

Gamma has always encouraged charitable initiatives, and often a worthy cause will find people's time just as valuable as any financial donation. Employees can contribute one day a year to help support their chosen charity or community support project. Gamma has continued to provide matched funding across a range of charitable events that its staff has completed during 2023. The Charity Forum has helped to boost these efforts by organising events, such as UK Tough Mudder participation, competing in the Great North Run, and individual office events throughout the year. The total raised during 2023 was over £133k.

The Gamma Ball Rally, involving Channel Partners and the Gamma Channel Sales team, is now in its tenth year, and raised over £85k for Gamma's long-standing charity partners, Action Through Enterprise and Special Effect. Over the ten-year partnership, Gamma and its Channel Partners have raised over £800k for the charities, supporting children into education in Ghana, and improving the lives of people with physical disabilities in the UK by adapting technology and enabling better communication.

Giving something back is important to Gamma and its employees and, driven by the Gamma Charity Forum, the Company will continue to build on its community and charity plan in 2023 to help make a difference to good causes and local communities.

People plans for 2024

In 2024, the key strategic focus for Gamma will be to:

- Invest in leadership and management development to ensure we can deliver on our strategy and support our people to have meaningful and fulfilling careers.
- Increase our focus on employee wellbeing and introduce new benefits to support physical, emotional and financial wellness.
- Identify and develop key talent and successors for critical roles across Gamma.
- Implement programmes to develop under-represented talent, with a particular focus in 2024 on female employees.
- Implement a new Group-wide people system to improve both the employee experience and the quality of our people data and analytics.
- Support the ongoing integration of newly acquired businesses to Gamma.
- Enhance our early careers approach by increasing the number of apprenticeships.
- Consolidate and improve access to personal development and learning.

Restructuring

In Q4 2023, following a strategic change to our UCaaS offering, and the combination of the German and Dutch senior leadership teams, it was necessary to restructure parts of the business. This was the first time that Gamma had undertaken such a programme and careful consideration was given as we realigned our workforce to meet the Company's future strategic plans. Approximately 5% of our workforce were affected with employees offered the opportunity to redeploy into other, suitable roles.

Gamma's commitment to the environment

Gamma is deeply committed to its environmental responsibilities and takes proactive measures to assess and mitigate its environmental impact. Since 2006, the Company has recognised the significance of evaluating its environmental footprint and tracking its carbon emissions.

In 2021, Gamma reaffirmed its commitment to align with global climate goals. The Company pledged to transition from a CarbonNeutral® business to a carbon net-zero enterprise by 2042. This commitment aligns with the objectives outlined in the Paris Agreement, aimed at curbing global temperature increases to within 1.5°C, as well as the UN Sustainable Development Goal 13, which emphasises climate action.

CERTIFIED CARBON NEUTRAL® company

CarbonNeutral.com

Gamma's CarbonNeutral® status has been certified via conformity to the Carbon Neutral Protocol, assessed by Nature Positive and Climate Impact Partners. The consolidation approach for this assessment is stated as operational control and, as of 2022, required Gamma to calculate and offset its Scope 1 and Scope 2 emissions, as well as selected Scope 3 emissions sources.

SCIENCE BASED TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

The Science Based Targets initiative ("SBTi") has approved Gamma's near-term science-based emissions reduction targets. Gamma has also committed to set long-term emissions reduction targets with the SBTi in line with reaching net-zero by 2042.

Gamma places a strong emphasis on continually enhancing its understanding of its environmental impact. Notably, the Company has made substantial investments in internal improvements related to its network and energy consumption patterns. For instance, Gamma has proactively transitioned to sourcing 100% renewable energy for its electricity consumption in the UK, and is actively progressing towards achieving the same milestone in its European businesses.

In 2021, Gamma conducted a comprehensive materiality assessment, which highlighted climate change as one of the primary concerns for both internal and external stakeholders. Various stakeholders, including investors, suppliers and customers, have expressed a keen interest in Gamma's environmental approach and seek detailed information regarding the Company's ongoing efforts to address environmental challenges.

The Company is aware that further European regulation, such as the Corporate Sustainability Reporting Directive ("CSRD"), is likely to apply before the end of this decade and it is taking steps to review the requirements as a non-EU parent company.

CDP DISCLOSER 2023

Additionally, the ISSB new global baseline of sustainability disclosure is likely to impact the Company's reporting in future.

Gamma remains committed to providing transparency and actively engaging with its stakeholders to ensure alignment with its environmental objectives.

Task Force on Climate-related Financial Disclosures

In June 2017, the Task Force on Climate-related Financial Disclosures ("TCFD") presented a set of recommendations aimed at helping businesses to disclose climate-related financial information in a clear, comparable and consistent way.

The TCFD structure consists of a set of core recommendations, based on the themes of governance, strategy, risk management, and metrics and targets. Supporting each of the core recommendations are a total of 11 recommended disclosures and these are further underpinned by seven fundamental principles for effective disclosure.

This report shares Gamma's current response to climate change and details the considerations that have been made in the past year in assessing the potential impact to its business.

The report outlines its approach to assessing both the transitional and physical risks that climate change may pose to Gamma's business, along with consideration of the opportunities it will bring.

Companies Act Climate-related Financial Disclosure and TCFD Compliance

The climate-related financial disclosures that follow are compliant with Companies Act Climate-related Financial Disclosure rules (Sections 414CA and 414CB of the Companies Act 2006).

Gamma complies with 10 out of 11 requirements of HM Treasury's TCFD-aligned disclosure application guidance Listing Rule 9.8.6(8). The exception is summarised in the table below ("TCFD Compliance"). Gamma is not required to complete TCFD but has voluntarily chosen to disclose.

Table 1 – TCFD Compliance

TCFD recommendation	Compliance status	Alignment (statement confirming alignment/partial compliance)
Governance		
a. Describe the board's oversight of climate-related risks and opportunities	Compliant	The ESG Committee is the Board-level delegation for reviewing and monitoring climate-related risks. The Risk Committee is the Board-level delegation for all risks and will review climate-related risks if deemed to be material to the business.
b. Describe management's role in assessing and managing climate-related risks and opportunities	Compliant	Gamma's Chief Executive is the executive lead for climate-related matters, supported by the ESG Steering Group comprising Executive Committee members, the Chief Operating Officer and the Group Sustainability Director.
Strategy		
a. Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	Compliant	A description of climate scenarios is provided which was used to inform the identification of risks. A list of the material risks and opportunities is included, describing the relevant timeframe (short, medium and long term) and the mitigating actions being taken.
b. Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	Explain	The identified impacts of climate-related risks on Gamma's operations, strategy and financial planning are included. The element that has not yet been disclosed against is the financial impact of opportunities identified to date which will form part of the full transition planning during 2024. Analysis is ongoing and the Company intends to disclose in full in the 2024 Annual Report.
c. Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	Compliant	A description of the climate scenarios is provided, along with a description of Gamma's resilience to both physical and transition climate scenarios.
Risk Management		
a. Describe the organisation's processes for identifying and assessing climate-related risks.	Compliant	A description of how Gamma completed a full review of climate-related risks in 2023, aligned to the organisation's risk management process.
b. Describe the organisation's processes for managing climate-related risks.	Compliant	A description of how climate-related risks are managed via the overall risk management process, which impact categories are considered and how financial risk is evaluated.
c. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management	Compliant	The identification, assessment and management of climate-related risks are integrated into Gamma's overall risk management framework and process.
Metrics and Targets		
a. Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	Compliant	Cross-industry metrics disclosed, as well as additional information on water, waste, and Key Biodiversity Areas ("KBAs").
b. Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	Compliant	Greenhouse gas emissions information and intensity ratios aligned to the Streamlined Energy and Carbon Reporting ("SECR") requirements are included, as well as risks that have emerged in relation to Gamma's aim to achieve net-zero.
c. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	Compliant	Gamma describes its science-based net-zero emissions targets including a near-term and long-term target. Gamma's CarbonNeutral® status and its approach to Beyond Value Chain Mitigation ("BVCM") is also included, referring to how the Company will go above and beyond achieving a net-zero carbon footprint.

Governance: a. Board oversight of climate-related risks & opportunities

The Gamma Board has a coherent corporate governance framework, 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.

ESG Committee

In 2020, the Gamma Board established an ESG Committee as a Committee of the Board. The ESG Committee is responsible for, on behalf of the Board, setting Gamma's sustainable business strategy, including climate-related targets, monitoring management's performance against these, and reviewing climate-related risks and opportunities.

The ESG Committee is chaired by Non-Executive Director Shaun Gregory and comprises one other Non-Executive Director and the CEO.

The Board Chair, Chief Financial Officer, Chief People Officer, Chief Operating Officer and the Group Sustainability Director all normally attend the ESG Committee. The Company Secretary is secretary to the Committee and attends all meetings.

The ESG Committee meets not less than twice a year, guided by an annual agenda. Monitoring the effectiveness of management's processes for identifying, assessing and responding to climate-related risks and opportunities has been delegated to the ESG Committee. None of the risks identified to date are considered materially significant to Gamma's current strategy and have therefore not been presented to the Board.

The present minimal risk exposure of Gamma to climate change has led the Board to deprioritise climate considerations as a material factor in decisions related to budgeting, business plans, major projects, expenditures, as well as acquisitions and divestments.

The Board approves an ESG budget annually, a subset of which is dedicated to positively addressing the impact of climate change.

The ESG Committee ensures that environmental policies and suitable governance structures are established to align with Gamma's committed environmental targets. The ESG Committee reviews progress towards climate-related targets as and when metrics are updated.

ESG and the Risk Committee

Gamma's process for assessing the materiality of climate-related risks is consistent with the overarching Gamma risk management framework. Any material risks that are identified are presented to and reviewed by the ESG Committee and the Risk Committee.

Gamma Board
Overall strategic direction

ESG Committee
- Board-delegated responsibility for setting Gamma's sustainability strategy, including climate-related targets and monitoring progress.
- Board-delegated responsibility for monitoring climate-related risks and opportunities.
- Monitors compliance to climate-related disclosures.
- Approves and reviews controls of environmental management policy.

Risk Committee
- Board-delegated responsibility for risk management oversight and review of all material risks including any relating to climate change.

Remuneration Committee
- Establishes and reviews the remuneration metrics for Executive Directors which includes a percentage of annual bonus based on the achievement of non-financial environmental objectives.

Executive Committee
- Leadership team which supports the Board and is responsible for the day-to-day operations of the business.
- Management roles on the Executive Committee sit on the ESG Steering Group and attend the ESG Committee and Risk Committee.
- Informed on climate-related progress, risks and opportunities.

ESG Steering Group
- Comprises management roles, chaired by the Chief Operating Officer.
- Responsible for implementing the ESG strategy and related policies, including climate change.
- Assesses and monitors climate-related risks and opportunities and agrees associated planning, ahead of presentation to the ESG Committee.

Sustainability Team
- Comprised of the Group Sustainability Director and the Environmental Data Manager.
- Collaborates with subject matter experts across the business to identify and assess climate-related risks and opportunities, against short, medium and long term time horizons and climate scenarios.
- Monitors for changes in regulation and required disclosures with respect to climate change.
- Responsible for monitoring progress against key environmental targets, continual improvement of data and ongoing stakeholder engagement.

The Risk Committee is responsible for risk management oversight and reviews all material risks. Where deemed significant enough, this would include climate-related risks, both transitional and physical. Given the current approach in managing and mitigating climate-related risks, none have been considered material in impacting Gamma's overall strategy and have therefore not been raised with the Board.

More detail on the Gamma risk management process can be found 27.

Governance: b. Management Role in assessing & managing climate-related risks & opportunities

Management roles

Gamma operates a tiered governance approach to climate change, ensuring that there is appropriate focus on identifying and managing climate-related risks and opportunities, and for driving progress to reduce carbon emissions, a key contributor to climate change.

The Chief Executive is responsible for Gamma's environmental policy, climate-related issues and performance against targets. In 2021, the CEO recommended Gamma's ambition to become a net-zero business across all three greenhouse gas ("GHG") emissions scopes by the end of 2042, which was subsequently approved by the ESG Committee.

The Chief Operating Officer has executive-level oversight for climate change impacts across the Gamma Group in the UK and Europe. This is particularly relevant when assessing the robustness of office and data centre facilities with regards temperature increases, flood and wildfire risk. The COO reports progress on climate-related targets and plans to the Executive Committee, which is the day-to-day leadership team.

Gamma does not currently assess climate impact as part of its decision-making process when considering large capital expenditure. It is anticipated that during 2024 a new business planning process under the COO will be introduced, incorporating consideration of climate impact.

The COO is supported by the Group Sustainability Director, who works in collaboration with other teams in the identification and assessment of climate-related risks and opportunities, against short-, medium-, and long-term time horizons. This is supported by the Risk Team, ensuring that the process for assessing materiality is consistent with other corporate risks and reporting thereof.

Other activities undertaken by the Group Sustainability Director include monitoring for changes in regulation and required disclosures in respect of climate change, and working with key stakeholders, particularly Gamma's supply chain, to monitor their impact on the Company and to explore wider collaboration opportunities.

Relevant information on climate impact and climate-related risks and opportunities is presented by the COO and the Group Sustainability Director to the ESG Steering Group and the ESG Committee.

ESG Steering Group
Sitting below the ESG Committee is the ESG Steering Group comprising management roles that are responsible for implementing the ESG strategy and related policies, including climate change.

The Group is chaired by the Chief Operating Officer and meets every four months. Attendees include the Chief Executive Officer, Chief Product Officer, Chief People Officer, Company Secretary, and the Group Sustainability Director. The ESG Steering Group assesses and monitors climate-related risks and opportunities and agrees associated planning, ahead of presentation to the ESG Committee.

Opportunities management is not included as part of a wider Gamma framework and therefore climate-related opportunities are identified, collated, and logged under the ESG Steering Group via the climate-related risks and opportunities workshop.

Remuneration and climate-related objectives
For the past two years, Gamma has linked a percentage of the annual bonus available to eligible senior managers, particularly those working directly in Sustainability, to its environmental targets and emissions reduction activities.

Executive remuneration is also linked to climate-related objectives, specifically asking all Executive Committee members to demonstrate how they have factored environmental considerations into decision-making, and progress being made to proactively reduce emissions, for example through choosing greener business travel alternatives or choosing lower emissions suppliers/products.

These are incorporated into specific ESG objectives for each Executive Committee member, against which 5% of their annual bonus is measured. Progress against Executive Committee members' objectives is overseen by the Remuneration Committee (see page 98).

Environmental Management training
All UK employees are required to undertake Environmental Management training every two years and it is expected that this will be rolled out to all European subsidiaries in due course. Completion of this training across Gamma's UK businesses is currently at 67%.

Strategy: a. The climate-related risks and opportunities that Gamma has identified over the short, medium, and long term

2023 risk and opportunities workshop – Gamma's approach
The output of the 2021 materiality exercise identified which ESG matters were most important to a wide range of stakeholders, including Gamma's employees, investors, shareholders, and customers.

Climate change was identified as highly important across all stakeholders and Gamma has worked to further refine its climate-related risks and opportunities during 2023; in particular, understanding the potential impacts of physical climate change on its business locations and operations.

In 2023, Gamma completed a full review of its climate-related risks and opportunities using subject-matter experts from across the organisation including procurement, facilities, network management, finance, products, and business continuity. The sessions were led by the Gamma Risk Team and the Group Sustainability Director and attendees reviewed a series of "what if" scenarios.

The workshop team examined climate scenarios across the Gamma Group estate, using a range of data provided by an external consultant. This data used different assumptions on global climate change trajectories in order to create a range of potential changes and for different time horizons for the following indicators: river discharge, wind speed, and air temperature.

The time horizons considered were short term (up to 2026), medium term (up to 2030), and long term (up to 2050).

Across the UK and Europe there have been unpredictable climatic events such as flooding and excessive temperatures over the past two years. Events such as these were considered when assessing Gamma's short-term risk exposure and business continuity plans were included as part of that assessment.

The short-term horizon differs slightly from the Gamma risk management framework which has a five-year outlook. The climate-related time horizon was set at three years because 2026 is the first milestone in the Gamma net-zero trajectory and informs the potential actions that might need to be taken in the lead up to 2030, when Gamma has defined significant emissions reduction targets for Scope 1 and Scope 2 GHG emissions.

Aligned to the UK Government's Nationally Determined Contribution ("NDC") committing the UK to reducing economy-wide GHG emissions by at least 68% by 2030 compared to 1990 levels, the medium-term horizon up to 2030 is also aligned to Gamma's emissions reduction targets for both Scope 1 and Scope 2 GHG emissions.

The final long-term target of 2050 is important when considering the transitional implications of climate change, as well as the longer-term planning around network investment decisions for the Company. Gamma's net-zero target date of 2042 is covered by the long-term time horizon.

Climate scenario analysis methodology
Climate scenario analysis provides useful insights about potential future outcomes and is based on the Representative Concentration Pathways ("RCPs"). Gamma chose to use information from future climate scenarios as part of its risk identification workshop, to inform the attendees of possible future climate evolution in each of the Gamma operational locations in the UK and Europe.

An RCP is a GHG emissions concentration trajectory, developed by the Intergovernmental Panel for Climate Change ("IPCC") in 2014 and describes diverse futures based on a range of GHG concentration levels in the atmosphere, driven by economic activity, energy sources, population growth and other socio-economic factors. The pathways describe different climate futures, all of which are considered possible depending on the volume of GHGs emitted in the years to come.

RCPs can be represented by the levels of temperature change that result from each scenario and Gamma considered three RCP scenarios which outline a possible future.

RCP	Change in temperature by 2081-2100 (compared to pre-industrial period (average between 1850-1900)
RCP2.6	0.9-2.3°C
RCP4.5	1.7-3.2°C
RCP6.0	2.0- 3.7°C

The RCPs concentrate on temperature increases, and data provided included information on likely physical risks such as precipitation, river discharge, and wind. The three RCPs selected were useful when considering the potential scope and impact of an acute and/or chronic climatic event on Gamma's offices, technology, and network.

The Company chose not to include the RCP8.5 scenario in this initial analysis which is future warming of between 3.2-5.4°C and is currently considered a doomsday scenario.

To better understand the likely impact of transition risks on the business and its strategy, Gamma also considered the Network for Greening the Financial System scenarios of which there are three categories:

1. Orderly – Net Zero 2050 which is 1.6°C with smooth and immediate policy reaction
2. Disorderly – Delayed Transition which is 1.6°C with a delayed policy reaction
3. Hot house world – Current Policies which is 3°C+ with no additional policy reaction.

The benefit of these is that they reflect the new country-level commitments to reach net-zero emissions made at COP26 in November 2021, reflecting the transition pathways and policies set out by countries and sectors.

Net Zero 2050 is widely considered to be an ambitious scenario that limits global warming to 1.5°C through stringent and immediate governmental climate policies. The EU and UK, in which Gamma currently operates, has signed up to Net Zero 2050. This will keep the physical risks relatively low, but the transition risks could be higher.

These climate scenarios were reviewed to understand how climate change and transition to a lower-carbon world might affect key parts of the Gamma business, its network, and its performance. Drivers of transition risks such as policy and legal (regulatory compliance and carbon emissions pricing), market (including government sector framework requirements), and economic variables were also discussed in order to assess impact on the Company's reputation, revenue, costs, and profitability. Given that Gamma is a relatively low-impact and low-emissions company, only one of these transition risks was considered material to Gamma, which is the reputational risk described below.

Risks

As per the Gamma risk management framework, risks are assessed by a combination of business impact, financial impact, and likelihood. The climate-related risks listed below are deemed to potentially have a material impact to the Gamma business.

Likelihood (exposure post-mitigation)

Likelihood	Definition
D	Very likely (over 80%) to happen
C	Likely (between 50% and 80%) it will happen
B	Possible (10%-50%) it will happen
A	Unlikely (<10%) to happen

Financial impact (exposure post-mitigation)

Financial impact	Definition
Severe	>£10m
Significant	£4m-£10m
Moderate	£1m-£4m
Minor	£0k-£1m

Opportunities

As part of the 2042 carbon net-zero planning, Gamma has identified a number of opportunities which are summarised below.

The Company has not yet assessed the potential costs of exploiting these opportunities, but where possible, progress has been completed as part of the business-as-usual investment. For example, conversion of the fleet from fossil fuel to hybrid is being completed as part of the regular lease renewal programme, as has the switch over to renewable energy tariffs.

Gamma will complete full impact analysis of these opportunities over the next 12 months as part of the transition plan definition.

TCFD risk category	Time horizon	Financial impact	Likelihood	Link to principal risk
Increased stakeholder concern or negative stakeholder feedback				
Reputation	Short (< 3 yrs) Medium (2030) Long-term (2050)	Minor Minor Moderate	A A B	Legal and regulatory non-compliance

Potential identified impacts

- Legislative non-compliance is likely to lead to negative stakeholder sentiment around the Company's environmental programme and commitments. Gamma believes this risk is heightened in the short to medium term where additional disclosure requirements across the UK and Europe are being announced. In the longer term the Company expects disclosures to become more stable and known across the UK and Europe, thus reducing the risk impact.
- Failure to achieve climate-related targets (including Scope 3) may lead to negative investor and/or customer sentiment. Gamma believes that this risk is likely to heighten in the long term as the Company nears its near-term (2030) and long-term (2042) emissions reduction targets.
- Scope 3 emissions reduction could be impacted by the failure of suppliers to reduce their own environmental impact and/or disclose their environmental management progress.
- Reduced investment in the Company from the investor community because of legislative non-compliance and/or a failure to achieve climate-related targets.
- Reduced revenue from existing customers who may turn to more environmentally aware organisations to provide ICT services.
- Heavier weighting on social value when bidding for public sector contracts: Gamma is at risk of failing to win contracts, losing existing contracts, or being removed from procurement frameworks should the environmental programme not keep pace with the rest of the market. This could significantly impact Gamma Enterprise.

Mitigation

- Gamma has announced its intention to embark on a carbon emissions reduction programme, with the ambition of being a carbon net-zero company by 2042.
- Gamma uses annual GHG data across all three emissions scopes to track progress towards its net-zero emissions targets.
- Gamma has approved near and long-term science-based emissions reduction targets with the SBTi.
- Gamma discloses all environmental performance data, governance structures, and climate-related risks and opportunities to the Carbon Disclosure Project ("CDP") each year.
- Recognising the impact that procured goods and services have on Scope 3 emissions, Gamma monitors 87% of its supplier base by spend to track environmental commitments and performance against emissions reduction targets, and ensures that all suppliers undergo thorough onboarding screening for environmental management.
- A Carbon Reduction Plan has been in place since 2022, with frequent reviews and updates in line with the net-zero trajectory. Crown Commercial Services is updated when a new version is released, aligned with PPN06/21.
- Resources are in place to ensure that the environmental management programme is monitored and driven forward.
- Gamma will develop a transition plan to support its carbon net-zero commitment in line with the Transition Plan Taskforce recommendations.

TCFD risk category	Time horizon	Financial impact	Likelihood	Link to principal risk
Increased severity of extreme weather events such as heatwaves and flooding				
Acute	Short (< 3 yrs) Medium (2030) Long-term (2050)	Moderate Moderate Moderate	A A B	Unplanned service disruption

Potential identified impacts

- Service disruption to Gamma's operations and network services which would include the primary data centre in Manchester, UK. Gamma estimates that in the event of an acute weather event, where failover could not be deployed, approximately 20-25% of a subset of Gamma services (connectivity and voice services anchored to that data centre) would be lost for a number of days until business continuity measures were implemented.
- Extreme and prolonged heatwaves can impact the air conditioning and increase power requirements for cooling network equipment.
- In case of failover to an alternative diesel generated power source, greenhouse gas emissions would increase for the failover period, as would the cost of running HVAC services for that time period.
- Increased energy consumption costs for HVAC in data centres.
- Increased costs to insure, maintain, and repair data centres and offices in the event of extreme weather events.
- Office-based employees could be displaced and need to work from home in the event of extreme weather events such as flooding.

Mitigation

- Gamma holds ISO 22301 for Business Continuity Management of relevant processes, business systems, customer data, critical information and applications relating to Unified Communications, Mobile Products, Connectivity, SIP trunking and Call management and the Core Network Infrastructure.
- Gamma's primary data centre in Manchester, UK, is equipped with redundant systems and backup protocols to minimise the impact of service disruptions. Gamma has implemented comprehensive disaster recovery and business continuity plans to swiftly address and recover from any unforeseen incidents. Regular testing and maintenance of these systems are conducted to ensure their effectiveness.
- HVAC monitoring is in place and is adjusted to accommodate increases in temperature. Gamma's data centre operates with a failover mechanism in case of power outages or overheating.
- Gamma has comprehensive insurance coverage for its data centres and offices. Additionally, the Company conducts regular maintenance and assessments to identify potential vulnerabilities and implement preventive measures, reducing the risk of damage and subsequent repair costs.
- Gamma employees are equipped with the necessary tools and technology to seamlessly transition to work remotely, ensuring business continuity and employee safety.

TCFD risk category	Time horizon	Financial impact	Likelihood	Link to principal risk
Long-term increases in temperature across the UK and Europe				
Chronic	Short (< 3 yrs) Medium (2030)Long-term (2050)	Minor Minor Minor	A A B	Unplanned service disruption

Potential identified impacts

- Service disruption to Gamma's operations and network services which would include the primary data centre in Manchester, UK.
- Should network equipment fail during a prolonged heatwave, and in a situation where failover could not be deployed, approximately 20-25% of a subset of Gamma services (connectivity and voice services anchored to that data centre) would be lost for a number of days until business continuity measures were implemented.
- Gamma considers it more likely that extreme and prolonged heatwaves might impact the air conditioning and increase power requirements for cooling network equipment, resulting in additional energy use/costs as well as an increase in GHG emissions.
- Should failover onto alternative diesel generated power source occur, GHG emissions would increase for the failover period, as would the cost of running HVAC services for that time period.
- Increased costs to insure, maintain, and repair data centres and offices in the event of extreme weather events.

Mitigation

- Gamma's primary data centre in Manchester, UK, is equipped with redundant systems and backup protocols to minimise the impact of service disruptions. Gamma has implemented comprehensive disaster recovery and business continuity plans to swiftly address and recover from any unforeseen incidents. Regular testing and maintenance of these systems are conducted to ensure their effectiveness.
- Gamma's ongoing transition to cloud technology will remove the need for physical hardware in data centres, thus reducing the impact further.
- Gamma's data centre facilities are designed with robust cooling systems, and environmental conditions are proactively monitored to manage temperature fluctuations. It is expected that longer-term increases in temperature can be better anticipated through climate scenario analysis and managed.
- In the event of extreme heatwaves, Gamma has alternative power sources, such as diesel generators, to ensure continuous operations. The Company is committed to environmental responsibility and is exploring sustainable options to mitigate greenhouse gas emissions during failover periods.
- Gamma has comprehensive insurance coverage for its data centres and offices. Additionally, the Company conducts regular maintenance and assessments to identify potential vulnerabilities and implement preventive measures, reducing the risk of damage and subsequent repair costs.
- Data centre strategy includes assessment of future hardware requirements, e.g. a transition to cloud-based technology, monitoring of kit for energy efficiency.
- Gamma leases offices, offering the Company an opportunity to seek out more climate-resilient office locations in the future.
- Remote and hybrid working is available, providing greater flexibility to employees.

Resource efficiency

Opportunity: Use of more efficient modes of transport and production and distribution processes

Potential opportunities and impacts

- Investment in energy efficient and sustainable technology will impact both Gamma's day-to-day operations, as well as its network, with office consolidation providing additional operating cost savings and reduced energy consumption.
- Consideration of cloud technology in solutions will provide the Company with an opportunity to remove network hardware and use more sustainable and resilient options. This is particularly critical to Gamma's ability to achieve its near-term and long-term targets.
- A full continued transition to renewable energy tariffs.
- The removal of gas boilers from offices to stop use of natural gas for heating.
- Cleaner energy sources will reduce energy, fuel and refrigerant gas costs as well as reducing future offset investments required to maintain carbon neutrality.
- Conversion of Company cars to an all-electric fleet will reduce fuel costs and reduce Gamma's Scope 1 carbon emissions

Products and services

Opportunity: Development of new products or services through R&D and innovation

Potential opportunities and impacts

- Define and communicate the extent to which Gamma's products and services contribute to a lower-carbon economy.
- As technologies evolve, Gamma expects that both demand for and availability of sustainable services and products will increase. This represents an opportunity for Gamma to provide support to its extensive network of Channel Partners and suppliers to promote Gamma's current environmental credentials and how its products impact carbon emissions and the environment.
- Gamma works closely with data centre and network infrastructure suppliers to understand latest advancements in monitoring technology. An opportunity exists for monitoring kit to be installed in order to identify energy inefficient components within the network and either remove or replace with more sustainable options.

Strategy: b. Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning

Gamma's strategy is to be the leading provider of UCaaS services to SMEs in Western Europe and to be a trusted communications partner to large Enterprises. The Company's exposure to climate-related risks and opportunities is centred around Gamma's ability to develop software and communications solutions to support the strategy, through the procurement of related goods and services from suppliers, and from the ability of its employees to service those solutions and customers.

Activity undertaken by Gamma to assess and mitigate the impacts of climate-related risks and opportunities is described below.

Reputation – Increased stakeholder concern or negative stakeholder feedback

To mitigate the potential reputational risk associated with achieving its net-zero targets and responding to stakeholder concerns around the impact of climate change, Gamma has invested in resources aligned to climate-related work, including the appointment of a Group Sustainability Director and an Environmental Data Manager. Both roles are dedicated to defining and leading a programme of carbon reduction activities, assessing climate-change related risks, and seeking out opportunities across the business to influence positive change.

The ESG Committee reviews transitional risks relating to policy or regulation. Gamma assesses government regulation and reporting obligations to ensure that it will not suffer any risks to the Company's reputation through non-compliance. Gamma seeks regular assistance from third-party specialists where required.

Gamma has a Carbon Reduction Plan which describes its plans for transitioning to a low-carbon economy, outlining emissions reduction targets across the business, and a summary of both historical and planned activities that will reduce its GHG emissions.

Historical action over the past three years has concentrated on improving the Company's understanding of its environmental impact and managing that through emissions reduction initiatives and the strengthening of policies. Wherever possible, Gamma has incorporated the cost of financing these initiatives as part of business-as-usual budgets and planning.

Key commitments in place include a long-term net-zero target date of 2042, and a commitment to reduce Scope 1 and Scope 2 emissions by 90% by 2030. Gamma continues to transparently disclose via CDP each year.

Future initiatives which could provide a significant contribution to Gamma's targets:

- Scope 1 – Removal of gas boilers across the Group.
- Scope 1 – Transition to an all-electric fleet by 2030.
- Scope 2 – 100% supply of renewable supply through network at group level.
- Scope 2 – Improve energy efficiency through energy audits to identify future opportunities, particularly in its network and data centres.
- Scope 3 emissions account for 90%+ of Gamma's carbon footprint, with emissions from the purchased goods and services category being the single biggest source (over ten times Gamma's Scope 1 & 2 output alone). A key initiative is to continue to engage with suppliers, monitor adherence to Gamma's Ethical Procurement Policy, and track supplier progress on environmental targets through disclosures.

Gamma does not yet have a fully costed climate transition plan, aligned to the requirements of the Transition Plan Taskforce ("TPT"). The Company considers this to be the next step in its climate journey; explaining how it intends to deliver on climate commitments and prepare for net-zero along with the cost of doing so, building on its efforts over the past two years to improve environmental data and understanding of impact. It is anticipated that work on the climate transition plan will start in 2024 and will be overseen by the ESG Committee.

Acute and chronic climate change

Gamma's facilities, particularly its data centres supporting the network, face both acute and chronic climate change risks. Gamma leases all but one of its offices and data centre spaces and works closely with landlords to ensure proactive environmental management of the facilities.

The Company has well-established business continuity plans for network infrastructure, with various engineering teams overseeing activities from asset acquisition to reuse/replacement and damage response.

Environmental considerations are integral to Gamma's facilities planning, evaluating new offices against a standard checklist covering energy sources, building classification rating, and proactively negotiating environmental terms in landlord contracts, such as renewable energy use and the removal of gas boilers. Gamma sees office and data centre consolidation as an opportunity to cut costs, emissions, and mitigate climate change impacts on its operations.

Detailed risk assessments of acute weather events and chronic weather pattern changes have been conducted for existing Gamma locations. This information informs business continuity planning, ensuring the network's future resilience.

The shift to renewable energy in Gamma's operations is an ongoing process, with 95% of electricity in offices and data centres being sourced from renewable energy. Collaborating closely with its energy broker, Gamma seizes opportune pricing moments to negotiate contract terms in advance when possible.

Strategy: c. The resilience of Gamma's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario

Scope

UK and European portfolio of offices and data centres.

The recent acquisition of Satisnet will be unaccounted for until 2024. The recent acquisition of EnableX and Coolwave will be accounted for from 2025 onwards.

The Gamma network Points of Presence ("PoPs") are not in scope given that they are operated and managed by third parties. Gamma works with its suppliers to ensure the resilience of its network and that a satisfactory environmental management programme is in place to address climate-related risks.

Gamma has not evaluated any of its key suppliers for climate-related risks.

Indicators

Climate scenario analysis was completed using the RCPs described in section Strategy: a. Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term (page 47). Data used for all locations in scope:

Climate	• Change in precipitation in % • Change in wind speed in %
Mean air temperature	• Change in daily maximum air temperature in °C • Change in daily minimum air temperature in °C
Freshwater	• Change in maximum of daily river discharge in %

Time horizons considered

- Short term – 2026
- Medium term – 2030
- Long term – 2050

Physical
Based on the locations of Gamma facilities in each country, several factors were assessed using verified datasets in order to quantify risk. Analysis of physical risk factors in different geographic areas has informed its future planning considerations across Gamma locations, particularly where the Company has network infrastructure. This information will feed into the climate transition plan, identifying key areas of investment, upgrade, or consolidation.

Regarding climate risk and the Gamma network, the primary concern lies in the operation of data centres. The main data centre located in Manchester, UK, is projected to be the least susceptible to daily maximum air temperature changes by 2030 under RCP 4.5. Furthermore, there is no added risk from flooding in this location within the considered time horizons.

The heatwave experienced across the UK in summer 2022 gave Gamma early insight into the likelihood of all data centres being affected, and what the impact is likely to manifest as, e.g. increase in energy cost, disruption to service through air cooling failure.

This event offered an opportunity to shape planning and considerations for data centre management moving forwards and the Company will seek to introduce further improvements into the management, resilience, and efficiency of the network as part of its standard business continuity planning. Exposure to physical climate-related risks will also help shape Gamma's transition to cloud technology, removing the need for physical hardware in data centres.

Gamma's risk from a people perspective is limited, with few field engineers working outside. Most employees are office based and not currently subject to frequent acute weather events. Gamma offers remote/hybrid working to employees, which was stress tested during the COVID-19 pandemic, and the Company believes that for the majority of acute weather events in the UK and Europe, it would continue to operate without business disruption.

As a growth business, should future acquisitions be considered in the UK and/or Europe, Gamma has the data available to focus on localities to examine and assess the specific climate change risks of those locations. This is an important step in managing climate-change risk in the coming decade and beyond, as Gamma anticipates temperatures to rise.

Transitional
Gamma considers that its strategy is resilient to transitional climate-related risks.

The Company's business model is based on supplying Information and Communication Technology (ICT) products designed to enable users to reduce their dependency on business travel through remote collaboration and communication. Gamma considers it unlikely that customer demand for such products is likely to reduce in the future and it could well be a business opportunity for Gamma to demonstrate its robust ESG credentials, including environmental management, over the coming years.

The introduction of carbon taxes in future has been considered and could affect the Company in due course, with any residual emissions subject to financial penalty. Similarly, the introduction of fines for failing to disclose environmental information in the UK and/or Europe may ramp up in the medium to long term. Gamma has resources in place monitoring the ever-changing disclosure landscape and, taking current available information about financial penalties into account, this is not currently deemed to be a material risk to Gamma.

The commitment of the Company to move to renewable energy across the Group is understood and managed through its procurement activity and support from energy brokers. Gamma has referred to the UK Government energy forecast which suggests that in the medium to long term energy prices will fall. Coupled with the likely market position of energy suppliers to move solely to renewable tariffs, Gamma believes it is well placed to transition to renewables as per its commitments and therefore this is not considered to be a material risk.

The ability of and progress made by Gamma's suppliers is key to reducing its Scope 3 emissions and should Gamma's Scope 3 emissions fail to reduce in line with its targets, it is more likely that the impact of reputational risk will increase (see page 48).

Through ongoing monitoring of suppliers, Gamma is sufficiently informed of progress being made in relation to its environmental management requirements. In general, the Company feels that market forces will also play a part in companies doing more over the medium and long term to reduce their Scope 1 and Scope 2 emissions, particularly when government policy is in place as it is in the UK and Europe.

Gamma's current operations are centred in the UK and Europe, with governments and policy makers broadly continuing to support businesses in their transition to a net-zero economy. Although subject to changing governmental policies, Gamma's strategy remains well placed to monitor and respond quickly to any shifts.

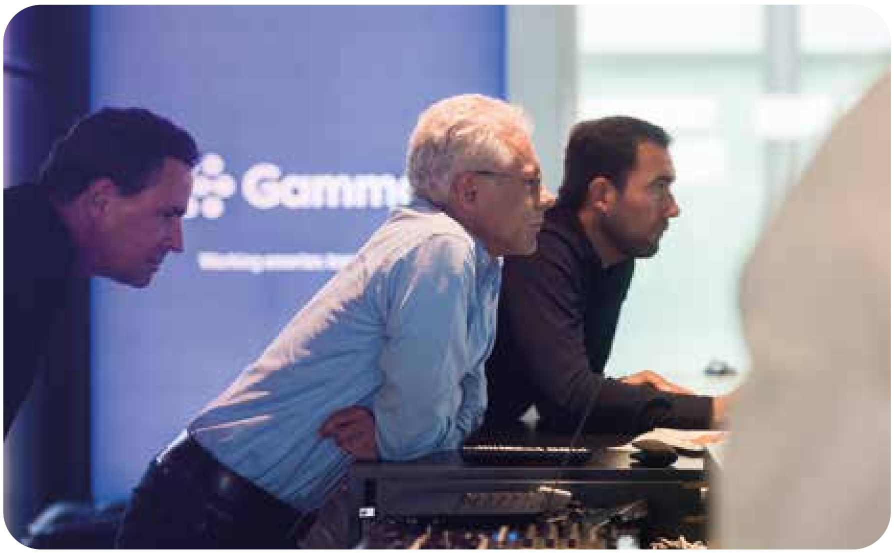
Outcomes
Gamma considers that its strategy remains robust in the face of climate risks across all modelled scenarios.

Currently there is no indication that the Company will need to undertake divestments or make any other significant capital allocation decisions to account for climate change.

Climate-related risks and opportunities will be reviewed annually, taking changes in government policy and new scientific data into account where necessary.

The Company remains committed to developing a comprehensive climate transition plan, aligned to the recommendations of the Transition Plan Taskforce, which outlines anticipated activities and corresponding investments required to achieve carbon net-zero by 2042.

The Company acknowledges the likelihood of ongoing climate change and global warming and places emphasis on anticipating and addressing transitional impacts alongside physical risks, primarily concerning the operation of its data centre in the UK.



Risk Management: a. Gamma's processes for identifying and assessing climate-related risks

All climate-related risks are identified and assessed via the Group-wide risk management process which is detailed on page 27. The Company is confident that its robust risk management framework is well suited to identify, monitor and mitigate Group-wide climate change risks that could significantly impact its businesses and strategy in the short, medium and long term.

These risk assessments encompass both physical and transition climate-related risks and are informed by climate scenarios (Strategy: a. Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term (page 47)).

Gamma scores all risks, including climate change, against the same criteria which consider the following topics:

- Financial (lost profit/increased cost)
- Legal
- Stakeholder consequences (including regulators, customers, investors, employees, and wider society)
- Management effort
- Disruption to operations or supply chain

The short-term time horizon for assessing climate change risks differs from the three-year time horizon in the overall risk management framework. This was decided in order to align with Gamma's net-zero trajectory and interim milestones. Gamma uses scientific data to determine the likely climate change in differing circumstances across medium- and long-term time horizons.

Risk Management: b. Gamma's processes for managing climate-related risks

Climate change risks are managed in line with the wider Gamma risk management framework (see page 27). Gamma's business could be impacted by climate change in diverse ways.

Although the effects might not be severe in the short term, the Company anticipates that climate-related risks will likely exert a medium- and long-term influence on its operations. Few of these risks are currently understood to be material to the business, using the Gamma risk management framework guidance.

Risk Management: c. How processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management

Climate-related risks are identified using standard procedures outlined in the Gamma risk management framework (see page 27) and include the use of workshops attended by subject-matter experts from different departments across the business.

These risks are mostly owned by the Group Sustainability Director, working in conjunction with the Gamma Risk Team. More information about how risks and opportunities were identified and evaluated in 2023 is provided on page 27.

Gamma's most material climate-related risks have been disclosed on pages 48 of this report. Gamma has also included climate change risk as one of its "emerging risks" (page 28).

Climate risks are generally managed in the business area they might affect. For example, the Business Continuity team works to understand the potential impact and likelihood of an acute weather event at offices and data centre locations, thus ensuring that business continuity procedures are understood and practised in events such as flooding, significant precipitation etc.

Gamma concludes that climate-related risk is fully integrated into the overall risk management framework for Gamma.

Metrics and Targets: a. Metrics used by Gamma to assess climate-related risks and opportunities in line with the strategy and risk management process

Cross-industry metrics

Metric category	Comment
Greenhouse Gas Emissions (GHGs)	Greenhouse gas emissions ("GHG") constitute material environmental impact sources at Gamma and within the ICT sector. Scope 1, Scope 2, and Scope 3 metrics are critical to demonstrate the Company's progress towards its stated carbon net-zero date of 2042, thus reducing the risk of sustaining reputational damage from non-compliance of disclosures, failure to move towards net-zero, and to adhere to public-sector procurement frameworks. Intensity ratios are also used by Gamma to provide a normalised measure of emissions relative to floor space and to revenue. Gamma believes that this provides a clearer picture of the environmental efficiency of its operations.
Transition Risks	Gamma has not identified any climate-related metrics for transition risks. Scenario analysis, including changes to the regulatory and political landscapes, will continue to be assessed.
Physical Risks	Gamma has not identified material climate-related metrics for physical risks. Climate scenario analysis will be repeated to assess for changes and/or heightened risks at Gamma-occupied offices and data centres.
Climate-related Opportunities	Renewable energy for electricity consumption in all Gamma-occupied offices and data centres. Further opportunities to mitigate physical risks, reduce carbon emissions, reduce energy consumption, and to reduce Gamma's overall impact on the environment will be assessed as part of the transition planning process.
Capital Deployment	£295k spend on investment to ensure business resiliency to transition risks, regulatory requirements, and to capture climate-related opportunities.
Internal Carbon Prices	An internal carbon price of £16 per metric tonne of CO_2e was used during 2023 to support specific business cases within Gamma, the most recent being salary sacrifice schemes for electric vehicles and the proposition to move to a new Manchester office. This is used primarily to encourage sustainable behaviours internally. Where business cases are considered that can affect emissions output, carbon pricing is applied to ensure that decision-makers can consider the opportunity cost of implementing or not implementing an initiative, both financially and in terms of environmental impact. The Company expects the carbon price per tonne to rise steadily until 2050 and will adjust the price per tonne accordingly.
Remuneration	5% of the annual bonus is measured against ESG-specific objectives, including climate, for each Executive Committee member and including Executive members of the Board.

Water, waste and biodiversity

Water, waste and biodiversity are not considered material by Gamma.

Gamma does not engage in water withdrawal and consumes water for welfare purposes in its facilities. Using the World Resources Institute Aqueduct Tools, Gamma monitors and observes metrics pertaining to national and in some cases regional water management and water stress.

Currently Spain and Morocco are the two countries within the Group that face the most water management pressures.

While Gamma is not a business engaged in manufacturing or distribution, it remains committed to the principles of the waste hierarchy to prevent generation of unnecessary waste and complies with regulation and best practice to ensure waste is recycled where possible in its operations.

Gamma does not operate in Key Biodiversity Areas ("KBAs"). It will continue to monitor its presence in relation to areas of special interest. At present, Gamma operates at three facilities that lie within a 1km radius of a KBA. These are all non-intrusive office facilities. KBAs will continue to be assessed, including new locations through acquisition.

Metrics and Targets: b. Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks

Gamma set an energy and carbon emissions baseline in 2021, ensuring that it could provide a basis for comparison of energy/carbon performance over time. Gamma specifies the period to which baseline data applies as one year.

Despite growth through acquisition over the past few years, Gamma has recorded a reduction in Scope 1 & 2 emissions from the 2021 baseline, driven in part by a significant reduction in electricity consumption and emissions from Company vehicles.

The Company is committed to continually improve the quality of its data collection methods across the Group. In 2023, Gamma assessed 87% of its supply chain by spend to understand their environmental management commitments, as well as their impact on Gamma's Scope 3 emissions calculations. Scope 3 emissions are dominant in their contribution to Gamma's total carbon footprint and the Company has observed that this is a consistent pattern amongst the ICT sector and top suppliers.

Gamma has engaged in discussions with ICT companies embarking on a similar journey in order to share knowledge and best practice. Gamma will continue to drive consistency in its disclosures through the continual improvement of data collection methodologies.

Gamma discloses its emissions inventory below. Completing an inventory to this extent has helped the Company gain a better appreciation for the environmental impacts of its various activities.

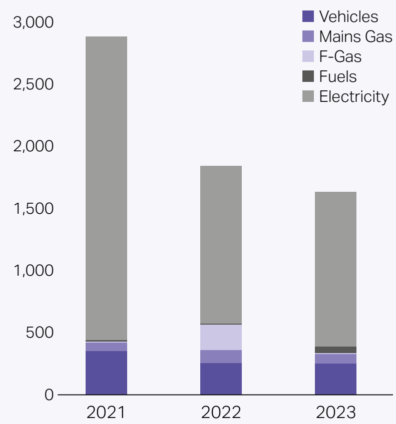
From a consumption perspective, electricity remains the most significant emissions source within Scope 1 & 2.

In addition to reductions made, and when measured by the location method, Gamma has taken action to upgrade the quality of energy contracts procured and works to ensure that managed facilities are supplied with renewable energy as far as possible.

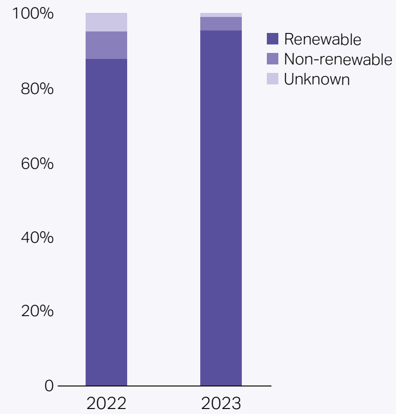
"Unknown" energy sources reflects small office presence in the Group where Gamma is unable to obtain information relating to the inherited energy contract.

Year-on-year improvements in the procurement of energy allow Gamma to report a 95% renewable energy supply for electricity consumed in 2023. Gamma aims to consume 100% of its electricity from renewable sources by 2030, aligned to the Group's net-zero target for Scope 1 & 2 by the end of the decade.

Scope 1 & 2 Emissions trajectory (location-based method) (TCO_2e)



Group Scope 2 energy mix



Scope 1 and Scope 2 emissions

Scope	Emissions source	Emissions (tCO_2e) 2021	2022	2023	Description
1	Mains Gas	68.30	100.82	77.10	Consumption of heating gas for welfare requirements in offices
	Refrigerant Gas	5.40	208.10	5.70	Refrigerant gas (F-gas) losses from cooling units in offices and data centres
	Other Fuels	13.88	7.98	55.40	Diesel consumption for generators at dedicated data centre in UK
	Company Vehicles	352.30	256.30	251.00	Owned or controlled Company vehicles, including electric vehicles from employee salary sacrifice scheme
Total Scope 1 emissions (tCO_2e)		439.88	573.20	389.20	
2	Electricity – Location	2,443.20	1,270.40	1,244.00	Emissions from electricity consumption based on grid averages across the Group
	Electricity – Market	993.10	143.90	98.00	Emissions from electricity consumption refined to account for contractual instruments, e.g. procurement of renewable energy
Total Scope 2 (l) emissions (tCO_2e)		2,443.20	1,270.40	1,244.00	
Total Scope 1 & 2 (l) emissions (tCO_2e)		2,883.00	1,843.60	1,633.20	

Emissions of acquired companies are captured in the first full reporting year following the date of acquisition.

Scope 3 emissions

Gamma is committed to maintaining continual improvement of its Scope 3 emissions measurements in conjunction with the Group's commitment to net-zero value chain emissions by 2042.

The value chain accounts for total emissions, i.e. Scope 1, 2 & 3.

An emissions inventory has been completed for all upstream Scope 3 emissions sources. Gamma reports all relevant Scope 3 emissions under the GHG Protocol. All emissions sources have been screened, with sources that are not currently applicable indicated below.

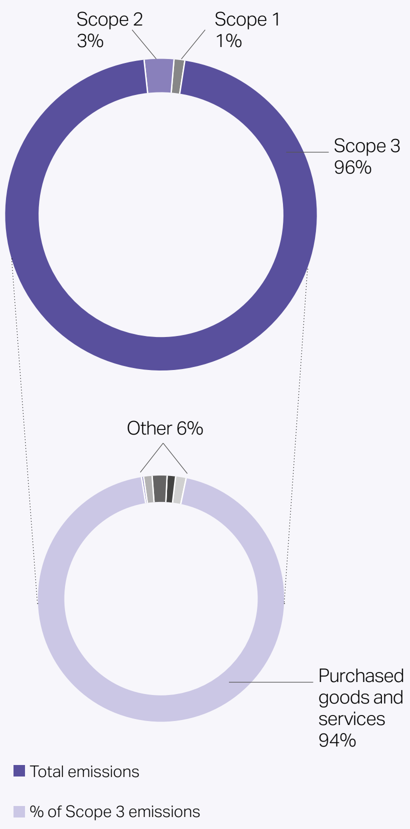
Scope	Category	Inventory/ Screening	Methodology	2023 emissions (tCO_2e)	% of total Scope 3 emissions	Description
3 (1)	Purchased goods and services	Inventory	Hybrid	39,699.78	94.19	All procurement activities including network points of presence. Emissions figure excludes upstream Scope 3 categories where emissions are calculated for the given category (e.g. Scope 3 – Category 2)
3 (2)	Capital goods	Inventory	Average product	163.00	0.39	Purchase of laptops, monitors, printers, and other IT equipment in reporting year
3 (3)	Fuel and energy related activities	Inventory	Average product	496.00	1.18	Upstream emissions from purchased fuels, electricity, owned/controlled vehicles and transmission and distribution losses ("T&D")
3 (4)	Upstream transport	Inventory	Hybrid	758.30	1.79	Courier deliveries, third-party transportation of inbound goods
3 (5)	Waste	Inventory	Average data; waste specific	2.90	0.01	General waste streams from operations
3 (6)	Business travel	Inventory	Hybrid	514.00	1.22	All transport by air, public transport (e.g. trains), rented/hire vehicles, taxis, and private vehicles
3 (7)	Employee commuting	Inventory	Hybrid	513.00	1.22	Employee transport between home and normal place of work and emissions arising from homeworking
3 (8)	Upstream leased assets	Inventory	None	0.00	0.00	Not relevant – no leased assets
3 (9)	Downstream transport	Screened	None	0.00	0.00	Third-party transportation of products
3 (10)	Processing of sold products	Screened	None	0.00	0.00	Not applicable
3 (11)	Use of sold products	Screened	None	0.00	0.00	Not calculated – customers would report emissions associated with use of Gamma products in their Scope 2 inventory
3 (12)	End of life treatment of sold products	Screened	None	0.00	0.00	Not applicable
3 (13)	Downstream leased assets	Screened	None	0.00	0.00	Not applicable, no downstream leased assets
3 (14)	Franchises	Screened	None	0.00	0.00	Not applicable, no franchises
3 (15)	Investments	Screened	None	0.00	0.00	Not applicable, no investments

For Gamma, purchased goods and services remain the dominant emission source, accounting for 94% of Scope 3 emissions and 91% of value chain emissions.

At present, a major barrier to calculating downstream emissions (particularly the use of sold products) is the lack of a consistent and robust methodology throughout the sector.

The Company hopes to contribute to a sector-wide methodology in the future and will monitor any technical developments in the coming years.

Value chain emissions profile



Intensity Ratio

In reporting intensity ratio results Gamma first reports Scope 1 & 2 emissions relative to floorspace, and value chain emissions relative to Group revenue:

Due to the nature of the Group portfolio, the Scope 1 & 2 emissions intensity ratio is expressed in terms of emissions relative to floorspace, accounting for offices and controlled data centres.

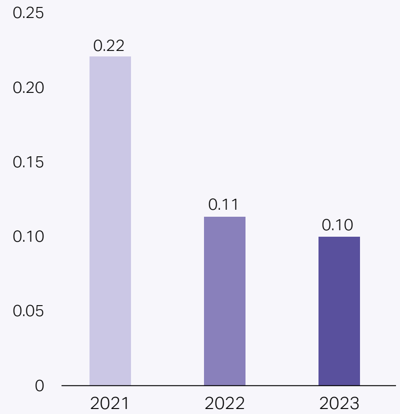
Scope 3 emissions dominate the Group's value chain emissions, driven by the scale of purchased goods and services emissions. As a result, Gamma's value chain intensity ratio is best measured by a financial metric, in this case Group revenue.

Over the past three years, Gamma has demonstrated that it is possible to significantly cut Scope 1 & 2 emissions despite business growth (including M&A activity). Gamma has taken action to optimise the energy efficiency of dedicated data centres, reduce the environmental impact of Company cars and remove mains gas sources throughout the Group, all of which have contributed to a reduction in Scope 1 & 2 Intensity Ratio trajectory. The potential for lag times in decarbonising the operation of larger acquired companies in the future is also understood.

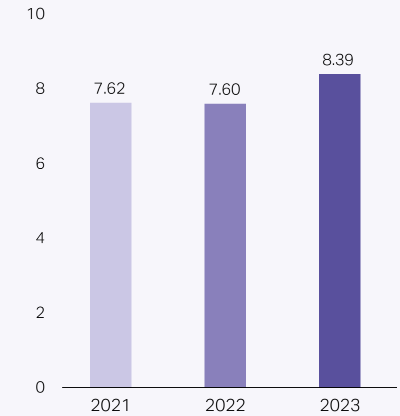
Business growth (including through M&A) persists as a risk to Gamma in achieving net-zero targets when accounting for value chain emissions, particularly that of purchased goods and services, as the Company will need to act at pace to consolidate the supply chain in a manner consistent with the environmental management expectations as detailed in the Company's Ethical Procurement Policy.

Gamma monitors the sustainable trajectory of its supply chain through a) monitoring GHG emissions, b) assessing published net-zero targets/emission reduction ambition, c) submission to the Carbon Disclosure Project (CDP).

Intensity Ratio ("IR") – Scope 1 & 2/ floorspace emissions (tCO_2e)



Intensity Ratio ("IR") – Value chain ("VC")/revenue emissions (tCO_2e)



Strategic report
Governance report
Financial report
Additional information

Metrics & Targets: c. Targets used by Gamma to manage climate-related risk and opportunities and performance against targets

Near and long term emissions reduction targets

The Science Based Targets initiative ("SBTi") has approved Gamma's near-term science-based emissions reduction target. Gamma has also committed to set long-term emissions reduction targets with the SBTi in line with reaching net-zero by 2042.

In taking the approach to ensure target validation, Gamma can provide assurance that the Company's carbon reduction targets are aligned to the Paris Agreement, aimed at limiting global warming to 1.5C.

- In the near term, Gamma commits to reduce absolute Scope 1, 2 and 3 emissions 50% by 2030 from a 2021 base year.
- A constituent part of this near-term target is to commit to reduce Scopes 1 & 2 GHG emissions 90% by 2030 from a 2021 base year.
- In the long term, Gamma commits to reach net-zero GHG emissions across the value chain by 2042. This will incur at least a 90% total reduction across all GHG scopes from the 2021 base year.

As a result, the following table shows the required emissions reduction to fulfil these targets.

Since the 2021 baseline, Gamma has reduced Scope 1 & 2 emissions beyond the required trajectory of the Group's near-term net-zero target. The Company has achieved this by identifying significant emissions sources and has taken direct action to reduce environmental impact, for example, transitioning to an all-electric fleet (via PHEVs), reducing the power requirement of the dedicated data centre and removal of gas boilers.

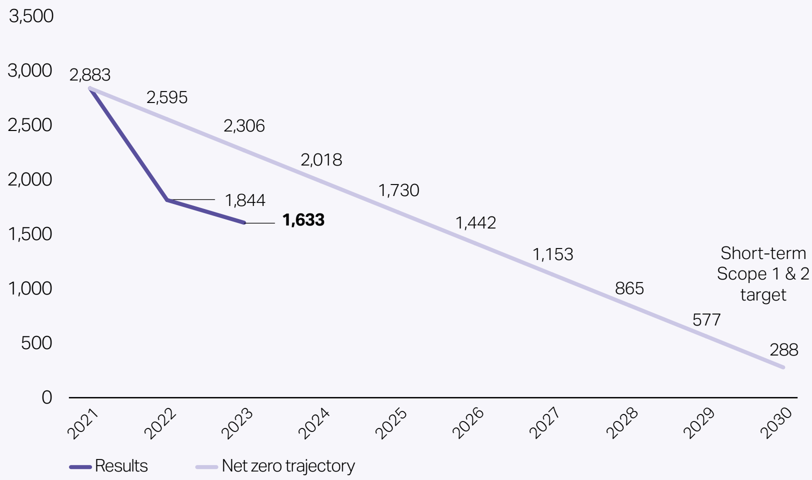
Conversely, Gamma has seen a lag in emissions reduction when accounting for the value chain, driven by year-on-year increases in emissions associated with Gamma's purchased goods and services.

At present, Gamma is reliant on a spend-based calculation for the majority of supplier emissions. Gamma inherits emissions based on Group spend relative to supplier emissions and total revenue.

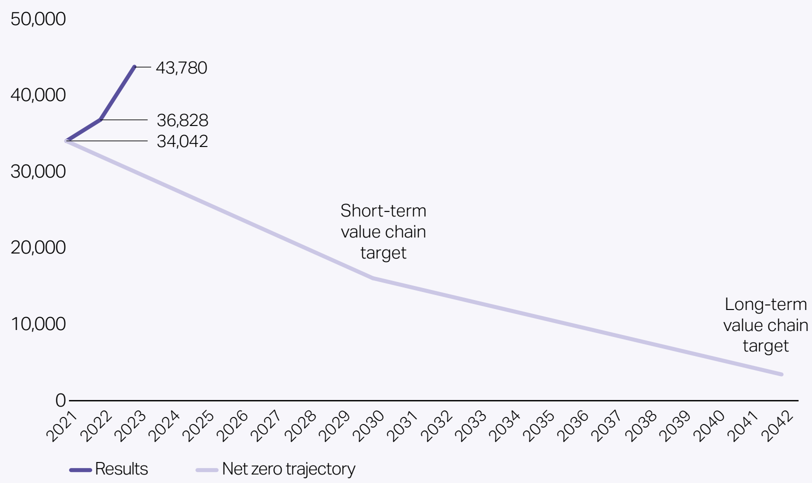
Emissions reduction targets

	2021 Baseline year (tCO_2e)	2030 Short-term target (tCO_2e)	2042 Long-term target (tCO_2e)
Scope 1	439.90	43.99	43.99
Scope 2	2,443.20	244.32	244.32
Scope 3	31,158.80	15,579.40	3,115.88
Total	34,041.90	15,867.71	3,404.20

Scope 1 & 2 net-zero emissions trajectory (tCO_2e)



Value chain net-zero emissions trajectory (tCO_2e)



It follows that in the short term, emissions have increased as Gamma's spend with suppliers has out-paced decarbonisation efforts in the supply chain.

The Company expects the curve to flatten in future, with supplier emissions falling in the run up to 2030. This is evidenced by the increase in reporting of emissions throughout the supply chain as well as an increase in net-zero commitments and responses to reporting frameworks such as the Carbon Disclosure Project ("CDP").

Although Gamma has been certified as a CarbonNeutral® company since 2006, it is not the intention of Gamma to use carbon offset investments to realise carbon reduction. In the transition to net-zero emissions by 2042 Gamma will continue to take action to mitigate emissions beyond its operational value chain.

Gamma works with a carbon market specialist to independently validate its data and help align purchases to its selection criteria. The CarbonNeutral® certification covers Gamma's full Scope 1, Scope 2, and Scope 3 emissions in line with The Carbon Neutral Protocol.

The purchase of carbon credits is considered in line with its support for the UN Sustainable Development Goals ("UN SDGs"). All of the carbon credits purchased and retired by Gamma are independently verified against leading voluntary standards: Gold Standard, Verified Carbon Standard ("VCS"), Climate, Community and Biodiversity ("CCB").

The Company acknowledges that in recent months carbon offsets have come under more scrutiny. Gamma has always invested in projects that are independently verified, financially viable and sustainable and it believes that this investment provides critical finance to accelerate the world's transition to a low-carbon future. Gamma intends to remain CarbonNeutral® whilst undertaking carbon reduction activities across the Group.

Gamma will continue in its reporting against mandatory requirements and provide evidence of its progress towards these targets. Disclosures include the Company's development of carbon reduction plans, energy reviews, SECR, as well as ongoing submission to CDP.

Gamma's approach to governance

Gamma understands the importance of having a well-established governance regime across its business and how fundamental this is to its continued success.

Gamma recognises that different governance structures are appropriate at different stages of a company's development and as a rapidly growing business it is seeking to keep the maturity of governance structures in line with the level that would be deemed appropriate for the size of the business.

The Board is responsible to the shareholders for the proper management of the Group and more on corporate governance can be found in the Governance report.

Management oversees the establishment of controls across the Company which are managed through a combination of internal frameworks and externally recognised and audited standards. These take the form of Group and local-level administrative and technical controls. Examples of which may be access to internal systems, critical processes such as commercial approval or the management of network change, and policies setting expectations upon its employees and its stakeholders. These internal controls align to and inform Gamma's corporate governance ensuring Board-level oversight.

Governance process

Gamma's risk management framework is closely coupled to its governance priorities and this connection ensures that these priorities are owned and managed at a suitable level within the Company.

Gamma continues to be subject to both internal and external audit of various controls and drives a continuous improvement ethos.

The policy framework ensures its policies are owned, defined, implemented, and updated in an effective way. Specifically, this framework encourages greater consistency in policy design, clear behavioural guidelines and encourages greater use of conformance measures. All Group policies are reviewed and approved annually by the Board. All policy is governed by the internal governance team to drive consistency.

Current published Group policies include:

Anti-Bribery and Corruption

Data Protection

Environmental Management

Equality, Diversity and Inclusion

Ethical Conduct

Information Security

Political Contributions

Political Lobbying

Risk Management

Share Dealing

Whistleblowing

Current UK policy includes:

Ethical Procurement

The Company wants to ensure that it continues to empower employees to challenge boundaries whilst avoiding unnecessary risk.

External certifications

Gamma holds various certifications within its UK business and it is the intention to apply common standards to its recently acquired subsidiaries within the UK and Europe. Gamma UK is certified to:

ISO 27001: Information Security, certified since 2012 (Gamma Benelux since 2021)

ISO 22301: Business Continuity Management, certified since 2013

ISO 14001: Environmental Management, certified since 2013

ISO 9001: Quality Management, certified since 2003

Cyber Essentials Plus, certified since 2021

PCI-DSS certification for SmartAgent since 2020

Gamma has now brought its standards under a single Integrated Management System ("IMS"), which will ensure greater consistency in the way in which these standards are managed across the Gamma Group.

Internal audit

Gamma's internal audit structure ensures it reviews a wide range of capabilities that align to its ISO certifications and principal risks. The output of the audits is shared with the teams subject to the audit to ensure a culture of continuous improvement is maintained.

Since the introduction of ISO standards within the Company, Gamma has been conducting regular internal audits to assure ongoing compliance. In addition, Gamma's UK business is regularly and successfully audited by its larger Enterprise and Public Sector customers.

The Strategic report was approved by the Board of Directors on 24 March 2024.

Bill Castell
Chief Financial Officer

24 March 2024

Governance report

Continued focus on improving governance

Role of the Board

- Responsible for the overall conduct of the Group's business including our long-term success.
- Setting the purpose, values, standards and strategic objectives.
- Reviewing the Group's performance.
- Ensuring a positive dialogue with our stakeholders is maintained.

Dear shareholder,

Welcome to the Corporate governance report for the year ended 31 December 2023, which I am pleased to present on behalf of the Board. During my first six months, I have worked with the Board to understand our corporate governance approach and to continue to ensure we uphold the highest standards for a large publicly quoted company. We believe that solid corporate governance is essential, and we are committed to ensuring the integrity of both our processes and of those of the Group as a whole.

Corporate Governance Code

The Directors support high standards of corporate governance. Since 2018, the Board has operated under the QCA Code. Gamma 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 Code compliance document, approved on 31 August 2023, is available on our website. We have noted the updated code published by the QCA in November 2023 and will publish our compliance report against this revised code later in 2024. Furthermore, the Board is also mindful of changes to the UK Corporate Governance Code as published in January 2024 and continues to improve its reporting towards the code where appropriate.

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 and further information is provided on the Board changes in the Nomination Committee report, including on my appointment and the retirement of Henrietta Marsh from the Board at the forthcoming AGM.

The Company's Remuneration Policy is designed to ensure that the Company can attract, retain and motivate the Executive Directors and senior management of the right quality to enable the Company to fulfil its objectives and longer-term potential. Please refer to the Directors' Remuneration report for further details around executive pay.

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 our website.

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. During the year the Board consulted with major shareholders on changes to the implementation of the Remuneration Policy, and further information can be found in the Directors' Remuneration report.

The Board uses the AGM to communicate with private and institutional investors and welcomes their participation. As part of my induction, I met with many of the largest shareholders to learn about their views on the Company, its strategy and management.

Looking ahead

The Group's commitment to strong corporate governance and risk management will remain central to the business during 2024 and beyond. I look forward to meeting more of our shareholders in my role as your Company's Chair.

Martin Hellawell
Chair and Independent Non-Executive Director

24 March 2024

Corporate governance framework

The Board has a clear 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

Chair Responsible for the leadership of the Board.	Martin Hellawell	Chair and Independent Non-Executive Director
Executive Directors Responsible for running the Company's business.	Andrew Belshaw Bill Castell	Chief Executive Officer Chief Financial Officer
Non-Executive Directors Bring an independent perspective to decision-making; hold senior management to account; support and mentor the CEO and senior management.	Henrietta Marsh Rachel Addison Charlotta Ginman Shaun Gregory Xavier Robert	Senior Independent Non-Executive Director Independent Non-Executive Director Independent Non-Executive Director Independent Non-Executive Director Independent Non-Executive Director

Board Committees

Audit Committee

The Audit Committee is responsible for ensuring the financial integrity of the Group through the regular review of financial processes, including internal controls, and performance. It confirms to the Board that all material financial updates are fair, balanced and understandable. It is also responsible for oversight of the internal audit function and the relationship with the external auditor, monitoring their performance and reviewing the scope and terms of their appointment, engagement and removal.

Audit Committee report

SEE PAGE 75

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, Chair and other senior executives.

Remuneration Committee report

SEE PAGE 83

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.

Nomination Committee report

SEE PAGE 71

Risk Committee

The Risk Committee assists the Board in its duty to carry out a robust assessment of the principal risks facing the Company. 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.

Risk Committee report

SEE PAGE 78

ESG Committee

The main purpose of the Committee is to represent the Board in defining the Company's strategy relating to ESG matters and in reviewing the practices and initiatives of the Company relating to those matters, ensuring they remain effective and up to date. It oversees the development of the Group's ESG strategy and makes recommendations to the Board. It also oversees the establishment of policies and codes of practice and their effective implementation.

ESG Committee report

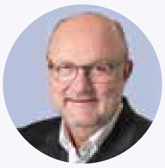
SEE PAGE 80

Our highly experienced Board

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

Key to Committees

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



Martin Hellawell

Chair and Independent Non-Executive Director

Appointed to the Board:
2023

Committee membership:
N

The Board Chair attends all Committee meetings as a guest.

Martin was appointed as Gamma's Chair on 1 July 2023. He joined Softcat plc in 2006 and held executive positions until 2018 as Chief Executive Officer and Managing Director, during which he led the Company through a highly successful IPO and its first two years as a PLC. He took on the role of Chair of Softcat in 2018 and stood down at the end of July 2023. Prior to Softcat, Martin spent 13 years at Computacenter plc, where he was responsible for the marketing function, ran Computacenter's French subsidiary and led acquisitions in the United Kingdom, Belgium and Germany.

Other roles:
Martin is Chair of Raspberry Pi Trading Limited and Independent Non-Executive Chair of AIM listed musicMagpie plc.

Nationality:
British

Andrew Belshaw

Chief Executive Officer

Appointed to the Board:
2014

Committee membership:
ESG

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.

Andrew was promoted to CEO in 2022 having previously held the roles of Interim CEO, Deputy CEO and CFO.

Other roles:
None

Nationality:
British

Bill Castell

Chief Financial Officer

Appointed to the Board:
2022

Committee membership:
R

Bill joined Gamma in 2022 from OVO Energy, where he held the role of Chief Financial Officer. Before joining OVO Energy in 2020, Bill spent three years at Virgin Media which he joined as Deputy Chief Financial Officer and later became acting Chief Financial Officer. From 2005 to 2017, Bill was at Barclays Bank where he held a number of senior finance roles including Chief Financial Officer at Barclays Corporate Bank and Chief Financial Officer of Barclaycard Europe.

Bill started his career as an Officer in the British Army and, as a qualified accountant (FCA), has worked in the technology, media and telecom sector as an auditor at Deloitte and investment banker with Goldman Sachs.

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

Other roles:
Bill is also a Non-Executive Director of the Financial Ombudsman Service.

Nationality:
British

Henrietta Marsh

Senior Independent Non-Executive Director

Appointed to the Board:
2019

Committee membership:
REM A ESG N

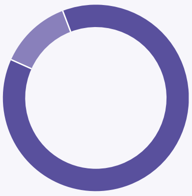
Henrietta has more than 30 years' experience in investment and financial services having worked for 3i Group, Morgan Stanley and ISIS Equity Partners (now Living Bridge Equity Partners) where she founded and chaired the AIM VCT Managers Group. She was formerly a Non- Executive Director and Chair of the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

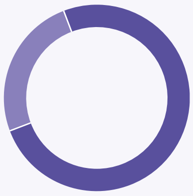
Nationality:
British

Tenure since listing in 2014



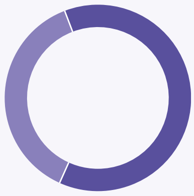
0-5 years	7
+5 years	1

Independence



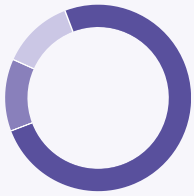
Independent Non-Executive	6
Executive	2

Board gender



Male	5
Female	3

Board nationality



British	6
Finnish/British	1
French	1

Rachel Addison

Independent
Non-Executive Director

Appointed to the Board:
2022

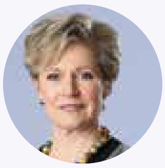
Committee membership:
R A REM

Rachel has nearly 30 years of finance and operational management experience. She has held a number of senior financial, operational and board level roles including at Future plc (CFO), TI Media Limited (CFO), Reach Regionals (Managing Director), Local World Limited (CFO and COO), Northcliffe Media Limited (CFO and COO) and Boots the Chemist where she was Head of Risk Management.

Rachel is a chartered accountant and is a member of the Institute of Chartered Accountants in England and Wales.

Other roles:
Rachel is currently a Non-Executive Director of Marlowe plc, a business-critical services and software provider; Hollywood Bowl plc, a leading international leisure operator of ten-pin bowling and mini-golf centres; Watkin Jones plc, housing developer and manager of student and build to rent accommodation; and Wates Group, a privately-owned construction, residential development, and property services business.

Nationality:
British



Charlotta Ginman

Independent
Non-Executive Director

Appointed to the Board:
2020

Committee membership:
A R N

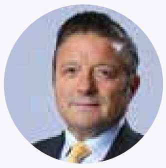
Charlotta began her career at Ernst & Young, where she qualified as a Chartered Accountant. She was then appointed to a series of senior roles in investment banking with UBS, Deutsche Bank and JP Morgan both in London and Singapore, where she gained considerable M&A transactional experience.

Charlotta has also held senior roles within Nokia Corporation, including acting as CFO of its luxury mobile phone division Vertu Corporation Limited.

Other roles:
Charlotta is a highly experienced Non-Executive Director, currently serving as a Non-Executive Director of Pacific Assets Trust plc, Polar Capital Technology Trust plc, Keywords Studios plc, Unicorn AIM VCT plc and Boku Inc.

As three of Charlotta's roles are with investment companies that have only 4-5 meetings a year and the others are all AIM listed, with less regulatory burden than a premium listing, Charlotta has sufficient time to devote to each of her roles.

Nationality:
Finnish/British



Shaun Gregory

Independent
Non-Executive Director

Appointed to the Board:
2022

Committee membership:
ESG REM

Shaun has had an extensive career across media, advertising and telecommunications spanning over 30 years. He has held senior roles across Emap PLC, Telegraph Media Group, Blyk and Telefonica. More recently, he has been the CEO of Exterion Media and IYUNO Media Group and is currently the CEO of EMG Group.

Shaun has also been a Non-Executive Director on many company boards, including WEVE, Telefonica's WAYRA, Ocean Outdoor, Bliss Media and Proxama. He has also served on a number of Trade Body Boards, including the MMA and the Advertising Association.

Shaun studied at both Ashridge and Wharton Business School.

Other roles:
Shaun is currently Non-Executive Chairman of Jonckers, a Belgian-based translation services and localisation technologies company; an Independent Non-Executive Director of HYGH, a digital advertising business based in Germany; a Board member of Childline (NSPCC); and Chairs the Advisory Board for The Sheffield Children's Hospital.

Nationality:
British

Xavier Robert

Independent
Non-Executive Director

Appointed to the Board:
2020

Committee membership:
REM R N

Xavier is a senior private equity professional with more than 20 years of experience in M&A and investment deal experience across Europe and the US. He is the Chief Investment Officer of the global private equity firm Bridgepoint and sits on the Group Management and Investment Committees. Previously Xavier was in charge of technology investment globally for his private equity firm.

Other roles:
Xavier is Chairman of Qualitest, the largest privately-owned software testing company. He is also on the Boards of Kyriba, the number one software solution for corporate treasury management; MiQ, the number one programmatic advertising company; and 73Strings, a start-up providing a software solution to monitor and value private equity portfolios.

Nationality:
French

Introducing our strong and talented Executive Committee

We have a strong and talented leadership team which supports the Board and is responsible for day-to-day operations within the business.

Andrew Belshaw

Chief Executive Officer

Biography available on page 64.

Bill Castell

Chief Financial Officer

Biography available on page 64.

Chris Bradford

Chief People Officer

Chris joined Gamma in 2021 to lead the Company's People and Engagement strategy, having worked as a Board level HR leader, and subsequently as a consultant, on business transformation and organisation design programmes for organisations across multiple sectors and geographies such as Vodafone, Equinix, Aviva Investors, the Financial Ombudsman Service and the British Olympic Association.

She holds a first class honours degree in English from Leeds University.

Xavier Casajoana

Chief Executive Officer – Spain

Xavier joined Gamma in April 2020 following Gamma's acquisition of VozTelecom.

After more than ten years in Information Systems Management, Xavier joined Worldonline as Director of Information Systems. After it merged with Tiscali, he became Director of the Business Services Division and later held the role of General Manager for Spain. In February 2003 he co-founded VozTelecom as the CEO.

He has a degree in Computer Science from UPC and a Master in Business and Technology from the URL, as well as specialised degrees in Marketing from ESADE and Management from IESE.

Colin Lees

Chief Technology Officer

Colin joined Gamma in January 2024 from Openreach where he spent five years as Chief Technology and Information Officer. During this time, he designed and built the IT & Network platforms which underpinned the UK's largest full fibre rollout.

Prior to this Colin held a number of leadership roles at the BT Group, including CTO of the BT Group Consumer & Business divisions, driving IT transformation and launching a range of new products – including Business VOIP platforms, BT Sport and the first BT Business hub with integrated fixed and mobile services.

Colin is a graduate of Queen's University Belfast with a degree in Computer Science.

David Macfarlane

Managing Director – Gamma Enterprise

David joined Gamma in 2012 following Gamma's acquisition of his last start-up communications business, Varidion Limited, and built Gamma's direct go-to-market organisation. He is responsible for driving growth of our Enterprise and Public Sector market share across Europe as Managing Director of our Gamma Enterprise business unit.

A passionate advocate for technology disruption and an engineer by trade, David has built, owned, and run multiple IT and communication service providers that have challenged and changed how organisations buy and use business technology.

Before this, David had senior IT roles in the NHS, a large city law firm and a brokerage house and was the co-founder and CTO at Sirocom Limited and Group CTO at Azzurri Communications.

Rachael Matzopoulos

Company Secretary

Rachael was appointed as Company Secretary of Gamma in January 2023 having previously gained governance experience in a variety of large multinational listed groups, most recently at GSK plc and Videndum plc. As Company Secretary, she is responsible for advising the Board, through the Chair, on all governance matters.

She is a Fellow of the Chartered Governance Institute and has a Masters degree in Business and Management from the University of Glasgow.

John Murphy

Chief Operating Officer

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 as Chief Operating Officer in 2023.

Daryl Pile

Managing Director – Gamma Business

Daryl is Managing Director of our Channel business, responsible for ongoing management, growth strategies and execution. The business unit encompasses both the wholesale channel and SMB direct routes to market in the UK. Joining the Company in 2003, he has held a number of senior roles in Gamma and Telia (prior to acquisition) covering wholesale, dealer and public sector business units and has considerable experience in growing both existing and new value streams, playing a pivotal role in the evolution of the UK wholesale channel community.

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

Chris Wade

Chief Marketing and Product Officer

Chris joined Gamma in December 2020 from Aptitude Software where he held the role of Chief Product Officer. Prior to this Chris held a number of leadership roles in strategy, product management and marketing in several different operating businesses within The Sage Group plc, one of the leading provider of business management solutions to SMEs globally.

Chris holds a MPhys in Physics from Jesus College, Oxford.

Gerben Wijbenga

Chief Executive Officer
– Northern Europe

Gerben joined Gamma in August 2020 taking full responsibility for business activities across the Netherlands and Belgium. In 2023, he combined this activity with running our German business, becoming Gamma's CEO of Northern Europe.

Gerben started his career at KPN where he worked for ten years. After KPN Gerben was Directeur Général at Simyo France and CEO at Ortel Mobile, an MVNO with activities in six countries. Gerben spent time at Telefonica (Deutschland) and Tele2 (the Netherlands), where he was the CEO of Blau Mobilfunk and Managing Director of the Consumer market, respectively. In his most recent role before joining Gamma, Gerben was CEO at Lebara Deutschland, a market leading MVNO based in Düsseldorf.

Corporate governance report

Operation of the Board

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

The Board regards all the Non-Executive Directors, being Martin Hellawell, Rachel Addison, Charlotta Ginman, Shaun Gregory, Henrietta Marsh and Xavier Robert, as Independent Non-Executive Directors within the meaning of the QCA Corporate Governance Code (2018 edition) ("QCA Code").

The Board is responsible to shareholders for the proper oversight of 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 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 annual re-election by shareholders at each AGM.

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 to 60 days per year for the Chair, 25 to 30 days per year for Independent Non-Executives with Chair of Committee responsibilities and 16 to 20 days for Non-Executives. The Chair 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 and full biographical details for all Directors can be found on page 64. The Executive Directors are permitted to have third-party commitments with the permission of the Chair. The CFO has one external appointment, details of which are included on page 64. The CEO has no external commitments.

During 2023, certain Directors who were not Committee members attended meetings of various Committees by invitation and this included the Chair attending all Committee meetings from the date of his appointment. These details have not been included in the attendance table. Where a Director is unable to attend meetings of the Board or of Board Committees of which they are a member, such Director is expected to review the relevant papers for the meetings and provide their comments to the Board or the Board Committees in advance of such meetings. This occurred for all meetings where a Director was unable to attend in 2023.

Training and development

New Directors receive an induction on their appointment to the Board which covers the activities of the Group including key market and product information, key business and financial risks, the latest financial information, and the terms of reference of the Board and its Committees. As part of the induction process, meetings with all Board members, Executive Committee

Board meeting attendance

	Board meeting (scheduled)	Board meeting (short notice)	Audit Committee	Remuneration Committee	Nomination Committee	Risk Committee	ESG Committee
Current Directors							
Executive Directors							
Andrew Belshaw	7/7	2/2	n/a	n/a	n/a	1/1	3/3
Bill Castell	7/7	2/2	n/a	n/a	n/a	3/3	2/2
Non-Executive Directors							
Martin Hellawell[1]	4/4	0/0	n/a	n/a	0/0	n/a	n/a
Rachel Addison	7/7	2/2	4/4	3/3	n/a	3/3	n/a
Charlotta Ginman	7/7	2/2	4/4	n/a	6/6	3/3	n/a
Shaun Gregory	7/7	2/2	n/a	3/3	n/a	n/a	3/3
Henrietta Marsh	7/7	2/2	4/4	6/6	6/6	n/a	3/3
Xavier Robert[2]	7/7	2/2	n/a	5/6	5/6	2/3	n/a
Former Directors							
Richard Last[3]	3/3	2/2	n/a	2/3	2/2	2/2	2/2
Martin Lea[4]	1/2	1/1	n/a	3/3	4/4	1/1	1/2

For changes in Committee memberships please see the Committee reports.

Meeting figures above are reflective of individuals' membership of the Board/Committee.

1 Martin Hellawell joined the Board on 1 July 2023.

2 Xavier Robert did not attend the Risk Committee held on 23 February 2023 and the Remuneration Committee meeting held on 18 December 2023 due to prior commitments. He did not attend the Nomination Committee meeting held on 13 February 2023 as it was called at short notice.

3 Richard Last did not attend the Remuneration Committee meeting held on 28 March 2023 due to a prior commitment.

4 Martin Lea did not attend the Board meeting held on 16 March 2023 or the ESG Committee held on 16 April 2023 due to prior commitments.

members and external advisers are held. A detailed induction plan was drafted for the incoming Chair in 2023 which included meetings with key stakeholders along with meeting the Company's major shareholders.

The Board members ensure that they keep their skills up to date. They are made aware of accounting, regulatory, governance and legal changes via papers submitted to the Board, presentations, and external documents circulated by the Company Secretary or external advisers. An annual review of compliance with the AIM Rules is also given by the Nominated Adviser, Investec.

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 and a new Company Secretary was appointed in early 2023. 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.

The Board received a detailed list of recommendations from the externally facilitated evaluation completed at the end of 2022 and has worked on implementing relevant points to improve its effectiveness in 2023. Critical to this process has been the induction of the new Chair, taking into account his views on the effectiveness of the Board and improvements required.

The Board agreed that an internally facilitated performance review would be undertaken in 2023. This comprised an online questionnaire, the scope of which included evaluation of the performance of the Board, the Board Committees, individual Directors and of the Chair. The results were discussed between the Chair and each Director individually, along with collectively during a Board meeting. The Board continues to believe it is operating effectively, although has identified further areas for improvement in 2024.

Board activities in 2023

Strategy

- Approved the acquisitions of Satisnet and EnableX Group (and Coolwave Communications in February 2024).
- Reviewed other potential acquisition targets which did not complete or were ongoing at year end.
- Approved the five-year strategic plan.
- Initiated a review of the capital allocation policy.
- Reviewed product strategy.
- Reviewed relationships with key suppliers and approved a major supplier contract.

Operational

- Received a presentation on customer satisfaction.
- Received an analysis on the Technology function from an independent third party.
- Approved renewal of insurance policies.
- Received an update on cyber security.

Financial performance

- Monitored 2023 performance against the approved budget.
- Approved the 2022 Annual Report and Accounts and determined they were fair, balanced and understandable.
- Approved the 2023 half-year results.
- Approved the final dividend for 2022 and 2023 interim dividend.
- Approved the 2024 budget.
- Received reports from the Audit Committee concerning the overall level of financial governance of the Group.

Corporate governance

- Reviewed the Board composition of Non-Executive Directors and approved the appointment of Martin Hellawell as Chair as recommended to it by the Nomination Committee.
- 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.
- Chair and Non-Executive Directors met without the Executive Directors present.
- Review and approval of Group-level policies.
- Received regular reports from Chairs of the Committees on matters discussed.
- Reviewed output from the 2022 external Board evaluation.

Risk

- Reviewed the status of the principal risks and progress with the implementation of any mitigation plans.
- Received updates on regulatory developments.
- Appointed a standing crisis management committee.

People and culture

- Discussed talent, diversity and succession planning.
- Reviewed the composition of the Executive Committee in the UK.
- Reviewed the results of the employee surveys.
- Reviewed updates regarding health and safety within the Group.
- Received a presentation on the launch of the Company's culture and values programme.
- Approved the cost of living salary increase for certain employees.
- Approval of restructuring programme.

Shareholders

- Reviewed feedback following the virtual investor roadshows and other institutional shareholder meetings.
- The incoming Chair met with shareholders as part of his induction programme and the Remuneration Committee Chair spoke to shareholders as part of the remuneration consultation.

Committees

The following Committees deal with specified aspects of the Group's affairs. All Committees operate under written terms of reference which are available on our website.

Audit Committee
The composition and workings of the Audit Committee are set out in the Audit Committee report on page 75.

Remuneration Committee
The composition and workings of the Remuneration Committee, together with details of the Directors' remuneration, interest in options and information on service contracts, are set out in the Directors' Remuneration report on page 83. No Director is involved in the decision about their own remuneration.

Nomination Committee
The composition and workings of the Nomination Committee are set out in the Nomination Committee report on page 71.

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. When we recruit senior roles (including senior managers and Directors) we work with agencies who can produce a diverse shortlist. The bonus criteria of the senior team now contains a requirement that all shortlists for management roles must be diverse.

Risk Committee
The composition and workings of the Risk Committee are set out in the Risk Committee report on page 78 with the Company's principal risks and mitigations set out on pages 28 to 33.

ESG Committee
The composition and workings of the ESG Committee are set out in the ESG Committee report on page 80 and the TCFD report can be found on pages 44 to 59.

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 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 our 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. All the Non-Executive Directors and, in particular, the Chair, the Senior Independent Non-Executive Director and the Remuneration Committee Chair are available to meet with major shareholders.

Relations with employees and 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 face-to-face meetings and employee webinars which take place regularly throughout the 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. Henrietta Marsh, Senior Independent Director, acts as the Workforce Engagement Director, the designated Non-Executive Director responsible for engagement with the workforce.

In 2023, focus groups were held between the Non-Executive Directors and mid-level managers, without Executive Directors or members of the Executive Committee present, so that the Board could listen first-hand to the issues faced by managers and employees. We expect to continue this arrangement of meeting with employees where possible.

Signed on behalf of the Board by:

Martin Hellawell
Chair and Independent Non-Executive Director

24 March 2024

Nomination Committee report

Martin Hellawell
Chair and Independent
Non-Executive Director

Nomination Committee

The Committee is responsible for overseeing succession planning for the Board and senior management and assists the Board in discharging its responsibilities relating to the composition and make-up of the Board and any Board Committees.

The purpose of this report is to highlight the role that the Nomination Committee plays in monitoring the Board's balance of skills, knowledge and experience and in ensuring the Board provides the diversity of thinking and perspective required for effective leadership.

The Committee is primarily responsible for:

- Leading the process and making recommendations to the Board for the appointment of new Directors.
- Regularly reviewing the Board structure, size and composition (including skills, knowledge, independence, experience and diversity), recommending any necessary changes and considering plans for orderly succession.
- Making recommendations to the Board about suitable candidates for the roles of Senior Independent Director and Workforce Engagement Director, and for membership of the Audit, ESG, Remuneration and Risk Committees in consultation with the Chairs of the relevant Committees.
- External and internal Board and Committee evaluations.

Composition and attendance in 2023

Current members	Independent	Attendance
Martin Hellawell (Chair)[1]	Yes	0/0
Charlotta Ginman	Yes	6/6
Henrietta Marsh	Yes	6/6
Xavier Robert[2]	Yes	5/6
Former members		
Richard Last (former Chair)[1]	Yes	2/2
Martin Lea[3]	Yes	4/4

1 Martin Hellawell took over from Richard Last as Chair of the Committee on his appointment on 1 July 2023.
2 Xavier Robert could not attend the Nomination Committee meeting held on 13 February 2023 as it was called at short notice.
3 Martin Lea left the Committee at the time he stood down from the Board at the AGM on 17 May 2023.

Dear Shareholder,

On behalf of the Nomination Committee, I present our report for the year ended 31 December 2023. This report sets out the Committee's key activities in 2023 as well as the Committee's priorities for 2024.

The majority of the Committee's work was in the first half of the year as it related to my appointment as Chair. Henrietta Marsh, as Senior Independent Director, ran this process and we have provided a description of the activities associated with this later in the report. I would like to thank Henrietta and the Board for their time taken during my recruitment and subsequent induction to ensure that I have understood the Company and the dynamics of the Board. I would also like to thank Richard Last as your former Chair and Martin Lea as your former Senior Independent Director for supporting with my handover, having served the Company robustly since its IPO in 2014.

We have put in place a schedule of regular meetings from January 2024 onwards to consider the Board structure, size and composition, review Committee memberships, consider Board and senior executive succession planning, review output from performance evaluations which relate to Board composition, and review people metrics. I have invited all Board members to join these meetings so that we form a collective view of the Board's workings, while the formal Nomination Committee will be called upon to deal with specific matters as they arise.

Board succession planning

My primary focus as Nomination Committee Chair is to consider the Board's succession plans. As part of my induction, I met with each of the Board members to discuss their roles on the Board and their views on succession planning, both for their own roles and the Board as a whole. The output from these conversations will drive further conversations in 2024 on succession planning for both Non-Executive and Executive Directors.

Henrietta Marsh has confirmed her intention to step down from the Board at the conclusion of the 2024 AGM for non-work-related reasons having served for five years. She has been invaluable to the Board, providing thoughtful and considered guidance and support to drive growth. Her insights from the fund manager community helped us to focus our approach and she contributed significantly to the development and execution of the Group's long-term planning and growth strategy. In her role as Remuneration Committee Chair she has evolved the governance of our executive remuneration, bringing the structure of our remuneration and associated disclosures closer to those of a premium listed company. She has also served on the Audit, ESG and Risk Committees along with supporting me as SID during my induction process. On behalf of the Board I would like to thank Henrietta for her dedication and contributions.

In light of Henrietta's departure, the Nomination Committee has reviewed the Board's roles and composition of its Committees and has made several changes, which will take effect from the close of the 2024 AGM. I am pleased that Rachel Addison, who has served on the Gamma Board since October 2022, will assume the role of Senior Independent Director and Chair of the Remuneration Committee. Rachel has recent financial and operational management experience and she has served as senior independent director, audit committee chair and remuneration committee chair of Hyve plc before it was taken private in June 2023. She has served on our Remuneration Committee since our last AGM and I am confident she will execute these new roles effectively.

We have also decided to combine the Audit and Risk Committees, with the joint Committee being chaired by Charlotta Ginman. As the oversight of risk and internal controls matters becomes more interlinked, we felt this was the right time for this change. This joint Committee will comprise solely independent Non-Executive Directors, being Charlotta Ginman, Rachel Addison and Xavier Robert, with Bill Castell and John Murphy no longer being members of the Risk Committee and now attending by invitation. This change also supports our ongoing aim of closer alignment to the UK Corporate Governance Code.

I will assume the role of Workforce Engagement Director at the close of the 2024 AGM. The Board agreed I was well-placed to take on this responsibility given my recent experience as CEO of Softcat and I will work to ensure a regular cadence of meetings with our employees, reporting feedback to the Board.

In 2024, the Committee will consider the composition of the Board in light of Henrietta's departure, taking into account the skills, experience and diversity of existing Directors and the desired experience required to support the Company's evolving strategy.

Executive Committee succession planning

I have invited the Chief People Officer to join Nomination Committee meetings to support on succession planning discussions. These reviews will focus on the Executive Directors, members of the Executive Committee and other key employees throughout the Group who have longer-term potential to grow into Gamma's future leaders.

Appointments to Board Committees

In early 2023, in anticipation of planned retirements from the Board, the Committee and Board completed a review of the composition of the main Board Committees (Audit, Risk, ESG, Nomination and Remuneration) having regard to the skills, experience, diversity and the time required of each of the Directors in discharging their responsibilities. Immediately following the 2023 AGM, Rachel Addison assumed the role of the Risk Committee Chair and Shaun Gregory became the ESG Committee Chair. Andrew Belshaw stood down as a member of the Risk Committee and Bill Castell stood down as a member of the ESG Committee to ensure that a majority of the members of each Committee comprised independent Non-Executive Directors. Both Andrew and Bill continue to attend these meeting by invitation. In addition, both Rachel and Shaun were appointed as members of the Remuneration Committee following the 2023 AGM.

Appointment of Company Secretary

As reported in the 2022 Annual Report, Rachael Matzopoulos joined us in January 2023 as Company Secretary. Rachael has extensive experience as a company secretary at public companies and she has already made a good contribution to improving the operation of the Board and bringing our governance standards closer to those of a premium listed business.

Director induction and ongoing training

Upon appointment, each Director is provided with a tailored induction to the Group. An extensive and individual programme was developed by the Company Secretary to support my induction. This included meeting with all Board members and members of the Executive Committee, with key members of management below the Executive Committee and with the Company's main external advisers. In addition, I met with several of our largest shareholders to learn about their views on the Company and management. I was given access to all previous Board and Committee agendas, papers and minutes, along with materials from recent strategy days. I received a presentation from our broker on the AIM rules and met with the external auditor.

Ongoing training for new and existing Directors is available on request from the Company Secretary.

* To calculate the Likert score each answer was given a score (poor -5, adequate -3, good +3, excellent +5). All scores were added together and divided by the number of respondents. Any n/a or not sure answers were excluded from the ratings.

Time commitments

All Directors demonstrated strong time commitment to their roles on our Board and Committees during the year. The Directors have also given careful consideration to their external time commitments to confirm they are able to devote an appropriate amount of time to their roles on our Board and Committees.

Board and Committee evaluation

Following an external evaluation completed in 2023, a list of recommendations was produced which I reviewed as part of my induction. We have considered these as part of improving the Board's effectiveness and have implemented several actions and have seen the benefit of them.

The Board completed an internal evaluation at the end of 2023, facilitated through the use of an online questionnaire. I worked with the Company Secretary on the content, which included questions on Board governance and processes, Committee governance and processes, strategic issues and oversight, contributions and development, Board skills and composition and a section for open comments. All Board members participated in the questionnaire which involved scoring using the Likert scale* along with an opportunity to comment on each of the questions.

All questions received an adequate, good or excellent score overall; no questions received an overall poor rating. The Board and each of the Committees are considered to be operating effectively, and are being run in the best interests of all stakeholders. Contributions from all Directors were felt to be excellent and support from the new Company Secretary in bringing cohesion to meeting governance norms had improved immensely.

Henrietta Marsh
Senior Independent Non-Executive Director

Board Chair succession process

In January 2023, the Nomination Committee met without the retiring Chair (Richard Last) to consider the succession process for the role of the Board Chair. The Committee subsequently met frequently to review progress with the recruitment and invited other members of the Board to join the discussions as appropriate. Andrew Belshaw was closely involved in the process as a constructive relationship between the Chair and CEO is key to the Company's long-term success.

As reported in the 2022 Annual Report, the scope and a candidate profile were created and the Committee held a selection process to appoint a specialist executive search firm to assist with the recruitment. Following a thorough process, in which the firms were assessed against a set of objective criteria, we engaged Heidrick & Struggles to conduct the search for a new Chair. Heidrick & Struggles is a global leader in assessment, recruitment and succession planning for boards of directors and had no connection with the Company other than providing this type of service.

A detailed role and person specification was developed with input from all members of the Board. The Committee requested that a diverse longlist of candidates, in respect of gender, ethnicity and background, be produced. Following the longlist process a shortlist was agreed. The requirements of the role specification included significant listed company experience, a technology background and previous experience as a Chair. It was not easy to find candidates meeting all of these requirements, particularly as some chairs with the experience profile required now find private equity backed opportunities more attractive. However, the shortlist included several candidates who did meet all requirements and, following interviews with all Board members, there was more than one candidate who was supported by all. The Nomination Committee took the final decision independently of executive management.

The Committee recommended to the Board that Martin Hellawell be considered as Chair, to which the Board unanimously agreed. The Board and Committee were delighted that Martin chose to accept the appointment and Martin was appointed to the Board on 1 July 2023 and, in line with governance best practice, his appointment will be put to shareholder vote at the 2024 AGM, being the first AGM after his appointment. Further details on his background, qualifications and the experience he brings to the Board can be found in his biography on page 64.

I would like to thank my fellow Directors for their additional time, commitment, support and contribution to this process.

Areas for further improvement in 2024 have been identified. While advances in the quality of Board and Committee papers have been welcomed, further changes have been proposed to bring papers into line with best practice. Lessons were learned from the strategy day held in 2023 and will drive changes in 2024 which will facilitate improved discussions. Board succession remains a consideration to ensure the appropriate balance of skills, experience and diversity.

The Board expects to carry out a further internal evaluation in 2024 and will report on those findings in the 2024 Annual Report.

Reappointment of Directors

The reappointment of Directors is subject to their ongoing commitment to Board activities and satisfactory performance. All Directors, with the exception of Henrietta Marsh at the 2024 AGM, 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.

Diversity

Gamma is committed to creating a workplace where every person feels valued and where diverse views and ideas are embraced, whilst facilitating the delivery of our strategic goals. The Board and the Nomination Committee believe that being an inclusive employer is essential for our long-term success and we are more focused than ever on recruiting, retaining and engaging the broadest range of talent at every level of our Company. The Board currently comprises 38% female and 62% male Directors. The Committee recognises that there are no ethnically diverse Directors on the Board and will keep this under review, including ensuring that longlists and shortlists for Non-Executive Directors are suitably diverse. We have a clear intention to add ethnic diversity to the Board at the earliest opportunity. The Committee will also keep under review the diversity of the Executive Committee.

Terms of reference

The Committee undertook a thorough review of its terms of reference during the year as these had not been updated in several years. A number of elements of best practice were included to ensure the Committee was operating effectively. The revised terms of reference were reviewed in January 2024 and subsequently approved by the Board. The terms of reference can be found on our website.

Priorities for 2024

The Committee's immediate priority for 2024 will be to ensure that the Board has the right Directors with the necessary mix of skills and experience, as well as specialist knowledge of the markets in which Gamma operates. The Committee will also focus on diversity in the Board, within the Executive Committee and throughout the organisation, and management has again been incentivised through bonus targets relating to diversity matters in 2024.

Martin Hellawell
Nomination Committee Chair

24 March 2024

Audit Committee report

Charlotta Ginman
Independent
Non-Executive Director

Audit Committee

The Audit Committee is responsible for ensuring the financial integrity of the Group through the regular review of financial processes, including internal controls, and performance. It confirms to the Board that all material financial updates are fair, balanced and understandable. It is also responsible for oversight of the internal audit function and the relationship with the external auditor, monitoring their performance and reviewing the scope and terms of their appointment, engagement and removal.

Composition and attendance in 2023

The Audit Committee, as a whole, has competence relevant to the industry and both Charlotta Ginman and Rachel Addison have recent and relevant financial and accounting experience. Biographies of the Committee members can be found on pages 64 and 65. There were no changes to the composition of the Committee during the year.

In addition to the Committee members, meetings are also normally attended by invitation by the CEO, the CFO, the Group Financial Controller, the UK CFO, the External Audit Partner, an Internal Audit representative from PwC and the Company Secretary. The Committee usually meets four times each year.

Composition and attendance in 2023

	Independent	Attendance
Charlotta Ginman (Chair)	Yes	4/4
Rachel Addison	Yes	4/4
Henrietta Marsh	Yes	4/4

The composition of the Committee did not change during the year.

Dear Shareholder,

As Chair of the Committee, I am pleased to present the Audit Committee report for the year ended 31 December 2023. This report details the work of the Committee over the past year, fulfilling our responsibilities to provide effective governance over the Group's financial activities.

Significant matters considered by the Audit Committee during the year

Key reporting matters

During the year and as part of the year end procedures, the Committee considered the following key financial matters in relation to the Group's financial statements and disclosures with input from both management and the external auditor:

- Revenue: during the year, the Audit Committee received an update from management on the Group's controls relating to the accuracy of Gamma Business usage revenue and an understanding of the results of the work performed by the external auditor in this area. The Committee continues to be satisfied with the reporting of this revenue.
- Development cost intangible asset impairment: At the Audit Committee in March 2024, management presented its impairment assessment on the £15.0m carrying value of some of its collaboration software, for which ongoing development was stopped in the year following the EnableX acquisition, along with the strengthened Cisco partnership. This was a significant area of focus given the impairment of £12.7m recorded against the intangible asset. In considering this area of focus the committee reviewed and discussed the impairment assessment and associated assumptions and sensitivities applied with management. This included any adjustments applied to Board approved forecasts to exclude associated cashflows relating to expected future enhancements to the asset.

The Committee was satisfied with the impairment recorded and took comfort from analysis and associated sensitivities that also confirmed there was not a significant risk of a material adjustment to the intangible asset within the next financial year.

The Committee also confirmed with management that their decision to classify the impairment as an exceptional item was consistent with the Group's accounting policy.

Furthermore, we also spent time talking about significant management estimates and critical judgements (note 2) as well as acquisitions, the goodwill impairment assessment and going concern where the Committee challenged to ensure that principal risks were appropriately considered when making the assessment. We also reviewed policies and discussed risk appetite in relation to taxation and treasury.

Internal control framework – a continuing journey

Last year we began the task of identifying our key controls and mapping our material processes in a consistent manner. This has helped to reinforce responsibility across the business and support internal testing going forward. This is a large task that is ongoing with good progress made to date. Now that the UK Corporate Governance Code 2024 has been issued and timelines confirmed, we plan to evolve our approach so that we continue to develop and strengthen our internal controls framework while considering those requirements. Part of our work is to reduce the number of manual processes and increase financial reporting system reliance and the use of automated controls. This is both to strengthen our controls environment and to improve efficiency. To that end we have now completed a system selection process and launched a finance ERP system project in 2024 which will enhance our capabilities from 2025 onwards.

During the year we have completed internal testing of key controls in a number of areas, in line with the internal controls plan we had established for the year. PwC as our outsourced internal auditor also continued to undertake planned deep dives. We have reviewed the findings from both activities and strengthened controls where appropriate. The feedback across all testing has helped to improve our internal control framework. I will be pleased to report continuing progress in my 2024 Audit Committee report.

Internal audit

The activities of the internal audit function (outsourced to PwC) are governed by an Internal Audit Charter that is reviewed and approved by the Committee on an annual basis. During the year, the Audit Committee received updates on the internal audit work for the following areas:

- Product development lifecycle
- Cyber security maturity assessment (UK)
- Business continuity management

The work did not reveal any significant failings in financial reporting controls but did identify improvements that could be made. These are now being implemented by management to enhance the control environment in each area. The actions are tracked by the Committee, including the responsiveness of management to findings and recommendations and the progress of closing any overdue actions.

The Committee reviewed and approved the risk-based internal audit plan for 2024, which will focus on the following key financial processes:

- IT General Controls (follow up review)
- ERP system control coverage review
- Payroll and HR controls post implementation review

The PwC team is headed up by Per-Olof Ahlstrom, who attends all Audit Committee meetings and with whom I also meet separately on a regular basis.

Management Fraud Risk Assessment

At the year-end Audit Committee meeting, management presented a "Management Fraud Risk Assessment" report. This report outlined the process followed in the risk assessment, the risk areas considered, and the outcome reached. The Committee was satisfied with the report.

Annual Report and Financial Statements

The Board has asked the Committee to confirm that in its opinion the Annual Report as a whole can be taken as fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's financial position, performance, business model and strategy. In doing so the Committee has given consideration to:

- The way the Strategic report (including the Chair's statement and reports of the CEO and CFO) presents the Group and its business, financial and business model, and the key performance indicators used by management.
- Whether suitable accounting policies have been adopted and have challenged the robustness of material management judgements and estimates reflected in the financial results.
- The comprehensive control framework around the production of the Annual Report, including the verification processes in place to deal with the factual content.
- The extensive levels of review that are undertaken in the production process, by both management and advisers.
- The Group's internal control environment.

The Group uses certain APMs to present its results, that are also used by management in running the business. These are non-GAAP measures that are not considered to be superior to equivalent statutory IFRS measures, but are designed to provide the users of the financial statements with additional useful information on the ongoing trading performance of the business. An explanation of the APMs and a reconciliation to the nearest statutory equivalent measure are provided on page 160.

As a result of the work performed, the Committee has concluded that the Annual Report for the year ended 31 December 2023, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy, and it has reported on these findings to the Board.

Interactions with the Financial Reporting Council ("FRC")

In June 2023, the Group received a letter from the FRC following a review they conducted of the Group's Annual Report for the year ended 31 December 2022. This confirmed that they had closed their enquiry with no questions or queries to raise following their review. Their letter did include some matters which the FRC believed could be improved for the benefit to users, should they be significant and relevant. In our reply to the FRC, we noted these comments and confirmed that they would be considered when preparing the 2023 Annual Report.

The FRC's review is based on our published Annual Report and does not benefit from detailed knowledge of our business or an understanding of the underlying transactions. It provides no assurance that our Annual Report is correct in all material respects. The FRC's role is not to verify the information provided, but to consider compliance with reporting requirements. The FRC accepts no liability for reliance on the FRC's review by the Company or any third party, including but not limited to investors and shareholders.

Group policies

The following Group policies were reviewed and reapproved by the Audit Committee during the year:

- Non-audit services policy
- Employment of former auditor's policy
- Group Treasury policy

In early 2024, a new policy in relation to failure to prevent the facilitation of tax evasion was also approved and subsequently communicated to employees, as required under the Corporate Criminal Offence legislation.

External audit

Audit services

The completion of the 2023 audit marks Deloitte LLP's ninth year as Group auditor and Mark Tolley's fourth year as audit partner. In accordance with the FRC's ethical guidelines, a process for the tender of the external auditor has commenced and is expected to complete during 2024. We aim to provide feedback to shareholders on the outcome later in the year and will report on the process in detail in the 2024 Annual Report.

The scope of the current annual audit was agreed in advance with the Committee with a focus on areas of significant audit risk and the appropriate level of audit materiality. The Committee also had discussions with the auditor on fees, internal controls over Gamma Business usage revenues, accounting policies and areas of potential critical accounting estimates and judgements. The auditor attended all Committee meetings and reported to the Committee on the results of the audit work, highlighting any issue which the audit work had discovered, or the Committee had previously identified as significant or material in the context of the financial statements.

There were no adverse matters brought to the Committee's attention in respect of the 2023 audit which were material and should be brought to shareholders' attention.

Effectiveness

The Committee monitored and evaluated the effectiveness of the auditor under the current terms of appointment based on an assessment of the auditor's performance, qualification, knowledge, expertise, results of regulatory reviews and deployed resources. The auditor's effectiveness was also considered along with other factors such as audit planning and interpretations of accounting standards and separate discussions with management (without the auditor present) and with the auditor (without management present). As Chair of the Committee, I also had discussions with the audit partner outside the formal meetings throughout the year.

The Committee was satisfied that the audit was effective and that Deloitte continues to demonstrate the skills and experience needed to fulfil its duties effectively.

Independence and non-audit fees

Any non-audit services are required to be pre-approved by the Committee. During the year Deloitte provided non-audit services to the Company of £97k (2022: £91k) in relation to their interim reporting review and which were pre-approved.

In order to fulfil the Committee's responsibility regarding independence of the auditor, the Committee reviewed the senior staffing of the audit, the auditor's arrangements concerning any conflicts of interest, the extent of any non-audit services as per above, the fact that no former external auditors have been employed in the business, and the auditor's independence statement. The Committee was satisfied that the auditor remains independent.

For the financial year ending 31 December 2024, the Committee has recommended to the Board that Deloitte LLP be reappointed as auditor and the Board will be proposing their reappointment at the AGM.

Audit Committee effectiveness

During the year, as part of the wider Board evaluation process, the Committee evaluated its own effectiveness. Meetings were considered to be effective, with a thorough review of accounting matters and a good balance between robust challenge and support from Committee members. I look forward to continuing this working relationship as we work through the important audit tender process in 2024.

As stated in the Nomination Committee report, the Audit and Risk Committees will be merged in 2024 under my Chairship. Rachel Addison and I will work on a handover of risk-related matters to ensure continuity.

Charlotta Ginman, FCA

Audit Committee Chair

24 March 2024

Risk Committee report

Rachel Addison
Independent
Non-Executive Director

Risk Committee

The Risk Committee assists the Board in its duty to carry out a robust assessment of the principal risks facing the Company. Its main function is to review and discuss the risk register prepared and maintained by management, and to re-confirm that the principal risks have been identified and appropriate mitigating actions are in place. It is primarily responsible for ensuring that:

- Management has implemented an appropriate and effective risk assessment, management and internal control system.
- There is an effective system in place for the identification and assessment of new and emerging 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.

In addition to the Committee members, meetings are also normally attended by the CEO, the Company Secretary, and an Internal Audit representative from PwC, as well, from time to time, by other Executive Committee members and relevant Directors.

Composition and attendance in 2023

Current members	Independent	Attendance
Rachel Addison (Chair)[1]	Yes	3/3
Charlotta Ginman	Yes	3/3
Xavier Robert[2]	Yes	2/3
Bill Castell (CFO)	Yes	3/3
John Murphy (COO)	Yes	3/3
Former members		
Martin Lea (Former Chair)[1]	Yes	1/1
Richard Last[3]	Yes	1/1
Andrew Belshaw (CEO)[4]	Yes	3/3

1 Martin Lea was the Committee Chair until 17 May 2023 when he retired from the Board and on which date Rachel Addison was appointed the Committee Chair.

2 Xavier Robert could not attend the meeting on 23 February 2023 due to a prior commitment.

3 Richard Last was a member of the Committee until 17 May 2023.

4 Andrew Belshaw was a member of the Committee until 17 May 2023 when its composition was reviewed following the retirements of Richard Last and Martin Lea. Under the terms of reference, a majority of Non-Executive Directors is required hence the current composition was agreed. Andrew Belshaw has attended all meetings since this date and expects to do so in future.

Dear Shareholder,

I am pleased to introduce the Risk Committee report for the year ended 31 December 2023.

There have been several changes to the Committee composition during the year, with Martin Lea and Richard Last retiring from the Committee and a review of its composition taking place. It was agreed that Andrew Belshaw would also step down as a Committee member at this time, to ensure it comprised a majority of Non-Executive Directors, as required under its terms of reference. Andrew Belshaw has been invited to and attended all meetings since this date and expects to do so in future. The Committee now comprises three Non-Executive Directors along with the CFO and the COO.

During the year I undertook a thorough review of the risk management process alongside management, resulting in a change to the focus of our meetings to ensure we are covering the most material matters in depth on a regular basis. We also reviewed the frequency of meetings and agreed that three meetings a year was appropriate.

Details of our overall risk management governance framework and processes, together with the Group's principal risks and how we mitigate them, can be found on pages 27 to 33 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 the principal risks facing the Company are identified and there is a system in place for scanning the environment for new and emerging risks and 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; Gamma's risk appetite. The Committee is further responsible for reviewing and approving the remit of the risk management activity, ensuring that it is adequately resourced and independent, and for ensuring that an appropriate and evolving risk awareness and risk management culture exists throughout the organisation.

Activities of the Risk Committee in 2023

The Group risk management policy and framework continue to drive consistency with regard to how risks are categorised, assessed, qualified and managed, as well as strengthening senior executive ownership of specific risks. The Committee was briefed on the most severe risks by the Executive Committee member responsible for the specific area of risk, giving the Committee a deeper understanding. During the year the resourcing around our risk and control management activities was strengthened with the appointment of a Head of Risk Management.

The Committee, together with management, undertook a biannual review and challenge of the areas of principal risk and associated risk appetite statements and a periodic review of the most material related business risks. 2023 saw no new principal risks being identified.

The Committee worked closely with management to navigate the assessment of its product and services strategy, ensuring the principal risk areas of product development and the unknown competitor landscape were considered adequately.

The Committee met three times in 2023, and in addition to the items above conducted the following regular items of business:

- Reviewing the Company enterprise risk register focusing on the higher-risk items and the status of associated mitigation plans.
- Reviewing any unexpected and material service incidents or other corporate risk incidents.
- Noting any areas of emerging risk.
- Receiving cyber security, business continuity and resilience progress updates from the Group Security Director.
- Receiving briefings on Telecommunications Security Act legislation and the related control implementation.
- Conducting an annual review of the Group's Risk Management, Information Security and Data Protection policies, and their respective controls, prior to re-approval by the Board.
- Reviewing the Risk management and Our principal risks sections of the Strategic report within the Group's Annual Report.
- Reviewing the Committee's terms of reference, making recommendations to the Board.

Throughout the year, the Risk Committee continued to work closely with and liaise with the Audit and ESG Committees.

Looking forward

Our Group continues to grow in the breadth and sophistication of services provided as well as the diversity of geographic markets within which we operate. These factors, together with ongoing 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.

Based on the evolving landscape the Group works within the Committee's focus in the coming year will be to embed our risk management activities, ensuring the risk culture set in previous years continues, whilst overseeing management's review of our cyber security, data protection, business continuity strategy policy and practices.

As stated in the Nomination Committee report, the Audit and Risk Committees will be merged in 2024 with Charlotta Ginman as Chair. I will remain a member of this combined Committee.

Rachel Addison
Risk Committee Chair

24 March 2024

ESG Committee report

Shaun Gregory
Independent
Non-Executive Director

ESG Committee

The ESG Committee is primarily responsible for:

- Overseeing the development of the Group's ESG strategy and governance structures and associated goals and policies.
- Ensuring that management establish appropriate ESG KPIs and related targets, and for overseeing their ongoing performance measurement and reporting.
- Monitoring ESG trends and related standards and legislative requirements and how those are likely to impact on the Group's strategy and financial performance.

Making sure that the Group is transparent in its reporting of ESG matters to all its key stakeholders and that ESG awareness is promoted throughout the organisation.

In addition to the Committee members, meetings are also normally attended by the Chief Operating Officer, the Company Secretary, the Chief People Officer and the Group Sustainability Director. The Committee meets three times each year.

Composition and attendance in 2023

Current members	Independent	Attendance
Shaun Gregory (Chair)[1]	Yes	3/3
Andrew Belshaw (CEO)	Yes	3/3
Henrietta Marsh	Yes	3/3
Former members		
Martin Lea[1]	Yes	4/4
Richard Last[2]	Yes	4/4
Bill Castell (CFO)[3]	Yes	2/2

1 Martin Lea was the Committee Chair until 17 May 2023 when he retired from the Board and on which date Shaun Gregory was appointed the Committee Chair.

2 Richard Last was a member of the Committee until 17 May 2023.

3 Bill Castell was a member of the Committee until 17 May 2023 when its composition was reviewed following the retirements of Richard Last and Martin Lea. Under the terms of reference, a majority of Non-Executive Directors is required hence the current composition was agreed. Bill Castell has been invited to and has attended all meetings since this date.

Dear Shareholder,

I am pleased to introduce the ESG Committee report for the year ended 31 December 2023.

There have been several changes to the composition of the Committee during the year, with Richard Last and Martin Lea retiring from the Committee, at which time I took on the Committee Chair role. It was agreed that Bill Castell would also step down at this time, to ensure it comprised a majority of Non-Executive Directors, as required under its terms of reference. Bill Castell has attended all meetings since this date and expects to do so in future. The Committee now comprises two Non-Executive Directors and the CEO.

Details of our environmental-related governance, strategy, climate-related risks and metrics and targets are presented in the Task Force on Climate-related Financial Disclosures ("TCFD") section on pages 44 to 59 of the Strategic report. Information relating to our people can be found on pages 40 to 43 of the Strategic report.

In addition, more detailed disclosures can be found in the ESG Hub on our website, providing our stakeholder community with information on our ESG plans, initiatives and progress.

Role of the ESG Committee

The Committee, acting on behalf of the Board, supervises the Group's ESG strategy and governance framework, establishing goals, policies, and pertinent KPIs across ESG areas. It oversees continual monitoring, reporting, and adaptation, ensuring alignment with evolving standards and legal requirements.

ESG risks and opportunities are reviewed by the Committee, alongside metrics and targets which are used to track progress. Transparent reporting to stakeholders on ESG strategy, activities, and performance is a key responsibility. Moreover, fostering an ESG-conscious culture within the organisation is central. To fortify this commitment, ESG objectives were again integrated into the 2023 senior executive bonus scheme, a practice that will continue in 2024.

Activities of the ESG Committee in 2023

The Committee held three meetings during 2023, in order to review: strategy, risks and opportunities, policy, governance, key initiatives, reporting and communications developments across all areas of ESG. In addition, it received regular updates from management regarding the regulatory environment and the evolution of various ESG standards.

The Committee has overseen ongoing progress in all three areas of environment, social and governance during 2023. ESG priorities for the Group are well understood, with plans based on the 2021 materiality exercise and ongoing discussions with our key stakeholders. The ESG Executive Steering Committee, comprising members of the Executive Committee, continued to oversee governance and ownership around our various ESG priorities. This, together with ongoing ESG communications via newsletters, an Earth Day video series, and Lunch and Learn sessions, continues to help increase levels of awareness and engagement across the Group. Furthering Gamma's commitment to transparent reporting, we are pleased to have published our first Sustainability Report, summarising activity across all areas of E, S and G. Our ESG Hub is available on our website.

The ESG Committee is pleased that the SBTi has now verified Gamma's net-zero science-based target by 2042.

Our understanding of Gamma's environmental impact is continually improving through the collation of more primary data, incorporating more of the GHG Scope 3 emissions categories. Recognising the demands of the SBTi validation process, our work to understand the impact of our supply chain on the Scope 3 carbon emissions associated with purchased goods and services progressed again during 2023. We are now monitoring progress of our key suppliers in environmental management via CDP, TCFD and SBTi commitments.

We completed further work to understand the Company's risk exposure from climate change, including climate-scenario analysis for all Gamma offices and key facilities in the UK and Europe. We remain of the opinion that Gamma's risk is currently low. The Committee is pleased that the Group's Carbon Disclosure Project ("CDP") score has been maintained at a B rating for 2023, evidencing our continued work in this area.

We continue to focus on three of the UN Sustainability Development Goals: 5, 8 and 10. Achieving gender equality, and in particular empowering women and girls, is a key part of our strategy and we have made significant progress across these through a range of interventions. We updated our diversity audit in the first half of 2023, which gave us useful benchmarks and highlighted the ongoing opportunities and challenges that Gamma faces in a competitive labour market. Our Women at Gamma community group has attracted over 100 participants and has empowered women at Gamma to share their insights and priorities with senior sponsors. As a result we will launch our first ever leadership event for women this year, aimed at increasing the number of women in leadership and management.

Continuing to attract and retain the best talent is at the core of Gamma's people strategy and in the latter part of 2023 we invested in new capability to drive forward our employee experience and social value agenda during 2024. Our You Belong programme supports a culture that enables us to attract, recruit, and retain a diverse workforce and to create an inclusive workplace where all Gamma employees feel they belong. We have seen an increase in gender diversity in 2023 and will continue to focus on that and other under-represented groups in 2024, as well as improving our diversity data capture, monitoring, and insight.

The Committee is pleased that the Gamma Charity Forum is growing and now includes volunteers from across the Company, from many different business units. The Charity Forum supports our "Giving Back" initiatives through either matched funding of employee charitable initiatives or designing and coordinating our own charitable events. All Gamma employees are given a day each year to participate in charitable activities.

In terms of governance, the Group policy management framework which was implemented in 2022 is now ensuring that policies are reviewed regularly by the Committee ahead of submission to the Board for approval and publication. Where available and relevant, employee training is offered to support policies.

Engagement with stakeholders

The Committee is responsible for ensuring that the Group provides appropriate visibility of its ESG credentials to the investment community, as well as other stakeholders. We are pleased to report that during the year the Company has received positive ratings from the CDP (B) and Morgan Stanley Capital International ("MSCI") (AA).

We will continue to expand on the ESG-related information available on our ESG Hub, providing our stakeholders with updates on our progress. We are pleased to have published an inaugural Sustainability Report for 2022 which is available on our ESG Hub and will publish an updated version for 2023. This reflects on progress made during 2022 across all ESG initiatives, as well as collating key metrics.

We continue to receive interest from employees and potential new recruits on ESG matters, for example in our plans for carbon net-zero and ED&I. In a competitive recruitment market, we believe our ESG efforts are a point of potential differentiation.

Some larger customers also require detailed questionnaires to be completed covering ESG matters and the results contribute directly to their decisions on contract awards. We consider that we are currently well placed competitively but need to keep investing in this area. We have worked closely with our Public Sector customers to ensure that our Carbon Reduction Plan meets their supplier selection criteria and this has also been approved by Crown Commercial Services ("CCS").

Looking forward

Looking to the year ahead the Committee, together with management, will focus on several areas. Considering the broad ESG scene, we will continue to carefully monitor progress by the International Sustainability Standards Board ("ISSB") in achieving a harmonised set of ESG disclosure standards as well as any further developments with UK and European legislation. We are currently assessing the impact of the new EU Corporate Sustainability Reporting Directive ("CSRD") on Gamma and believe we stand in good stead to react positively to any additional disclosure requirements.

We continue to improve our emissions measurement across the Group, aiming to collate as much primary data as possible. We will remain ISO 14001 certified. The ESOS (Energy Savings Opportunity Scheme) audit was completed during 2023 but an extension of the submission date by the UK Government means that our Phase 3 review will complete during 2024. We are pleased to have published our first TCFD report on a voluntary basis which can be found on pages 44 to 59.

We will continue to further develop our social programmes relating to our employees and the broader community, and as part of that continue to develop metrics and KPIs that will enable us to objectively and transparently report our performance. In particular our focus will be on the deployment and adoption of our Group ED&I strategy, You Belong.

From a governance perspective, we will continue to review key policies and monitor how they are being implemented. We will continue to roll out appropriate training packages to support our employees with understanding the requirements of our policies.

We remain strongly committed to our ESG programmes and the overarching principles of the UN Sustainable Development Goals. We will continue to develop Gamma's credentials as an environmentally and socially conscious business partner with high standards of governance and will endeavour to transparently disclose our progress and performance to all our key stakeholders.

Shaun Gregory
ESG Committee Chair

24 March 2024

Directors' remuneration report

Henrietta Marsh
Senior Independent
Non-Executive Director

Remuneration Committee

The Committee is primarily responsible for recommending to the Board the policy for the remuneration and determining the employment terms of the Executive Directors and the Chair of the Board and, in consultation with the CEO, for determining the remuneration packages of employees on the Executive Committee, as well as that of the Group Counsel. The Committee is also responsible for the review of share incentive plans and performance related pay schemes and their associated targets, and for making recommendations to the Board in connection with them.

No Director or other senior executive is involved in any decisions as to their own remuneration.

The Committee's terms of reference are reviewed and approved by the Board annually and are available on our website.

Directors' Remuneration report structure and content

This report for the year ended 31 December 2023 is split into the following main areas:

Composition and attendance in 2023

Current members	Independent	Attendance
Henrietta Marsh (Chair)	Yes	6/6
Xavier Robert[1]	Yes	5/6
Rachel Addison[2]	Yes	3/3
Shaun Gregory[2]	Yes	3/3
Former members		
Richard Last[3]	Yes	2/3
Martin Lea[3]	Yes	3/3

1 Xavier Robert could not attend the Committee meeting on 18 December 2023 due to a previous commitment.

2 Rachel Addison and Shaun Gregory joined the Committee on 17 May 2023.

3 Richard Last and Martin Lea served on the Committee until 17 May 2023.

* Adjusted PBT is an Alternative Performance Measure and is explained in more detail in the APM section on page 160

Dear Shareholder,

I am pleased to introduce the Directors' remuneration report for the year ended 31 December 2023.

In this statement, the key outcomes and decisions taken in the year are reviewed, referring where appropriate to provision 41 of the UK Corporate Governance Code. As described elsewhere in this report, for many years we have formally adopted the QCA Governance Code. Nevertheless, typically we seek to meet premium listing standards with our disclosures and seek to meet with the principles and provisions of the UK Corporate Governance Code.

Performance

The year has been one of continued positive progress at Gamma. The CEO and CFO's reports (on pages 14 and 23) provide an overview of the strong financial performance and the strategic steps the Group has achieved. The highlights include revenue growth of 8% to £521.7m and growth of 12% in Adjusted profit before tax* to £97.9m.

Our continued growth underpinned a 14% increase in dividend to shareholders in respect of 2022 and paid in 2023. This maintained our record of having increased our dividend every year since IPO in 2014. A 14% increase is recommended for 2023.

Executive Director remuneration outcomes in 2023

The Executive Directors participate in a bonus scheme. The Committee awarded the CEO a bonus at 95.5% of opportunity and the CFO at 95.5%. 25% of the bonus earned in both cases is subject to deferral into shares for three years. The awards reflected full achievement of the Adjusted PBT target, full achievement of the Gross Profit target, achievement of most of their personal objectives and a solid performance against ESG objectives. A detailed breakdown of awards made is set out on page 97.

The three-year performance condition for the LTIPs awarded to the CEO in 2020 was exceeded in the case of the Adjusted earnings per share ("EPS") target, so vested in full for this part of the award. The Absolute Total Shareholder Return ("TSR") condition was not met, so this part of the award did not vest. On a blended basis, this resulted in an overall vesting level of 50% in 2023.

At the 2023 AGM shareholders approved a new set of LTIP Rules, and in line with the Remuneration Policy, LTIPs were awarded in 2023 to the CEO and CFO at 175% and 150% of salary respectively under these new rules. The share price used for calculating award numbers for the LTIPs represented a 13% decrease for the CEO and a 1% increase for the CFO (who was appointed in May 2022) on the prices used to calculate awards made in 2022. The Committee decided not to adjust awards as it considers a consistent approach to be fair and in the long-term interests of the Company.

The new LTIP rules also enabled the introduction of Restricted Share Awards ("RSAs") for those below Executive Committee level. The Committee approved awards to around 20 of the Company's senior individuals at 20% of salary. A total of 31,299 RSAs were granted.

Policy operation and exercise of discretion

The Committee considers that the Remuneration Policy has operated as intended. The LTIP scheme has over time rewarded the excellent long-term performance of the business but has also in the last two years reflected the shareholder experience with reduced vesting levels. These are set out on page 99. The Committee did not exercise discretion in respect of the LTIPs which vested during the year.

The bonus scheme has also operated as intended, incentivising collective effort across the senior team towards common financial goals as well as bringing individual focus on specific contributions to the major strategic goals. The Committee did not exercise discretion on bonus awards during the year. For 2023, the Committee introduced a new metric, gross profit ("GP"), accounting for 15% of Executive Directors' bonus opportunity, to provide greater balance with the previous financial metric, Adjusted profit before tax ("PBT"), which reduced from 75% of bonus opportunity to 60%. The Committee was pleased with this change which it believes incentivises long-term growth and, for 2024, has increased the element accounted for by GP to 20% and reduced the Adjusted PBT element to 55%.

Employee remuneration

During 2023, the Committee oversaw employee remuneration. While inflation moderated during 2023, our lower paid employees continued to find cost-of-living pressures challenging. In the light of this, management decided to implement two interventions:

1) To increase our minimum salary from £23,000 pa. to £24,380 pa., meaning our most junior employees saw a salary increase of 6% in January 2024.
2) To enable colleagues to receive part of their annual bonus early (before Christmas) to help when personal finances can be stretched.

We continued to see significant competition for staff, specifically in sales, software development and finance, and as shown on page 102, the average pay increased by 5.4%, with staff numbers increasing from 1,782 to 1,882 due to acquisition despite small net reductions on an underlying basis.

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. This scheme continued in 2023.

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.

Under the SAYE scheme, employees who choose to participate are granted options at a 20% discount to market price, then save a pre-determined sum over a period of three years. The money saved can be used by the employee to exercise their options. In 2023, 29% (2022: 29%) of all employees chose to participate, with options being granted over 372,921 (2022: 257,201) shares.

The SIP is evergreen. It allows staff to buy up to £150 of shares each month out of gross salary. The shares need to be held for five years for the employees to keep the tax benefit. We have 179 employees who are buying shares monthly through our SIP scheme and 556 in total who hold shares through the SIP Trust.

Appropriateness of Executive Director remuneration

When reviewing Executive Director remuneration, the Committee considers appropriateness in the context of the workforce, in addition to the market competitiveness of remuneration, incentivisation and alignment with shareholders, In 2023, the inflationary pressures on employees eased somewhat and employees saw the benefit of the cost-of-living measures taken in 2022, which had seen a particular focus on the lower paid as set out in last year's Remuneration report, and which we have continued to build on in 2023 as described above.

The CEO pay ratios which are shown on page 103 have declined from those of 2022 due to the reduced level of LTIP vesting this year. Although this has also been the case in recent years, the dominance of performance related pay at Executive Director level means that the ratios can be volatile. Overall, the Committee did not feel that the context of workforce pay should prevent a review of the pay of the Executive Directors and it considers that the median pay ratio is consistent with the pay, reward and progression policies for the Company's UK employees.

An explanation of the strategic rationale for Executive Director remuneration policies, structures and performance metrics is set out in the policy section below.

Review of Executive Director remuneration and shareholder consultation

The Committee reviews the entirety of remuneration of the Executive Directors annually. While in many respects, it felt no change was appropriate, including no change being required to the Remuneration Policy, it identified two general areas that needed addressing: the competitiveness of the CFO remuneration and the targets on the LTIP.

We produced proposals to address these issues and wrote to the 22 institutional shareholders owning more than 1% of Gamma (in total 68% of the shareholder base) as well as two proxy agents, and received replies from or had further dialogue with 13 shareholders amounting to over 41% of the shareholder base, as well as with both proxy agents. We are pleased to have received positive feedback on the proposals and the Committee took account of shareholder feedback in taking decisions on these matters.

The proposal for increasing the CFO's remuneration reflected: (i) the extent of his tie-in once his recruitment package fully vests at the end of March 2024. (His existing LTIPs are set out on page 101); (ii) the role specification we decided on at the time of recruitment to deliver the FTSE 250 standards to which we aspire. Shareholders will note the investments we are making into finance and HR systems and internal audit; (iii) his success in the role. In addition to the systems and process improvements, the CFO has led the targeted pricing changes referred to in the financial review and taken over oversight of the legal, commercial and risk functions; and (iv) rates of pay at competitors for talent, including private equity backed businesses.

The Committee used three sources of information in evaluating where to set the new rate of pay: the competitive recruitment process run by a leading board level recruitment agency in autumn 2021 when we received real market information about what we need to pay to be competitive for the role we wished to fill; the expertise of our Committee which includes two people who work in executive roles in private equity, including the information sources they have access to; and a benchmarking completed by our remuneration advisor, h2gf Remuneration Advisory ("h2gf") against our quoted comparator group (set out on page 88).

The feedback we received from shareholders included some suggestions that the CFO's increase be spread over two years. However, we also received feedback that we should ensure we retain the two Executive Directors.

After considering the feedback, the Remuneration Committee decided to increase the CFO's pay by 14.7% with effect from 1 January 2024, the increase including the 3% median inflationary rise given to staff. We also increased his notice period to 12 months to improve retention. There were no other changes to his remuneration for 2024 which is set out on page 104. We also decided that there would be no further significant increase ahead of the workforce in 2025 for the CFO.

The Committee also consulted on changes to the LTIP targets. Neither metrics nor targets had been changed since the IPO in 2014 and, in its review, the Committee concluded that the metrics of TSR and

Changes to LTIP performance targets

Existing	New	Key changes
Total Shareholder Return		
• Absolute TSR over three years with: • a threshold of 8% compound annual growth rate ("CAGR") (at which 25% of award vests); • a maximum CAGR of 15% (at which point 100% vests); and • straight-line vesting between the two CAGRs.	• Relative TSR over three years with: • a threshold of the median TSR performance for companies in the FTSE 250 Index excluding Investment Trusts (at which 25% of award vests); • a maximum of the upper quartile TSR performance for companies in the FTSE 250 Index excluding ITs (at which point 100% vests); and • straight-line vesting for TSR between the two.	• Move from Absolute to Relative measurement over three years • Use of FTSE 250 Index excluding Investment Trusts • Vesting between 25% (threshold) and 75% (maximum) percentiles
Earnings per share		
• Adjusted EPS over three years with: • a threshold of 8% CAGR (at which 25% of award vests); • a maximum of 20% (at which point 100% vests); and • straight-line vesting between the two CAGRs.	• Adjusted EPS over three years with: • a threshold CAGR (at which 25% of award vests); • the maximum CAGR (at which point 100% vests); • straight-line vesting between the two CAGRs; and • such three-year CAGRs to be set annually by the Remuneration Committee by reference to the latest Board approved three-five-year plan. The CAGR targets will be announced at the time the awards are made.	• Three-year CAGRs to be set annually by reference to the latest Board approved three-five-year plan • Three-year targets to be announced at the time each award is made
The metrics are equally weighted.	The metrics are equally weighted.	No change
Two-year post-vesting holding period	Two-year post-vesting holding period	No change

Adjusted EPS have stood the test of time and provided appropriate focus on the shareholder experience and so should not be changed. However, the Absolute TSR target had become overly dominated by market cycles as Gamma had grown and we were increasingly unable to divorce ourselves from market influences in the way we could when Gamma was smaller. We therefore consulted on introducing a Relative TSR target.

The Committee considered various possible comparators including alternative market indices and a bespoke comparator group but on balance felt that the FTSE 250 Index excluding Investment Trusts provided a fair comparison for both management and shareholders.

Regarding targets for the Adjusted EPS metric, the Committee considered fixed figures such as we have used in the past and we reviewed the quantum of targets used by both FTSE 250 companies and sector comparators.

We concluded that a fixed approach would likely need frequent reviews, thus losing the benefit of consistency and, hence, a more practical approach was to set the three-year growth targets annually by reference to Gamma's long-term plan, thus setting up a consistent approach. These targets will be published annually at the time the awards are made, with maximum vesting only being achieved for stretching performance beyond that of the long-term plan.

The proposed changes to the LTIP performance targets received strong support, particularly the move to a relative target for TSR. For ease of reference, the table above sets out the changes to the LTIP targets to be used for awards made in 2024.

The CEO's remuneration was reviewed by the Committee during 2023 and his base pay was increased by 3% with effect from 1 January 2024 in line with the median inflationary increase across the workforce.

Chair remuneration

Martin Hellawell joined the Board as Chair on 1 July 2023 and the Committee approved his fees. The Committee sought advice from the executive search firm involved in his appointment and h2gf, who benchmarked fees paid to chairs of similar sized companies. Given that the benchmarking had been based on the previous year's data the Chair's fee and expenses allowance was increased by 3% with effect from 1 January 2024 in line with the median inflationary increase across the workforce.

Non-Executive Director remuneration

A Committee of the Chair, the CEO and CFO determines non-executive remuneration. All fees and expense allowances have been increased by 3% which is in line with the median inflationary increase across the wider workforce. Non-Executive Directors do not receive any element of their pay in the form of share options or other performance-related pay.

Improving reporting to shareholders and accountability

We strive to improve our reporting to shareholders every year as we target the standards of FTSE 250 companies, while complying in full with the QCA Corporate Governance Code. The consultation with shareholders yielded a number of minor suggested disclosure improvements which we have adopted in this report.

As an AIM traded company, Gamma is not subject to the consequences of the Companies Act 2006 which applies to premium listed companies and which requires a shareholder vote on the remuneration policy to be binding. We have decided however, to put the Remuneration Policy to an advisory vote at the forthcoming AGM. Given the extensive review of the Remuneration Policy completed in early 2023 and which was published in the 2022 Annual Report, there are no changes to the Remuneration Policy, which can be found on page 89 onwards.

Committee performance

The Committee's performance was assessed as part of the annual Board evaluation. I am pleased to report that the Committee is regarded as operating effectively and continues to focus on relevant remuneration matters.

Changes to terms of reference

Given the importance of the workforce to the success of the Company, the Board has decided to increase its oversight of the employee experience, including importantly the remuneration of the workforce. Consequently, various approvals for workforce remuneration which previously fell within the scope of the Remuneration Committee will now be considered by the full Board with the lead taken by the Workforce Engagement Director.

Result of 2023 AGM

The 2022 Directors' Remuneration report was approved on an advisory basis at the 2023 AGM with 96.98% of votes cast in favour. In addition, new LTIP rules were put to the 2023 AGM and received 96.31% of votes cast in favour.

In advance of the 2023 AGM, one proxy agent advised their clients to vote against two resolutions, due to lack of clarity on two issues. We were pleased to explain that the Special Recruitment Bonus that we had agreed with the CFO matched the minimum amount and timing of his entitlement with his previous employer. We also explained that the flexibility to award LTIPs to Executive Directors with a reduced vesting time period and the potential to award 400% of salary was intended for use in exceptional circumstances. One example could be recruitment, where we need to match equity incentives at a previous employer both in timing and amount. Another example could be when the Company is required to delay issuing LTIPs due to dealing restrictions, in which case the performance period would remain unchanged at a minimum of three years. Following these clarifications, the proxy agent changed its recommendations for both resolutions to votes in favour.

On behalf of the Committee, I would like to reiterate my thanks for the time and input larger shareholders and their representative bodies have given us throughout the consultation process and during 2023. I hope that you find this report increasingly helpful and informative and trust that we can rely on your vote in support of our approach to remuneration. We would welcome any feedback you have on this report, our policy or how we implement our policy and can be contacted through the Company Secretary.

Henrietta Marsh

Remuneration Committee Chair

24 March 2024

Main activities during 2023

January	Consideration of likely outcomes of 2022 bonus scheme Determination of 2023 bonus scheme financial targets, personal objectives and ESG objectives for Executive Directors and senior executives Review of all-employee reward framework Approval of good leaver basis for departing Executive Committee members Approval of gender pay gap report
March	Determination of 2022 bonus payments and deferral Consideration of the impact of employee share schemes on dilution Recommendation of revised LTIP rules and new shareholding guidelines to the Board Recommendation of 2023 LTIP awards to the Board together with performance conditions and targets Consideration of the effect of changing UK corporate tax rates on LTIPs Approval of severance terms for departing Executive Committee member Approval of revised remuneration package for Acting CTO
April	Determination of vesting of 2020 LTIPs Recommendation of Restricted Share Awards to the Board Review of remuneration of highly paid employees
June	Consideration of benchmarking of Chair fees and approval of remuneration for new Chair
September	Approval of remuneration for new CTO Approval of expenses policy Review of options for all-employee plans for 2024 Review of shareholder and proxy agent feedback Review of terms of reference Review of advisers to Remuneration Committee Review of Executive Director and senior executive remuneration and policy including bonus scheme metrics and LTIP performance conditions Review of Executive Director remuneration benchmarking Consideration of communications for a shareholder consultation General discussion on exit packages for Executive Directors and Executive Committee
October	Approval of remuneration for Northern Europe CEO Recommendation to Board on alignment of exercise period in old LTIP rules with new rules
December	Reviewed outcome of shareholder consultation Determination of Executive Director pay rises Determination of pay increases for members of the Executive Committee and senior executives Determination of rise in Chair of the Board's remuneration

Examples of how the Committee has complied with provision 40 of the Code in 2023

Clarity	The Committee is committed to transparency and has continued to improve disclosures. In 2023, the Committee consulted with the largest shareholders to consider various changes in remuneration which are being implemented in 2024 and improved a number of minor disclosures as requested by shareholders. We have also decided to put the Remuneration Policy to an advisory vote at the forthcoming AGM.
Simplicity	The structure of the Remuneration Policy is unchanged and is commonly used by premium listed companies. As described above, the TSR performance condition for the LTIP has been aligned with market practice of using a relative measure.
Risk	The Committee recognises the risk of target-based plans and has sought to improve alignment in the coming year by introducing relative targets on TSR and targets measured against the Company's formal plans on Adjusted EPS in respect of the LTIP. Progress against our ESG strategy was again measured in 2023 for both the Executive Committee as well as the Executive Directors.
Predictability	A range of possible outcomes for Executive Director remuneration is set out on page 95.
Proportionality	There is a clear link between individual awards and the delivery of strategy, particularly through the non-financial objectives of the bonus scheme which are disclosed retrospectively in the Annual Report on Remuneration. The link between remuneration outcomes and long-term performance is primarily through the LTIP which has stretching targets based on Adjusted EPS and relative share price performance for awards made in 2024 onwards.
Alignment to culture	The Gamma core values were evolved and re-launched to all employees at the start of 2023 to be more collaborative. There continues to be an emphasis on supportive behaviour with colleagues in order to support retention and these re-launched values have received a positive reception. During the year, the Committee endorsed the additional pay increases aimed at lower paid employees.

Comparator group used for benchmarking in 2023

Big Technologies plc

Bytes Technology Group plc

Computacenter plc

First Derivatives plc

GB Group plc

Helios Towers plc

Kainos Group plc

NCC Group plc

RWS plc

Softcat plc

Telecom Plus plc

Remuneration Policy

This part of the Directors' remuneration report sets out Gamma's Remuneration Policy with regard to its Directors.

The policy table is unchanged from that published in the 2022 Annual Report.

Purpose

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. In addition, the Committee seeks to keep Executive Director remuneration consistent with the Company's culture and to take account of the effects of Executive Directors' remuneration on the workforce and other stakeholders.

Strategic rationale for Executive Director remuneration policies and structures

Setting base salary for Executive Directors at an appropriate level is key to attracting and retaining high-quality management. Therefore, the Remuneration Committee seeks to ensure that base salaries are market competitive to those of comparable companies. In addition to base salary, there are market competitive benefits and pension contributions which are at the same level as those available to eligible employees across the wider workforce. A significant proportion of total remuneration is performance-based using a structure which is common among AIM traded and premium listed companies. This aids discussion with shareholders and proxy agents for whom the structures are familiar. The Group's strategy is set out on pages 12 and 13 and is designed to enable the business to grow both its profitability and revenues by developing new, innovative communications solutions, partnering with large technology companies, and through acquisition.

The performance-based remuneration has two elements: a bonus scheme and an LTIP scheme. In common with listed company practice, the bonus scheme has one-year targets, with an element of deferral after award, and has a balanced mix of financial and non-financial targets. The Company has a business model with a high level of recurring revenue and some forward visibility on revenues that are yet to be contracted. This means that short-term management action has only a gradual effect on revenues and the principal means of managing short-term bottom-line performance is through cost management. Taking account of this business dynamic, the Committee has chosen two financial metrics for the bonus scheme (Adjusted PBT and gross profit) to ensure incentivisation of both bottom and top-line performance. Furthermore, gross profit has been chosen rather than revenue to maintain focus on margins. The momentum within the business model means that bonus scheme vesting levels for financial metrics are potentially more predictable than for some other companies. Recognising this, the Committee has set maximum bonus earnings opportunities somewhat below typical market levels and has set ranges, in which the award for threshold performance begins at zero, which again is below typical market levels.

The bonus scheme also has short-term non-financial targets, both personal objectives and ESG. These allow the Board to set specific strategically important objectives for the Executive Directors.

The LTIP scheme is designed to inventivise long-term performance and align Executive Director reward with the shareholder experience. The Committee considers that the emphasis of the performance-based remuneration should be predominantly on the LTIP, due to the high level of recurring revenues mentioned above and the consequence that short-term positive actions, such as excellent product development and customer wins, mainly have a positive effect on long-term financial performance. In contrast to the short-term bonus scheme, the Committee considers that maximum LTIP earnings opportunities should be aligned to typical market levels. The LTIP has been progressively aligned to market practice on metrics, this year being Relative TSR and Adjusted EPS as described further in the Committee Chair's statement.

In addition, the Company has applied a policy of using share incentives across the Group. This includes awards to more senior staff of restricted shares, as well as both a Save As You Earn ("SAYE") and a Share Incentive Plan ("SIP"), 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.

Consideration of shareholders' views on remuneration

The Company welcomes dialogue with its shareholders over matters of remuneration. The Chair of the Remuneration Committee is available for contact with institutional investors concerning the approach to remuneration. While there were no changes to the Remuneration Policy during 2023, the Committee consulted with shareholders over two general areas of remuneration, full detail on which is set out in the Remuneration Committee Chair's statement on pages 83 to 88.

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 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. While the Committee does not directly consult with employees as part of the process of determining executive pay, the Board does receive feedback from employee surveys that take into account remuneration in general. The Committee also receives updates from the Chief People Officer. One Independent Non-Executive Director is designated as Workforce Engagement Director with specific responsibility to engage with the workforce on a broad range of matters.

Operation of policy in 2024

A statement of how the Company intends to implement its Remuneration Policy in 2024 is included in the Annual Report on Remuneration.

Shareholder consideration of policy

As an AIM traded company, Gamma is not subject to the consequences of the 2006 Companies Act which applies to premium listed companies and which enables a shareholder vote on the remuneration policy to be binding. We have decided, however, to put the Remuneration Policy to an advisory vote at the forthcoming AGM. Given the extensive review of the Remuneration Policy completed in early 2023 and which was published in the 2022 Annual Report, there are no changes to the Remuneration Policy.

Remuneration Policy table

Purpose and link to strategy	Operation	Potential remuneration	Performance metric
Base salary			
This is the core element of pay that reflects the individual's role and position within the Group. Staying competitive in the market allows us to attract and retain high-calibre executives with the skills and experience to deliver our strategy.	Base 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; • competitive pressures; and • the general salary increase for the workforce. In addition to the above, salaries are independently benchmarked from time to time against comparable roles at premium listed and AIM traded companies of a similar size and complexity. Detail of the changes made to the CFO's remuneration with effect from 1 January 2024 can be found in the Remuneration Committee Chair's statement on pages 83 to 88.	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			
A comprehensive benefits package is offered to complement basic salary 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. Executive Directors may participate in all-employee share schemes which are designed to encourage share ownership across the wider UK workforce in line with HMRC guidelines and on the same basis as other eligible UK employees. These currently include the regular Save As You Earn plan ("SAYE") and an evergreen Share Incentive Plan ("SIP"). In the event that an individual is requested to relocate, the Company would offer them additional support. This may cover (but is not limited to) relocation, cost of living allowance, housing, home leave, education support, tax equalisation and advice and legal fees if appropriate. With effect from 1 January 2024, Executive Directors, along with all UK employees, were entitled to join a private medical scheme.	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. Participation levels in employee share schemes are in accordance with HMRC limits as amended from time to time.	Not applicable.
Pension			
Provides a competitive and appropriate pension package. 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) may 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 or by means of a cash alternative (provided there is no additional cost to the Company). This is the same level available to eligible employees across the wider workforce.	Not applicable.

Purpose and link to strategy	Operation	Potential remuneration	Performance metric
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 clawback and a malus 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. Adjusted profit before tax and gross profit), ESG objectives and personal performance objectives for the individual Directors. Targets are set by the Committee at the beginning of each year. The Committee has the discretion to vary targets and weightings from year to year.
Long-Term Incentive Plan ("LTIP")			
To align the interests of executives with those of shareholders; to motivate and incentivise delivering sustained business performance over the long term; to aid retention of key executive talent.	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 Board on the recommendation of the Remuneration Committee. Awards will typically be made annually based on a multiple of annual salary. Performance conditions are set at the time of the award. The plan rules amongst other things include clawback and malus 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. From 2021, LTIP awards to Executive Directors have been subject to a two-year post vesting holding period. Dividend equivalents may be applied to awards up to their vesting date.	The Remuneration Committee would in normal circumstances expect to make annual LTIP awards to the Executive Directors at a value of up to 175% of base salary to the CEO and 150% to the CFO, all with a maximum of 200%. In the event of recruitment only, there is a limit of 400%. At threshold performance, 25% of awards subject to that performance condition vest.	The vesting of LTIP awards is conditional upon the successful achievement of financial performance conditions over the performance period, which are set at the time of the award. Each year the Committee assesses what performance conditions and associated weightings it considers appropriate in supporting the Company's strategy and longer-term objectives. Detail of the amendments made to the performance targets for awards to be made in 2024 onwards can be found in the Remuneration Committee Chair's statement on pages 83 to 88.
Shareholding guidelines			
Encourages Executive Directors to build a meaningful shareholding in Gamma to further align interests with shareholders.	Each Executive Director is expected to build up and maintain a shareholding in Gamma equivalent to 200% of base salary. The shareholding includes beneficially owned shares, vested LTIPs on an after-tax basis and bonuses deferred into shares on an after-tax basis. If an Executive Director does not meet the guidelines, the Remuneration Committee may delay the release of 50% of LTIPs at the end of the holding period until the requirement is met. The shareholding requirements apply for two years post cessation. Shares acquired by Executives for cash rather than through deferred bonus or LTIP awards will count towards the 200% minimum shareholding requirement but are not subject to any equivalent delayed release.	Not applicable.	Not applicable.

Explanation of performance conditions

Reflecting the strategic emphasis on profitability, short-term performance is incentivised with an annual bonus scheme which is based on Company financial objectives such as Adjusted PBT, personal performance objectives and ESG objectives.

Long-term performance is incentivised with a performance share plan ("LTIP"), which is typically based on the achievement of demanding Total Shareholder Return and Adjusted earnings per share growth targets.

During 2023, the Committee reviewed the performance conditions applied to the LTIP awards as these had not changed since the IPO in 2014. We have included detail on the changes to be made in the Remuneration Committee Chair's statement on page 85.

Targets are set to align with objectives with pitching of threshold and maximum targets in the light of the Company's outlook, balancing achievability and stretch. Where possible, targets will be announced at the time awards are made.

The Committee retains the discretion to set different performance measures and/or to set different weightings on the performance goals from year to year for annual bonus and LTIP awards.

Differences in Remuneration Policy for employees and Executive Directors

The principles behind the Remuneration Policy for Executive Directors are cascaded down through the Group. They aim to attract and retain the best staff and to focus their remuneration on the delivery of long-term sustainable growth by using a mix of salary, benefits, bonus and longer-term incentives. As a result, no element of the Executive Director Remuneration Policy is operated exclusively for Executive Directors other than the two-year post vesting holding period and the post-employment shareholding policy:

- The annual bonus scheme for Executive Directors is largely the same as that of the rest of the Executive Committee. In the UK, all are aligned with similar business objectives. In the European subsidiaries, there are objectives relating to the subsidiaries' financial and business performance.
- Participation in the LTIP is extended to the rest of the Executive Committee.
- Employees who are not Executive Directors may receive restricted share awards which are share awards which do not have performance conditions, are subject only to continued employment and are issued at lower multiples of salary.
- The pension scheme is operated for all permanent employees and the Executive Directors receive the same level of contribution as the majority of other employees.

The main difference between pay for Executive Directors and employees is that, for Executive Directors, the variable element of total remuneration is greater while the total remuneration opportunity is also higher to reflect the increased responsibility of the role.

Committee discretion, flexibility and judgement in operating the incentive plans

In line with market practice and the various scheme rules, the Committee retains discretion relating to operating and administering the annual bonus and the LTIP. This discretion includes, but is 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 determination of bonus for new joiners during the year depending on the circumstances.
- The determination of bonus in the event of a change in control.
- Overriding Committee discretion.

The LTIP:

- The scheme participants for recommendation to the Board.
- The form and timing of the grant of an award.
- The size of awards made.
- The setting of appropriate performance measures.
- Determining the treatment of leavers depending on the circumstances.
- Withholding the release of 50% of any year's LTIP award for Executive Directors not meeting the agreed shareholding requirements.
- Discretion relating to vesting in the event of a change of control of the Company.
- Recommending that the Board substitutes a cash equivalent in place of shares.
- Making appropriate adjustments to awards required in certain circumstances, e.g. demerger, special dividend or other similar event which affects the market price of shares to a material extent.
- Determining that it would be appropriate to amend, waive or replace any performance or other condition applying to an award, provided that any amended or replaced performance or other condition shall not, in the reasonable opinion of the Committee, be materially more or less difficult to satisfy.
- Determining that the normal vesting date of an award shall be earlier than the third anniversary of its date of grant if the timing of the making of awards is delayed for regulatory reasons.
- Overriding Committee discretion to adjust formulaic outcomes.

Malus and clawback provisions

Malus provisions apply to awards granted under the LTIP which enable the Committee to determine that the awards will be cancelled or reduced before the underlying shares are delivered to the participant. Clawback provisions also apply, which enable the Committee to determine that, following the delivery of shares under an LTIP award, the participant must pay an amount to the Company up to the market value of the shares on the date that the award vested or was exercised (as applicable). The Committee may only apply the clawback provisions during the clawback period, which will be set on the date that the relevant award is granted and will usually be three years from the date that the LTIP award vests.

These malus and clawback provisions may only be applied in certain circumstances, including fraud, material wrongdoing, failure of risk management or corporate failure, material financial misstatement and failure to meet appropriate standards of fitness and propriety.

There are also malus and clawback provisions in the Discretionary Bonus Scheme. These last for up to three years from award.

Service agreements

The Executive Directors' service agreements summary is as follows:

Key element	CEO Andrew Belshaw	CFO Bill Castell
Effective date of contract	CFO 10 October 2014 CEO 30 November 2022	1 May 2022
Notice period	12 months' notice given by either party	
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 maximum notice period for Executive Directors is 12 months.

Executive service agreements are available on request from the Company Secretary.

Legacy arrangements

The Company will honour existing awards, incentives, benefits and contractual arrangements made to individuals prior to their promotion to the Board and/or prior to the approval and implementation of this policy. For the avoidance of doubt this includes payments in respect of any award granted under any previous Remuneration Policy. This will last until the existing incentives vest (or lapse) or the benefits or contractual arrangements no longer apply.

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. Salary and annual bonus levels will be set so as to be competitive 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 may receive benefits and pension contributions in line with the Company's existing policy. 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 to the new recruit within the limits of the Remuneration Policy (maximum of 400% of salary). Such an award may be spread over the two years following recruitment.

The approach in respect of compensation for forfeited remuneration from a previous employer will be considered on a case-by-case basis taking into account all relevant factors, such as the form of compensation forfeited, performance achieved or likely to be achieved, and the proportion of the performance period remaining. If any compensation for forfeited remuneration is paid, it may be awarded outside the LTIP and may be made with non-standard performance conditions, or without performance conditions and with a shorter vesting period and without a holding period to reflect the profile of forfeited awards. Any such arrangements would be disclosed in the following year's Annual Report. This discretion reflects that available to premium listed companies under Listing Rule 9.4.2.

In the case of an internal appointment to an Executive Director role, any variable pay element, annual bonus or LTIP awarded in respect of a prior non-Board role would be allowed to pay out according to its terms.

Discretion to vary from policy may also be exercised in the following circumstances: (1) for a short-term/interim appointment; (2) where the Chair or a Non-Executive Director is appointed for a short period; (3) where an Executive Director is appointed mid-year, performance conditions for annual bonus and LTIP may be tailored for this or amounts transferred pro-rata by month to following year; (4) where an Executive Director is hired from a location with different benefits that the Remuneration Committee sees appropriate to buy out (but not variable remuneration which is covered above); (5) relocation expenses – one-off and/or ongoing including tax equalisation; and (6) legal and similar expenses.

Policy on loss of office

The following sets out the Company's policy in normal circumstances with regard to exit payments for each remuneration element for Executive Directors. The Group will pay any amounts it is required to in accordance with or in settlement of a Director's statutory employment rights and in accordance with their service contract. A Director's service contract may be terminated without notice and without any further payment or compensation, except for sums accrued up to the date of termination, on the occurrence of certain events such as serious dishonesty, gross misconduct, incompetence, or wilful neglect of duty.

Basic salary: This will be paid over the contractual notice period (CEO and CFO: 12 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 normally be pro-rated to the time of active service in the year that employment ceased and be subject to the original performance conditions and policy on deferral. In such circumstances the decision of the Committee 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"): Awards are governed by the LTIP rules at the time of award. In the case of good leavers, the plan rules specify that, on exit, awards will normally be pro-rated for time served and vest at the normal time in accordance with the performance conditions and be subject to the holding period, other than in limited circumstances such as death. The Committee retains discretion to determine early vesting and to decide to waive time pro-rating if it feels that is appropriate in any particular circumstances. If an Executive Director ceases employment other than as a good leaver, any unvested portion of their award will lapse.

Post cessation shareholding requirements: The shareholding requirements by which an Executive Director is expected to build up a shareholding (including beneficially owned shares, vested LTIPs on a post-tax basis and deferred bonuses on a post-tax basis) of twice salary apply for two years post cessation other than in limited circumstances such as death. Shares acquired by Executive Directors for cash rather than through deferred bonus or LTIP awards will count towards the 200% minimum shareholding requirement but are not subject to any equivalent delayed release.

Change in control and corporate events

In the event of a change in control, for the annual bonus the Remuneration Committee will assess performance against targets, normally pro-rate amounts paid for time elapsed up to the point of change in control and settle in cash. Outstanding deferred bonus awards will vest in full.

The LTIP plan rules provide that awards will vest subject to the Remuneration Committee's assessment of the performance conditions and that awards will then be pro-rated for time. The holding period will not be applied. Awards may be exchanged for new awards if the acquiring company and the award holders consent. The Committee retains discretion to waive time pro-ration if it feels appropriate in any particular circumstances.

If a demerger, distribution or other transaction which would affect the current or future value of any award occurs, awards can vest on the same basis as for a change of control. Alternatively, an adjustment may be made to the number of shares if considered appropriate.

External appointments

Executive Directors may accept one external non-executive directorship with the prior agreement of the Board, provided it does not conflict with the Group's interests and the time commitment does not impact upon the Executive Director's ability to perform their primary duty. The Executive Directors may retain the fee from external directorships.

Illustrations of application of the Remuneration Policy

The charts opposite represent estimates under four performance scenarios ("Minimum", "Target", "Maximum" and "Maximum assuming a 50% share price appreciation" between award and vesting under the LTIP) of the potential remuneration outcomes for each Executive Director resulting from the application of the 2024 base salaries to awards made in accordance with the proposed policy for 2024. The majority of Executive Directors' remuneration is delivered through variable pay elements, which are conditional on the achievement of stretching targets.

The Remuneration Committee will review the actual remuneration outcomes taking into account the quality of performance outcomes and, if appropriate, use its discretion to adjust these, taking into account Gamma's performance, the operation of the remuneration structures and any other relevant factors, to ensure that the highest variable pay outcomes are only achieved in years with the highest performance.

The scenario charts are based on the proposed policy award levels and are calculated on the same basis as the single figures of remuneration (on page 97). The pay scenarios are forward looking and only serve to illustrate the proposed policy. The scenarios are based on the current CEO and CFO roles.

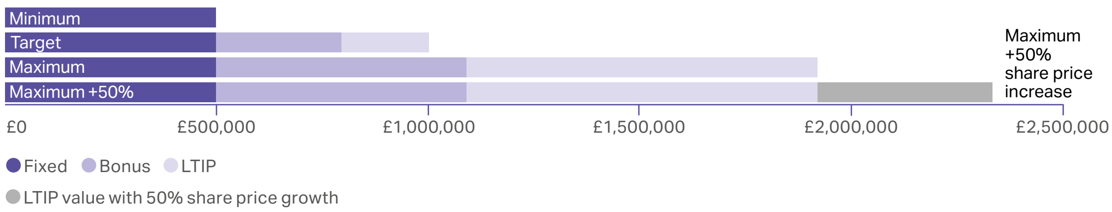
Performance scenarios

	Minimum	Target	Maximum
Base salary (2023)	✔	✔	✔
Benefits (2023 actuals)	✔	✔	✔
Pension (2024 estimate)	✔	✔	✔
Bonus	Nil	Set at 50% of maximum opportunity CEO 62.5% of salary CFO 50% of salary	CEO 125% of salary CFO 100% of salary
LTIP	Nil	Set at threshold vesting CEO 53.6% of salary CFO 37.5% of salary	CEO 175% of salary CFO 150% of salary

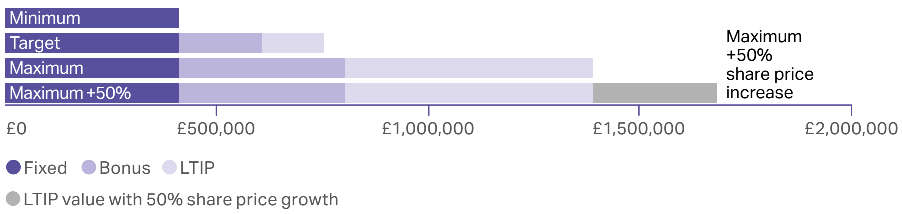
The fourth scenario "Maximum assuming 50% share price appreciation" reflects the assumptions under Maximum above and incorporating 50% share price appreciation between award and vesting under the LTIP scheme.

Charts do not take account of dividend equivalents which may be applied to LTIP awards.

Chief Executive Officer



Chief Financial Officer



Policy on Non-Executive Director remuneration

Purpose and link to strategy	Approach to setting fees	Other items
Chair and Non-Executive Directors' fees		
To enable Gamma to recruit and retain Non-Executive Directors of the highest calibre, at an appropriate cost.	Non-Executive Directors are paid a basic annual fee. Additional fees may be paid to Non-Executive Directors who Chair the Board, Chair a Committee and to the Senior Independent Director to reflect additional responsibilities, as appropriate. The level of fees paid in 2023 is shown in the Annual Report on Remuneration as well as the expected levels for 2024. Non-Executive Directors' fees are reviewed annually with changes effective from 1 January each year. Non-Executive Directors and the Chair of the Board are entitled to a taxable expense allowance to compensate for costs related to travel (other than air fares) to the Company's London and Newbury offices. The Company reimburses Non-Executive Directors in respect of other expenses incurred in performing their roles including expenses of travel to other locations. The Chair's fee is approved by the Board on the recommendation of the Remuneration Committee (excluding the Chair). The other Non-Executives' fees are approved by the Board on the recommendation of the Chair of the Board, the CEO and the CFO. The Non-Executive Directors are not involved in any decisions about their own remuneration.	Non-Executive Directors are not entitled to receive any compensation for loss of office, other than fees for their notice period. They do not participate in the Group's bonus, LTIP, employee share plans or pension arrangements, and do not receive any employee benefits. The amounts are set out in the Annual Report on Remuneration under Implementation of Remuneration Policy in the financial year 2024.

Non-Executive Director letters of appointment

Non-Executive Directors have letters of appointment (as opposed to service contracts) and are appointed for an initial three-year term which may be extended by mutual agreement. All Non-Executive Directors are subject to annual re-election by the shareholders.

The Chair and Non-Executive Directors have notice periods of three months from either party which do not apply in the case of a Director not being re-elected by shareholders or retiring from office under the Articles of Association. Other than fees for this notice period, the Chair and Non-Executive Directors are not entitled to any compensation on exit.

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

Director	Date of first appointment
Martin Hellawell	1 July 2023
Henrietta Marsh	16 April 2019
Charlotta Ginman	8 September 2020
Xavier Robert	8 September 2020
Shaun Gregory	1 July 2022
Rachel Addison	3 October 2022

Letters of appointment are available for inspection on request from the Company Secretary.

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 2023. The information in this report is unaudited, unless indicated otherwise.

Single total figure of remuneration for Executive Directors (audited)

Director	Year	Salary[3]	Benefits	Bonus	Long-term incentive ("LTIP")	Pension[3]	Total	Fixed	Variable
		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Andrew Belshaw[1]	2023	460	–	549	185	22	1,216	482	734
(CEO)	2022	379	–	420	299	17	1,115	396	719
Bill Castell[2]	2023	341	–	326	–	16	684	358	326
(CFO)	2022	217	–	610	–	10	837	227	610

1 Andrew Belshaw became Interim CEO on 4 July 2022 and was appointed CEO on 30 November 2022.

2 Bill Castell joined Gamma as CFO on 3 May 2022.

3 Salary and pension for both Andrew Belshaw and Bill Castell have been re-presented for 2022. In previous periods salary included pension allowances paid to Directors. These are now included in pension.

Bonuses are shown on an accrued basis and include both the cash and deferred share element. Bill Castell was awarded a Special Conditional Recruitment Bonus of £400,000 which was paid in December 2022 to cover forfeited elements of the incentive structure he had with his previous employer maturing in the same year. It has been structured with appropriate clawback provisions. The value of the LTIP in 2023 relates to the vesting of the 2020 LTIP awards, and the value has been calculated using the share price on the vesting date of 21 April 2023. Of the LTIP value of £184,973 for Andrew Belshaw, £49,648 is attributable to share price appreciation. In 2023, Andrew Belshaw received £12,786 (2022: £13,348) in lieu of a contribution by the Company to his pension as well as company pension contributions of £8,909 (2022: £4,000), and Bill Castell received £7,465 (2022: £7,307) in lieu of a contribution by the Company to his pension as well as company pension contributions of £8,909 (2022: £2,667). These payments have been included as pension costs and the 2022 comparatives have been re-presented to include them in pension costs.

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 2023

The maximum annual bonus award opportunity in respect of the year ended 31 December 2023 was 125% of salary for the CEO and 100% of salary for the CFO. 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	Bonus opportunity payable %	
					Andrew Belshaw	Bill Castell
Adjusted profit before tax	60%	90.5	95.0	97.9	100%	100%
Gross profit	15%	260.4	260.4	267.2	100%	100%
ESG objectives	5%	n/a	n/a	n/a	50%	50%
Personal objectives	20%	n/a	n/a	n/a	90%	90%
					95.5%	**95.5%**

The personal objectives set for 2023 and main achievements were:

Andrew Belshaw:

Objective	Achievement
To continue to develop the M&A function within the Group and, in particular, to complete opportunities for European expansion.	Our M&A capability continues to evolve and Andrew spent significant time working with advisers to evaluate potential European acquisitions of all sizes; vendor price expectations meant that no deals were concluded.
Develop our UCaaS portfolio.	Andrew has brought clarity to our UCaaS portfolio and introduced solutions at all price points.
Develop a sales and marketing strategy for both direct and indirect channels, along with continued product developments, to enable SIP migration to Gamma's Cloud PBX solution to be successful.	The expected migration has not yet occurred but Andrew has worked with the marketing team to communicate migration paths for customers of all sizes.
Establish our proposition (PhoneLine+) to ensure Gamma benefits from the move from analogue to digital.	Andrew has overseen the launch of PhoneLine+ which has been well received by customers and sales volumes continue to increase.

Bill Castell:

Objective	Achievement
Continue with the effective management of analysts, shareholders and other key stakeholders.	Bill introduced new sell side-analysts and launched a new investor website in Q1 2023.
Launch the Finance ERP system – be on track for UK launch in late 2023/early 2024 Deliver a more complete suite of KPI and analytical capability feeding into streamlined reporting by the end of the year.	Bill introduced a new balanced scorecard in H1 2023. Microsoft Dynamics has been selected as the new finance software and implementation is ongoing.
Carry on the work that has already started on the (evaluation and) documentation of Gamma's financial processes, systems and controls	Bill (together with a new Group Financial Controller) has improved many aspects of financial controls.
Continue to actively pursue M&A opportunities, actively manage banking and target relationships.	Bill has continued to develop relationships with the main retail banks with a view to underpinning the potential to raise debt finance should the need arise.

The ESG objectives for both Executive Directors were:

- Maintain proportion of new hires in senior management from underrepresented groups (female and ethnic minority) at above 50% in 2023
- Allocate detailed accountabilities consistent with achieving Stage 1 of the Carbon Reduction Plan (achieving 31% reduction in emissions by 2026.)

The carbon objective was fully achieved while the diversity objective was narrowly missed. Accordingly, the Committee awarded a 50% achievement of the ESG portion of the bonus scheme.

Deferred bonus award

The deferred bonus award is calculated as 25% of gross bonuses earned in 2023. The number of shares over which awards will be made will be determined by the share price on the trading day prior to the date of award. The value of each individual's award in respect of their bonus has been determined as follows:

Measure	Overall bonus outcome	Bonus for 2023 £000s	Cash-settled £000s	Value of 2023 deferred bonus award £000s
Andrew Belshaw	95.5%	549	412	137
Bill Castell	95.5%	326	245	81

Deferred bonus awards will be granted under the Deferred Bonus Plan shortly following their award in March 2024. These awards will not be subject to any further performance conditions and will vest in full on the third anniversary of the vesting commencement date.

Details on the options granted during 2023 in respect of the deferred bonus for 2022 are below:

Director	Type of scheme interest	Number of awards	Vesting date	Face value of award[1]	Exercise price
Andrew Belshaw	Nil-cost option	9,789	31 March 2026	£104,750	£0.0025
Bill Castell	Nil-cost option	4,923	31 March 2026	£52,686	£0.0025

1 The face value of the award has been calculated using the closing share price of £10.70 on 28 March 2023, the day before the awards were made.

Strategic report

Governance report

Financial report

Additional information

Long-Term Incentive Plan ("LTIP") – Vesting of 2020 LTIP awards

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

Director	Total number of shares	Face value at grant	% Vesting	Shares vesting	Share price[1] £	LTIP value
Andrew Belshaw	32,031	£320,310	50%	16,015	11.46	£183,532

1 The long-term incentive figure for the year has been valued using the market value of the shares that vested in 2023 at the vesting date of 21 April 2023.

The 2020 LTIP was subject to a combination of performance conditions based on annual compound growth in Total Shareholder Return ("TSR") and annual compound growth in Adjusted earnings per share ("Adjusted 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
Annual compound growth in TSR	50%	8%	15%	5.5%	0%
Annual compound growth in adjusted EPS	50%	8%	20%	20.7%	100%

The Remuneration Committee did not exercise any discretion in determining the achievement of the performance criteria, with the values of Adjusted EPS being the Alternative Performance Measures shown in the financial statements of the relevant years.

Share options awarded during the year ended 31 December 2023 under the LTIP (audited)

During the year ended 31 December 2023 the following LTIP awards were granted. The performance conditions are set out below the table.

Director	Type of scheme interest	Basis of award	Number of awards	Share price at award	Vesting date[1]	Face value of award	Exercise price
Andrew Belshaw	Nil-cost option	175% of salary	69,709	£11.55	22 May 2026	£805,139	£0.0025
Bill Castell	Nil-cost option	150% of salary	44,325	£11.55	22 May 2026	£511,954	£0.0025

1 The normal vesting date is three years from the date of grant, subject to the Remuneration Committee determining the extent to which any performance condition has been satisfied, and subject to malus and clawback provisions.

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

The 2023 LTIP awards have a performance period of three years starting 31 December 2022. The awards will vest as follows:

- 12.5% of the shares if annual compound 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
- 12.5% of the shares if the annual compound growth of the Company's Adjusted EPS 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 EPS over the same period is equal to or in excess of 20% with pro rata straight-line vesting in between.

Details of previous years' LTIP awards can be found in the relevant Annual Report and Accounts.

Save As You Earn ("SAYE") scheme

During the year the Executive Directors were eligible to participate in Gamma's SAYE scheme which is open to all UK employees.

The SAYE scheme is an HM Revenue & Customs ("HMRC") approved scheme open to all staff permanently employed by a Gamma company in the UK as of the eligibility date. Options under the plan are granted at up to a 20% discount to market value. Executive Directors' participation is included in the option table below:

	Options										
	Grant date	At 1 Jan 2023	Granted in 2023	Exercised in 2023	Lapsed in 2023	At 31 Dec 2023	Option price (£)	Date exercisable	Expiry date	Market price on exercise (£)	Gain on exercise (£000s)
Andrew Belshaw	6 May 2022	1,730	–	–	–	1,730	10.40	1 July 2025	31 Dec 2025	–	–
Bill Castell	9 May 2023	–	2,117	–	–	2,117	8.50	1 July 2026	31 Dec 2026	–	–

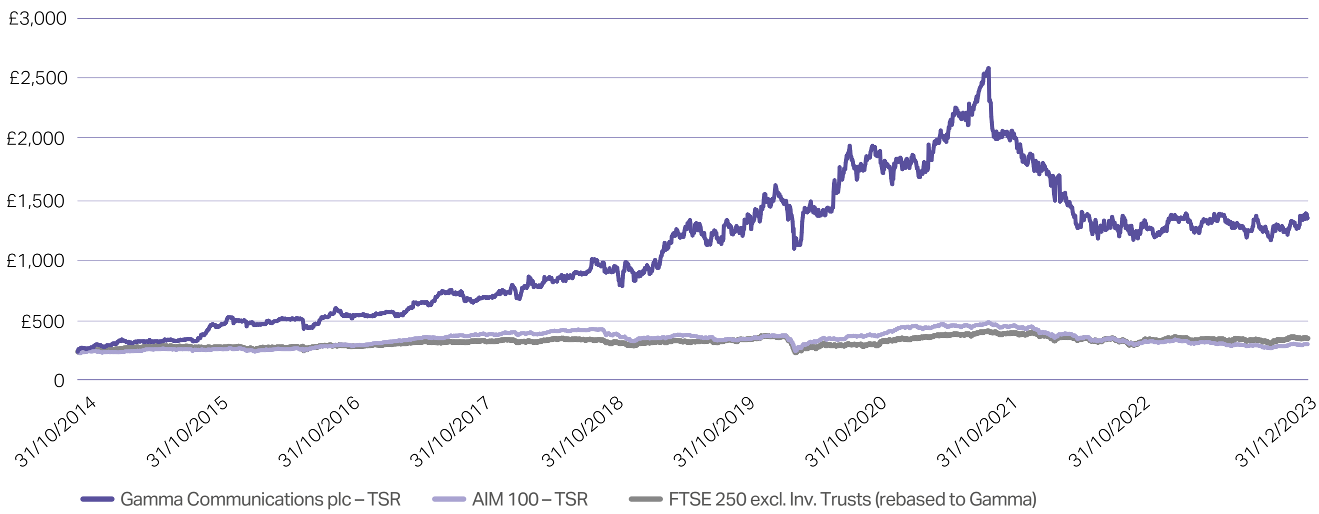
Single total figure of remuneration for Non-Executive Directors (audited)

	Directors' fees		Committee Chair/SID fees		Expense allowance		Taxable expenses		Total	
Director	2023 £000s	2022 £000s	2023 £000s	2022 £000s	2023 £000s	2022 £000s	2023 £000s	2022 £000s	2023 £000s	2022 £000s
Current Directors										
Martin Hellawell[1]	100	–	–	–	2	–	–	–	102	–
Rachel Addison[2]	54	12	5	–	2	1	–	–	61	13
Charlotta Ginman[3]	54	51	9	8	2	2	–	–	65	61
Shaun Gregory[4]	54	26	5	–	2	1	–	–	61	27
Henrietta Marsh[5]	54	51	18	8	2	2	–	–	74	61
Xavier Robert	54	51	–	–	2	2	–	–	56	53
Former Directors										
Richard Last[6]	74	140	–	–	2	4	–	–	76	144
Martin Lea[7]	21	51	6	25	1	2	–	–	28	78
Wu Long Peng[8]	–	20	–	–	–	0	–	–	–	20

1 Martin Hellawell was appointed as Chair and a Non-Executive Director of the Board on 1 July 2023.
2 Rachel Addison was appointed as a Non-Executive Director on 3 October 2022 hence her fee for 2022 was pro-rated. She became Chair of the Risk Committee on 17 May 2023.
3 Charlotta Ginman is Chair of the Audit Committee.
4 Shaun Gregory was appointed as a Non-Executive Director on 1 July 2022 hence his fee for 2022 was pro-rated. He became Chair of the ESG Committee on 17 May 2023.
5 Henrietta Marsh is the Senior Independent Director ("SID") and Chair of the Remuneration Committee.
6 Richard Last retired from the Board on 30 June 2023 hence his fee for 2023 was pro-rated.
7 Martin Lea was Chair of the ESG Committee and the Risk Committee until 17 May 2023. He also received a fee for acting as SID in 2022; Henrietta Marsh took over as SID on 20 December 2022.
8 The fee shown for Wu Long Peng is pro-rated as he stood down from the Board at the AGM on 19 May 2022.

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. For LTIP awards made in 2024 onwards, the Committee will measure TSR of the Company's ordinary shares against the FTSE 250 excluding Investment Trusts. This index is now also shown in the chart. 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.



Statement of Directors' shareholding and share interests (audited)

Directors' share interests at 31 December 2023 are set out below:

Executive Directors are required to build up and maintain a shareholding of at least 200% of base salary in Gamma Communications plc shares. Andrew Belshaw meets this requirement. Having joined in May 2022, Bill Castell is in the process of building his shareholding requirement.

			Options			
2023	Percentage of shareholding requirement	Number of beneficially owned shares	With performance measures	Without performance measures	Vested but unexercised	Exercised during the year
Executive Director						
Andrew Belshaw	148%	96,678	130,318	19,973	22,265	–
Bill Castell[1]	8%	–	87,088	7,040	–	–
Non-Executive Director						
Martin Hellawell		–	–	–	–	–
Rachel Addison		–	–	–	–	–
Charlotta Ginman		1,000	–	–	–	–
Shaun Gregory		–	–	–	–	–
Henrietta Marsh		4,015	–	–	–	–
Xavier Robert		3,000	–	–	–	–

1 Bill Castell joined the Company on 3 May 2022. He does not currently meet the shareholding requirements. The first of the LTIPs awarded to him are currently expected to vest in April 2025.

Directors' share interests at 31 December 2022 are set out below:

			Options			
2022	Percentage of shareholding requirement	Number of beneficially owned shares	With performance measures	Without performance measures	Vested but unexercised	Exercised during the year
Executive Director						
Andrew Belshaw	159%[1]	96,678	92,640	16,434	–	25,524
Bill Castell	0%	–	42,763	–	–	–
Non-Executive Director						
Richard Last		54,975	–	–	–	–
Rachel Addison		–	–	–	–	–
Charlotta Ginman		1,000	–	–	–	–
Shaun Gregory		–	–	–	–	–
Martin Lea		14,353	–	–	–	–
Henrietta Marsh		2,015	–	–	–	–
Xavier Robert		3,000	–	–	–	–

1 In the 2022 Annual Report, Andrew Belshaw's percentage of shareholding requirement was incorrectly shown as 318%. It is corrected here to 159%.

Chief Executive's historical remuneration (audited)

The table below sets out the total remuneration of the individual undertaking the role of Chief Executive Officer over the last nine years for the period such individual was undertaking the CEO role, valued using the methodology applied to the single total figure remuneration (page 97).

	CEO	Total remuneration	Annual bonus payment level achieved (% of maximum opportunity)	LTIP Vesting level achieved (% of maximum opportunity)
2023	Andrew Belshaw	£1,215,794	95.5%	50%
2022[1]	Andrew Belshaw	£488.598	97%	n/a[2]
	Andrew Taylor	£955,069	97%	73.7%
2021	Andrew Taylor	£2,882,813	95%	100%
2020	Andrew Taylor	£911,608	97%	n/a
2019	Andrew Taylor	£884,408	96%	n/a
2018[3]	Andrew Taylor	£655,990	100%	n/a
	Bob Falconer	£1,466,688	100%	92.83%[4]
2017	Bob Falconer	£2,243,428	100%	100%
2016	Bob Falconer	£599,760	100%	n/a[5]
2015	Bob Falconer	£2,320,287	100%	n/a[5]

1 Andrew Taylor advised of his intention to retire and stepped down as CEO on 4 July 2022. He was employed by the Company until July 2023. Andrew Belshaw became Interim CEO on 4 July 2022 and was appointed CEO on 30 November 2022. The figures above show remuneration during the period of 2022 where the individual was undertaking the role of CEO. The figure for Andrew Belshaw has been amended to correctly apportion his bonus for the year.

2 LTIP excluded as it relates to the period when Andrew Belshaw was Deputy CEO rather than CEO.

3 Bob Falconer retired as CEO on 23 May 2018 and was replaced by Andrew Taylor.

4 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.

5 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 the Director undertaking the role of CEO

The table below outlines the year-on-year increase in salary, other pay and benefits, and annual bonus for the year ended 31 December 2023 compared to those for the year ended 31 December 2022 for the individual undertaking the role of CEO in comparison to the UK workforce. The Remuneration Committee selected the UK workforce as the comparator group as the CEO is UK-based and this provides a local market reference, comprises the majority of the Group's employees and is a fair representation of the total.

Andrew Taylor advised the Board of his intention to retire and stepped down as CEO on 4 July 2022 and was replaced by Andrew Belshaw as Interim CEO on 4 July 2022. On 30 November 2022 Andrew Belshaw was appointed CEO. To reflect this change we have compared the CEO's actual remuneration earned in 2023 with the remuneration earned by the Directors undertaking the role of CEO during the time they were in such a role, i.e. Andrew Taylor until 4 July 2022 and Andrew Belshaw from 4 July 2022 to 31 December 2022 and using the same methodology as in the table above and in the single total figure of remuneration table on page 97.

The employee increases are averages for employees on the payroll at both 31 December 2022 and 31 December 2023. The employee bonus figures exclude bonuses paid in December 2023 which are advances on 2024 bonuses and were paid as part of measures to assist with cost of living.

	CEO % increase/(decrease)	Employee % increase
Salary, other pay and benefits	9.4%[1]	5.4%
Annual bonus	5.0%	3.2%

The table below sets out the historical changes in CEO annual remuneration compared to those granted to the wider workforce as reported in previous years:

	% change in base salary				
	FY19	FY20	FY21	FY22	FY23
CEO	2.0%	2.5%	2.5%	4.8%	6.9%[1]
Employee	3.1%	5.3%	6.3%	8.5%	5.4%

1 The tables above show the increase in pay for the person performing the role of CEO. In 2022 the role was carried out by Andrew Taylor and Andrew Belshaw. As explained in last year's Remuneration report, Andrew Belshaw took on the role of CEO in November 2022 and his base pay was set at £460,000 (compared to £428,695 for the former CEO) with no inflationary increase to be made in January 2023. In addition, he retained his existing entitlement to 5.1% in pension contributions whereas the former CEO had no pension entitlement. Compared to the previous CEO's remuneration package, Andrew Belshaw saw a 7.3% rise in base pay and a 12.4% rise in salary, other pay and benefits.

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 during 2023 to the total remuneration received in the same period 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
2023	Option A	37.8:1	24.7:1	16.9:1
2022	Option A	46.3:1	30.2:1	20.5:1
2021[1]	Option A	96.7:1	64.2:1	43.5:1
2020	Option A	29.4:1	20.2:1	13.4:1

1 2021 ratio is driven by the vesting of the 2018 LTIP which vested in full.

	Base salary		Total pay and benefits	
Pay data	2023	2022	2023	2022
Group CEO	460,000	430,354	1,215,794	1,391,125
UK employees 25th percentile	26,870	25,122	32,140	30,066
UK employees 50th percentile	39,663	37,739	49,286	46,026
UK employees 75th percentile	59,542	55,779	72,062	67,783

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 CEO remuneration is the total single figure remuneration for the year ended 31 December 2023 contained on page 97.
3 The workforce comparison is based on actual payroll data for the period 1 January 2023 to 31 December 2023.
4 The total single figure remuneration calculated for each employee includes full-time equivalent base pay, annual bonuses paid, 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 and joiners have been included on a full-year equivalent basis but employees on reduced pay (due to sick pay, maternity leave, etc.) are included at the actual earnings for the year.

Percentage change in Executive and Non-Executive Director remuneration

The table below shows the percentage change in the salary/fees, benefits and bonus of Executive and Non-Executive Directors compared with the percentage change in the average of each of those components of pay for all UK employees.

				2022 to 2023			2021 to 2022			2020 to 2021			2019 to 2020		
Director	Appointed	Resigned	Note	Salary/ Fees	Benefits	Bonus	Salary/ Fees	Benefits	Bonus	Salary/ Fees	Benefits	Bonus	Salary/ Fees	Benefits	Bonus
Andrew Belshaw	16/09/2014		1	21.5%	25.1%	30.6%	45.5%	43.8%	125.5%	1.5%	-1.1%	-0.6%	2.8%	-4.4%	-25.0%
Bill Castell	03/05/2022		2	57.5%	64.2%	-46.6%	–	–	–	–	–	–	–	–	–
Martin Hellawell	01/07/2023		3	–	–	–	–	–	–	–	–	–	–	–	–
Rachel Addison	03/10/2022		4	5.0%	–	–	–	–	–	–	–	–	–	–	–
Charlotta Ginman	08/09/2020		5	5.0%	–	–	12.0%	–	–	1.5%	–	–	–	–	–
Shaun Gregory	01/07/2022		6	5.0%	–	–	–	–	–	–	–	–	–	–	–
Henrietta Marsh	16/04/2019		7	5.0%	–	–	5.9%	–	–	1.5%	–	–	2.5%	–	–
Xavier Robert	08/09/2020		8	5.0%	–	–	6.5%	–	–	1.5%	–	–	–	–	–
Richard Last		30/06/2023	9	5.0%	–	–	38.4%	–	–	1.5%	–	–	2.5%	–	–
Martin Lea		17/05/2023	9	5.0%	–	–	5.2%	–	–	1.5%	–	–	2.5%	–	–
UK employees				5.4%	–	3.2%	8.5%	–	7.6%	6.3%	–	1.5%	5.3%	–	9.6%

1 Andrew Belshaw became Deputy CEO on 1 July 2022 and CEO on 30 November 2022. The changes to his salary and benefits on assuming the role of CEO are set out on page 102.
2 Bill Castell was appointed a director on 3 May 2022 hence his salary for 2022 was pro-rated compared to his salary in 2023. He received a one-off bonus of £400,000 in December 2022 as explained on page 97.
3 Martin Hellawell was appointed a director on 1 July 2023.
4 Rachel Addison was appointed a director on 3 October 2022.
5 Charlotta Ginman was appointed a director on 8 September 2020 and became Audit Committee Chair on 20 May 2021.
6 Shaun Gregory was appointed a director on 1 July 2022.
7 Henrietta Marsh was appointed a director on 16 April 2019 and became Senior Independent Director on 21 December 2022.
8 Xavier Robert was appointed a director on 8 September 2020.
9 Richard Last retired on 30 June 2023. His fee for acting as Chair was revised in 2021 as explained in the 2021 Annual Report.
9 Martin Lea retired on 17 May 2023.

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 pre-tax profit.

	2023 £m	2022 £m	Change %
Overall spend on pay, including Executive Directors	116.2	108.1	5%
Profit before tax	71.5	64.9	10%
Capital expenditure[1]	23.1	20.7	12%
Dividends	15.2	13.3	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 2024

No changes have been proposed to the Remuneration Policy for 2024. The Remuneration Policy is set out in full from page 89 onwards.

Executive Directors

The following table summarises the Executive Director remuneration packages for 2024.

Director	Salary £000s	Benefits	Pension contribution (% of salary)	Maximum annual bonus opportunity (% of salary)	LTIP (% of salary)
Andrew Belshaw	474	–	5.1%	125%	175%
Bill Castell	391	–	5.1%	100%	150%

Salary: The principal changes to the remuneration of the Executive Directors that have been implemented for 2024 are a rise of 3% for the CEO in line with the median inflationary increase for the workforce and an increase of 14.7% for the CFO to set his pay at competitive levels as described in the Committee Chair's statement. These were implemented with effect from 1 January 2024.

Pension and Benefits: With effect from 1 January 2024, Executive Directors, along with all UK employees, were entitled to join a private medical scheme.

Annual performance bonus: The maximum annual bonus opportunity remains the same as it was in the prior year. The performance measures and weightings have been adjusted from the prior year with 55% (previously 60%) of the maximum potential bonus being based on growth in Adjusted PBT, 20% being based on gross profit (previously 15%), 5% on ESG-related objectives and 20% based on personal objectives. The specific targets for the annual bonus for 2024 will be disclosed in the 2024 Annual Report on Remuneration.

Long-Term Incentive Plan ("LTIP"): It is anticipated that further performance-based share option awards will be made in April 2024. The Committee will determine the levels, performance conditions, weighting and targets to be applied at the time of the award and will disclose them as appropriate in the announcement of the awards and in the 2024 Annual Report. The targets under the two performance metrics for these awards have been amended as explained on page 85.

Summary of Non-Executive Director fees for the year ended 31 December 2023

The table below shows the fees payable to Non-Executive Directors for each role on the Board. The Board reviews these fees annually and it was agreed that an increase of 3.0% would be applied to all fees with effect from 1 January 2024, including the expense allowance, in line with the median inflationary increase given to all employees.

Role	Annual fees from 1 January 2024	Annual fees from 1 January 2023
Board Chair[1]	£206,000	£147,000
Senior Independent Director fee	£9,001	£8,739
Non-Executive Director basic fee	£55,358	£53,746
Committee Chair fee	£9,001	£8,739
Chair expense allowance	£4,326	£4,200
Non-Executive Director expense allowance	£2,163	£2,100

1 Martin Hellawell was appointed as Board Chair on 1 July 2023 on a fee of £200,000 per annum plus an expense allowance of £4,200 per annum to cover primarily travel to and from Gamma's London and Newbury offices. His fee and expense allowance are in line with the Remuneration Policy.

Advisers to the Remuneration Committee

During the year, h2glenfern Remuneration Advisory ("h2gf") advised the Committee on certain aspects of the remuneration of the Executive Directors and the Chair of the Board. Fees of £38,000 exclusive of VAT were paid to h2gf. h2gf is a member of the Remuneration Consultants Group and, as such, voluntarily adheres to its Code of Conduct. The Committee considers the advice that it receives from h2gf to be independent. There are no relationships between h2gf and either the Company or individual Directors to be disclosed.

Statement of voting

At the 2023 AGM, a resolution was put to shareholders to approve, on an advisory only basis, the Directors' Remuneration report. 96.98% votes were cast in favour of the resolution.

This Directors' Remuneration report will again be put to an advisory vote at the forthcoming 2024 AGM. This report was approved by the Board of Directors and signed on its behalf by:

Henrietta Marsh
Remuneration Committee Chair

24 March 2024

Directors' report

The Directors present their Annual Report together with the Group's audited financial statements for the year ended 31 December 2023.

The Corporate Governance Statement set out on page 62 forms part of this report.

Details of any significant events since the reporting date are included in note 36 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 28 to the Group financial statements.

Dividends

The Directors recommend a final dividend of 11.4p per ordinary share (2022: 10.0p) to be paid on Thursday 20 June 2024 to ordinary shareholders on the register on Friday 31 May 2024 which, together with the interim dividend of 5.7p (2022: 5.0p), makes a total of 17.1p for the year (2022: 15.0p).

Capital structure

Details of the authorised and issued share capital, together with details of the movements in the Company's issued share capital during the year, are shown in note 31.

The Company has one class of ordinary shares which carry no right to fixed income. Each share carries the right to one vote at general meetings of the Company.

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation. The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights. Over the period, the Company had five 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");

(iv) be granted options under a Save As You Earn plan ("SAYE"); and

(v) be granted options under the deferred bonus scheme.

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

In the period the Company has issued equity in connection with settlement of deferred consideration, options and the purchase cost of acquisitions.

No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

With regard to the appointment and replacement of Directors, the Company is governed by its Articles of Association, the Companies Act and related legislation. The Articles themselves may be amended by special resolution of the shareholders. The powers of Directors are described in the Matters reserved to the Board and the Committees' terms of reference, copies of which are available on request, and the Corporate Governance Statement on page 62.

Under its Articles of Association, the Company has authority to issue 32,285,200 ordinary shares.

Composition of the Group

Details concerning subsidiary undertakings are given in note 34 to the Group financial statements.

Directors

The names of the Directors during the year and up to the date of signing are disclosed on pages 64 and 65.

Directors' interest in share capital

The Directors' interest in share capital is shown within the Annual Report on Remuneration on page 101.

Directors' indemnities

The Company's Articles include qualifying third-party indemnity provisions for the benefit of the Directors and former Directors of the Company and its subsidiaries, which remain in force at the date of this report.

Substantial shareholdings

As at 24 March 2024, being the latest practicable date before publication, the Company had been notified, in accordance with chapter 5 of the Disclosure Guidance and Transparency Rules, of the following voting rights as a shareholder of the Company:

Name	Number of voting rights[1]	Percentage of total voting rights[1]
Liontrust Investment Partners LLP	10,600,645[2]	10.88%
Blackrock, Inc	9,629,932[3]	9.87%
Octopus Investments Nominees Limited	6,614,518	6.97%
Allianz Global Investors GmbH	4,993,399	5.13%
Jupiter Fund Management PLC	4,809,183	4.97%
Aegon NV	3,793,507[4]	3.94%

1 As at date of notification to the Company.
2 Includes 21,667 ordinary shares held under Securities Lending.
3 Includes 530,529 ordinary shares held as Contracts for Difference and 36,796 ordinary shares held under Securities Lending.
4 Includes 8,393 ordinary shares held as Contracts for Difference.

Going concern
The financial accounts are prepared on a going concern basis. Further detail can be found in the Financial review on pages 23 to 26.

Treasury policy
The Group's treasury policy aims 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 29 sets out the particular risks to which the Group is exposed, and how these are managed.

Interests in contracts
At no time during the year did any of the Directors have a material interest in any significant contract with the Company or any of its subsidiaries.

Health, safety, the environment and the community
The Group has formal Health and Safety and Environmental policies which require all operations within the Group to pursue economic development while 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 Group's policy 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.

Energy and carbon emission reporting
Information on energy and carbon emission reporting can be found in the TCFD report on pages 44 to 59.

Political contributions
No political contributions were made in the year (2022: £nil).

Employee engagement
Information relating to how the Group engages with its workforce can be found in the Our people section on pages 40 to 43. 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.

Engagement with suppliers, customers and others
Relationships with suppliers and customers are paramount to the way that Gamma operates; the CEO, CFO and Executive Committee engage on a regular basis with major suppliers and customers and report salient matters to the Board.

Suppliers

Gamma's supplier payments policy is to always pay suppliers on or slightly before the agreed term (which will vary from contact to contract). For the year ended 31 December 2023, 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, 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 an appointed Gamma manager to support and develop their business and is invited to one of our Gamma events which focus on their needs and our services. These events discuss the latest industry trends and opportunities for our customers to take advantage of, an update on Gamma's ever-expanding UCaaS, CCaaS and Connectivity product portfolio and panel discussions exploring the future of communications and the market.

Auditors and their independence
Separate resolutions to appoint the auditor and to agree their fees for the year to 31 December 2024 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. The external auditor, Deloitte LLP, has expressed its willingness to continue in office as auditor.

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.

By order of the Board,

Bill Castell
Chief Financial Officer

24 March 2024

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 United Kingdom 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:

Bill Castell
Chief Financial Officer

24 March 2024

Financial statements

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 'Company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2023 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);
- the 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 profit or loss;
- the consolidated statement of comprehensive income;
- the consolidated and Company statement of financial position
- the consolidated and Company statement of changes in equity;
- the consolidated statement of cash flows;
- the consolidated related notes 1 to 36; and
- the Company's notes 1 to 12.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law, and United Kingdom adopted international accounting standards and IFRSs as issued by the IASB. 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 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 Gamma Business usage revenues* • *Impairment of capitalised development costs* Within this report, the 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 £4.3m which was determined on the basis of 5% of profit before tax excluding exceptional items.
Scoping	The Group engagement team have performed a full scope audit for the UK entities with the exception of Mission Labs Limited, Exactive Holdings Limited and Telsis Communication Services Limited. The entities we perform full scope audit procedures over represent the principal business units and account for 82% of the Group's revenue, 89% of the Group's statutory profit before tax and 89% of the Group's net assets. The Group engagement team have performed specified procedures over Mission Labs Limited and worked with component auditors to perform specific audit procedures over the German subsidiaries Gamma Communications GmbH and Epsilon Telecommunications GmbH (together "Gamma Germany"). We have performed analytical procedures over the remainder of the Group.
Significant changes in our approach	In the current year we identified a key audit matter around the impairment of capitalised development costs following the strategic acquisition of the EnableX Group. Please refer to section 5.2 below for further detail on this. Given that the carrying amount of goodwill for the Spanish cash generating unit (CGU) was substantially impaired during the prior year, we have no longer identified the carrying amount of goodwill associated with the Spanish CGU as a key audit matter.

4. Conclusions relating to going concern

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

Our evaluation of the directors' assessment of the Group's and Company's ability to continue to adopt the going concern basis of accounting included:

- Understanding the Group's process for assessing going concern, and relevant management review controls underpinning this assessment;
- Assessing the strong liquidity position of the Group and evaluating cash forecasts which were prepared for at least 12 months from the approval of accounts;
- Evaluating the historical accuracy of the Group's forecasts;
- Understanding the relevant assumptions, including those in relation to the macroeconomic environment, used in the going concern models, including the Strategic Plan, and challenging them by comparison to our understanding of the business, external information and evidence gathered from other audit procedures; and
- Evaluating management's stress tests and break-even analyses, and performing our own independent analysis, in order to assess the reasonableness of the assumptions used.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

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 Gamma Business usage revenues

Key audit matter description	Revenue from the Gamma Business usage customer base, which wholly relates to the UK, is calculated based on the volume of call traffic and associated call rates. We identified a key audit matter relating to the accuracy of the volume of traffic which is used to determine the value of traffic volumes, as well as the accuracy of the pricing within this revenue stream, due to the volume of transactions. Inaccuracies in call rates, whether due to fraud or error, could result in a material misstatement in revenue. In 2023, the Group's revenues were £521.7m (2022: £484.6m), of which Gamma Business usage revenues represent £75.0m (2022: £73.4m). The Group's revenue recognition principles are disclosed in note 1.
How the scope of our audit responded to the key audit matter	With the involvement of our IT specialists we tested, and placed reliance on, IT controls relevant to the accuracy of Gamma Business usage revenues, the most critical of which was the automated matching of the call rates input and call data records to calculate the billing for each transaction. We have also tested and relied upon a number of other controls relevant to Gamma Business usage revenue, specifically in relation to rate-change reviews, the revenue reconciliations performed thereon, and the analysis of monthly revenue trends. We have tested the volumes and prices involved in Gamma Business usage revenues by tracing a sample of customers with changes through to call data records and evidence of rate changes. We recalculated the revenue in relation to the calls by multiplying the appropriate rate against the call minutes. In addition we performed substantive analytical procedures of total Gamma Business usage revenues for the year based on the month-on-month trends, movements in minutes, as well as call rate fluctuations. We also traced a sample of credit notes raised post year end to supporting documentation to test for possible overstatement of revenue.
Key observations	We are satisfied that the accuracy of Gamma Business usage revenues is appropriate.

5.2. Impairment of capitalised development costs ⓘ

Key audit matter description	The Group capitalises development costs incurred on specific projects in respect of new platforms and products or enhancement of existing products. These comprise both third party and internal labour capitalisation. In accordance with IAS 38 management are required to consider the technical feasibility and commercial viability of each project. In 2023, the carrying amount of development cost intangible assets was £19.1m (2022: £22.4m). Following the strategic decision to acquire the EnableX Group, which resulted in the Group stopping ongoing development of some of its own collaboration software, an impairment indicator was triggered in December 2023. The carrying amount of this collaboration software which had been in development as at 31 December 2023 was £15.0m (2022: £7.5m), recorded within development cost intangible assets and the Gamma Business reportable segment. Following the decision to stop ongoing development of this software, the carrying amount has been reduced to its recoverable amount of £2.3m through recognition of an impairment loss of £12.7m. Given the material impact to the financial statements, we identified a key audit matter relating to the impairment assessment specific to the primary assumptions over forecast growth, attrition rate and useful life of the products. The Group's accounting policy is included in note 1 and further disclosures on development costs are included in note 15 and the Audit Committee report.
How the scope of our audit responded to the key audit matter	We obtained an understanding of key controls around management's impairment review and identification of triggers. We verified the appropriateness of the impairment trigger and timing thereof. We reviewed the mechanical accuracy of the future discounted cash flow model. In relation to the main assumptions as part of determining the recoverable amount: • We challenged the appropriateness of growth assumptions by reference to internal and external sources of information in relation to forecast cash flows over the useful life of the asset. • We assessed the appropriateness of the customer attrition rate. • We challenged management on the appropriateness of the collaboration software's useful life. • In addition, we engaged our valuation specialists to determine the appropriateness of management's discount rate.
Key observations	We are satisfied that the impairment charge on capitalised project costs in relation to the capitalised asset has been appropriately determined and recorded.

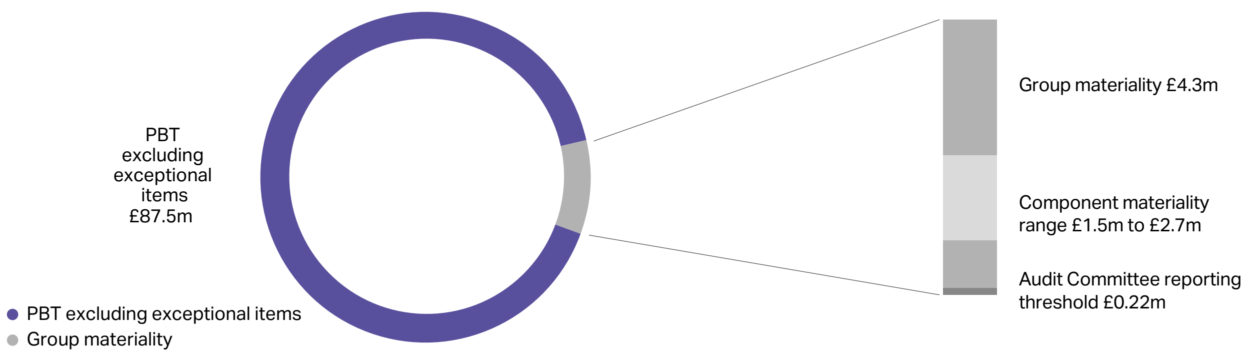
6. Our application of materiality

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	£4.3m (2022: £3.8m)	£2.0m (2022: £1.9m)
Basis for determining materiality	5.0% of profit before tax excluding exceptional items representing 6.0% of statutory profit before tax (2022: 5.0% of profit before tax excluding exceptional items representing 5.9% of statutory profit before tax). Refer to note 6 for details of exceptional items	2.0% of net assets (2022: 2.5% 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 account and key stakeholders to measure the performance of the group.	We consider net assets to be the most appropriate benchmark as the Parent Company is a non-trading entity, whose primary function within the Gamma Group is to act as a holding company.



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 financial statements	Parent company financial statements
Performance materiality	70% (2022: 70%) of Group materiality	70% (2022: 70%) of Company materiality
Basis and rationale for determining performance materiality	In determining performance materiality, we considered the following factors: • our historical knowledge of the Group's business; • our risk assessment and assessment of the quality of the control environment; • the nature of, and low volume and small size of, uncorrected misstatements identified in the previous audits.	

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.2m (2022: £0.2m), 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.

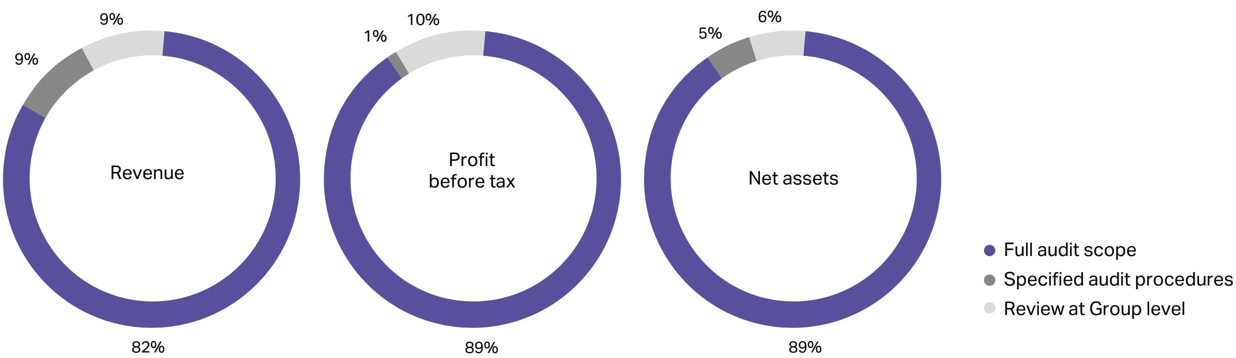
7. An overview of the scope of our audit

7.1. Identification and scoping of components

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, the Group audit team have performed full scope audit at five components (2022: five), being the five largest trading entities in the UK. These components represent the principal business units within the Group and account for 82% (2022: 84%) of the Group's revenue, 89% (2022: 85%) of the Group's statutory profit before tax and 89% (2022: 90%) of the Group's net assets.

Specified audit procedures around revenue, cash and trade receivables have also been performed for Gamma Germany by our component auditors, which has given us a further 9% (2022: 7%) coverage over revenue and 5% (2022: 3%) of net assets. The Group engagement team also performed specified audit procedures on capitalised development costs in Mission Labs Limited.

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

In designing our audit strategy. we have considered the control environment and have taken controls reliance in relation to Gamma Business usage revenues, as discussed in section 5.1. We also obtained an understanding of controls relating to the risk of management override of controls and the impairment of capitalised development costs. As discussed in the Audit Committee report on page 76, the Company is still on a journey of developing its internal control framework. Accordingly, we have taken a fully substantive approach for all other areas of the audit.

7.3. Our consideration of climate-related risks

The Group has assessed whether there is a material impact on the Group's financial reporting judgements and estimates at the balance sheet date as a result of climate-related risks and have concluded that there is not.

In planning our audit, we have considered the potential impact of climate change on the Group's business and its financial statements. The Group has assessed the risks and opportunities relevant to climate change which has been included as an emerging risk across the Group. This risk has also been considered and embedded into the Group as explained in the Strategic Report.

As part of our audit procedures we have:

- obtained an understanding of management's process in considering the impact of climate risks;
- challenged management on the quality of the climate risk disclosures, for which a number of enhancements have been made; and
- evaluated the appropriateness of disclosures included in the financial statements and read climate-related disclosures included in the Strategic Report to consider whether they are materially consistent with the disclosures made in the financial statements and our knowledge obtained in the audit.

7.4. Working with other auditors

The Group audit team engaged component audit teams to perform the specified audit procedures over Gamma Germany as set out in section 7.1. The Group audit team held regular communication with the component auditors in planning for, and throughout, the audit process. Oversight of the component auditors included attending internal planning and status meetings, attending close meetings held with local management, reviewing relevant audit documentation, and discussing the results with both management and the component auditors.

8. Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

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.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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 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 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.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

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

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, internal audit, and the Audit Committee about their own identification and assessment of the risks of irregularities, including those that are specific to the Group's sector;
- any matters we identified having obtained and reviewed the Group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team including component audit team and relevant internal specialists, including valuations, tax and IT specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in relation to the accuracy of volume and pricing of Gamma Business usage revenue. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, Quoted Companies Alliance, AIM Listing Rules, and pensions legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty. These included Ofcom regulations, Health and Safety regulations, the Telecoms Act, German, Spanish and Dutch Telecoms regulations and GDPR compliance.

11.2. Audit response to risks identified
As a result of performing the above, we identified the accuracy of Gamma Business usage revenues as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the Audit Committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance and reviewing internal audit reports; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit teams, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. 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 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.

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

13.1. 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 Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

13.2. 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.

14. 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.

Mark Tolley FCA
(Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Reading, United Kingdom

24 March 2024

Consolidated statement of profit or loss
For the year ended 31 December 2023

	Notes	2023 £m	2022 £m
Revenue	4	**521.7**	484.6
Cost of sales		**(254.5)**	(236.9)
Gross profit		**267.2**	247.7
Operating expenses		**(200.2)**	(182.3)
Earnings before interest, tax, depreciation, amortisation and exceptional items (Adjusted EBITDA)		**114.3**	105.1
Exceptional items	6	**(16.0)**	(12.5)
Earnings before interest, tax, depreciation and amortisation (EBITDA)		**98.3**	92.6
Depreciation and amortisation (excluding business combinations)	5	**(21.3)**	(17.7)
Amortisation arising due to business combinations	5	**(10.0)**	(9.5)
Profit from operations		**67.0**	65.4
Finance income	8	**5.4**	0.8
Finance expense	9	**(0.9)**	(1.3)
Profit before tax		**71.5**	64.9
Tax expense	10	**(17.8)**	(15.4)
Profit after tax		**53.7**	49.5
Attributable to:			
Equity holders of Gamma Communications plc		**53.6**	49.3
Non-controlling interests		**0.1**	0.2
		53.7	49.5
Earnings per share			
Basic per ordinary share (pence)	11	**55.2**	51.1
Diluted per ordinary share (pence)	11	**54.9**	50.6

Adjusted earnings per share is shown in note 11.

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

Consolidated statement of comprehensive income
For the year ended 31 December 2023

	2023 £m	2022* £m
Profit after tax	**53.7**	49.5
Other comprehensive income/(expense)		
Items that may be reclassified subsequently to the profit or loss:		
Exchange differences on translation of foreign operations before tax	**(0.9)**	3.5
Tax effect of exchange differences on translation of foreign operations	**0.3**	(0.6)
Total comprehensive income	**53.1**	52.4
Attributable to:		
Equity holders of Gamma Communications plc	**53.0**	52.2
Non-controlling interests	**0.1**	0.2
	53.1	52.4

*For re-presentation of 2022 comparatives refer to note 1, section Consolidated statement of comprehensive income on page 120.

The notes on pages 120 to 154 form part of these financial statements.

Consolidated statement of financial position
As at 31 December 2023

	Notes	2023 £m	2022* £m
Assets			
Non-current assets			
Property, plant and equipment	13	**30.5**	33.8
Right of use assets	14	**7.9**	9.1
Intangible assets	15	**154.7**	124.3
Deferred tax assets	27	**6.5**	5.5
Trade and other receivables	18	**11.8**	10.0
Contract assets	18	**2.9**	3.0
		214.3	185.7
Current assets			
Inventories	17	**11.8**	10.2
Trade and other receivables	18	**76.1**	75.0
Contract assets	18	**32.5**	34.4
Cash and cash equivalents	19	**136.5**	94.6
Current tax asset		**3.6**	6.9
		260.5	221.1
Total assets		**474.8**	406.8
Liabilities			
Non-current liabilities			
Other payables	20	**0.1**	2.7
Borrowings	21	**1.4**	1.7
Lease liabilities	22	**7.0**	8.6
Provisions	23	**1.7**	0.9
Contract liabilities	24	**12.1**	7.8
Contingent consideration	25	**7.7**	1.5
Put option liability	26	**1.1**	–
Deferred tax	27	**10.4**	11.3
		41.5	34.5
Current liabilities			
Trade and other payables	20	**66.5**	54.0
Borrowings	21	**0.3**	0.4
Lease liabilities	22	**3.0**	2.5
Provisions	23	**3.4**	0.7
Contract liabilities	24	**14.1**	9.2
Contingent consideration	25	**1.7**	3.5
Put option liability	26	**–**	1.8
Current tax liability		**0.1**	0.5
		89.1	72.6
Total liabilities		**130.6**	107.1
Net assets		**344.2**	299.7
Equity			
Share capital	31	**0.2**	0.2
Share premium reserve		**22.9**	18.0
Other reserves	32	**6.9**	9.0
Retained earnings		**315.1**	273.9
Equity attributable to owners of Gamma Communications plc		**345.1**	301.1
Non-controlling interests		**0.2**	0.8
Written put options over non-controlling interests		**(1.1)**	(2.2)
Total equity		**344.2**	299.7

*For re-presentation of 2022 comparatives refer to note 1, section Consolidated statement of financial position on page 120.

The financial statements on pages 116 to 154 were approved and authorised for issue by the Board of Directors on 24 March 2024 and were signed on its behalf by:

Bill Castell
Chief Financial Officer

The notes on pages 120 to 154 form part of these financial statements.

Consolidated statement of cash flows
For the year ended 31 December 2023

	Notes	2023 £m	2022 £m
Cash flows from operating activities			
Profit for the year before tax		**71.5**	64.9
Adjustments for:			
Depreciation of property, plant and equipment	13	**9.3**	9.5
Depreciation of right of use assets	14	**2.3**	2.8
Amortisation of intangible assets	15	**19.7**	14.9
Impairment of intangible assets	15	**12.7**	–
Impairment of goodwill	15	**–**	12.2
Change in fair value of contingent consideration/put option liability		**–**	(0.9)
Share-based payment expense	33	**2.7**	4.3
Interest income	8	**(5.4)**	(0.8)
Finance expense	9	**0.9**	1.3
Loss on disposal of subsidiary undertaking	6	**–**	0.3
		113.7	108.5
Decrease/(increase) in trade and other receivables and contract assets		**6.7**	(10.1)
Increase in inventories		**(1.0)**	(2.6)
Increase in trade and other payables		**2.1**	4.1
Decrease in contract liabilities		**(1.5)**	(0.4)
Increase/(decrease) in provisions		**3.5**	(0.4)
Cash generated by operations		**123.5**	99.1
Taxes paid		**(15.3)**	(14.4)
Net cash flows from operating activities		**108.2**	84.7
Investing activities			
Proceeds on disposal of property, plant and equipment	13	**–**	0.4
Purchase of property, plant and equipment	13	**(5.6)**	(6.8)
Purchase of intangible assets	15	**(17.4)**	(13.9)
Interest received		**4.9**	0.8
Acquisition of subsidiaries net of cash acquired	16	**(22.8)**	(9.8)
Disposal of subsidiary net of disposed cash		**–**	(0.3)
Net cash used in investing activities		**(40.9)**	(29.6)
Financing activities			
Lease liability repayments	22	**(2.3)**	(2.8)
Put option liability payment	26	**(1.3)**	–
Repayment of borrowings	21	**(0.5)**	(0.7)
Repayment of borrowings acquired with acquisitions	21	**(7.7)**	–
Interest paid		**(0.1)**	(0.1)
Share issues		**1.9**	3.1
Dividends	12	**(15.2)**	(13.3)
Net cash used in financing activities		**(25.2)**	(13.8)
Net increase in cash and cash equivalents		**42.1**	41.3
Cash and cash equivalents at beginning of year		**94.6**	52.8
Effects of exchange rate changes on cash and cash equivalents		**(0.2)**	0.5
Cash and cash equivalents at end of year		**136.5**	94.6

The notes on pages 120 to 154 form part of these financial statements.

Consolidated statement of changes in equity
For the year ended 31 December 2023

	Share capital[2] £m	Share premium reserve £m	Other reserves[2] £m	Retained earnings £m	Total £m	Non-controlling interests £m	Written put options over non-controlling interests £m	Total equity £m
1 January 2022	**0.2**	**14.9**	**4.5**	**239.1**	**258.7**	**2.2**	**(6.7)**	**254.2**
Issue of shares	–	3.1	(2.7)	2.7	3.1	–	–	3.1
Share-based payment expense	–	–	4.3	–	4.3	–	–	4.3
Tax on share-based payment expense:								
Current tax	–	–	–	0.1	0.1	–	–	0.1
Deferred tax	–	–	–	(1.1)	(1.1)	–	–	(1.1)
Non-controlling interests on acquisition of subsidiary	–	–	–	1.6	1.6	(1.6)	–	–
Equity put rights	–	–	–	(4.5)	(4.5)	–	4.5	–
Dividend paid[1]	–	–	–	(13.3)	(13.3)	–	–	(13.3)
Transactions with owners	–	3.1	1.6	(14.5)	(9.8)	(1.6)	4.5	(6.9)
Profit for the year	–	–	–	49.3	49.3	0.2	–	49.5
Other comprehensive income	–	–	2.9	–	2.9	–	–	2.9
Total comprehensive income	–	–	2.9	49.3	52.2	0.2		52.4
31 December 2022	**0.2**	**18.0**	**9.0**	**273.9**	**301.1**	**0.8**	**(2.2)**	**299.7**
1 January 2023	**0.2**	**18.0**	**9.0**	**273.9**	**301.1**	**0.8**	**(2.2)**	**299.7**
Issue of shares	–	4.9	(4.2)	4.2	4.9	–	–	4.9
Share-based payment expense	–	–	2.7	–	2.7	–	–	2.7
Tax on share-based payment expense:								
Deferred tax	–	–	–	(0.1)	(0.1)	–	–	(0.1)
Non-controlling interests on acquisition of subsidiary	–	–	–	0.9	0.9	(0.7)	–	0.2
Equity put rights	–	–	–	(2.2)	(2.2)	–	1.1	(1.1)
Dividend paid[1]	–	–	–	(15.2)	(15.2)	–	–	(15.2)
Transactions with owners		4.9	(1.5)	(12.4)	(9.0)	(0.7)	1.1	(8.6)
Profit for the year	–	–	–	53.6	53.6	0.1	–	53.7
Other comprehensive (expense)	–	–	(0.6)	–	(0.6)	–	–	(0.6)
Total comprehensive (expense)/income	**–**	**–**	**(0.6)**	**53.6**	**53.0**	**0.1**	**–**	**53.1**
31 December 2023	**0.2**	**22.9**	**6.9**	**315.1**	**345.1**	**0.2**	**(1.1)**	**344.2**

1 Refer to note 12.

2 Refer to notes 31 and 32.

The notes on pages 120 to 154 form part of these financial statements.

Notes to the financial statements
For the year ended 31 December 2023

1. Accounting policies

Basis of preparation

These financial statements are prepared in accordance with the Companies Act 2006 and United Kingdom ("UK") adopted international accounting standards and the International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB"). 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 material accounting policies adopted in the preparation of the financial statements are set out below. The policies have been applied consistently to all the years presented, unless otherwise stated.

Going concern

The Group continues to adopt the going concern basis of accounting in preparing the financial statements. Further details can be found in the Financial review on pages 23 to 26.

Consolidated statement of comprehensive income

The Group has revised the presentation of the Consolidated statement of comprehensive income to present exchange differences and the tax effect of them separately. These were presented as one net figure previously. The revised presentation is considered to be more helpful to the users of the accounts. The comparatives have been re-presented to be consistent with the revised presentation format.

Consolidated statement of financial position

The Group has revised the presentation of the Consolidated statement of financial position to present contract assets separately. These were presented within Trade and other receivables in previous periods (note 18). The revised presentation is considered to be more helpful to the users of the accounts, given the relative materiality of contract assets. The comparatives have been re-presented to be consistent with the revised presentation format. Contract costs were previously included within contract assets in Trade and other receivables and continue to be included within Trade and other receivables as contract costs. The revision has no impact on the Consolidated statement of profit or loss or cash flows, or total or net assets.

Consolidated statement of cash flows

In 2023 the put option liability payment of £1.3m was recorded within financing activities given no change in control. In 2022 a comparable put option liability payment of £3.8m was recorded in acquisition of subsidiaries net of cash required within investing activities and has not been re-presented as it is not material.

Basis of consolidation

The Group financial statements consolidate the financial statements of Gamma Communications plc ("the Company") and the entities controlled by the Company and its subsidiaries prepared at the consolidated statement of financial position date.

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.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein.
Non- controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling shareholder's share of changes in equity since the date of the combination. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When the Group loses control of a subsidiary, the gain or loss on disposal recognised in profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests or amounts previously recognised in other comprehensive income in relation to that subsidiary.

The consolidated financial statements consist of the results of the entities shown in note 34.

Exemption from audit

For the year ending 31 December 2023 the following UK subsidiaries will take advantage of the audit exemption under s479A of the Companies Act 2006.

Subsidiary name	Company registration number
Gamma Europe Holdco Limited	12651762
Gamma Group Holdings Limited	12648657
Gamma Telecom Holdings Limited	04287779
Gamma Telecom Limited	04340834
Gamma Business Communications Limited	02998021
Gamma Network Solutions Limited	06783485
Mission Labs Limited	10040088
Gamma Managed Services Limited	07136383

For the year ending 31 December 2023, Gamma Communications Europe B.V. and Gamma Communications Benelux B.V. and Gamma Communications Nederland B.V were entitled to exemption from the preparation of consolidated financial statements under Section 408 of the Dutch Civil Code (consolidation exemption for intermediate holding companies).

Dormant companies
For the year ending 31 December 2023 the following dormant UK subsidiaries will prepare and file individual accounts under s394A and s448A of the Companies Act 2006.

Subsidiary name	Company registration number
CircleLoop Limited	11056242
Gamma Communications No1 Limited	14311174
Pragma Cloud Limited	09604706

Revenue recognition
Revenue represents the fair value of the consideration received or receivable for communication services, cyber security services and equipment sales, net of discounts and sales taxes. One of the Group's German subsidiaries also has revenue from the commission earned on the sale of mobile phone contracts.

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

The Group sells a number of 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 in a different pattern to the revenue recognition described below, appropriate adjustments are made through contract assets and contract liabilities to account for revenue when the performance obligations have been met. Contract assets are recognised when the right to consideration is met in advance of billing. Contract liabilities are recognised where a customer has paid consideration prior to the transfer of the related good or service.

The Group has two types of channel partner. For the majority of the channel partners, the Group receives payment for products and services from channel partners. 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; carries the inventory risk; 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 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.

The Group also has other channel partners that do not meet the criteria above and hence are not recognised as the principal in the transaction. For sales relating to these channel partners the Group recognises revenue based on transactions with the end user and recognises commission paid to the channel partner as an expense.

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, UCaaS services, cyber security 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 "upfront" 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, 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, are allocated to initial equipment sale (if any) and ongoing service revenues. The latter element results in a contract liability which is 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.

Commission from mobile network operators
Our German business (Epsilon Telecommunications GmbH) receives commission from mobile network operators in relation to the activation of SIMs. It recognises the revenue in the month in which the SIM is activated by the mobile network operators. Annual commission is recognised on an accruals basis once the performance obligations can be measured reliably.

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 clawback 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 profit or loss.

Incentive deals
Where the Group enters into incentive deals, the costs are spread over the period of the deal and the Group attributes a proportion of revenue against these costs. Where there is no revenue, the credit is shown in revenue over the period of the deal.

1. Accounting policies continued

Contract costs

Contract costs are capitalised when they are associated with the acquisition and fulfilment of contracts with customers. To be eligible for capitalisation, costs must be directly attributable to specific contracts, relate to future activity, and generate future economic benefits. They are subsequently amortised on a straight-line basis over the period that we transfer the associated services. Typical capitalised contract costs relate to sales commissions and installation costs. Sales commissions are capitalised where they are a cost to obtaining a customer contract for which the expected customer life covers multi-year periods. Accordingly, the Group amortises sales commissions paid for such new contract on a straight-line basis over the expected customer life. Amortisation is classified as operating expenses. Installation costs are capitalised where they are a required upfront cost to support delivery of a multi-year contract. Amortisation is classified as cost of sales.

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 operating expenses within the Consolidated statement of profit or loss as incurred.

On acquisition, 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 fair value at the acquisition date as they are accounted for using other applicable IFRSs. These include deferred tax assets/liabilities.

The interest of the non-controlling shareholders in the acquiree may initially be measured either at fair value or at the non-controlling shareholders' proportion of the net fair value of the identifiable assets acquired, liabilities and contingent liabilities assumed. The choice of measurement basis is made on an acquisition-by-acquisition basis.

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 and reviewed at each reporting date. Subsequent changes in the fair value of contingent consideration are recognised in the Consolidated Statement of Profit or Loss. Payments in respect of contingent consideration are shown in the Statement of consolidated cash flows under investing activities.

Exceptional items

Exceptional items are those significant items which are separately disclosed by virtue of their size, nature or frequency. In setting the policy for exceptional items, judgement is required to determine what the Group defines as "exceptional". Exceptional items are allocated to the financial statement lines in the Consolidated statement of profit or loss based on the nature and function of the costs, for example restructuring costs related to employees are classified where their original employment costs are recorded. Examples of items which may be considered of an exceptional nature include significant restructuring programmes, impairment charges on goodwill and intangible assets and the profit or loss on disposal of a subsidiary.

Foreign currency

The consolidated financial statements are presented in Pounds Sterling, which is the functional currency of the Company.

Foreign currency transactions are translated into 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 the Consolidated statement of profit or loss within operating expenses.

On consolidation, the results of European operations are translated into Pounds Sterling at rates approximating those prevailing when the transactions took place. The balance sheets of European 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 European operations at actual rate are recognised in the Consolidated statement of other comprehensive income and accumulated in the foreign exchange reserve.

Financial instruments

Financial assets and financial liabilities are recognised on the Consolidated statement of financial position when the Group becomes party to the contractual provisions of the instrument. Financial assets are classified as either fair value through profit or loss, fair value through other comprehensive income, or amortised cost. Classification and subsequent remeasurement depends on the Group's business model for managing the financial asset and its cash flow characteristics. Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost.

All financial assets are recognised and derecognised on a trade date basis, where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe of the market concerned.

Financial assets

Trade and other receivables

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as financial assets measured at amortised cost. Trade receivables do not contain significant financing components and therefore are initially recognised at their transaction price, and subsequently measured at amortised cost less provision for impairment. The amount of the provision is recognised in the Consolidated statement of profit or loss within operating expenses.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, deposits held at banks and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Impairment of 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 is measured under the simplified approach with an expected credit loss percentage applied to each ageing category. All financial assets are reported net of impairment; when the Group has no reasonable expectation of recovering a financial asset, the portion that is not recoverable is derecognised.

Financial liabilities

Trade payables

Trade payables and other financial liabilities are initially measured at fair value and subsequently measured at amortised cost.

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.

Borrowings

Borrowings represent bank loans, initially measured at fair value net of transaction costs incurred and subsequently measured at amortised cost, using the effective interest rate method. Any difference is recognised in the Consolidated statement of profit or loss within finance costs.

Equity instruments

Equity instruments are recorded as the proceeds received, net of direct issue costs. Gamma Communications plc ordinary shares held by the Group are classified in equity as own shares.

Dividends

Dividend distributions to the Company's shareholders are recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders. Interim dividends are recognised when paid.

Share-based payment expense

Equity-settled share-based payments awarded to employees are measured at the fair value of the options at the grant date based on market vesting conditions. The fair value excludes the effect of non-market based vesting conditions. The fair value is expensed in the Consolidated statement of profit or loss in operating expenses on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest.

Each year end, the Group revises its estimate of the number of equity instruments expected to vest as a result of non-market based vesting conditions. The impact of the revision of the estimate, if any, is recognised in the Consolidated statement of profit or loss so that, ultimately, the cumulative amount recognised reflects the latest estimates with a corresponding adjustment to the share option reserve.

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.

Where the Monte Carlo method is used, 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 profit and loss.

1. Accounting policies continued

Leased assets

Leased assets consist of rental property and cars where the Group has the right to control the identified asset.

A right of use asset and corresponding lease liability are recognised at commencement of a lease. The right of use asset is measured at cost, which consists of the initial measurement of the lease liability, any initial direct costs and any dilapidation or restoration costs. The right of use asset is depreciated on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset. The right of use asset is tested for impairment if there are any indicators of impairment.

The lease liability is measured at the present value of the lease payments, discounted at the Group's incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise fixed or variable payments, amounts expected to be payable under the residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequently, the liability will be reduced for payments made and increased for the interest applied, and it is remeasured to reflect any reassessment or contract modifications. When the lease liability is remeasured, the corresponding adjustment is reflected in the right of use asset or in the Consolidated statement of profit or loss if the right of use asset is already reduced to zero.

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.

Short-term leases of 12 months or less and leases of low value are expensed to the Consolidated statement of profit or loss.

Where the Group has a contract to use part of a fibre or copper pathway and does not have substantially all of the capacity of the asset this is not classified as a lease and payments are expensed. 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.

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 Consolidated statement of profit or loss 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.

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 Consolidated statement of profit or loss, 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 is stated at cost less accumulated depreciation and any accumulated impairment losses. Cost comprises purchase price, any other 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.

Depreciation is calculated by charging equal annual instalments to the Consolidated statement of profit or loss through operating expenses at the following rates:

Category	Depreciation rate
Land and buildings	3% – 6% per annum straight line
Network assets	14% – 25% per annum straight line
Computer equipment	15% – 33% per annum straight line
Fixtures and fittings	8% – 33% per annum straight line

The charge in respect of periodic depreciation is calculated after establishing an estimate of the asset's useful life and the expected residual value at the end of its life. The useful lives of Group assets are determined by management at the time the assets are acquired and reviewed annually for appropriateness. These lives are based on historical experience with similar assets.

The carrying amounts of property, plant and equipment are reviewed at each balance sheet date to determine whether there is any indication of impairment. An impairment loss is recognised when the carrying value of an asset exceeds its recoverable amount.

Assets in the course of construction for use in the supply of communication products 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.

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 recognised as an intangible asset.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment charges. Impairment charges on goodwill are not reversed. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

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 profit or loss on the acquisition date.

Goodwill on acquisitions prior to the date of transition to IFRS have been retained at the previous UK GAAP amounts subject to impairment testing.

Brands

Brands acquired in a business combination are recognised at fair value at the acquisition date. They are assessed at the date of acquisition as to whether they have an indefinite life. The assessment includes whether the brand name will continue to trade, and the expected lifetime of the brand. Brands have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected life of the brand.

The fair value of a brand at the date of acquisition is based on the Relief from Royalty method, which is a valuation model based on discounted cash flows. The useful lives of brands are up to six years, corresponding to a yearly amortisation of between 16% and 33%. The useful lives of all intangible assets are reviewed annually and amended, as required, on a prospective basis. Amortisation is charged to the Consolidated statement of profit or loss through operating expenses on a straight-line basis over the estimated useful life from the date the asset is available for use.

Customer relationships

Customer relationships acquired in a business combination are recognised at fair value at the acquisition date. The customer relationships have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is charged to the Consolidated statement of profit or loss through operating expenses on a straight-line basis over the estimated life of the customer relationship from the date the asset is available for use.

The fair value of customer relationships at the acquisition date is based on the Multiple Excess Earnings Method ("MEEM"), which is a valuation model based on discounted cash flows. The useful lives of customer relationships are based on the churn rate of the acquired portfolio and are up to ten years, corresponding to a yearly amortisation of between 10% and 25%. The useful lives of all intangible assets are reviewed annually and amended, as required, on a prospective basis.

1. Accounting policies continued

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. In addition, all internal activities related to the research and development of new projects are regularly monitored. Amortisation is charged to the Consolidated statement of profit or loss through operating expenses on a straight-line basis over the estimated useful life from the date the asset is available for use.

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 life assigned, but no more than seven years. Amortisation is charged to the Consolidated statement of profit or loss through operating expenses on a straight-line basis over the estimated useful life from the date the asset is available for use.

Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. Impairment is reviewed by assessing the asset's value in use when compared to its carrying value.

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, an 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 unit ("CGU"). 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 the Consolidated statement of profit or loss through operating expenses, except to the extent they reverse gains previously recognised in other comprehensive income.

Inventories

Inventories (which are all finished goods) are valued 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.

Put option arrangements

The cash payments related to put options issued by the Group over the equity of subsidiary companies are accounted for as financial liabilities when such options may only be settled by exchange of cash.

The amount that may become payable under the option on exercise is initially recognised within liabilities with a corresponding charge directly to equity. The charge to equity is recognised separately as written put options over non-controlling interests, adjacent to non-controlling interests on the acquisition of subsidiaries.

Such options are subsequently measured at amortised cost, using the effective interest rate method, in order to accrete the liability up to the amount payable under the option at the date at which it first becomes exercisable. The charge arising is recorded as a financing cost.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event. The amount recognised as a provision is the best estimate of the cost required to settle the obligation at the reporting date, after taking account of the risks and uncertainties surrounding the obligation.

Consideration of climate change

In preparing the consolidated financial statements, management have considered the impact of climate change, particularly in the context of the risks identified in the TCFD disclosure on pages 44 to 59. No material impact on the financial reporting judgements and estimates has been identified. Management considered the impact of climate change on the following areas:

- Assessment of impairment of goodwill, and other intangible and tangible assets
- Assessment of impairment of financial assets
- Going concern
- Impact on useful economic lives of assets
- Preparation of budgets and forecasts

Given the low value of short to medium-term risk to these areas assessed in the TCFD report, no climate change-related impact was identified. The going concern assessment on page 26 includes an assessment of severe but plausible scenarios, including climate change risks, with the potential to impact future performance, but none of these are considered likely to give rise to a trading deterioration of the magnitude indicated by the stress testing or to threaten the viability of the business over the assessment period. Management are, however, aware of the changing nature of risks associated with climate change and will regularly assess these risks against judgements and estimates made in preparation of the Group's financial statements.

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.

2. Critical accounting estimates and judgements

Preparation of the consolidated financial statements requires the Group to make certain estimations, assumptions and judgements 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 following are considered to be the critical accounting judgements and key sources of estimation uncertainty.

Critical accounting judgements

Critical judgements, apart from those involving estimations, applied in the preparation of the consolidated financial statements are discussed below:

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. For more information on the Group's revenue recognition policy please see note 1, Accounting policies.

Key accounting estimates

Key accounting estimates that could have a significant risk of causing a material adjustment within the next financial year are discussed below:

Contingent consideration

At 31 December 2023, the fair value of contingent consideration liabilities amounted to £9.4m (2022: £5.0m). This is based on estimates of the future financial performance of the acquired entity. The maximum amount that could be paid is £16.5m due by the end of 2027, dependent upon financial performance. Further details on these estimates and sensitivity of the fair value of contingent consideration is provided within note 28 Financial Instruments.

3. Changes in accounting policies

New standards, amendments and interpretations applied for the first time are shown below. There were no new standards, amendments or interpretations applied for the first time that had a material impact on the consolidated financial statements. The accounting policies set out in the 2023 Annual Report and Accounts have been applied consistently to both periods presented in these consolidated financial statements:

- IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17) – Insurance Contracts
- Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies
- Amendments to IAS 8 – Definition of Accounting Estimates
- Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12)

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRS standards that have been issued but are not yet effective and in some cases have not yet been adopted by the UK:

- Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to IAS 1 – Classification of Liabilities as Current or Non-current

The Directors do not expect that adoption of the standards listed above will have a material impact on the financial statements of the Group in future periods.

4. Segment information

In recent years, Gamma has widened its product and solution/services set to address the communications needs of a broader range of businesses. Post pandemic, customer requirements have evolved in respect of their telecommunications and IT infrastructure and methods of procurement for such products and services have broadened. Because of this, the Group's business unit responsibilities have been realigned to allow the business units to focus more directly on customer needs and preferences.

Our two UK business units are now aligned with customer groups rather than routes to market. We have therefore updated our segmental reporting structure to reflect the way in which the Group now manages its operations.

Previously the reported segments were UK Indirect, UK Direct, Europe and Central Functions. The new segments are Gamma Business, Gamma Enterprise, Europe and Central Functions. Gamma Business consists of the former UK Indirect business with the addition of some customers and associated costs from the UK Direct business (now Gamma Enterprise). This has resulted in a £13.5m revenue movement between segments for the year ended 31 December 2022 (3% of Group revenue) with no change in Executive Committee leadership.

This change in segmentation resulted in the following movements between the former Direct segment to the former Indirect segment for FY 2022: revenue of £13.5m, gross profit of £8.1m and overheads of £6.2m, resulting in a £1.9m EBITDA movement between segments for the year ended 31 December 2022.

This change in reporting structure has taken effect for reporting in 2023.

The Group's main operating segments are outlined below:

Gamma Business – This division sells Gamma's products to smaller businesses in the UK, typically with fewer than 250 employees. This division sells through different routes including the channel, direct, digital and other carriers who sell to smaller businesses in the UK. It contributed 64% (2022: 64%) of the Group's external revenue.

Gamma Enterprise – This division sells Gamma's products to larger businesses in the UK, typically to those with more than 250 employees. Larger organisations have more complex needs so this division sells Gamma's and other suppliers' products to Enterprise and Public Sector customers, together with an associated managed service wrap and ordinarily sells directly. It contributed 21% (2022: 21%) of the Group's external revenue.

Europe – This division consists of sales made in Europe through Gamma's German, Spanish and Dutch businesses. It contributed 15% (2022: 15%) of the Group's external revenue.

Central Functions – This comprises the central management team and wider Group costs.

Factors that management used to identify the Group's operating segments

The Group's reportable segments are strategic business units that are aligned with customer groups, needs and preferences. They are managed separately because each business requires different marketing strategies and are reported separately to the Board and Executive Committee to use for decision-making.

Measurement of operating segment profit or loss

The accounting policies of the reportable segments are the same as those described in the summary of material accounting policies.

The Board and Executive Committee evaluate performance on the basis of earnings before interest, tax, depreciation, amortisation and exceptional items.

Inter-segment sales are priced 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.

Revenue from external customers has been derived principally in the geographical area of the operating segment and no single customer contributes more than 10% of revenue.

2023	Gamma Business £m	Gamma Enterprise £m	Europe £m	Central Functions £m	**Total £m**
Segment revenue	353.9	110.6	79.5	–	**544.0**
Inter-segment revenue	(21.7)	(0.5)	(0.1)	–	**(22.3)**
Revenue from external customers	332.2	110.1	79.4	–	**521.7**
Timing of revenue recognition					
At a point in time	19.3	9.2	30.4	–	**58.9**
Over time (recurring)	312.9	100.9	49.0	–	**462.8**
	332.2	110.1	79.4	–	**521.7**
Total gross profit	176.1	52.6	38.5	–	**267.2**
Earnings before interest, tax, depreciation, amortisation and exceptional items (Adjusted EBITDA)	85.0	29.6	10.2	(10.5)	**114.3**
Exceptional items	(14.7)	(0.2)	(1.0)	(0.1)	**(16.0)**
Earnings before interest, tax, depreciation and amortisation (EBITDA)	70.3	29.4	9.2	(10.6)	**98.3**

2022 (Restated)	Gamma Business £m	Gamma Enterprise £m	Europe £m	Central Functions £m	**Total £m**
Segment revenue	334.0	102.9	73.4	–	**510.3**
Inter-segment revenue	(24.6)	(0.9)	(0.2)	–	**(25.7)**
Revenue from external customers	309.4	102.0	73.2	–	**484.6**
Timing of revenue recognition					
At a point in time	17.5	6.7	28.7	–	**52.9**
Over time (recurring)	291.9	95.3	44.5	–	**431.7**
	309.4	102.0	73.2	–	**484.6**
Total gross profit	163.7	49.3	34.7	–	**247.7**
Earnings before interest, tax, depreciation, amortisation and exceptional items (Adjusted EBITDA)	78.6	27.9	9.0	(10.4)	**105.1**
Exceptional items	–	–	(12.5)	–	**(12.5)**
Earnings before interest, tax, depreciation and amortisation (EBITDA)	78.6	27.9	(3.5)	(10.4)	**92.6**

Geographic segmentation

The UK is the Group and Company's country of domicile and is where most revenue is generated, which is from external UK customers. The geographic analysis of revenue and non-current assets, which excludes deferred tax assets, is presented below.

The Group's revenue from external customers by geographical location is detailed below:

	2023 £m	2022 £m
UK	**413.8**	391.1
Europe	**107.9**	93.5
Total	**521.7**	484.6

The Group's non-current assets by geographical location are detailed below:

	2023 £m	2022 £m
UK	**131.8**	104.0
Europe	**76.0**	76.2
Total	**207.8**	180.2

5. Profit on ordinary activities

Profit on ordinary activities is stated after charging/(crediting) the following amounts:

	2023 £m	2022 £m
Net foreign exchange	**0.1**	(0.1)
Research costs	**17.3**	16.0
Net employee costs[1] (note 7)	**106.4**	97.8
Depreciation of property, plant and equipment	**9.3**	9.5
Depreciation of right of use assets	**2.3**	2.8
Amortisation of intangible assets (excluding business combinations)	**9.7**	5.4
Amortisation arising due to business combinations	**10.0**	9.5
Cost of inventories recognised as an expense[2]	**14.0**	12.3
Provision for receivables charge	**3.7**	0.7
Gain on disposal of property, plant and equipment	**–**	0.4
Research and development tax credit	**(3.4)**	(2.9)
Fees payable to the Group's auditor	**0.8**	0.5

1 Employee costs includes £15.1m (2022: £13.6m) of costs included in research costs.

2 Included in the cost of inventory recognised as an expense is a writedown of £0.1m (2022: £0.2m).

Research and development tax credits of £3.4m (2022: £2.9m) are recorded within the Increase in trade and other payables within Cash generated by operations in the Group consolidated statement of cash flows.

Fees payable to the Group's auditor for the audit of the Company and the consolidated financial statements totalled £0.7m (2022: £0.5m), which includes £0.1m (2022: £0.1m) principally in respect of the half-year review which is considered a non-audit service. £0.1m (2022: £0.1m) was payable in respect of subsidiary statutory audits.

6. Exceptional items

	2023 £m	2022 £m
Impairment of intangible development costs	**12.7**	–
Restructuring costs	**3.3**	–
Impairment of goodwill	**–**	12.2
Loss on disposal of subsidiary	**–**	0.3
Total exceptional items	**16.0**	12.5
Tax effect of exceptional items	**(3.9)**	–

An impairment of intangible development costs totalling £12.7m has been recorded in the year (2022: £nil); see note 15 for additional information.

Restructuring costs relate to severance of £3.3m in the year (2022: £nil), following non-recurring organisational changes related to the expanded UCaaS offering and the combining of the German and Dutch senior leadership team. The cash cost in the year was £0.2m and the remaining £3.1m is expected to be paid out within the next 12 months.

In 2022 an impairment of goodwill in the Spanish CGU was recognised, along with a loss on disposal of ComyMedia (previously part of the Spanish CGU).

The total cash cost of exceptional items in the year was £0.2m (2022: £nil).

7. Employee costs

	2023 £m	2022 £m
Employee costs (including Directors) comprise:		
Wages and salaries	**94.9**	86.3
Defined contribution pension cost	**6.8**	6.1
Social security contributions and similar taxes	**11.8**	11.4
	113.5	103.8
Share-based payment expense (note 33)	**2.7**	4.3
	116.2	108.1

Employee costs are shown before amounts capitalised of £9.8m (2022: £10.3m), the 2022 comparatives have been restated and now also show the costs before amounts capitalised. Employee costs include restructuring costs of £3.3m (2022: £nil), refer to note 6 exceptional items. 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 Group employees was:

	2023 Number	2022 Number
Operational	**1,117**	899
Selling, administration and distribution	**752**	808
	1,869	1,707

Key management personnel compensation

Key management personnel comprise the Board and the Executive Committee (listed on pages 64 to 67).

	2023 £m	2022 £m
Salary	**5.4**	5.0
Defined contribution pension cost	**0.1**	0.2
Social security contributions and similar taxes	**0.7**	1.3
	6.2	6.5
Share-based payment expense (note 33)	**1.8**	2.8
	8.0	9.3

Remuneration in respect of the Board of Directors is summarised below:

	2023 £m	2022 £m
Salaries and fees	**2.2**	2.4
Social security contributions and similar taxes	**0.2**	0.4
	2.4	2.8
Share-based payment expense (note 33)	**0.6**	1.5
	3.0	4.3

During the year, the aggregate amount of gains made by the Executive Directors on the exercise of share options was £nil (2022: £0.8m).

The average number of employees in Gamma Communications plc during the financial year was four (2022: four).

During the year, two Executive Directors (2022: two) participated in a private money purchase defined contribution pension scheme.

8. Finance income

	2023 £m	2022 £m
Finance income		
Interest received on bank deposits	**5.4**	0.8
Total finance income	**5.4**	0.8

9. Finance expense

	2023 £m	2022 £m
Finance expense		
Lease liability interest costs	**(0.4)**	(0.4)
Unwinding of put option liability and contingent consideration	**(0.4)**	(0.8)
Interest on borrowings	**(0.1)**	(0.1)
Total finance expense	**(0.9)**	(1.3)

10. Tax expense

	2023 £m	2022 £m
Current tax expense		
UK current tax on profits for the year	**18.9**	13.7
Overseas current tax	**1.1**	1.1
Adjustment in respect of prior year	**1.7**	(0.4)
Total current tax	**21.7**	14.4
Deferred tax expense		
Origination and reversal of temporary differences	**(2.3)**	(0.2)
Adjustment in respect of prior years	**(1.6)**	0.2
Tax rate change	**–**	1.0
Total deferred tax (note 27)	**(3.9)**	1.0
Total tax expense	**17.8**	15.4

The tax charge for 2023 is higher (2022: higher) than the standard blended rate of corporation tax in the United Kingdom of 23.5% (2022: 19%). The differences are explained below:

	2023 £m	2022 £m
Profit before tax	**71.5**	64.9
Expected tax charge based on the standard blended rate of United Kingdom corporation tax at the domestic rate of 23.5% (2022: 19%)	**16.8**	12.3
Effects of:		
Tax effect of expenses that are not deductible in determining taxable profit	**0.8**	2.8
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(0.1)**	(0.2)
Tax rate change	**–**	1.0
Other tax items	**0.2**	(0.3)
Adjustment in respect of prior years	**0.1**	(0.2)
Total tax expense	**17.8**	15.4

Deferred tax was calculated based on the tax laws and rates that were enacted or substantively enacted at the balance sheet date.

Finance Act 2024 amends certain aspects of the multinational top-up tax and domestic top-up tax rules contained in Finance (No 2) Act 2023. The group is currently below the €750m income threshold and therefore the rules will not impact the tax liabilities reported by the group.

11. Earnings per share

	2023	2022
Earnings per ordinary share – basic (pence)	**55.2**	51.1
Earnings per ordinary share – diluted (pence)	**54.9**	50.6

The calculation of the basic and diluted earnings per share is based on the following data:

	2023 £m	2022 £m
Profit attributable to the ordinary equity holders of the Company	**53.6**	49.3

Shares	No.	No.
Weighted average number of ordinary shares for basic earnings per share	**97,088,798**	96,543,985
Effect of dilution resulting from share options	**606,553**	948,689
Diluted weighted average number of ordinary shares	**97,695,351**	97,492,674

In 2022, as part of Gamma's acquisition of Gamma Holding GmbH (formerly HFO) the vendor reinvested £0.5m and purchased 44,558 ordinary shares.

Adjusted earnings per share (diluted) is detailed below:

	2023	2022
Adjusted earnings per ordinary share – diluted (pence)	**75.1**	71.8

12. Dividends

The following dividends were paid by the Group to its shareholders:

	2023 £m	2022 £m
Final dividend for the year ended 31 December 2021 of 8.8p per ordinary share	**–**	8.5
Interim dividend for the year ended 31 December 2022 of 5.0p per ordinary share	**–**	4.8
Final dividend for the year ended 31 December 2022 of 10.0p per ordinary share	**9.7**	–
Interim dividend for the year ended 31 December 2023 of 5.7p per ordinary share	**5.5**	–
	15.2	13.3

A final dividend of 11.4p will be proposed at the 2024 Annual General Meeting but has not been recognised as it requires shareholder approval. The total amount of dividends proposed for the year ended 31 December 2023 is 17.1p. The payments of these dividends do not have any tax consequences for the Group.

13. Property, plant and equipment

	Land and buildings £m	Network assets £m	Computer equipment £m	Fixtures and fittings £m	Total £m
Cost					
At 1 January 2023	4.7	67.4	13.5	2.8	88.4
Additions	–	3.9	1.6	0.1	5.6
Acquisition of subsidiary	–	–	–	0.1	0.1
Disposals	–	(3.1)	(0.8)	(0.2)	(4.1)
Exchange difference	(0.1)	0.2	0.1	0.1	0.3
At 31 December 2023	**4.6**	**68.4**	**14.4**	**2.9**	**90.3**
Depreciation					
At 1 January 2023	0.3	41.8	10.7	1.8	54.6
Charge for the year	0.2	6.9	1.8	0.4	9.3
Disposals	–	(3.1)	(0.8)	(0.2)	(4.1)
Exchange difference	0.1	–	–	(0.1)	–
At 31 December 2023	**0.6**	**45.6**	**11.7**	**1.9**	**59.8**
Net book value					
At 1 January 2023	4.4	25.6	2.8	1.0	33.8
At 31 December 2023	**4.0**	**22.8**	**2.7**	**1.0**	**30.5**

	Land and buildings £m	Network assets £m	Computer equipment £m	Fixtures and fittings £m	Total £m
Cost					
At 1 January 2022	4.5	78.7	12.3	2.4	97.9
Additions	0.2	5.5	1.0	0.1	6.8
Acquisition of subsidiary	–	–	0.1	–	0.1
Disposals	–	(16.7)	–	–	(16.7)
Disposal of subsidiary	–	–	(0.1)	–	(0.1)
Exchange difference	–	(0.1)	0.2	0.3	0.4
At 31 December 2022	**4.7**	**67.4**	**13.5**	**2.8**	**88.4**
Depreciation					
At 1 January 2022	0.3	50.3	9.0	1.5	61.1
Charge for the year	0.1	7.5	1.6	0.3	9.5
Disposals	–	(16.3)		–	(16.3)
Disposal of subsidiary			(0.1)		(0.1)
Exchange difference	(0.1)	0.3	0.2	–	0.4
At 31 December 2022	**0.3**	**41.8**	**10.7**	**1.8**	**54.6**
Net book value					
At 1 January 2022	4.2	28.4	3.3	0.9	36.8
At 31 December 2022	**4.4**	**25.6**	**2.8**	**1.0**	**33.8**

Refer to note 21 for information on non-current assets pledged as security by the Group. The property, plant and equipment has been considered for impairment indicators and there was no impairment in the year.

14. Right of use assets

	Land and buildings £m	Other £m	Total £m
Cost			
At 1 January 2023	16.0	1.2	17.2
Additions	1.8	0.5	2.3
Disposals	(2.9)	–	(2.9)
At 31 December 2023	**14.9**	**1.7**	**16.6**
Depreciation			
At 1 January 2023	7.6	0.5	8.1
Charge for the year	1.9	0.4	2.3
Disposals	(1.7)	–	(1.7)
At 31 December 2023	**7.8**	**0.9**	**8.7**
Net book value			
At 1 January 2023	8.4	0.7	9.1
At 31 December 2023	**7.1**	**0.8**	**7.9**

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 and the expiry of car leases.

One replacement lease has been committed to in the year ended 31 December 2023 (2022: two).

	Land and buildings £m	Other £m	Total £m
Cost			
At 1 January 2022	15.1	1.5	16.6
Additions	1.8	0.3	2.1
Disposals	(0.9)	(0.6)	(1.5)
At 31 December 2022	**16.0**	**1.2**	**17.2**
Depreciation			
At 1 January 2022	5.7	0.7	6.4
Charge for the year	2.4	0.4	2.8
Disposals	(0.5)	(0.6)	(1.1)
At 31 December 2022	**7.6**	**0.5**	**8.1**
Net book value			
At 1 January 2022	9.4	0.8	10.2
At 31 December 2022	**8.4**	**0.7**	**9.1**

15. Intangible assets

	Goodwill £m	Customer contracts £m	Brand £m	Development costs £m	Software £m	Total £m
Cost						
At 1 January 2023	97.5	50.9	1.4	40.4	19.3	209.5
Additions	–	–	–	14.4	3.0	17.4
Acquisition of subsidiaries	36.6	6.6	0.8	–	2.1	46.1
Disposal of subsidiaries	–	–	–	–	–	–
Disposals	–	–	–	(2.4)	–	(2.4)
Exchange difference	(0.9)	(0.8)	–	(0.1)	–	(1.8)
At 31 December 2023	**133.2**	**56.7**	**2.2**	**52.3**	**24.4**	**268.8**
Amortisation and impairment						
At 1 January 2023	20.8	29.1	0.7	18.0	16.6	85.2
Charge for the year	–	8.8	0.4	5.2	5.3	19.7
Impairment charge	–	–	–	12.7	–	12.7
Disposal of subsidiaries	–	–	–	–	–	–
Disposals	–	–	–	(2.4)	–	(2.4)
Exchange difference	(0.3)	(0.5)	–	(0.3)	–	(1.1)
At 31 December 2023	**20.5**	**37.4**	**1.1**	**33.2**	**21.9**	**114.1**
Carrying value						
At 1 January 2023	76.7	21.8	0.7	22.4	2.7	124.3
At 31 December 2023	**112.7**	**19.3**	**1.1**	**19.1**	**2.5**	**154.7**

Included in development costs are assets not yet in service of £2.4m (2022: £10.2m).

Customer contracts include the following material balances at 31 December 2023:

- Gamma Communications Benelux B.V. and its subsidiaries: £4.2m (2022: £5.8m) carrying value with five years of amortisation remaining.
- Satisnet: £6.2m (2022: £nil) carrying value with six years of amortisation remaining.

	Goodwill £m	Customer contracts £m	Brand £m	Development costs £m	Software £m	Total £m
Cost						
At 1 January 2022	91.8	47.6	2.2	28.1	18.5	188.2
Additions	–	–	–	13.1	0.8	13.9
Acquisition of subsidiaries	4.0	1.3	0.1	–	–	5.4
Disposal of subsidiaries	–	–	–	(0.2)	–	(0.2)
Disposals	–	–	(0.9)	(0.8)	–	(1.7)
Exchange difference	1.7	2.0	–	0.2	–	3.9
At 31 December 2022	**97.5**	**50.9**	**1.4**	**40.4**	**19.3**	**209.5**
Amortisation and impairment						
At 1 January 2022	8.7	20.2	0.9	14.8	14.3	58.9
Charge for the year	–	7.9	0.7	4.0	2.3	14.9
Impairment charge	12.2	–	–	–	–	12.2
Disposal of subsidiaries	–	–	–	(0.2)	–	(0.2)
Disposals	–	–	(0.9)	(0.8)	–	(1.7)
Exchange difference	(0.1)	1.0	–	0.2	–	1.1
At 31 December 2022	**20.8**	**29.1**	**0.7**	**18.0**	**16.6**	**85.2**
Carrying value						
At 1 January 2022	83.1	27.4	1.3	13.3	4.2	129.3
At 31 December 2022	**76.7**	**21.8**	**0.7**	**22.4**	**2.7**	**124.3**

In 2022 an impairment of the goodwill of the Spanish CGU was recognised.

15. Intangible assets continued

Goodwill

The carrying amount of goodwill is allocated to the groups of cash-generating units ("CGUs") as follows:

	2023 £m	2022 £m
Gamma Enterprise	**23.5**	13.3
Gamma Business	**66.7**	40.0
Netherlands	**7.4**	7.8
Spain	**6.3**	2.4
NeoTel	**–**	4.0
Germany	**8.8**	9.2
Total	**112.7**	76.7

Goodwill acquired through business combinations has been allocated to CGUs for the purpose of impairment testing.

The goodwill arising in the year totalled £36.6m with £12.6m related to the Satisnet acquisition and £24.0m related to the EnableX acquisition (note 16) (2022: £4.0m related to the acquisition of NeoTel). Satisnet goodwill of £12.6m has been allocated to the Gamma Enterprise CGU and EnableX goodwill of £24.0m has been allocated to the Gamma Business CGU. This is consistent with the segment reporting that is used in internal management reporting.

NeoTel was also integrated into the Spanish CGU during the year which increased goodwill in the Spanish CGU from £2.4m to £6.3m and reduced goodwill in the NeoTel CGU to £nil. Management completed an impairment assessment in advance of the integration into the Spanish CGU which confirmed there was no impairment.

Impairment test

Goodwill is tested annually for impairment, or more frequently where there is an indication of impairment. An impairment test is a comparison of the carrying value of the assets of the CGU with their recoverable amount. Where the recoverable amount is less than the carrying value, an impairment results. The Group's annual test is performed at 30 September.

The Group performed the impairment test at 30 September 2023 and 30 September 2022 incorporating its knowledge of the business into that testing and noting at that date the market capitalisation significantly exceeded the net assets of the Group, which was taken into account during the impairment test.

Based on the results of the impairment reviews, the recoverable amounts were greater than the carrying value of the net assets in each CGU (2022: the recoverable amounts were greater than the carrying value of the net assets in each CGU with the exception of the Spanish CGU where an impairment of £12.2m was recognised; see also note 6). In undertaking this analysis, sensitivities of these assumptions were also considered. No reasonably possible change to a key assumption was identified that would cause a CGU's carrying amount to exceed its recoverable amount.

The recoverable amount was determined on a value-in-use basis for each CGU. The VIU includes estimates about the future financial performance of each CGU. These utilise Board approved forecasts, where gross margin percentage is assumed to be held principally constant and budgeted revenue and overheads are forecast to grow. These forecasts are projected over a five-year period discounted to present value plus a terminal value calculation. The cash flow projections and inputs combine past performance with adjustments as appropriate where it is believed that performance and rates are not indicative of future performance and rates, including the impact of climate change.

Key assumptions

The key assumptions in the VIU for Gamma Enterprise, Gamma Business, Germany, Spain and Netherlands cash-generating units on which the impairment tests are based is the short-term revenue growth rates, which on average assume single-figure growth.

The long-term growth rates used were 2% (2022: 2%). This is based on long-term GDP growth forecasts for each country CGU, adjusted where deemed relevant by management to factor in competition and the maturity of the business. This growth rate does not exceed the relevant long-term average growth rate based on OECD long-term baseline projections No.114.

Discount rate

The discount rate applied to cash flows is based on the risk-free rate for 20-year UK Government bonds in Gamma Business and Gamma Enterprise. In Spain, Netherlands and Germany it is based on the 20-year US government bond adjusted for US to Eurozone inflation. This rate is adjusted for a risk premium to reflect the increased risk of investing in equities. This risk premium is derived by observing an equity market risk premium (that is the required return over and above a risk-free rate by an investor who is investing in the market as a whole) based on external sources and adjusting this with reference to a beta and a size and country risk premium to reflect the risk of the cash-generating unit relative to the market as a whole to provide a cost of equity. Cost of debt is based on an external corporate bond yield. Cost of equity and debt are then weighted based on market participant leverage.

The post-tax discount rates calculated were Gamma Business and Enterprise 9.7% (2022: 9.1%), Netherlands 9.5% (2022: 9.6%), Spain 11.3% (2022: 9.7%) and Germany 9.1% (2022: 9.3%). The Gamma Business and Enterprise pre-tax discount rate is 12.3% (2022: 11.9%). The rate used for Netherlands was 11.8% (2022: 11.7%), 13.9% for Spain (2022: 10.5%) and 11.9% (2022: 12.5%) for Germany. The back solve method was used to calculate the pre-tax discount rate in each year.

Discount rates changed from 2022 to 2023 primarily as a result of macro-economic conditions. Increases in Gamma Enterprise, Gamma Business and Spain were predominantly due to an increase in country risk premiums.

Intangible assets

In December 2023 Gamma acquired EnableX, which gave the Group a relationship with Ericsson-LG and allows access to Ericsson-LG's UCaaS solution, iPECS, which further expands our UCaaS offering. This, along with the strengthening of our partnership with Cisco, has resulted in the Group stopping ongoing development of some of our own collaboration software and accordingly reviewing the recoverability of our capitalised development costs.

The carrying amount of this collaboration software, which had been in development as at 31 December 2023, was £15.0m (2022: £7.5m), recorded within development cost intangible assets and the Gamma Business reportable segment. Following the decision to stop ongoing development of this software, the carrying amount has been reduced to its recoverable amount of £2.3m through recognition of an impairment loss of £12.7m. This loss is included within operating expenses in the Consolidated statement of profit or loss and recorded solely within the Gamma Business segment.

The recoverable amount was calculated using the expected future discounted cash flows over the estimated life of the asset. It incorporates cash flows derived from Board approved five year forecasts and with cash flows beyond the five year forecast period then reflecting management's expectations of future growth prospects in the asset's market, with all cash flows discounted to present value. These cash flows have also been adjusted to exclude any estimated cash inflows and outflows arising from enhancing the asset. The post-tax risk adjusted discount rate used in estimating the recoverable amount based on value in use is 9.7% or 12.3% on a pre-tax risk adjusted discount basis.

16. Business combinations

Summary of acquisitions

During 2023, the Group completed a total of two acquisitions, both of which are 100% owned by the Group unless otherwise stated.

Acquisition	Acquired	Principal activity
Satisnet Limited (Satisnet)	August	Satisnet is a leading provider of cyber security services and solutions to businesses across the UK and Europe.
EnableX Group (EnableX) [1]	December	EnableX's focus is on enabling resellers to access new opportunities and win within multiple technology areas, including in cloud communications, where it is one of the leading providers to the UK wholesale channel.

1 On 20 December 2023, the Group acquired 95% of EnableX with an option to acquire the remaining shareholding, held by management, in 2027.

The fair values of identifiable assets acquired and liabilities assumed is as follows:

	Satisnet £m	EnableX £m	Total £m
Tangible fixed assets	–	0.2	0.2
Intangible assets – software	–	2.1	2.1
Intangible assets – customer contracts	6.6	–	6.6
Intangible assets – brand	0.8	–	0.8
Cash	5.5	0.6	6.1
Inventories	–	0.6	0.6
Trade and other receivables	2.1	5.1	7.2
Trade and other payables	(2.8)	(4.8)	(7.6)
Bank loans[1]	–	(7.7)	(7.7)
Contract liabilities	(1.9)	(4.5)	(6.4)
Deferred tax liability[2]	(1.9)	–	(1.9)
Total identifiable assets/(liabilities)	8.4	(8.4)	–
Less: Non-controlling interests	–	(0.2)	(0.2)
Add: Goodwill	12.6	24.0	36.6
Net assets acquired	**21.0**	**15.4**	**36.4**

1 Bank loans of £7.7m were repaid at the time of acquisition.

2 Deferred tax liability arising on customer contract and brand intangible assets.

The fair values of identifiable assets acquired and liabilities assumed are final for Satisnet.

The fair values of identifiable assets acquired and liabilities assumed are provisional for EnableX. The exercise to finalise these balances and the corresponding adjustment in respect of non-controlling interest is ongoing and will be completed by 30 June 2024.

The value of the goodwill represents the prospective future economic benefits that are expected to accrue from enhancing the portfolio of products available to the Group's existing customers.

16. Business combinations continued

£19.5m was the total payment for the acquisition of EnableX, gross of £0.6m of cash acquired. This payment included £7.7m to repay, at the time of acquisition, all EnableX bank loans, with £11.8m the remaining cash consideration paid.

	Satisnet £m	EnableX £m	Total £m
Satisfied by:			
Cash paid	13.8	11.8	25.6
Ordinary shares issued	2.8	–	2.8
Deferred consideration[1]	0.5	–	0.5
Contingent consideration[2]	3.9	3.6	7.5
Total	**21.0**	**15.4**	**36.4**

1 Deferred consideration of £0.5m relating to the initial purchase payment has been retained. This is expected to be paid in cash within 12 months, provided that the retained amount has not been offset against the price adjustment or against claims or damages and losses.

2 Contingent consideration is payable dependent on future performance of the businesses acquired. Refer to note 25 for further details.

Net cash outflow on acquisitions:

	Satisnet £m	EnableX £m	Other £m	Total £m
Cash consideration	13.8	11.8	–	25.6
Less: cash acquired	(5.5)	(0.6)	–	(6.1)
	8.3	**11.2**	**–**	**19.5**
Contingent consideration payments during the year[1]	–	–	3.3	3.3
Net outflow of cash – investing activities (Acquisition of subsidiaries net of cash acquired)	**8.3**	**11.2**	**3.3**	**22.8**
Repayment of acquired bank loans[2]	–	7.7	–	7.7
Net outflow of cash – financing activities (Repayment of borrowings acquired with acquisitions)	**–**	**7.7**	**–**	**7.7**
Net cash outflow relating to acquisitions in the year	**8.3**	**18.9**	**3.3**	**30.5**

1 See note 25 Contingent consideration.

2 Bank loans of £7.7m were repaid at the time of acquisition.

Valuations of intangible assets

Customer contracts were valued under the Income Method and the brand under the Relief from Royalty methodology.

Goodwill

The goodwill is attributable to the acquired entity. The goodwill is not deductible for tax purposes.

Revenue and profit contribution

From the date of acquisition, the acquired businesses have contributed £4.6m of revenue and £0.2m of profit after taxation attributable to the equity holders of Gamma Communications plc:

	Revenue £m	Profit before tax £m	Profit after tax £m
Satisnet	4.6	0.3	0.2
EnableX	–	–	–
Total	**4.6**	**0.3**	**0.2**

If these acquisitions had occurred on 1 January 2023, the acquired businesses would have contributed estimated revenue and profit after taxation attributable to the equity holders of Gamma Communications plc as outlined in the table below. The amounts below are unaudited.

	Revenue £m	Profit before tax £m	Profit after tax £m
Satisnet	12.1	0.9	0.7
EnableX	15.1	1.3	1.0
Total	**27.2**	**2.2**	**1.7**

17. Inventories

	2023 £m	2022 £m
Raw materials and consumables	**11.8**	10.2

The replacement cost of inventories equals the statement of financial position amount.

18. Trade and other receivables and contract assets

A. Trade and other receivables

	2023 £m	2022* £m
Trade receivables	**61.5**	53.2
Less: provision for impairment of trade receivables	**(10.9)**	(7.6)
Trade receivables – net	**50.6**	45.6
Contract costs	**5.3**	5.2
Prepayments	**28.7**	31.2
Other receivables	**3.3**	3.0
Total trade and other receivables	**87.9**	85.0
Of which:		
Due within one year	**76.1**	75.0
Due after more than one year	**11.8**	10.0

*See Basis of preparation, Consolidated statement of financial position on page 120

The carrying value of the trade and other receivables is considered to be approximately equal to their fair value.

The Group considers that the carrying value of the trade and other receivables that is disclosed below gives a fair presentation of the credit quality of the assets. This is considered to be the case as there is a low risk of default due to the high number of recurring customers and credit control policies. Concentrations of credit risk with respect to trade receivables are limited due to the Group's customer base being large and unrelated. No customer represents more than 10% of trade receivables. The Group considers the credit quality of trade and other receivables on a customer-by-customer basis.

In determining the recoverability of trade and other receivables, the Group considers the risk of each debtor, credit note risk, and any change in the circumstances of the individual receivable. The Group also considers ageing of significantly overdue balances; no other credit rating grades are assessed. Due to this, management believes there is no further credit risk provision required in excess of the normal provision determined by the expected credit loss methodology applied.

The Group provides for all receivables considering knowledge of customers and historical experience, and estimates irrecoverable amounts by reference to past default experience.

The ageing of these receivables is as follows:

	Current £m	Up to 3 months £m	3 to 6 months £m	6 to 12 months £m	Over 12 months £m	Total £m
31 December 2023						
Gross trade receivables	47.6	8.5	1.8	1.1	2.5	**61.5**
Provision for impairment	(6.3)	(1.6)	(0.5)	(0.4)	(2.1)	**(10.9)**
Net trade receivables	41.3	6.9	1.3	0.7	0.4	**50.6**
31 December 2022						
Gross trade receivables	39.5	8.6	2.2	0.9	2.0	**53.2**
Provision for impairment	(3.0)	(1.9)	(0.3)	(0.4)	(2.0)	**(7.6)**
Net trade receivables	**36.5**	**6.7**	**1.9**	**0.5**	**–**	**45.6**

Movements on the provision for impairment of trade receivables are as follows:

	2023 £m	2022 £m
At 1 January	**7.6**	7.1
Provided during the year	**3.7**	0.7
Receivable written off during the year as uncollectable	**(0.4)**	(0.2)
At 31 December	**10.9**	7.6

18. Trade and other receivables and contract assets continued

Contract costs

Capitalised contract costs consist of commissions from the UK Enterprise division which are directly associated with specific customer contracts and installation costs.

	Commissions £m	Installation costs £m	Total £m
As at 1 January 2022	1.0	3.6	**4.6**
Additions	1.5	1.7	**3.2**
Amortisation	(1.0)	(1.6)	**(2.6)**
As at 31 December 2022	1.5	3.7	**5.2**
Additions	1.8	1.9	**3.7**
Amortisation	(1.2)	(2.4)	**(3.6)**
As at 31 December 2023	**2.1**	**3.2**	**5.3**

There was £nil impairment loss in relation to the costs capitalised (2022: £nil).

B. Contract assets

Contract assets relate to amounts not yet billed and so not yet due from customers, and which are expected to be invoiced to customers.

	2023 £m	2022 £m
Current	**32.5**	34.4
Non-current	**2.9**	3.0
Contract assets	**35.4**	37.4

The level of new contract assets that have arisen during the year is consistent with the level of billings on pre-existing contract assets.

The Group considers the credit quality of contract assets on a customer-by-customer basis. As with trade receivables, which contract assets convert to upon invoicing, there is considered to be a low risk of default due to the high number of recurring customers. In determining the recoverability of a contract asset, the Group considers the specific circumstances of each contract asset and any change in the circumstances of the balance. In view of this management believes significant provision is not required.

There was £nil impairment loss in relation to the contract assets (2022: £nil).

19. Cash and cash equivalents

	2023 £m	2022 £m
Cash at bank	**55.6**	50.3
Short-term deposits	**80.9**	44.3
Total cash and cash equivalents	**136.5**	94.6

The Group's credit risk on cash and cash equivalents is limited as the counterparties are well established banks with generally high credit ratings. The credit quality of cash and cash equivalents is as follows:

	2023 £m	2022 £m
Moody's/Fitch/S&P		
AA	**25.8**	3.8
A	**109.8**	90.4
BAA	**0.9**	0.4
Total cash and cash equivalents	**136.5**	94.6

20. Trade and other payables

	2023 £m	2022 £m
Current and non-current		
Trade payables	**13.2**	9.5
Other payables	**6.1**	4.7
Accruals – Cost of sales	**11.0**	10.8
Accruals – Operating expenses (excluding payroll)	**13.6**	10.7
Accruals – Payroll (excluding tax and social security)	**12.9**	12.4
Tax and social security	**8.8**	5.3
Deferred consideration	**1.0**	–
Deferred income	**–**	3.3
Total trade and other payables	**66.6**	56.7
Book values approximate to fair value at 31 December		
Of which:		
Due within one year	**66.5**	54.0
Due after more than one year	**0.1**	2.7

Deferred consideration relates to fixed amounts payable with regard to acquisitions, £0.5m for NeoTel and £0.5m for Satisnet (2022: £0.5m for NeoTel included within Other payables).

In 2022 deferred income of £3.3m was included within Trade and other payables. In 2023 deferred income of £3.7m was instead classified within contract liabilities to better align with other similar transactions.

21. Borrowings

	2023 £m	2022 £m
Secured		
Bank loans	**1.5**	1.7
Total secured borrowings	**1.5**	1.7
Unsecured		
Bank loans	**0.1**	0.2
Other borrowings	**0.1**	0.2
Total unsecured borrowings	**0.2**	0.4
Total borrowings	**1.7**	2.1
Of which:		
Current	**0.3**	0.4
Non-current	**1.4**	1.7

	2023 £m	2022 £m
At 1 January	**2.1**	3.3
Disposal of subsidiaries	**–**	(0.6)
Borrowings acquired with acquisitions	**7.7**	–
Repayments of borrowings acquired with acquisitions	**(7.7)**	–
Repayments of borrowings	**(0.5)**	(0.7)
Exchange difference	**0.1**	0.1
At 31 December	**1.7**	2.1

Bank loans of £7.7m were acquired with EnableX and all were repaid at the time of acquisition.

All loans are held by trading subsidiaries outside of the UK and pre-date acquisition by Gamma.

Of the bank loans, £1.5m (2022: £1.7m) are secured on the Group's land and buildings.

Maturity analysis of borrowings is shown in note 28.

22. Lease liabilities

	2023 £m	2022 £m
At 1 January	**11.1**	11.9
Additions	**2.3**	1.8
Disposals	**(1.5)**	(0.5)
Repayments	**(2.3)**	(2.8)
Finance expense	**0.4**	0.4
Exchange differences	**–**	0.3
At 31 December	**10.0**	11.1

	2023 £m	2022 £m
Lease liabilities included in the statement of financial position at 31 December		
Current	**3.0**	2.5
Non-current	**7.0**	8.6
Amounts recognised in the Consolidated statement of profit or loss		
Interest expense on lease liabilities	**0.4**	0.4

The amount recognised in the Consolidated statement of cash flows is £2.3m (2022: £2.8m).

Gamma had 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 in 2023 (2022: £nil).

Maturity analysis of leases representing undiscounted contractual cash flows is detailed below:

	2023 £m	2022 £m
Less than 1 year	**2.7**	2.6
Between 1 and 5 years	**6.7**	6.9
Over 5 years	**0.9**	2.5

23. Provisions

	Leasehold dilapidation provision £m	Onerous contracts £m	Other provisions £m	Total £m
At 1 January 2023	1.3	0.1	0.2	**1.6**
Additional provision in the year	0.9	–	3.1	**4.0**
Utilisation of provision	(0.4)	(0.1)	–	**(0.5)**
At 31 December 2023	**1.8**	**–**	**3.3**	**5.1**
Of which:				
Due within one year				**3.4**
Due after more than one year				**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. These balances relate to pre-transition to IFRS 16 and the Group chose to apply the modified retrospective approach. Under IFRS 16, dilapidation 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.

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 relate to contracts less than 12 months in length.

Other provisions includes £3.1m of restructuring in relation to severance resulting from headcount reductions. The majority of provisions are expected to be fully utilised within 12 months. Restructuring costs are reported within note 6, Exceptional items.

24. Contract liabilities

	2023 £m	2022 £m
Contract liabilities	**26.2**	17.0

Contract liabilities are deferred income arising from installations and Horizon upfront subscriptions, which are released to the statement of profit or loss over the life of the contract.

In 2022 deferred income of £3.3m was included within Trade and other payables. In 2023 deferred income of £3.7m was instead classified within contract liabilities to better align with other similar transactions. The movement on contract liabilities can be explained as below:

	2023 £m	2022 £m
At 1 January	**17.0**	17.4
Additions	**10.5**	11.5
Acquisition of subsidiaries	**6.4**	–
Reclassification from Trade & other payables (Deferred income)	**3.7**	–
Amortisation	**(11.4)**	(11.9)
At 31 December	**26.2**	17.0
Of which		
Due within one year	**14.1**	9.2
Due after more than one year	**12.1**	7.8

The amount of revenue recognised in 2023 for performance obligations satisfied (or partially satisfied) in previous periods is £nil (2022: £nil).

The amount of revenue recognised in 2023 that was included in the contract liabilities balance and deferred income included within trade and other payables at 31 December 2022 as described previously was £10.4m (2022: £8.9m).

The Group expects to recognise the balance at 31 December 2023 in:

	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m
Contract liabilities as at 31 December 2023	14.1	5.8	4.7	1.6

25. Contingent consideration

	2023 £m	2022 £m
Current	**1.7**	3.5
Non-current	**7.7**	1.5
	9.4	5.0

The reconciliation of the carrying amounts of contingent consideration is as follows:

	Exactive £m	Mission Labs £m	NeoTel £m	Satisnet £m	EnableX £m	Total £m
1 January 2023	0.9	3.9	0.2	–	–	5.0
Acquisition of subsidiary	–	–	–	3.9	3.6	7.5
Contingent consideration settled	(1.1)[1]	(2.4)	–	–	–	(3.5)
Change in fair value of contingent consideration:						
Unwinding of discount	–	0.2	–	0.2	–	0.4
Other change in fair value	0.2	–	(0.2)	–	–	–
31 December 2023	**–**	**1.7**	**–**	**4.1**	**3.6**	**9.4**

1 Includes £0.2m of shares issued.

Contingent consideration for Exactive was based on the EBITDA performance for 2021. This was settled during 2023, part cash £0.9m, and part shares £0.2m.

Contingent consideration relating to Mission Labs is based on milestones being achieved in 2023. Consideration of up to £1.7m may be payable. The fair value of £1.7m at 31 December 2023 is current and based on a payout of £1.7m which takes into account the weighted probability of payout.

Contingent consideration for NeoTel was based on gross profit for the period July 2022 to July 2023, which was not achieved. Subsequently the contingent consideration liability has been released.

Contingent consideration for Satisnet is based on managed service revenues for the financial year ending 31 December 2025, and gross profit split between the periods from 1 July 2023 to 31 December 2024 and the financial year ending 31 December 2025. Consideration of up to £5.0m may be payable. The fair value of £4.1m at 31 December 2023 is non-current and based on a payout of £4.8m which takes into account the weighted probability of payout.

25. Contingent consideration continued

Contingent consideration for EnableX is based on the EBITDA performance for the financial year ending 31 December 2026. Consideration of up to £9.8m may be payable. The fair value of £3.6m at 31 December 2023 is non-current and based on a payout of £5.8m which takes into account the weighted probability of payout.

26. Put option liability

	2023 £m	2022 £m
Current	–	1.8
Non-current	1.1	–
	1.1	1.8

In the year the Group acquired the remaining 3.95% of the shares in Gamma Holding GmbH, formerly HFO Holding GmbH. The final consideration was €1.5m paid in cash.

Following the EnableX acquisition, the Group has an option to acquire the remaining 5% of the shares in EnableX (which are held by management) in 2027 (where the consideration will be based on the results of the preceding financial year). The amount payable in cash will in aggregate be between nil and £2.9m. The upper end of the option price will only be achieved if EnableX achieves certain EBITDA targets. The fair value of £1.1m at 31 December 2023 is based on a payout of £1.7m which takes into account the weighted probability of payout.

In 2023 the put option liability payment was recorded within financing activities given no change in control. In 2022 a comparable payment was recorded in acquisition of subsidiaries net of cash required within investing activities. For further details refer to Basis of preparation, section Consolidated statement of cashflows on page 120.

27. 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 25% (2022: 25%) for UK companies.

The movement on the deferred tax account is as shown below:

	2023 £m	2022 £m
Net liability at 1 January	(5.8)	(3.0)
Tax credit/(charge) recognised in profit or loss	3.9	(1.0)
Recognised directly in equity	(0.1)	(1.1)
Tax arising on acquisition and disposal	(1.9)	(0.6)
Exchange difference	–	(0.1)
Net liability at 31 December	**(3.9)**	(5.8)

Deferred tax assets and liabilities are offset where the Group has a legally enforceable right to do so. Deferred tax has been recognised where the Group is consistently profitable and so expects to have sufficient profits against which deferred tax can be utilised. In Spain a £1.2m deferred tax asset has not been recognised due to uncertainty of recoverability.

The deferred tax asset/(liability) consists of the tax effect of temporary differences as follows:

2023	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	0.3	(1.4)	(1.1)	–	–
Other temporary and deductible differences	5.0	(3.1)	1.9	1.5	–
Deferred tax on share options	1.2	–	1.2	(0.1)	(0.1)
Deferred tax on acquisition of subsidiaries	–	(5.9)	(5.9)	2.5	0.1
Deferred tax asset/(liability)	**6.5**	**(10.4)**	**(3.9)**	**3.9**	**–**

2022	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	–	(4.6)	(4.6)	(3.1)	–
Other temporary and deductible differences	4.0	–	4.0	(0.1)	–
Deferred tax on share options	1.5	–	1.5	0.1	(1.1)
Deferred tax on acquisition of subsidiaries	–	(6.7)	(6.7)	2.1	–
Deferred tax asset/(liability)	**5.5**	**(11.3)**	**(5.8)**	**(1.0)**	**(1.1)**

28. Financial instruments

The tables below set out the measurement categories and carrying values of financial assets and liabilities with fair value inputs where relevant.

	Note	Measurement category	Carrying value 2023 £m	Fair value 2023	Fair value hierarchy 2023/2022	Carrying value 2022 £m
Financial assets						
Non-current						
Contract assets	18	Amortised cost	**2.9**	–	–	3.0
Other receivables	18	Amortised cost	**0.6**	–	–	0.3
Current						
Cash and cash equivalents	19	Amortised cost	**136.5**	–	–	94.6
Trade receivables – net	18	Amortised cost	**50.6**	–	–	45.6
Contract assets	18	Amortised cost	**32.5**	–	–	34.4
Other receivables	18	Amortised cost	**2.7**	–	–	2.7
			225.8			180.6
Financial liabilities						
Non-current						
Other payables	20	Amortised cost	**0.1**	–	–	2.7
Borrowings	21	Amortised cost	**1.4**	–	–	1.7
Lease liabilities	22	Amortised cost	**7.0**	–	–	8.6
Contingent consideration	25	Fair value through P&L	**7.7**	Fair value weighted expected returns methodology	Level 3	1.5
Put option liability	26	Fair value through P&L	**1.1**	Fair value weighted expected returns methodology	Level 3	–
Current						
Trade and other payables	20	Amortised cost	**57.7**	–	–	44.8
Borrowings	21	Amortised cost	**0.3**	–	–	0.4
Lease liabilities	22	Amortised cost	**3.0**	–	–	2.5
Contingent consideration	25	Fair value through P&L	**1.7**	Fair value weighted expected returns methodology	Level 3	3.5
Put option liability	26	Fair value through P&L	**–**	Fair value weighted expected returns methodology	Level 3	1.8
			80.0			67.5

Credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at 31 December 2023 was £225.8m (2022: £180.6m). Contract assets relate to amounts not yet due from customers and contain no amounts past due.

Maturity analysis

The following table sets out the contractual maturities (representing undiscounted contractual cash flows) of financial liabilities at amortised cost (excluding lease liabilities):

	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m
2023	**58.0**	**0.1**	**0.7**	**0.7**
2022	45.2	2.9	1.5	–

Fair value of financial instruments

The financial instruments included on the Consolidated statement of financial position are measured at fair value or amortised cost. The measurement of this fair value can in some cases be subjective and can depend on the inputs used in the calculations. The different valuation methods are called "hierarchies" and are described below:

- Level 1: Fair values measured using quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Fair values measured using inputs, other than quoted prices included within Level 1, that are observable for the asset or liability either directly or indirectly.
- Level 3: Fair values measured using inputs for the asset or liability that are not based on observable market data.

All liabilities measured at fair value are classified as Level 3.

As at 31 December, the potential undiscounted amount of future payments that could be required under the contingent consideration and the put option liability range from nil to £16.5m and nil and £2.9m respectively.

28. Financial instruments continued

The fair value of Level 3 instruments is illustrated in the table below:

Financial liabilities	2023 £m	2022 £m
Contingent consideration (note 25)	**9.4**	5.0
Put option liability (note 26)	**1.1**	1.8
Total	**10.5**	6.8

The Group's finance team performs valuations of financial items for financial reporting purposes and 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 technique used for instruments categorised in Level 3 (contingent consideration and put option liability) was a probability weighted expected returns methodology, using a risk-adjusted discount rate appropriate to the individual characteristics of the transaction. Movements in the fair value are charged through the Consolidated statement of profit or loss.

Contingent consideration relates to the acquisition of Mission Labs (£1.7m), Satisnet (£4.1m) and EnableX (£3.6m). Refer to note 25 for further details. Put option liability relates to an option to acquire the remaining 5% of the shares in EnableX (£1.1m). Refer to note 26 for further details.

The fair value of Level 3 instruments is £10.5m (contingent consideration £9.4m and put option liability £1.1m). Both types of obligations are dependent on the future financial performance of the entity. It is assumed that future profits are in line with management estimates which are derived from internal business plans together with financial due diligence performed in connection with the acquisition.

The following analysis is provided to illustrate the sensitivity of the year-end balance to a change in an individual input, within reasonable expected ranges, while all other variables remain constant. This is not intended to imply the likelihood of change or that possible changes in value would be restricted to this range.

Input	Year-end discounted estimate	Change in input	Change in fair value £m
Discount rate	14.3%	+1%	(0.2)
		-1%	0.2
Financial forecasts	Forecast revenue performance	+10%	–
		-10%	(1.8)
	Forecast gross profit performance	+10%	0.2
		-10%	(1.1)
	Forecast EBITDA performance	+10%	0.6
		-10%	(0.6)

The following table sets out the contractual maturities (representing undiscounted contractual cash flows) of financial liabilities at fair value:

	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m
2023	**1.7**	**1.1**	**11.2**	**–**
2022	5.3	1.7	–	–

29. Financial risk management

Financial risk factors

The Group's activities expose it to a variety of financial risks: credit risk, market risk (including foreign exchange risk and interest rate risk), and liquidity risk. 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 Executive Committee. The Board receives monthly reports from the Executive 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 banking institution fails to meet its contractual obligations.

Trade receivables

Credit risk relating to trade receivables is managed on a Group basis. It is Group policy, implemented locally, to assess the credit risk of new customers before entering into contracts. The Group's review includes external ratings where available. If there is no independent rating, risk control processes assess the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set by the Credit Committee, based on internal or external ratings. The utilisation of credit limits is regularly monitored. 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. Expected impairment for trade receivables is calculated based on historical default rates. Details of this provision are shown in note 18. At the reporting date the Group does not expect any losses from non-performance by the counterparties in addition to those already provided against.

Contract assets
The Group considers the credit quality of contract assets on a customer-by-customer basis. As with trade receivables, which contract assets convert to upon invoicing, there is considered to be a low risk of default due to the high number of recurring customers. In determining the recoverability of a contract asset, the Group considers the specific circumstances of each contract asset and any change in the circumstances of the balance.

Cash and cash equivalents
For banks and financial institutions, only independently rated parties with a credit rating of at least medium-grade and moderate risk are accepted, unless Executive Director approval is obtained.

Market risk

Foreign exchange risk
Foreign exchange risk arises in part because the Group has operations located in Europe, which are not in the Group's functional currency. The Group's net assets arising from such European operations are exposed to currency risk resulting in gains or losses on retranslation into Pounds Sterling. However, these are of insignificant risk due to the fact that the European operations are small compared to those in the UK.

As of 31 December 2022 and 31 December 2023 the Group's exposure to foreign exchange risk was not material. A sensitivity analysis for foreign exchange risk has not been prepared as the risk is immaterial.

At 31 December 2023, the Group had also entered into a forward exchange contract to help to mitigate foreign exchange risk on certain committed future US Dollar purchases.

	Foreign currency m	Average rate	Pounds Sterling £m
Foreign currency			
US Dollar	5.3	1.2524	4.3

Timing of cash outflows relating to foreign currency is as follows:

	1 – 6 months	7 – 12 months	13 – 18 months
Foreign currency in millions			
US Dollar	3.3	–	2.0

Interest rate risk
Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. At the year end the Group had £1.7m in borrowings and therefore the exposure to interest rate risk is limited. A sensitivity analysis for interest rate risk has not been prepared as the 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 Group generates positive cash flows from operating activities and these fund short-term working capital requirements. Annually, the Board receives five-year 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.

Capital risk management

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.

30. Commitments

There were no material capital commitments contracted for at the end of the year that were not recognised as a liability (2022: £nil). In the year the Group entered into a 5 year agreement to purchase software licences with a minimum total committed spend of $22m (2022: £nil).

31. Share capital

At 31 December the share capital was as follows:

	2023 Number	**2023 £m**	2022 Number	2022 £m
Authorised, allotted and fully paid				
Ordinary shares of £0.0025 each	**97,462,226**	**0.2**	96,847,301	0.2

Ordinary share movement in the year is as follows:

	Number	Notes
As at 1 January 2023	96,847,301	
January	7,170	(a)
February	2,221	(a)
April	5,268	(a)
May	4,132	(a)
June	109,751	(a)
July	176,233	(a)
August	1,000	(b)
September	25,607	(a)
September	246,599	(b)
October	2,790	(a)
November	3,510	(a)
December	10,450	(a)
December	20,194	(c)
As at 31 December 2023	**97,462,226**	

(a) Ordinary shares were issued to satisfy options which had been exercised.

(b) Ordinary shares were issued to the vendor of Satisnet Limited as consideration for the purchase.

(c) Ordinary shares were issued to the former owners of Exactive Holdings Limited, being the final of two contingent consideration payments.

32. Other reserves

A breakdown of other reserves is shown below:

	Merger reserve £m	Share option reserve £m	Foreign exchange reserve £m	Own shares £m	Total other reserves £m
1 January 2022	**2.3**	**7.1**	**(4.2)**	**(0.7)**	**4.5**
Issue of shares	–	(2.7)	–	–	(2.7)
Share-based payment expense	–	4.3	–	–	4.3
Other comprehensive income	–	–	2.9	–	2.9
31 December 2022	**2.3**	**8.7**	**(1.3)**	**(0.7)**	**9.0**
1 January 2023	**2.3**	**8.7**	**(1.3)**	**(0.7)**	**9.0**
Issue of shares	–	(4.2)	–	–	(4.2)
Share-based payment expense	–	2.7	–	–	2.7
Other comprehensive (expense)	–	–	(0.6)	–	(0.6)
31 December 2023	**2.3**	**7.2**	**(1.9)**	**(0.7)**	**6.9**

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.
Non-controlling interest	Proportion of equity relating to subsidiaries which are not 100% owned.
Written put options over non-controlling interest	Represents debit to equity in relation to the put option liability.

33. Share-based payment expense

Share options granted

On 29 March 2023, the Board approved awards under the Deferred Bonus Plan for the Executive Directors. 26,856 options were granted over £0.0025 ordinary shares at an exercise price of £0.0025 per share which will vest on 31 March 2026. The awards granted will not be subject to any performance conditions and will vest in full on the third anniversary of the vesting commencement date, being 31 March 2023.

On 22 May 2023, the Board approved awards under the Long-Term Incentive Plan for the senior management team. 235,164 options were granted over £0.0025 ordinary shares at an exercise price of £0.0025 per share which will vest on 22 May 2026 subject to performance conditions. The awards granted will have a performance period of three years starting from the vesting commencement date, being 22 May 2023.

The awards issued under the Long-Term Incentive Plan will vest as follows:

- 12.5% 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
- 12.5% 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.

On 22 May 2023 the Board approved a Restricted Share Award which issued 31,299 £0.0025 ordinary shares at an award price of £11.55. These will vest in May 2026.

On 9 May 2023 the Board approved an issue of options under a Save As You Earn scheme which granted 372,921 options over £0.0025 ordinary shares at an exercise price of £8.50. These options will vest in July 2026.

The weighted average fair value of awards granted during the year was £5.86 (2022: £4.98).

Share option 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 £11.37 and weighted average exercise price of £5.49, and the weighted average exercise price of share options exercisable at 31 December 2023 was £9.50.

2023 Date of grant	Start of year	Granted	Forfeited/ Cancelled	Exercised	End of year	Exercise price	Class of share	Notes
8 May 2015	8,309	–	–	–	8,309	£2.7000	Ordinary	(a)
15 April 2016	2,294	–	–	–	2,294	£4.3575	Ordinary	(a)
5 April 2017	21,419	–	–	(3,541)	17,878	£4.9325	Ordinary	(a)
23 May 2018	58,764	–	–	(7,312)	51,452	£7.3400	Ordinary	(a)
8 May 2019	23,221	–	(14,530)	(8,039)	652	£8.2800	Ordinary	(a)
13 May 2019	111,582	–	(2,751)	(4,356)	104,475	£10.9000	Ordinary	(a)
28 April 2020	251,912	–	(11,546)	(213,705)	26,661	£8.000	Ordinary	(a)
7 May 2020	164,744	–	(15,015)	–	149,729	£12.6500	Ordinary	(a)
14 September 2020	234,944	–	(117,779)	(97,691)	19,474	£0.0025	Ordinary	(a)
14 September 2020	18,310	–	–	(12,060)	6,250	£0.0025	Ordinary	(a)
1 April 2021	156,852	–	(9,456)	–	147,396	£0.0025	Ordinary	(b)
1 April 2021	11,405	–	–	–	11,405	£0.0025	Ordinary	(c)
6 May 2021	151,943	–	(6,620)	–	145,323	£17.9600	Ordinary	(d)
7 May 2021	72,029	–	(28,953)	–	43,076	£14.1120	Ordinary	(e)
25 March 2022	252,566	–	(14,091)	–	238,475	£13.2400	Ordinary	(f)
31 March 2022	14,042	–	–	–	14,042	£0.0025	Ordinary	(g)
31 March 2022	200,416	–	(20,518)	–	179,898	£0.0025	Ordinary	(g)
6 May 2022	42,763	–	–	–	42,763	£0.0025	Ordinary	(g)
6 May 2022	234,429	–	(106,858)	(1,428)	126,143	£10.4000	Ordinary	(h) (m)
29 March 2023	–	26,856	–	–	26,856	£0.0025	Ordinary	(i)
9 May 2023	–	372,921	(20,167)	–	352,754	£8.5000	Ordinary	(j)
22 May 2023	–	31,299	–	–	31,299	£0.0025	Ordinary	(k)
22 May 2023	–	235,164	–	–	235,164	£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 2021.
(c) The awards granted will have a performance period of three years starting from the grant date, being 1 April 2021.
(d) The awards granted will have a performance period of three years starting from the vesting commencement date, being 6 May 2021.
(e) The awards granted will vest in full on the third anniversary of the vesting commencement date, being 1 July 2021.
(f) The awards granted will have a performance period of three years starting from the vesting commencement date, being 25 March 2022.
(g) The awards granted will vest in full on the third anniversary of the vesting commencement date, being 31 March 2022.
(h) The awards granted will vest in full on the third anniversary of the vesting commencement date, being 1 July 2022.
(i) The awards granted will vest in full on the third anniversary of the vesting commencement date, being 31 March 2023.
(j) The awards granted will vest in full on the third anniversary of the vesting commencement date, being 1 July 2023.
(k) The awards granted will vest in full on the third anniversary of the vesting commencement date, being 22 May 2023.
(l) The awards granted will have a performance period of three years starting from the vesting commencement date, being 22 May 2023.
(m) Options for good leavers vested early on a time pro rata basis and hence were exercised before the rest of the scheme becomes exercisable in accordance with the terms of the scheme rules at the time of the award. The unvested shares were cancelled.

There were no lapsed share options during the year (2022: none).

Apart from the options noted as exercisable, all other options above are outstanding. The share options outstanding at 31 December 2023 represented 2% of the issued share capital as at that date (2022: 2%) and would generate additional funds of £14.4m (2022: £15.6m) if fully exercised. The weighted average remaining life of the share options was 15 months (2022: 15 months), with a weighted average remaining exercise price of £7.29 (2022: £7.68).

Movements in the number of options during the prior year were as follows:

The options below were exercised at a weighted average share price of £11.16, and weighted average exercise price of £5.29, and the weighted average exercise price of share options exercisable at 31 December 2022 was £7.68.

2022 Date of grant	Start of year	Granted	Forfeited/ Cancelled	Exercised	End of year	Exercise price	Class of share	Notes
8 May 2015	10,309	–	–	(2,000)	8,309	£2.7000	Ordinary	(a)
15 April 2016	2,294	–	–	–	2,294	£4.3575	Ordinary	(a)
5 April 2017	23,439	–	–	(2,020)	21,419	£4.9325	Ordinary	(a)
8 May 2018	1,457	–	(550)	(907)	–	£5.5520	Ordinary	(a)
23 May 2018	77,293	–	–	(18,529)	58,764	£7.3400	Ordinary	(a)
8 May 2019	298,433	–	(7,777)	(267,435)	23,221	£8.2800	Ordinary	(a)
13 May 2019	128,654	–	(6,438)	(10,634)	111,582	£10.9000	Ordinary	(a)
3 June 2019	217,590	–	(56,314)	(161,276)	–	£0.0025	Ordinary	(a)
20 September 2019	3,422	–	(901)	(2,521)	–	£0.0025	Ordinary	(a)
22 November 2019	9,209	–	–	(9,209)	–	£0.0025	Ordinary	(a)
28 April 2020	292,486	–	(37,713)	(2,861)	251,912	£8.000	Ordinary	(b)(o)
7 May 2020	181,188	–	(14,403)	(2,041)	164,744	£12.6500	Ordinary	(c)(o)
14 September 2020	237,301	–	(2,357)	–	234,944	£0.0025	Ordinary	(d)
14 September 2020	18,310	–	–	–	18,310	£0.0025	Ordinary	(e)
1 April 2021	168,490	4,651	(16,289)	–	156,852	£0.0025	Ordinary	(f)
1 April 2021	11,405	–	–	–	11,405	£0.0025	Ordinary	(g)
6 May 2021	174,186	–	(22,243)	–	151,943	£17.9600	Ordinary	(h)
7 May 2021	145,856	–	(73,715)	(112)	72,029	£14.1120	Ordinary	(i)(o)
25 March 2022	–	266,330	(13,764)	–	252,566	£13.2400	Ordinary	(j)
31 March 2022	–	14,042	–	–	14,042	£0.0025	Ordinary	(k)
31 March 2022	–	243,017	(42,601)	–	200,416	£0.0025	Ordinary	(l)
6 May 2022	–	42,763	–	–	42,763	£0.0025	Ordinary	(m)(o)
6 May 2022	–	257,201	(22,628)	(144)	234,429	£10.4000	Ordinary	(n)

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 1 July 2020.

(c) The awards granted will have a performance period of three years starting from the grant date, being 7 May 2020.

(d) The awards granted will have a performance period of three years starting from the vesting commencement date, being 31 March 2020.

(e) The awards granted will vest in full on the third anniversary of the vesting commencement date, being 31 March 2020.

(f) The awards granted will have a performance period of three years starting from the vesting commencement date, being 31 March 2021.

(g) The awards granted will vest in full on the third anniversary of the vesting commencement date, being 1 April 2021.

(h) The awards granted will vest in full on the third anniversary of the vesting commencement date, being 6 May 2021.

(i) The awards granted will vest in full on the third anniversary of the vesting commencement date, being 1 July 2021.

(j) The awards granted will vest in full on the third anniversary of the vesting commencement date, being 25 March 2022.

(k) The awards granted will vest in full on the third anniversary of the vesting commencement date, being 31 March 2022.

(l) The awards granted will have a performance period of three years starting from the vesting commencement date, being 31 March 2022.

(m) The awards granted will have a performance period of three years starting from the vesting commencement date, being 31 March 2022.

(n) The awards granted will vest in full on the third anniversary of the vesting commencement date, being 1 July 2022.

(o) Options for good leavers vested early on a time pro rata basis and hence were exercised before the rest of the scheme becomes exercisable in accordance with the terms of the scheme rules at the time of the award. The unvested shares were cancelled.

33. Share-based payment expense continued

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 or loss account of the subsidiary as the employees' services are provided to the subsidiary company. The charge for each year is as listed below:

	2023 £m	2022 £m
Share options issued to key management	**1.8**	2.8
Share options issued to other employees	**0.9**	1.5
Total share-based payment expense	**2.7**	4.3

Included within the total share-based payment expense of £2.7m (2022: £4.3m) is National Insurance of £0.1m (2022: £0.0m).

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.

	2023 £m	2022 £m
Share price at grant date (pence)	**1066 – 1158**	1142 – 1356
Exercise price (pence)	**0.25 – 850**	0.25 –1324
Expected volatility	**26 – 27%**	28.5 – 29%
Risk-free rate	**3.47 – 4.06%**	1.43 – 1..58%
Expected dividend yield	**1.30 – 1.41%**	0.0 – 1.16%

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 2023 and 2022.

34. Subsidiaries

The Company's subsidiaries at 31 December 2023 are detailed below.

Name	Registered address	Country	Ownership %	Class
Candio Limited	The Scalpel, 18th Floor, 52 Lime Street, London, EC3M 7AF	United Kingdom	95%	Ordinary shares
CircleLoop Limited	The Scalpel, 18th Floor, 52 Lime Street, London, EC3M 7AF	United Kingdom	100%	Ordinary shares
EnableX Group Limited	The Scalpel, 18th Floor, 52 Lime Street, London, EC3M 7AF	United Kingdom	95%	Ordinary shares
Epsilon Telecommunications GmbH	Ziegeleistraße 2, 95145, Oberkotzau, Germany	Germany	100%	Ordinary shares
Exactive Holdings Limited	Third Floor, 2 Semple Street, Edinburgh, EH3 8BL	United Kingdom	100%	Ordinary shares
Exactive Limited	Third Floor, 2 Semple Street, Edinburgh, EH3 8BL	United Kingdom	100%	Ordinary shares
Gamma Business Communications Limited	The Scalpel, 18th Floor, 52 Lime Street, London, EC3M 7AF	United Kingdom	100%	Ordinary shares
Gamma Business Services BV	Evert van de Beekstraat 1-63, 1118CL Schiphol, Netherlands	Netherlands	100%	Ordinary shares
Gamma Communications Benelux BV	Krijgsman 12-14 1186DM Amstelveen, Netherlands	Netherlands	100%	Ordinary shares
Gamma Communications Europe BV	Krijgsman 12-14 1186DM Amstelveen, Netherlands	Netherlands	100%	Ordinary shares
Gamma Communications Flex GmbH (formerly gnTel GmbH)	Stadttor 1, 40219 Düsseldorf, Germany	Germany	100%	Ordinary shares
Gamma Communications Germany GmbH	Ziegeleistraße 2, 95145, Oberkotzau, Germany	Germany	100%	Ordinary shares
Gamma Communications GmbH	Ziegeleistraße 2, 95145, Oberkotzau, Germany	Germany	100%	Ordinary shares
Gamma Communications Ireland Limited	6th Floor, 2 Grand Canal Square, Dublin, Ireland	Ireland	100%	Ordinary shares
Gamma Communications Nederland BV	Krijgsman 12-14 1186DM Amstelveen, Netherlands	Netherlands	100%	Ordinary shares
Gamma Communications No1 Limited	The Scalpel, 18th Floor, 52 Lime Street, London, EC3M 7AF	United Kingdom	100%	Ordinary shares
Gamma Development KfT	Futo utca 37-45, 1082 Budapest, Hungary	Hungary	100%	Ordinary shares
Gamma Development Poland Sp. Zoo. (formerly Exactive Poland sp. zoo.)	ul. Abrahama 1A, 80-307 Gdańsk, Poland	Poland	100%	Ordinary shares
Gamma Europe Holdco Limited	The Scalpel, 18th Floor, 52 Lime Street, London, EC3M 7AF	United Kingdom	100%	Ordinary shares
Gamma Group Holdings Limited	The Scalpel, 18th Floor, 52 Lime Street, London, EC3M 7AF	United Kingdom	100%[1]	Ordinary shares
Gamma Holding GmbH	Ziegeleistraße 2, 95145, Oberkotzau, Germany	Germany	100%	Ordinary shares
Gamma Managed Services Limited (formerly Uniworld Bureau Services Limited)	The Scalpel, 18th Floor, 52 Lime Street, London, EC3M 7AF	United Kingdom	100%	Ordinary shares
Gamma Network Solutions Limited	The Scalpel, 18th Floor, 52 Lime Street, London, EC3M 7AF	United Kingdom	100%	Ordinary shares
Gamma Operadora de Comunicaciones SAU (formerly VozTelecom Oigaa360 S.A.U.)	Av. Universitat Autònoma 3, Pl. 1a, 08290 Cerdanyola del Vallès, Spain	Spain	100%	Ordinary shares
Gamma Telecom Holdings Limited	The Scalpel, 18th Floor, 52 Lime Street, London, EC3M 7AF	United Kingdom	100%	Ordinary and B1 shares
Gamma Telecom Limited	The Scalpel, 18th Floor, 52 Lime Street, London, EC3M 7AF	United Kingdom	100%	Ordinary shares
Gamma Telecomunicaciones Spain Holdings SL	Av. Universitat Autònoma 3, Pl. 1a, 08290 Cerdanyola del Vallès, Spain	Spain	100%	Ordinary shares
Gamma UCaaS Comercializadora SLU (formerly VozTelecom Andalucía SL)	C/ Isaac Newton 3, Edificio Bluenet PCT Cartuja, 41092 Sevilla, Spain	Spain	100%	Ordinary shares
Gamma UCaaS Operaciones SLU (formerly VozTelecom Comunicación Inteligente SLU)	Av. Universitat Autònoma 3, Pl. 1a, 08290 Cerdanyola del Vallès, Spain	Spain	100%	Ordinary shares
Mission Labs Limited	The Scalpel, 18th Floor, 52 Lime Street, London, EC3M 7AF	United Kingdom	100%	A, B, C, D ordinary shares
NeoTel 2000 S.L.U.	C/ Fiscal Luís Portero Garcia, 3, 7º,Oficina 1-1ª, 29010 Malaga, Spain	Spain	100%	Ordinary shares
Pragma Cloud Limited	The Scalpel, 18th Floor, 52 Lime Street, London, EC3M 7AF	United Kingdom	95%	Ordinary shares
Pragma Distribution Limited	The Scalpel, 18th Floor, 52 Lime Street, London, EC3M 7AF	United Kingdom	95%	Ordinary shares
Pragma Group Limited	The Scalpel, 18th Floor, 52 Lime Street, London, EC3M 7AF	United Kingdom	95%	Ordinary shares
Satisnet Limited	The Scalpel, 18th Floor, 52 Lime Street, London, EC3M 7AF	United Kingdom	100%[1]	Ordinary shares
Techland Systems International Limited	The Scalpel, 18th Floor, 52 Lime Street, London, EC3M 7AF	United Kingdom	95%	Ordinary shares
Telsis Communication Services Limited	Third Floor, One London Square, Cross Lanes, Guildford, Surrey, GU1 1UN	United Kingdom	100%	Ordinary shares
Telsis Direct Limited	Third Floor, One London Square, Cross Lanes, Guildford, Surrey, GU1 1UN	United Kingdom	100%	Ordinary shares
Telsis GmbH	Robert-Bosch-Straße 7, 64293 Darmstadt, Germany	Germany	100%	Ordinary shares
Telsis Services Limited	Third Floor, One London Square, Cross Lanes, Guildford, Surrey, GU1 1UN	United Kingdom	100%	Ordinary shares
VozTelecom Maroc, SARL AU	Park Tetouanshore, Route de Cabo Negro Shore 2 local 003, Tétouan CP 93150, Morocco	Morocco	100%	Ordinary shares

1 Directly held by the Company.

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.

Through the acquisition of the Voz Telecom Group, the Group acquired a 40.87% stake in VozTelecom Latinoamerica Sa de CV, registered in Mexico. The investment value is £nil. The Group holds no other interests in unconsolidated structured entities.

35. Related party transactions

Details of key management's remuneration are given in note 7.

During the year, £1.3m (2022: £3.7m) was paid to a member of key management personnel who held a non-controlling interest in Gamma Holding GmbH (formerly HFO Holding GmbH). The Group now owns 100% of the shares in Gamma Holding GmbH.

There were no other transactions with related parties outside of the wholly owned Group during the year.

36. Subsequent events

In February 2024, the Group acquired the entire issued share capital of Coolwave Communications Limited, a prominent international SMS and voice services provider, for an initial cash payment of £6.3m (excluding amounts paid for cash acquired). In addition, there is a further amount payable of up to £0.4m within the next six months. Given the timing of the closure of the transaction, the Group expects to disclose the provisional accounting for the acquisition in the H1 2024 results.

In March 2024, the Group has appointed Investec Bank plc to manage a share buyback programme to purchase ordinary shares of 0.25 pence each in Gamma Communications plc for an aggregate purchase price of up to £35.0m within certain pre-set parameters (the "Programme"). The Company has authorised the Programme to continue while it retains the authority from shareholders to repurchase such ordinary shares until the earlier of: (i) the maximum aggregate consideration payable by the Company has been reached or (ii) Friday 6 September 2024. The Programme will be conducted by the Company in accordance with and under the terms of the general authority granted to the Board by the Company's shareholders. The purpose of the Programme is to reduce the Company's share capital (any shares repurchased for this purpose will be cancelled) and to enable the Company to meet obligations arising from share option programmes (any shares repurchased for this purpose will be held in treasury).

Company statement of financial position
As at 31 December 2023

	Notes	2023 £m	2022 £m
Assets			
Non-current assets			
Investments	3	**51.8**	24.5
		51.8	24.5
Current assets			
Other receivables	4	**2.9**	2.8
Cash and cash equivalents		**72.7**	65.3
		75.6	68.1
Total assets		**127.4**	92.6
Liabilities			
Non-current liabilities			
Contingent consideration	5	**(4.1)**	–
		(4.1)	–
Current liabilities			
Other payables	6	**(2.2)**	(16.7)
		(2.2)	(16.7)
Total liabilities		**(6.3)**	(16.7)
Net assets		**121.1**	75.9
Capital and reserves			
Called up share capital	7	**0.2**	0.2
Share premium account		**22.9**	18.0
Share option reserve		**27.7**	24.5
Profit and loss account		**70.3**	33.2
Shareholders' funds		**121.1**	75.9

The profit in respect of the Company for the year was £52.3m (2022: £16.2m).

The financial statements of Gamma Communications plc (registered number 08943488) on pages 155 to 159 were approved and authorised for issue by the Board of Directors on 24 March 2024 and were signed on its behalf by:

Bill Castell
Chief Financial Officer

The notes on pages 157 to 159 form part of these financial statements.

Company statement of changes in equity
For the year ended 31 December 2023

	Notes	Share capital £m	Share premium reserve[1] £m	Share option reserve[1] £m	Profit and loss account £m	Total equity £m
1 January 2022		**0.2**	**14.9**	**19.9**	**30.3**	**65.3**
Dividends paid	8	–	–	–	(13.3)	(13.3)
Share-based payments		–	–	4.6	–	4.6
Issue of shares		–	3.1	–	–	3.1
Transaction with owners		–	3.1	4.6	(13.3)	(5.6)
Profit for the year		–	–	–	16.2	16.2
Total comprehensive income		**–**	**–**	**–**	**16.2**	**16.2**
31 December 2022		**0.2**	**18.0**	**24.5**	**33.2**	**75.9**
1 January 2023		**0.2**	**18.0**	**24.5**	**33.2**	**75.9**
Dividends paid	8	–	–	–	(15.2)	(15.2)
Share-based payments		–	–	3.2	–	3.2
Issue of shares		–	4.9	–	–	4.9
Transaction with owners		–	4.9	3.2	(15.2)	(7.1)
Profit for the year		–	–	–	52.3	52.3
Total comprehensive income		**–**	**–**	**–**	**52.3**	**52.3**
31 December 2023		**0.2**	**22.9**	**27.7**	**70.3**	**121.1**

1 These reserves are not distributable.

The notes on pages 157 to 159 form part of these financial statements.

Notes to the Company financial statements
For the year ended 31 December 2023

1. Accounting policies

General information
Gamma Communications plc ("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 The Scalpel, 18th Floor, 52 Lime Street, London, EC3M 7AF. The principal activity of the Company is to act as a holding company for Group subsidiaries and includes the day-to-day running costs of the plc.

Basis of preparation
The Company financial statements have been prepared in accordance with Financial Reporting Standard 101, "Reduced Disclosure Framework" ("FRS101").

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

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

The financial statements are prepared on the going concern basis as set out in note 1 of the consolidated financial statements of the Group and under the historical cost convention and in accordance with the Companies Act 2006.

The Directors have taken advantage of the exemption available under Section 408 of the Companies Act 2006 and not presented a separate income statement or a statement of comprehensive income for the Company. The profit in respect of the Company for the year was £52.3m (2022: £16.2m).

Disclosure exemptions adopted
In preparing these financial statements the Company has taken advantage of 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 Payment.

Where required equivalent disclosures are given in the consolidated financial statements of the Group.

A summary of the Company's significant accounting policies is set out below.

Investments
Investments in subsidiaries are held at cost less any accumulated impairment losses. At the end of each reporting year, investments in subsidiaries are assessed for indicators of impairment. If an impairment indicator is identified an impairment test is performed. An impairment loss resulting from this impairment test is recognised in profit or loss.

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. All financial assets are measured at amortised cost.

Other receivables
These include amounts due from Group undertakings which are initially recognised at transaction price and subsequently carried at amortised cost.

Taxation
Corporation tax is payable on taxable profits at amounts expected to be paid, or recovered, under the tax rates and laws that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised to take account of timing differences between the treatment of transactions for financial reporting purposes and their treatment for tax purposes. A deferred tax asset is only recognised when it is probable that there will be a suitable taxable profit from which the future reversal of the underlying timing differences can be deducted. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on the tax rates and laws that have been enacted or substantively enacted at the balance sheet date. Deferred tax is measured on a non-discounted basis.

Cash and cash equivalents
Cash and cash equivalents comprise cash in hand, deposits held at banks and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Financial liabilities
Financial liabilities are classified according to the substance of the contractual arrangements entered into.

Contingent consideration arising on acquisition is measured at fair value at the acquisition date and classified as fair value through profit or loss.

Amounts due to Group undertakings are initially recognised at transaction price and subsequently carried at amortised cost.

Equity
The grant by the Company of share-based payment awards over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the Company financial statements.

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the year in which the dividends are approved by the Company's shareholders. Interim dividends are recognised when paid.

2. Critical accounting judgements and estimates

Gamma Communications plc is a non-complex entity primarily holding intercompany debtors and creditors. There are no critical judgements or accounting estimates that represent a risk of material misstatement over the next 12 months, with the exception of contingent consideration £4.1m (2022: £nil). Refer to note 2 in the Consolidated financial statements on page 127.

3. Investments

	2023 £m	2022 £m
At 1 January	**24.5**	19.9
Additions	**24.1**	–
Capital contributions arising from share-based payments	**3.2**	4.6
At 31 December	**51.8**	24.5

Additions relate to capital contributions and the acquisition of Satisnet Ltd, acquired in August 2023.

The Directors believe that the carrying value of investments is supported by their expected future cash generation.

Details of the subsidiaries held directly or indirectly by Gamma Communications plc are given in note 34 to the consolidated financial statements.

4. Other receivables

	2023 £m	2022 £m
Amounts due from Group undertakings	**0.8**	0.7
Prepayments	**0.2**	0.2
Current tax asset	**1.5**	1.9
Deferred tax asset	**0.1**	–
Other debtors	**0.3**	–
	2.9	2.8

Amounts due from Group undertakings are interest-free and repayable on demand. The expected credit loss on amounts due from Group undertakings is £nil (2022: £nil).

5. Contingent consideration

	2023 £m	2022 £m
Non-current	**4.1**	–
31 December 2023	**4.1**	–

The reconciliation of the carrying amounts of contingent consideration is as follows:

	Total £m
1 January 2023	–
Acquisition of subsidiary	3.9
Unwinding of discount	0.2
31 December 2023	**4.1**

Contingent consideration for Satisnet is based on managed service revenues for the financial year ending 31 December 2025, and gross profit split between the periods from 1 July 2023 to 31 December 2024 and the financial year ending 31 December 2025. Consideration of up to £5.0m may be payable. The fair value of £4.1m at 31 December 2023 is based on a payout of £4.8m which takes into account the weighted probability of payout.

6. Other payables

	2023 £m	2022 £m
Amounts due to Group undertakings	**–**	14.9
Accruals	**1.7**	1.8
Deferred consideration	**0.5**	–
	2.2	16.7
Of which:		
Due within one year	**2.2**	16.7
Due after more than one year	**–**	–
	2.2	16.7

Deferred consideration relates to fixed amounts payable with regard to the Satisnet acquisition (2022: £nil). This is expected to be paid within 12 months, provided that the retained amount has not been offset against the price adjustment or against claims or damages and losses.

7. Called up share capital

Details of the share capital and movement during the year are given in note 31 to the consolidated financial statements.

8. Dividends paid

Details of the dividends paid during the year are given in note 12 to the consolidated financial statements.

9. Contingent liabilities

The Company had no contingent liabilities at 31 December 2023 or 31 December 2022.

10. Capital commitments

The Company had no capital commitments at 31 December 2023 or 31 December 2022.

11. 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 35 to the consolidated financial statements for details of the disclosed related party transactions.

12. Subsequent events

In March 2024, the Group has appointed Investec Bank plc to manage a share buyback programme to purchase ordinary shares of 0.25 pence each in Gamma Communications plc for an aggregate purchase price of up to £35.0m within certain pre-set parameters (the "Programme"). The Company has authorised the Programme to continue while it retains the authority from shareholders to repurchase such ordinary shares until the earlier of: (i) the maximum aggregate consideration payable by the Company has been reached or (ii) Friday 6 September 2024. The Programme will be conducted by the Company in accordance with and under the terms of the general authority granted to the Board by the Company's shareholders. The purpose of the Programme is to reduce the Company's share capital (any shares repurchased for this purpose will be cancelled) and to enable the Company to meet obligations arising from share option programmes (any shares repurchased for this purpose will be held in treasury).

Alternative Performance Measures

The Group uses certain measures to assess the financial performance of its business. These measures are called Alternative Performance Measures ("APMs") because they exclude amounts that are included in, or include amounts that are excluded from, the most directly comparable measure calculated and presented in accordance with IFRS, or are calculated using financial measures that are not calculated in accordance with IFRS.

These APMs are used to measure operating performance and liquidity in presentations to the Board and as a basis for strategic planning and forecasting. The Group believes that APMs provide additional useful information for users of the financial statements to assess the Group's performance, including the Group's core operational performance. These and similar measures are used widely by certain investors, analysts and other interested parties as supplemental measures of performance and liquidity.

The APMs may not be comparable to similarly named measures used by other companies and have limitations as analytical tools. They should not be considered in isolation or as a substitute for analysis of the Group's results reported under IFRS.

An explanation of the relevance of each of the APMs, a reconciliation of the APM to the most directly comparable measure calculated and presented in accordance with IFRS and a discussion of the limitations are set out below. The Group does not consider these APMs to be a substitute for, or superior to, the equivalent measures calculated and presented in accordance with IFRS.

EBITDA and Adjusted EBITDA

EBITDA is presented because it is widely used by securities analysts, investors and our peer group internationally to evaluate the profitability of companies. EBITDA is defined as Profit before tax excluding finance expense, finance income, depreciation of property, plant and equipment, right of use asset depreciation and amortisation of intangible assets. EBITDA eliminates potential differences in core financial performance that can be caused by variations in capital structures (affecting net finance costs), tax positions (such as the availability of brought forward losses against which taxable profits can be relieved), the cost and age of property, plant and equipment and right of use assets (affecting relative depreciation expense), and the extent to which intangible assets are identifiable (affecting relative amortisation expense).

Adjusted EBITDA is a profit measure used internally by the Board to assess financial performance of the Group and its segments. It is defined as EBITDA (as defined above) adding back exceptional items. It excludes exceptional items (note 6) by virtue of their size, nature or incidence, in order to show the Group's core performance.

The following table is a reconciliation from statutory profit before tax for the year to EBITDA and Adjusted EBITDA:

	2023 £m	2022 £m
Profit before tax	**71.5**	64.9
Finance income	**(5.4)**	(0.8)
Finance expense	**0.9**	1.3
Profit from operations	**67.0**	65.4
Depreciation from property, plant and equipment and right of use assets	**11.6**	12.3
Amortisation from intangible assets	**19.7**	14.9
EBITDA	**98.3**	92.6
Exceptional items	**16.0**	12.5
Adjusted EBITDA	**114.3**	105.1

In the year, the cash cost of exceptional and other adjusting items was £0.2m (2022: £nil).

Adjusted profit before tax

Adjusted profit before tax is defined as profit before tax excluding the effects of exceptional items, amortisation arising from business combinations and changes in fair value of contingent consideration and put option liability. These items are individually material items and/or are not considered to be representative of the trading performance of the Group:

- Exceptional items (note 6) are excluded by virtue of their size, nature or incidence in order to show the core performance of the Group.
- Amortisation of intangibles arising from business combinations is excluded because this charge is a non-cash accounting item based on judgements about the assets' value and economic life and is the result of the application of acquisition accounting, and whilst revenue recognised in the income statement does benefit from the intangibles that have been acquired, the amortisation costs bear no relation to the Group's trading performance in the period. This adjustment improves comparability between acquired and organically grown operations.
- Changes in fair value of contingent consideration and put option liability are excluded because the amounts are non-cash accounting items and bear no relation to the Group's trading performance in the period. This adjustment improves comparability between acquired and organically grown operations.
- Adjusted profit before tax is the primary profit measure used internally to reward employees.

The following table is a reconciliation from statutory profit before tax for the year to Adjusted profit before tax:

	2023 £m	2022 £m
Profit before tax	**71.5**	64.9
Exceptional items	**16.0**	12.5
Amortisation of intangibles arising from business combinations	**10.0**	9.5
Change in fair value of contingent consideration and put option liability	**0.4**	0.9
Adjusting items	**26.4**	22.9
Adjusted profit before tax	**97.9**	87.8

In the year, the cash cost of exceptional and other adjusting items was £0.2m (2022: £nil).

Adjusted earnings per share (fully diluted)

Adjusted earnings per share ("EPS") fully diluted is presented as management believes it is important for understanding the changes in the Group's fully diluted EPS, including improving comparability between acquired and organically grown operations. Adjusted EPS fully diluted is defined as Diluted EPS where the earnings attributable to ordinary shareholders are adjusted by excluding the effects of exceptional items, amortisation arising from business combinations and changes in fair value of contingent consideration and put option liability (for the same reasons outlined previously in relation to Adjusted profit before tax), as well as the tax on these items, because they are individually or collectively material items that are not considered to be representative of the trading performance of the Group. To exclude the tax impact of these items would give an incomplete picture.

	2023	2022
Earnings per ordinary share – diluted (pence)	**54.9**	50.6
Adjusted earnings per ordinary share – fully diluted (pence)	**75.1**	71.8

	2023 £m	2022 £m
Profit after tax attributable to the ordinary equity holders of the Company	**53.6**	49.3
Adjusting items:		
Exceptional items	**16.0**	12.5
Amortisation of intangibles arising from business combinations	**10.0**	9.5
Change in fair value of contingent consideration and put option liability	**0.4**	0.9
	26.4	22.9
Tax relating to adjusting items	**(6.6)**	(2.2)
Adjusted profit after tax attributable to the ordinary equity holders of the Company	**73.4**	70.0

Shares:	**2023 No:**	2022 No:
Diluted weighted average number of ordinary shares	**97,695,351**	97,492,674

Net cash

Net cash is presented as it is an important liquidity measure used by management and the board. Net cash is defined as cash and cash equivalents less borrowings. IFRS 16 lease liabilities and contingent consideration are not considered as debt for the purpose of quoting Net cash.

	2023 £m	2022 £m
Cash and cash equivalents	**136.5**	94.6
Borrowings	**(1.7)**	(2.1)
Net cash	**134.8**	92.5

The following table is a reconciliation of the movements in Net cash from previously reported periods:

	Cash and cash equivalents £m	Borrowings £m	Net cash £m
At 1 January 2022	52.8	(3.3)	49.5
Repayments	–	0.7	0.7
Disposal of subsidiaries	–	0.6	0.6
Net increase in cash and cash equivalents	41.3	–	41.3
Effects of foreign exchange rate changes	0.5	(0.1)	0.4
At 31 December 2022	**94.6**	**(2.1)**	**92.5**
Repayments	–	0.5	0.5
Borrowings acquired with acquisitions	–	7.7	7.7
Repayment of borrowings acquired with acquisitions	–	(7.7)	(7.7)
Net increase in cash and cash equivalents	42.1	–	42.1
Effects of foreign exchange rate changes	(0.2)	(0.1)	(0.3)
At 31 December 2023	**136.5**	**(1.7)**	**134.8**

Adjusted cash conversion

Adjusted cash conversion is presented as management believe it is important to understand the Group's conversion of Adjusted EBITDA (as defined previously) to cash. The Group's adjusted cash conversion is defined as cash generated by operations excluding the cash impact of exceptional items divided by Adjusted EBITDA, so as to exclude the impact of significant one-off transactions outside the normal course of trading. Adjusted cash conversion is used to track and measure timing differences between profitability and cash generation through working capital management, including seasonality or one-offs.

	2023 £m	2022 £m
Cash generated by operations	**123.5**	99.1
Cash impact of exceptional items	**0.2**	–
Cash generated by operations (excluding exceptional item impacts)	**123.7**	**99.1**
Adjusted EBITDA	**114.3**	105.1
Adjusted cash conversion	**108%**	94%

Company information

Registered office
The Scalpel
18th Floor
52 Lime Street
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Newbury
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Nominated adviser and broker
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Company auditor
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Abbey Street
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Legal advisers to the Company
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EC4A 1JP

Registrar
Link Group
Central Square
29 Wellington Street
Leeds
LS1 4DL

Company website
www.gammagroup.co

Company number
08943488

Glossary

Carbon net-zero
Proactively reducing environmental impact by seeking opportunities to reduce carbon emissions, resulting in no net increase in atmospheric carbon dioxide levels.

Carbon neutral
Balancing of carbon emissions with an equivalent amount of carbon removal or offsetting activities.

CircleLoop
A cloud-based telephony product which is fully serviced through web, desktop and mobile applications and aimed at the micro-business market.

Cloud PBX
A virtual PBX system rooted on the internet, which automatically answers all calls and routes them to the right department or user extension.

CloudUCX™
CloudUCX™ is a collection of leading cloud solutions delivered as a service and designed to enhance the standard Microsoft Teams offering.

Communications Platform as a Service (CPaaS)
A cloud-based platform that provides businesses with programmable interfaces for integrating real-time communication features like SMS, voice calls, video chat, and more, into their own applications.

Contact Centre as a Service (CCaaS)
Software platform that allows contact centres to operate over the internet. Increasingly these are moving beyond telephone calls to allowing conversations to occur and be actively managed through multiple media (email, social media, etc.).

Horizon
Gamma's complete business phone system – a hosted communications service that provides businesses with extensive fixed and mobile telephony capabilities.

Horizon Collaborate
Built on the Horizon business phone system, Horizon Collaborate satisfies internal and external communication needs including voice and video calls, instant messaging, video conferencing, desktop sharing and document sharing.

Horizon Contact
Horizon Contact is a cloud-based contact centre solution that is designed specifically to work in conjunction with Horizon and Horizon Collaborate.

Internet of Things (IoT)
Technologies that connect and exchange data between machines (devices and systems) over the internet or other communications networks.

Microsoft Teams – Direct Routing
Direct Routing is one method of providing access to the PSTN (Public Switched Telephone Network) to Microsoft Teams. It allows Teams users to make and receive external telephone calls, and enables a company to use its own telephony infrastructure alongside Teams.

Microsoft Teams – Operator Connect (OC)
Operator Connect is one method of providing access to the PSTN (Public Switched Telephone Network) to Microsoft Teams. It allows Teams users to make and receive external telephone phone calls to any telephone number on any Teams device.

Operator Connect
A service which is designed to enable seamless and integrated calling between Microsoft Teams and the local telephony infrastructure (known as the PSTN).

PhoneLine+
Simple phone line replacement service using VoIP technology to deliver voice calls over the broadband network.

Private Branch Exchange (PBX)
A private telephone network used within a company that connects calls between internal users, and allows them to share and utilise external phone lines. Traditionally a PBX would be hardware based and connected to the wider telephony network through a SIP trunk. Increasingly they are provided in the cloud through services such as our Horizon platform.

Public Switched Telephone Network (PSTN)
The world's collection of interconnected voice-orientated public telephone networks.

Session Initiation Protocol (SIP trunking)
SIP is a signalling protocol, widely used for voice and video calls over the internet. One SIP trunk allows for one channel of voice. This can be an alternative to ISDN or analogue channels.

Single Order Generic Ethernet Access (SoGEA)
A standalone broadband line, without any associated voice service.

SIP Trunk Call Manager
All the benefits of Gamma SIP trunks together with a centralised inbound call management service.

Small and medium-sized enterprises (SMEs)
Businesses with less than 250 employees.

Software as a Service (SaaS)
Software which is delivered through the internet, and which is consumed on a subscription basis.

Software-defined wide area network (SDWAN)
Enhanced connectivity between an organisation's locations which uses improved software to control, route and distribute traffic across the network and improve the overall experience more effectively.

Unified Communications as a Service (UCaaS)
Software platform that allows communication using multiple different media that runs over the internet.