22 March 2022

Gamma Communications plc

Results for the year ended 31 December 2021

Increase in Revenues and cash generation driven by new product launches and a full year of trading in Europe

Gamma Communications plc ("Gamma" or "the Group"), a leading provider of Unified Communications as a Service ("UCaaS") into the UK and European business markets, is pleased to announce its results for the year ended 31 December 2021.

	Year ended 31 December		
	2021	**2020**	**Change (%)**
Revenue	£447.7m	£393.8m	+14%
Gross profit	£228.5m	£200.8m	+14%
Gross margin	51%	*51%*	
Profit from operations**	£68.3m	£75.7m	-10%
Adjusted EBITDA*	£95.4m	£79.0m	+21%
PBT **	£67.2m	£75.0m	-10%
Adjusted PBT*	£77.2m	£61.7m	+25%
EPS (Fully Diluted, "FD")**	55.2p	66.6p	-17%
Adjusted EPS (FD)*	64.0p	51.3p	+25%
Total dividend per share	13.2p	11.7p	+13%
Cash generated by operations	£89.8m	£70.3m	+28%
Cash generated by operations / adjusted EBITDA	*94%*	*89%*	
Cash and Cash Equivalents less Borrowings ("Net Cash")	£49.5m	£48.0m	+3%

*All adjusted measures set out above and throughout this document which are described as "adjusted" represent Alternative Performance Measures ("APMs") and are separately presented within the statement of profit or loss or reconciled in the Financial Review section or segment note and are applied consistently. Where reference is made to adjusted EPS this is stated on a fully diluted basis. Definitions of APMs are included in the Financial Review. Our policy on the use of APMs is included in note 2.

** In 2020 Profit from Operations, statutory EPS and the statutory PBT figures included the profit on disposal of The Loop (£19.5m); therefore the fall in statutory PBT is not a reflection of a change in trading patterns.

Key Highlights

The Group had a strong financial performance with good growth across all key product categories during the year.

Financial highlights

All business units continued to perform well:

- Revenue grew by 14% from £393.8m to £447.7m. The UK Revenue growth in the period was 9% (from £345.3m to £375.0m). The European Business grew revenues from £48.5m to £72.7m which includes a full year of acquisitions made in 2020 in Spain and Germany.
- Recurring Revenue (being Revenue which is recognised "over time" as per note 3, grew from £359.3m to £400.1m (being 89% of total Revenue; 2020 – 91%). The percentage reduction is due to the acquisition of HFO in Germany. Its Epsilon subsidiary offers mobile connections on which the commissions earned are non-recurring.
- Gross Margin percentage is unchanged across both years at 51% with an increase in margins in the UK businesses being offset by the decreased margin in Europe as a result of the prior year acquisition of the Epsilon subsidiary which operates in a sector which has lower margins.
- UK Indirect Business continued to grow strongly with a focus on the existing partner base. Gross profit increased from £132.2m in 2020 to £143.2m in 2021 (+8%).
- UK Direct Business continued to deliver positive growth, with Gross Profit increasing 14% from £46.3m in 2020 to £52.6m in 2021. The 2021 figures include the results of Mission Labs since its acquisition on 3

March 2021 and reflects the exclusion of revenues from The Loop subsequent to its sale on 31 December 2020.

- The European Business saw Gross Profit increase 47% from £22.3m in 2020 to £32.7m in 2021, primarily as a result of the inclusion of twelve full months of trading results for acquisitions which happened in 2020. The level of Gross Profit in H2 2021 (£16.6m) was higher than that earned in the first half of 2021 (£16.1m).

Product launches

In its core UK market, Gamma successfully launched a number of key products (all of which have been well received by both Channel Partners and end users) -

- We have enabled both new and existing Gamma customers to fully integrate their Horizon Cloud PBX service with Microsoft Teams.
- The success of our Microsoft Teams Direct Routing product (a variant of SIP) has meant that we have met the criteria for Microsoft to add us to the list of providers of Microsoft Operator Connect; this consists of only a small number of carriers globally. In March 2022, we also announced our intention to launch this service in the Netherlands.
- PhoneLine+ is a cloud based voice application replacement service for a basic telephone line. It is easier to adopt than a full UCaaS solution. The development was made possible through our acquisition of Mission Labs.
- Horizon Contact is a Cloud Contact Centre solution which is fully integrated with Gamma's Horizon cloud PBX service, and which was fully developed by our own in-house software development team.
- We have delivered an enhanced mobile service to our customers which deepens Gamma's existing relationship with Three and gives end users access to both 5G and Wi-Fi calling.
- SoGEA Broadband provides end users with broadband without the need for a traditional phone line.

Product highlights

There continues to be strong growth across the major product groups in the United Kingdom:

- The number of installed SIP Trunks as at 31 December 2021 increased by 20.7% to 1,430,000 from 1,185,000 at 31 December 2020; these figures include sales of the MS Teams Direct Routing product and seats on Exactive's Cloud UCX platform.
- Overall Cloud seats increased by 15.0% to 743,000 as at 31 December 2021 from 646,000 at 31 December 2020 (this includes Horizon, Collaborate and our Cloud Contact Centre). Within this, the number of Horizon (Cloud PBX) users increased by 12.5% to 676,000 from 601,000 and the number of Horizon users taking the additional Collaborate service increased by 37.0% from 46,000 to 63,000.

The number of Cloud PBX seats in our European business increased by 12.6% to 128,000 at 31 December 2021 from 114,000 at 31 December 2020.

Acquisitions

On 3 March 2021 we acquired Mission Labs. The initial consideration (net of cash acquired) was £40.8m with up to an additional £6.0m contingent deferred consideration payable over the next three years assuming certain development milestones are met.

We had been partnering with Mission Labs over the previous 18 months on various projects such as PhoneLine+. The addition of Mission Labs has enabled us to work with the team to continue to develop the existing Mission Labs products (Circle Loop and Smart Agent) as well as gaining a development capability which has already started working on our next generation of UCaaS products. The additional development capability has proved valuable in an environment where employment of software developers has become more competitive.

Outlook

The Board is positive about the outlook for the Group in 2022 and beyond. We believe that more and more businesses of all sizes are seeing the advantages of cloud communications and as a result of a rapid shift to a more flexible and digitally enabled working environment, we expect to see continuous demand across all markets, and ongoing growth in UCaaS product sales.

Andrew Taylor, Chief Executive Officer, commented,

“Our overall business performance in 2021 has been strong in an exciting growth market, and we have delivered an excellent set of financial results. Throughout the year, and with a focus on delivering long-term growth, we have further developed and strengthened our technology, product, and people capabilities across Gamma, with our software development capabilities being significantly augmented with our acquisition of Mission Labs in March 2021.

“As part of a structured growth strategy and group operating model, we have made very good progress with the integration of all our acquisitions and have significantly broadened and strengthened our market capabilities through the development and launch of a set of new UCaaS products and services. This is designed to enable and accelerate our long-term growth objectives across the UK and Europe, while providing a technology platform capability for the future.

“Despite the economic and business market impact of the COVID-19 pandemic, our performance was very robust throughout the year, driven by excellent partner and end-customer engagement levels, and a continued acceleration to cloud based products and services. We delivered strong unit growth across all key products. Our newly launched bolt-on products and services have achieved attachment rates in line with our expectations.

“As ever, we have continued to invest and strengthen both our direct and indirect channel propositions across all markets, with a focus on positively enabling our partners and our end-customers to be competitive and highly successful in their respective markets.”

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Chair's statement

Overview of results

Group revenue for the year ended 31 December 2021 increased by £53.9m to £447.7m (2020: £393.8m) an increase of 14% on the prior year. Profit before tax for the year was £67.2m, a decrease of 10% from the prior year figure of £75.0m; the reduction is driven by the 2020 exceptional gain on the sale of our subsidiary, The Loop (the fibre business based in Manchester). Adjusted EBITDA for the Group increased by £16.4m (21%) to £95.4m (2020: £79.0m). Adjusted items are explained and reconciled in the Financial review and note 2.

Fully diluted earnings per share for the year decreased by 17% to 55.2p (2020: 66.6p); the prior year figure was increased by the profit of £19.5m made on the sale of our subsidiary, The Loop. Adjusted earnings per share (Fully Diluted) for the year increased by 25% to 64.0p (2020: 51.3p).

The cash generated by operations for the year was £89.8m compared to £70.3m in 2020. The closing Net Cash balance for the year was £49.5m (2020: £48.0m). It is pleasing to see that this cash balance has increased despite investing £16.8m on capital expenditure, £49.3m on acquisitions and paying £11.7m in dividends. This is testament to a strong focus on cash generation from management.

Overview of the year

As outlined in this report, the year has been one of strong strategic execution for Gamma with the following highlights:

- The whole business has continued to respond well to the ongoing difficulties COVID-19 has brought; we have demonstrated that we are able to run the business with the vast majority of our staff working from their homes. We are moving to hybrid working for some parts of our business which we believe will allow us to attract and retain staff.
- The Group's revenue model has proved robust and its product set supports businesses which have either had to work remotely or have chosen to do so because they see the advantages of flexible working patterns.
- On 3 March 2021 we significantly expanded our software development capability through the acquisition of Manchester based Mission Labs. Gamma had been partnering with Mission Labs for over 18 months on projects such as PhoneLine+. The acquisition gives Gamma additional development capabilities in the rapidly evolving markets of Cloud Contact Centre and Cloud Communications.
- The acquisition also enables us to accelerate our digital strategy. Mission Labs owns a digitally based voice application CircleLoop (www.circleloop.com). This is a UCaaS technology platform which provides a cloud-based telephony product fully serviced through web, desktop and mobile applications. It isaimed at the micro-business market. The fact that we own this capability will enable us to roll it out in other territories to address a key market opportunity in the UK and Europe.
- During the year we have increasingly seen the importance of partnering with Microsoft Teams. We had previously launched a Microsoft Teams Direct Routing product to our Channel Partners, making Gamma's market-leading SIP trunks available to Enterprises which use Microsoft Teams. On 27 September 2021 we announced we had been successful in our efforts to work with Microsoft to join its Operator Connect for Microsoft Teams programme. Operator Connect is a new operator-managed programme from Microsoft designed to enable seamless and integrated PSTN calling to Teams.
- In July 2021 we launched a product enhancement which allows users to integrate their Horizon Cloud product with Microsoft Teams.
- During the first half we launched our Cloud Contact Centre product – Horizon Contact. This was developed by our team of in-house software developers and is a fully integrated additional module that attaches to our core Horizon Cloud product.
- We committed to becoming a Carbon Net Zero business by 2042.

Board and governance

In December 2021, I was pleased to announce two key appointments which reiterate our focus on developing our senior leadership capacity, ensuring that we capitalise on Gamma's significant growth opportunities.

First, Andrew Belshaw, who has been Chief Financial Officer since Gamma's IPO in 2014, will be appointed Deputy Chief Executive from 1 May 2022. He will continue to report to Andrew Taylor and to be a member of Gamma's Board of Directors. In this role, Andrew will take on a range of strategic and operational responsibilities to support the development and growth of the Group. These responsibilities will include overseeing aspects of product management, product development and operations and the execution of M&A. Andrew will also oversee Gamma's group people strategy, ensuring that Gamma attracts and retains great talent while continuing to be a great place to work.

Taking over from Andrew Belshaw, Bill Castell has been appointed Chief Financial Officer. Bill will report to Andrew Taylor and will join the Company and the Board of Directors on 1 May 2022. Bill is currently Chief Financial Officer at OVO Energy, the technology-led green energy business. 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.

We continue to adhere to the QCA Corporate Governance Code (2018 edition) (the 'QCA Code').

Employees

At 31 December 2021, we had 1,745 employees in the Group based in seven countries (2020:1,530). During the year I was pleased to welcome the staff of Mission Labs into the Gamma Group.

We encourage all employees to own shares in the Company. For our UK based employees, we offered a Sharesave scheme for the fifth year in a row. Once again, it was pleasing to see the high take-up, with 402 staff choosing to participate in the scheme (2020: 449). We also run an "Evergreen SIP" scheme which gives employees a further opportunity to buy shares in the company in a tax efficient way. We are actively exploring ways in which our non-UK based employees can own Gamma shares.

During the year we have found recruitment harder than previously and we are also seeing inflationary pressure in wages. However, we continue to see the Gamma culture as a differentiator which allows us to recruit and retain the talented individuals that we need to drive the business forwards.

We would like to express our thanks to all of 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 paid as a final dividend once the results for the full year are known.

The Board is pleased to propose a final dividend, in respect of the year ended 31 December 2021, of 8.8 pence per share (2020: 7.8 pence), an increase of 13%. Subject to shareholder approval at the forthcoming AGM, this dividend will be payable on Thursday 23 June 2022 to shareholders on the register on Friday 3 June 2022. When added to the 4.4 pence interim dividend (2020: 3.9 pence) this would make a total dividend of 13.2 pence for the year as a whole (2020: 11.7 pence).

Environmental

As a business which enables other companies to reduce their carbon footprint by communicating and collaborating from multiple sites and thereby reducing the need to travel, we continue to challenge ourselves on our own environmental credentials.

Over the last 12 months Gamma has made significant progress in extending its reporting boundary in line with the Streamlined Energy and Carbon Reporting (SECR) regulations and has increased the scope of reporting to include all recent acquisitions in Europe. Using this extended scope in 2021 Gamma has set its baseline energy and carbon emissions data which will be used to support future emissions reduction targets.

I am pleased to announce that Gamma has developed a plan for carbon reduction which allows us to commit to moving from a Carbon Neutral business to become a Carbon Net-Zero business by 2042, supporting both the Paris Treaty's aims to limit the temperature increase to 1.5°C globally by 2050 and the UN Sustainable Development Goal 13: Climate Action.

Current Trading and Outlook

Gamma will continue to concentrate its efforts and investment to develop a product set which facilitates flexible working for businesses of all sizes, building on an already strong reputation for operational excellence and service quality. We will also partner with organisations such as Microsoft (Teams) and Amazon (Amazon Connect) to provide solutions to our Enterprise and Public Sector customers.

Our business is confined to the countries in which we operate. We therefore are not expecting a significant direct impact on our results caused by the war in Ukraine. Our sympathies are with all those who are affected by the conflict, and I am proud of the Gamma family who are raising funds to support those affected.

We have had a positive start to the year following the pre and post Christmas lock down periods in most countries, and the Board is positive about the outlook for the Group in 2022 and beyond. We believe that more and more businesses of all sizes are seeing the advantages of UCaaS and we expect to see continuous growth in UCaaS product sales.

Richard Last

Chair

Chief Executive Review

I am pleased to report another excellent set of financial results for 2021, and to highlight the great progress that we have made in the development and execution of our shorter term operational and longer term strategic objectives.

Despite the very strong performance, the year was once again impacted by the pandemic, and I am very pleased with how the whole Group responded to the challenges and opportunities that this presented. At some point in the year, each country in which we operate was in lock down, and although our overall business performance was very robust, both our direct and indirect partner sales efforts were impacted to some degree.

The level of support and engagement from all our staff and key stakeholders has been excellent throughout, and I want to give my thanks and gratitude to the entire Gamma team for how they have responded to what has been a challenging but highly successful year.

Development of our UCaaS suite

I am delighted with the continued investment and progress we have made throughout 2021, to both expand and strengthen our technology platforms, products and services, and delivery capabilities across Gamma. As our Chair has set out in his report, we released a number of our in-house developed UCaaS products and services in 2021 which complement our growing UCaaS portfolio. Gamma partners and end-customers can now purchase –

- Our core market leading Cloud PBX product – Horizon
- Horizon Call recording – a fully integrated product with Horizon
- Horizon Collaborate – also a fully integrated product with Horizon which adds a suite of additional features including instant messaging and video conferencing
- Horizon Contact – also fully integrated with Horizon, this CCaaS product was designed for informal call centres but has functionality which will support any user who needs omnichannel capability (i.e. e-mail, social media, web chat, text, etc.)
- PhoneLine + which is a cloud-based product designed to enable partners and end-customers to replace a single telephone line, which presents a significant market opportunity over the next 2-3 years.

I am very happy to report that the attachment rates to our core Horizon Cloud PBX are 20% for new sales of Horizon Collaborate and 10% for Horizon Contact which is very pleasing and making an increasing contribution to ARPU levels. Our strategy is very much focused on maintaining and driving higher attachment levels with both new, and importantly, existing Horizon customers. This will enable us to grow current ARPU levels, while ensuring that we provide an opportunity for channel partners to up-sell and cross-sell additional features and functionality to end-users.

Partnering with global providers

Gamma differs from pure providers of UCaaS software because we have the capability in each of the countries in which we operate to send and receive calls from the public telephone network. This enables us to not only provide the UCaaS product set which is used by our customers, but we can also provide high quality voice calls. Our ability to provide both sets of services is important to customers who need quality and reliability alongside functionality.

Many providers of UCaaS software do not have this capability and hence they partner with an organization like Gamma to ensure that their customers can get the best from their software. Whilst Gamma works with organisations like 8x8, Vonage and Five9 to provide these services, we also focus on two partnerships which have developed strongly during 2021 – Amazon and Microsoft.

Amazon Connect

Amazon Connect is an omnichannel cloud contact centre that helps larger Enterprises provide customer service at a lower cost. As part of our acquisition of Mission Labs we have acquired a market leading technology and software application called SmartAgent This is an in-house developed software product which provides our customers' contact centre agents with all of the data, information and reporting that they need to provide excellent levels of customer experience. We have two revenue streams associated with this product – software licence fees and professional services associated with the development and implementation of the product. Current customers include large online retailers and travel companies, and we see strong demand in many other business sectors

Unlike pure software companies, Gamma is able to use its network capability to route calls to and from the agents using Amazon Connect. This means that not only can Gamma assist businesses who wish to deploy Amazon Connect to get the most from the application, but we can also provide connection to the PSTN.

This product compliments our Horizon Cloud Contact offering which is aimed at the SME end of the market, whereas Smart Agent is designed for larger businesses.

Microsoft

Gamma has always maintained a strong relationship with Microsoft to ensure that our products work seamlessly with Microsoft products, and as a result of the increasing customer demand that we saw for Microsoft Teams, in February 2020 we acquired Exactive Holdings to support and strengthen our reputation and capabilities in this space. Our relationship with Microsoft is important and strategic to us and is focused on three core areas:

- Microsoft Teams Direct Routing. In October 2020, we launched Microsoft Teams Direct Routing which is a variant of SIP which allows Microsoft Teams users to make and receive calls from the PSTN network (i.e., using phone numbers). We sell this service to the business market both directly and via our channel partners and are considered a market leader in this space, with examples of some very significant Enterprise and Public Sector deployments.
- Microsoft Operator Connect. We were delighted that in September 2021 Microsoft added Gamma to the Operator Connect for Microsoft Teams programme (and we are presently one of a small number of partners globally on the programme), which is a new operator-managed programme designed to enable seamless and integrated PSTN calling to Teams. Customers using Operator Connect benefit from an augmented set of services from Gamma (e.g. Gamma native fraud management and Gamma enhanced Teams Phone capabilities through our SIP Trunk Call Manager).
- Horizon Cloud PBX and Teams Integration. Some Teams users require full PBX functionality, and this can now be achieved because Gamma's Horizon Cloud PBX product can now be integrated into Teams. For those customers who need a complete managed service, we also offer the Exactive Cloud UCX product.

Business review

I am pleased to report that each of our businesses has performed strongly throughout 2021.

UK Indirect Business

The UK Indirect Business accounted for 60% of our group revenue in 2021, with gross profit up 8% to £143.2m and revenue up by 9% to £270.2m. Gross margin reduced slightly from 53.5% to 53.0% due to mix.

Our indirect channel partners have provided Gamma with a robust and reliable platform for growth, and in the face of a challenging economic and business environment, they have adapted their businesses well and delivered strong financial results. They have focused on providing excellent customer support, and as a result have delivered strong retention levels, net positive product growth and very low levels of attrition and bad debt. In addition, their strong business models have enabled them to invest in order to strengthen their businesses and maximise growth in what is a highly attractive marketplace.

Our channel partners continue to benefit greatly from Gamma's product development program, including the successful launch of those new UCaaS products highlighted earlier, coupled with new fixed and mobile access products (e.g., SoGEA and Gamma Mobile) which we launched during 2021. Gamma's current technology and product capabilities and our exciting product roadmap, coupled with our very targeted partner support program is designed to strengthen partner capabilities and enable them to compete and win against the competition in the marketplace. Our partners have demonstrated real commitment and success in embracing our new products and successfully up-selling and cross-selling these to existing customers, while winning new customers in both existing and new market segments. It has been pleasing to see high and increasing product attachment levels and continued strong engagement from the channel as we drive sales and marketing to both existing and new end-customers.

We have continued to increase the number of active Gamma partnerships, while being very focused on expanding the business that we do with existing channel partners. With those larger more strategic partners we have been very successful in re-signing new contracts which are delivering increased rates of growth for Gamma (opening new product and market segments for both Gamma and the partner) and ensuring a joined-up approach that maximizes our long-term growth opportunities.

Relationships across the indirect channel have continued to strengthen, reflecting our overall consistency and loyalty as a strategic partner, which is evidenced by us receiving a record number of industry awards in 2021. This included "Best Carrier Sales Team" at the Global Carrier Awards and winning both "Best Wholesale Provider" and "Best UCaaS Platform" at the Comms National Awards.

The immediate and longer-term market opportunity for the channel and for Gamma is significant and is driven by several structural growth drivers which Gamma and our channel partners are both strategically and operationally well positioned to benefit from. These include:

- An acceleration of the adoption of UCaaS across all markets and business segments to support remote and flexible working.
- A rapid roll-out of fibre which will substitute legacy broadband products and services with new high-speed replacements.
- The wider roll-out and rapid adoption of 5G mobile services which will be transformational in supporting businesses.
- BT 2025 switch off which will drive a significant opportunity to provide new cloud-based communication product and services to businesses of all size.

UK Direct Business

The UK Direct Business accounted for 24% of our group revenue in 2021, with gross profit up 14% to £52.6m and revenue up by 7% to £104.8m. Gross margin increased from 47.2% to 50.2% as we had fewer lower margin installations in the year.

Overall, we have delivered a strong financial performance in 2021, and despite the impact of the pandemic which delayed customer decision making and new sales during 2020 and H1 2021, our team delivered a strong sales performance in H2, and we therefore enter 2022 with a high-quality contracted order book. As part of our growth strategy, a key feature of our performance has been the high-level of cross-selling and up-selling that we achieved with existing customers. Our customers are fully benefiting from Gamma's broad and growing product portfolio, which includes the contributions from the acquisitions that we made recently to extend our UCaaS, CCaaS and overall Microsoft and Amazon product and service capabilities. In addition, we have been very pleased with the quality of new customers that we have won during the period, all of which are procuring multiple products and services from Gamma.

We have won several multi-year, multi-product contracts, including those with NFU Mutual (SDWAN), The Automobile Association (Inbound), Carr's Group (SDWAN & UCaaS) and CJ Lang & sons (SDWAN & UCaaS).

In addition, in the Public Sector we have made excellent progress and were awarded a significant number of contracts across local, regional, and central Government, including a very large and strategic UCaaS (Managed Microsoft Teams) deployment for the DWP. Other notable contract awards included:

- Five new County Councils who contracted for a mix of SIP & UCaaS.
- Seven NHS trusts who contracted for a mix of UCaaS, SIP and connectivity.
- Three further central Government agencies who contracted for a mix of SIP and mobile services.
- We have also been awarded over 14,000 mobile connections via the public sector procurement frameworks, demonstrating the strength of Gamma's new mobile product within this sector.

As highlighted previously, the acquisition of Exactive in 2020 significantly enhanced Gamma's Microsoft capabilities, and we are now one of the largest providers of Microsoft Teams Direct Routing in the UK. Exactive is now fully integrated as a Microsoft "centre of excellence" within Gamma, and we are providing services to a broad set of customers and partners across all business segments, and as highlighted previously, in October 2021 Gamma's direct routing service became available directly from the Microsoft Teams platform via their Operator Connect service.

We include the results of CircleLoop the digital UCaaS service and channel which we acquired with Mission Labs in our Direct business. We now have almost 4,000 customers who are using the CircleLoop service via our digital platform.

European Business

We continue to be pleased with the development and growth of our European business. The growth was predominantly through the inclusion of a full year of trading from acquisitions made in 2020, with gross profit increasing 47% to £32.7m and revenue increasing by 50% to £72.7m. Gross margin decreased from 46.0% to 45.0% because of a full year of lower gross margins from Epsilon, the mobile focused distribution business which we acquired as part of our acquisition of HFO in Germany. In 2021 our overseas business represented 16% of our Group revenue and 10% of our Group adjusted EBITDA.

Gamma Germany

Despite the impact of COVID-19 throughout the year, we have made very good progress in transforming our German business from a pure SIP provider to a provider of cloud communications. We are achieving this through the implementation of a multi-product strategy and by investing and strengthening our indirect channel capabilities, including investment in our channel sales and marketing efforts. This is designed to fully support our partners and their end-customers in their transition to the cloud and ensure that we collectively build the strong business, operational and sales and marketing foundations which are required to maximise what we see as a significant long-term market opportunity.

As part of our structured Group operating model, our team in Germany has been fully involved in the planning and implementation of our broader Group technology and product strategy, and in 2021 we integrated the German component of GnTel (the Dutch / German cloud PBX business which we acquired in July 2020) into our German operations. This now forms a important part of our cloud product portfolio and our go to market sales and marketing capabilities in the German market. Although small, this is performing well, and we have well-defined plans to introduce other Group products which will enable us to broaden our market and business segment reach.

Our Epsilon mobile distribution business has delivered a very strong performance throughout 2021. As a part of this we have continued to focus investment into our IOT (Internet of Things) business (Fusion IOT) which provides IOT solutions to the SME business segment. Although early days, the business is performing well, and we have closed some very encouraging customer wins and have signed longer-term partnership agreements with Vodafone Global and Telefonica Spain.

Throughout 2021, and as part of our M&A integration plan, we have been planning to transition to a full Gamma brand in the German market. This will be implemented during the first half of 2022, in addition to launching a reinvigorated wholesale cloud partner proposition across the marketplace. This proposition is designed to appeal to IT integrators within the channel who prefer a wholesale model where they own the end-customer, and where we believe Gamma can provide a key differentiator in the market.

Gamma Spain

Notwithstanding the more difficult COVID-19 related trading conditions in Spain throughout 2021, we have been pleased with the performance of our Spanish business.

Importantly, our cloud business has performed well, and similar to our cloud growth strategies in our other Gamma markets, we have continued to strengthen and invest in developing both our product capabilities and existing and new direct and indirect channels to market. For example, we have launched a reseller program which is targeting PBX resellers, and providing them with the best cloud communication product, marketing tools and financial support to succeed in the UCaaS market. Initial partnership contracts were signed during 2021 and we expect more partners to be onboarded in 2022. Our efforts are beginning to deliver results and we continue to see a significant long-term growth opportunity.

Overall, our cloud and mobile product performance has been positive, and we delivered strong net growth from both existing and new channel partners. We established a new channel partnership with Másmóvil (one of Spain's largest mobile network operators) which is strategic and delivered excellent results for both cloud and mobile sales throughout 2021. On the mobile side, this relationship enables us to compete very well in the market, while we have established a wholesale cloud capability that enables Másmóvil to deliver bundled mobile and cloud products and services directly to their business customers. A true partnership!

In H2, we launched a second channel programme aimed at Microsoft partners who are expanding their business by adding telephony services to their customers (through MS-Teams). This programme is one of the first in the Spanish market and is generating a lot of interest in the sector. In addition to this, we launched Microsoft Teams integration, enabling any Gamma customers in Spain who are using our cloud PBX or SIP products to use the Teams application to make and receive calls in a seamless and easy way. Additionally, we have integrated cloud contact centre features to our UCaaS product.

The non-cloud part of our Spanish business (Comymedia and VT Andalucía) has been more severely impacted by COVID-19 and underperformed against our expectations in 2021. Our sales performance and overall outlook improved through H2, and we have taken actions to ensure an improved performance of these businesses in 2022.

Gamma Netherlands

The COVID-19 pandemic had a more serious impact on the economy and overall business market in the Netherlands, resulting in restrictions and lower levels of cloud growth in the market. Notwithstanding this, we delivered positive net growth across our key cloud and mobile products.

Our multi-tenant business (Schiphol Connect and Nimsys) benefited from increased activity at Schiphol airport and from businesses optimizing their way of working. During the year we signed several large long-term contracts and focused on cross-selling and up-selling to existing customers, all of which delivered net new business, improved retention, and an overall stronger performance for the business.

Throughout the year, and building on our work in 2020, we have continued to focus on developing and strengthening both our cloud and overall wholesale partner proposition in the market. Examples were the launch of Collaboration and voice recording as part of our Cloud PBX offering, while we also launched Microsoft Teams Direct Routing to support the increasing demand for Microsoft services in the market. Looking forward, and as part of our Group Operating Model, we have an exciting roadmap of new products and features which we are planning to launch in the market during 2022.

As well as being focused on strengthening our sales and overall go to market activities, after making several acquisitions during the last years, we have made good progress in moving towards a more simplified and fully integrated operating environment. We have integrated Dean One, GnTel, Schiphol Connect and Nimsys, and in Q4, we launched the new Gamma Benelux brand in the market. Alongside our brand launch, we also introduced a renewed wholesale partner program. which supports our ambitious partners with dedicated initiatives in marketing, lead generation and training.

In addition to strengthening our cloud products, we also renewed our long-term partnership contract with T-Mobile, which will enable us to continue to deliver a strong and competitive retail and wholesale mobile offering to our mobile dealers and channel partners.

Summary and outlook

I am particularly pleased with how we have performed as a business in 2021. We have focused on maximizing opportunity, while responding to challenges and mitigating risk. We have delivered strong results, and while executing very well against our short-term business and financial objectives we have continued to invest widely across our business and make significant progress against our strategic objectives. Importantly, I am absolutely delighted with our continued focus on supporting our staff, our channel partners, and our end-customers.

Looking forward, we will stay focused on developing and strengthening our technology and product capabilities across the Group. We have created a strong technology and software development capability and although this is work in progress, we do have an exciting product roadmap, which will reinforce and further enhance our market credentials. We have launched several new products and features during 2021 which have been positively received by the market, and these are now making a meaningful contribution to our product and financial performance, and I expect this to continue in 2022. As part of our Group operating model, we plan to launch these products across all Gamma markets.

Within our Indirect business, we will continue to evolve and adapt our partner proposition to support growth opportunities across all markets, ensuring that our channel partners have the tools to compete and be successful. Within our Direct business, we have seen delays to some projects for our Enterprise customers caused by the global chip shortage; this means that sometimes it takes longer than we had anticipated for billing to start and this may affect growth in 2022.

As an important part of our strategy, we will continue to assess acquisition opportunities that enable us to strengthen our technology and product capabilities and expand and strengthen our position in our core UK and European markets. We believe that scale in these key markets is important, and this will continue to be a key focus for Gamma during 2022 and beyond. The technology and product-based acquisitions we have made, have enabled us to accelerate our strategy and fundamentally strengthen our technology, product, and software development capabilities across Gamma. This is a core foundation that will support our strategy to deliver long-term sustainable growth and long-term shareholder value.

We continue to see the structural changes in the UCaaS market as very positive and reinforcing our strategy and future growth opportunities. The awareness and adoption of cloud communication services, and the shift towards a more flexible and remote way of working, we believe will support significant growth in the market and an acceleration towards cloud communications. The significant benefits of the UCaaS, CCaaS and fixed and mobile access products that we sell across the UK and Europe have never been more important, and notwithstanding the risks of possible economic and business market headwinds, we continue to see a positive business and long-term market outlook.

As a final point, I would like to personally thank our staff, partners and customers for their contribution and ongoing support.

Andrew Taylor

Chief Executive Officer

Financial review

Overview

Gamma has performed well during the year increasing revenue by 14% to £447.7m (2020: £393.8m) and gross profit by 14% to £228.5m (2020: £200.8m). The two UK businesses have in aggregate seen growth in Revenue of £29.7m (+9%) and Gross Profit of £17.3m (+10%). The growth in the Revenue of the European Business of £24.2m from £48.5m to £72.7m is primarily due to a full twelve months of results of businesses acquired in 2020. Adjusted EBITDA increased by 21% to £95.4m (2020: £79.0m). Adjusted EPS (FD) increased by 25% to 64.0p (2020: 51.3p).

Revenue and gross profit

UK Indirect

	2021 £m	2020 £m	Increase
Revenue	**270.2**	247.2	+9%
Gross Profit	**143.2**	132.2	+8%
Gross Margin	**53.0%**	53.5%	

Overall, the growth in the UK Indirect Business unit has been strong. There have been no acquisitions in either year which affected revenue or gross profit and hence the growth shown in the above table is entirely organic.

Gross Margin has been broadly consistent with the prior year which is a change in trend following growth historically. The historical growth was largely driven by an improving mix of high margin UCaaS products against lower margin legacy products but this mix has now stabilised. The revenue from the sale of legacy product is now negligible and hence the mix is more constant. This change is in line with our expectations. We do not expect Gross Margin to increase as the mix of UCaaS and access products stays broadly constant.

UK Direct

	2021 £m	2020 £m	Increase
Revenue	**104.8**	98.1	+7%
Gross Profit	**52.6**	46.3	+14%
Gross Margin	**50.2%**	47.2%	

The UK Direct business continued to grow. There was some inorganic growth driven by the Mission Labs acquisition in March 2021; this was in part offset by the disposal of The Loop Manchester Limited in 2020.

As previously communicated, the growth in revenue for 2021 was lower than it would have been had sales activity in mid 2020 not been severely hampered by COVID-19. We won fewer new projects in 2020 which meant less work started in 2021. This situation has now reversed and we have seen significant levels of sales activity in late 2021 and we enter 2022 with a strong pipeline. Notwithstanding, the global chip shortage has the potential to cause some installations to become delayed which will mean that billing starts later than planned which may dampen growth slightly.

The gross margin has increased due to mix – first, as a result of Mission Labs which is a higher margin as a result of being a SaaS model; and second, as mentioned earlier, fewer new projects started in the year (the start of a project is lower margin due to low margin installations and hardware sales).

Europe

	2021 £m	2020 £m	Increase
Revenue	**72.7**	48.5	+50%
Gross Profit	**32.7**	22.3	+47%
Gross Margin	**45.0%**	46.0%	

Our European business saw growth primarily as a result of the inclusion of a full twelve months of results of the acquisitions made in 2020 – Voz Telecom in Spain (acquired April 2020), HFO in Germany (July 2020) and Gamma Communications Benelux expanded in July 2020 with the acquisition of gnTel.

Because of acquisitions, the year on year growth is not indicative of business performance. The revenue in H1 for Europe was £35.4m and this grew by 5% to £37.3m in the second half. The growth in revenue was driven by increased commissions earned by our Epsilon business in Germany (where revenues can fluctuate). Revenues from UCaaS seat sales grew in all European territories but the associated traffic revenues were lower – unlike the UK, in Europe traffic is not bundled into the seat pricing which results in more fluctuation.

Gross margins have decreased from the prior year as a result of "high revenue/ low margin" business within the Epsilon subsidiary of the HFO business which offers mobile connections – which was acquired in July 2020. The margins on a product by product basis are consistent with those in the UK.

Operating expenses

Operating expenses grew from £125.1m to £160.2m; when the exceptional items are eliminated then operating expenses grew from £144.7m to £160.2m – much of the increase comes from including a full year's costs of business acquired in 2020 and also an increase in our development activity. We break these down as follows:

	2021 £m	**2021 £m**	**2020 £m**	**2020 £m**	**Growth**
Expenses included within cash generated from operations					
- UK Businesses	101.8		95.5		7%
- European Business	23.3		18.3		27%
- Central Costs	8.0		8.0		0%
		133.1		121.8	
Depreciation and amortisation					
- tangible and intangible assets	14.9		14.7		1%
- right of use assets	2.7		2.2		23%
- acquisition	9.5		6.0		58%
		27.1		22.9	
Operating expenses (before exceptional items)		**160.2**		**144.7**	**11%**
Exceptional items		-		(19.6)	
Operating expenses		**160.2**		**125.1**	**28%**

Movements in expenses were driven by:

- The UK Businesses' operating expenses growing by 7% (compared to Gross Profit growth of 10%). This growth has been lower than originally expected as a result of continued lock downs in 2021 resulting in unexpected cost savings (for example, travel and subsistence expenses continue to be significantly lower). Not all of these savings are expected to continue in the long run as "normality" returns post COVID-19. We expect to see our travel and marketing (event attendance) costs increasing "post COVID-19" in 2022. We are also seeing signs of wage inflation being above historical norms.
- There were two areas of overhead growth which were disproportionate –
    - We continue to invest in the development and maintenance of our voice application products and associated software tools (for example our portal). Our spend in this area during the year was £19.6m (of which £14.8m was charged to the profit and loss and £4.8m was capitalised; in 2020 these figures were £10.2m and £2.7m respectively). The increase is driven by our desire to

    - develop more of our own technology which included the acquisition of Mission Labs which brought more development costs into our cost base.
    - Share based payments costs increased from £3.5m to £4.8m (+£1.3m).
    - Aside of the effect of development and share based payments, the UK business overheads grew by only £0.4m year on year; as noted above we do not expect to be able to keep overheads increases to this level in 2022.
- The increase in European costs is reflective of the cost base growing by acquisitions (that is to say that it is not organic growth). In 2022 we intend to invest more in sales heads in each of the three countries which will cause a small increase in the cost base (i.e. below £1m). The increase in sales heads is expected to increase the rate of sales of Cloud PBX seats by investing in the sales function.
- Central costs are inline with the prior year. They include the costs of our M&A programmes (which are not adjusting items).

Depreciation and amortisation on tangible and intangible assets have increased from £14.7m in 2020 to £14.9m in 2021. This is slightly below our annual capital spend and may therefore increase slightly in future years.

Exceptional Items

There were no exceptional items in 2021.

In the prior year there were exceptional transactions related to the disposal of a subsidiary (The Loop Manchester Limited) where an exceptional gain of £19.5m was recognized relating to the proceeds on disposal less the book value of the net assets of the business and a difference between the estimated deferred consideration and amount paid in relation to Nimsys.

Alternative performance measures

Our policy for alternative performance measures is set out in note 2.

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

Measure	Statutory Basis	Amortisation of intangibles	Change in fair value of acquisitions	Adjusting tax items	Exceptional items **	Adjusted basis
2021						
PBT (£m)	67.2	9.5	0.5	-	-	77.2
PAT* (£m)	53.6	9.5	0.5	(1.5)	-	62.1
EPS (FD) (p)	55.2	9.8	0.5	(1.5)	-	64.0
2020						
PBT (£m)	75.0	6.0	0.3	-	(19.6)	61.7
PAT* (£m)	64.2	6.0	0.3	(1.5)	(19.6)	49.4
EPS (FD) (p)	66.6	6.2	0.3	(1.5)	(20.3)	51.3

*PAT is the amount attributable to the ordinary equity holders of the Company.

** See note 4 for further details.

We believe that these measures provide a user of the accounts with important additional information by providing the following alternative performance metrics:

- Profit before tax is adjusted for exceptional items and it is also adjusted for the amortisation of intangibles which were created on acquisition and the change in the fair value of acquisitions. This enables a user of the accounts to compare performance irrespective of whether the Group has grown by acquisition or organically.
- Profit after tax is adjusted in the same way as Profit before tax but it also considers the tax impact of these items. To exclude the items without excluding the tax impact would not give a complete picture.
- Adjusted earnings per share takes into account all of the factors above and gives users of the accounts information on the performance of the business that management is more directly able to influence and on a basis comparable from year to year.

In addition to the above adjustments to statutory measures, we add back the depreciation and amortisation charged in the year to Profit from Operations (2021: £68.3m; 2020: £75.7m) to calculate a figure for EBITDA (2021: £95.4m; 2020: £98.6m) which is commonly quoted by our peer group internationally and allows users of the accounts to compare our performance with those of our peers. We further adjust EBITDA for exceptional items as this gives a reader of the accounts a view of the trading picture which is comparable from year to year (adjusted EBITDA: 2021: £95.4m; adjusted EBITDA: 2020: £79.0m).

Adjusted EBITDA

Adjusted EBITDA grew from £79.0m to £95.4m (21%).

Taxation

The effective tax rate for 2021 was 19% (2019: 14%). The effective tax rate in 2021 applied to trading profits was slightly above the 19% statutory UK rate due to disallowable expenditure, the increasing impact of higher taxation rates in European countries and an upcoming change in tax rates in the UK from 19% to 25% which is increasing deferred tax charges in the year. We would expect these trends to continue and hence to see the effective rate of tax increase slightly above the UK headline rate in future years.

The rate in 2020 was depressed due to non-taxable income on the disposal of our subsidiary, The Loop.

Net Cash and cash flows

The Group has Net Cash of £49.5m (2020: £48.0m) – "Net Cash" is Cash and Cash Equivalents less Borrowings. The Cash and Cash equivalents balance at the end of the year was £52.8m a slight decrease from the previous year and the Group had borrowings of £3.3m (2020: £5.9m) which are held by trading subsidiaries outside of the UK and pre-dated their acquisition by Gamma. We do not class contingent consideration or IFRS 16 lease liabilities as debt for the purpose of quoting a net cash figure.

Cash conversion from trading during the year increased from previous years. The ratio of adjusted EBITDA to cash generated from operations was 94% (2020: 89%).

Items which are not directly related to trading were:

- Capital spend was £16.8m, which is an increase from £15.4m in the comparative period. This is discussed below.
- £49.3m was the total payment for acquisitions net of cash acquired (2020: £47.7m) of which £40.8m was paid for the acquisition of Mission Labs, £1.5m was paid in deferred consideration for the acquisition of Exactive, £2.0m was paid to acquire a SIP Trunk base from another carrier and £5.0m for the exercise of options relating to HFO.
- £5.9m was received from the issue of shares (2020: £1.5m). This significant increase on the prior year was as a result of the reinvestment in Gamma by former shareholders of Mission Labs (£2.8m) and HFO (£0.7m). The other share issues relate to exercise of options held by employees.
- £11.7m was paid as dividends (2020: £10.4m).

Capital spend

Capital spend in 2021 was £16.8m (2020: £15.4m) as follows:

- £9.1m was the spend on maintaining and increasing capacity on the core network as well as other minor items such as IT and fixtures and fittings (2020: £9.5m).
- £4.8m was the capitalisation of development costs incurred during the period (2020: £2.7m) – the increase is due to development of our own voice applications products (in part using the capabilities acquired with Mission Labs).
- £2.9m was spent with third-party software vendors for the software which underpins our Cloud PBX products (2020: £3.2m).

Adjusted EPS (FD) and Statutory EPS (FD)

Adjusted EPS (FD) increased from 51.3p to 64.0p (25%). The growth in adjusted EPS (FD) has been driven by the continued growth in a difficult market as well as the acquisitions. Adjusted EPS is EPS as adjusted for exceptional items and other items as defined in note 2 and a reconciliation to the statutory measure is shown in the table above.

EPS (FD) decreased from 66.6p to 55.2p (-17%). The growth is lower than the adjusted metric as a result of the exceptional income item in the prior year relating to the disposal of The Loop.

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 has considered:

- The principal risks faced by the Group, discussed further in the Annual Report for the year ended 31 December 2021.
- The financial position of the Group as well as budgets and financial plans.
- The strong cash position - at 31 December 2021 the Group had cash and cash equivalents of £52.8m (2020: £53.9m). Net Cash (being cash and cash equivalents less borrowings) was £49.5m (2020: £48.0m). All borrowings were acquired with acquisitions made in the prior year.
- Future cashflows including liquidity and borrowings.
- Sensitivity analysis, which has shown that EBITDA would need to decrease by 94% for the Group to need additional borrowing (assuming no mitigating actions had been taken). We consider this to be highly unlikely.
- The ongoing impact of COVID-19. Whilst this impacted new wins in 2020 and slowed growth in 2021, the Group has continued to grow. In the medium term, as a result of COVID-19, the adoption of cloud services will accelerate and this reinforces our overall UCaaS strategy.

The Directors are satisfied that the Group has adequate financial resources to continue in operational existence for the foreseeable future, a period of at least twelve 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 2021.

Dividends

The Board has proposed a final dividend of 8.8p (2020: 7.8p). This is an increase of 13% and is in line with our progressive dividend policy.

Subject to shareholder approval, the final dividend is payable on Thursday 23 June 2022 to shareholders on the register on Friday 3 June 2022.

Andrew Belshaw

Chief Financial Officer

Consolidated statement of profit or loss

For the year ended 31 December 2021

	Note	**2021** **£m**	2020 £m
Revenue	3	**447.7**	393.8
Cost of sales		**(219.2)**	(193.0)
Gross profit		**228.5**	200.8
Operating expenses		**(160.2)**	(125.1)
Earnings before depreciation, amortisation and exceptional items		**95.4**	79.0
Exceptional items	4	**-**	19.6
Earnings before depreciation and amortisation		**95.4**	98.6
Depreciation and amortisation (excluding business combinations)		**(17.6)**	(16.9)
Depreciation and amortisation arising due to business combination		**(9.5)**	(6.0)
Profit from operations		**68.3**	75.7
Finance income		**0.1**	0.4
Finance expense		**(1.2)**	(1.1)
Profit before tax		**67.2**	75.0
Tax expense	5	**(13.2)**	(10.6)
Profit after tax		**54.0**	64.4
Profit is attributable to:			
Equity holders of Gamma Communications plc		**53.6**	64.2
Non-controlling interests		**0.4**	0.2
		54.0	64.4
Earnings per share attributable to the ordinary equity holders of the company:			
Basic per Ordinary Share (pence)	6	**55.9**	67.5
Diluted per Ordinary Share (pence)	6	**55.2**	66.6

Adjusted earnings per share is shown in note 6

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

Consolidated statement of comprehensive income

For the year ended 31 December 2021

	2021	2020
	£m	£m
Profit for the year	**54.0**	64.4
Other comprehensive profit/(loss)		
Items that may be reclassified to profit or loss (net of tax effect)		
Exchange differences on translation of foreign operations	**(3.5)**	(0.1)
Total comprehensive income for the year	**50.5**	64.3
Total comprehensive income for the year attributable to:		
Owners of Gamma Communications plc	50.1	64.1
Non-controlling interests	0.4	0.2
	50.5	64.3

Consolidated statement of financial position

As at 31 December 2021

	Note	**2021 £m**	2020 £m
Assets			
Non-current assets			
Property, plant and equipment	8	**36.8**	36.3
Right of use assets		**10.2**	11.5
Intangible assets	9	**129.3**	95.3
Deferred tax asset		**7.0**	5.7
Trade and other receivables		**14.3**	14.8
		197.6	163.6
Current assets			
Inventories		**7.9**	8.1
Trade and other receivables		**98.4**	93.7
Cash and cash equivalents		**52.8**	53.9
Current tax asset		**5.1**	2.6
		164.2	158.3
Total assets		**361.8**	321.9
Liabilities			
Non-current liabilities			
Other payables		**2.0**	1.5
Borrowings		**2.5**	4.6
Lease liabilities		**9.8**	10.8
Provisions		**1.1**	1.9
Contract liabilities		**10.0**	8.3
Contingent consideration		**3.7**	1.2
Put option liability		**2.3**	5.6
Deferred tax		**10.0**	9.0
		41.4	42.9
Current liabilities			
Trade and other payables		**48.1**	54.9
Borrowings		**0.8**	1.3
Lease liabilities		**2.1**	2.3
Provisions		**0.9**	0.6
Contract liabilities		**7.4**	7.6
Contingent consideration		**2.6**	1.8
Put option liability		**3.4**	5.6
Current tax		**0.9**	0.5
		66.2	74.6
Total liabilities		**107.6**	117.5
Net assets		**254.2**	204.4
Equity			
Share capital	11	**0.2**	0.2
Share premium reserve		**14.9**	9.0
Other reserves		**4.5**	6.1
Retained earnings		**239.1**	197.5
Equity attributable to owners of Gamma Communications plc		**258.7**	212.8
Non-controlling interests		**2.2**	3.0
Written put options over non-controlling interests		**(6.7)**	(11.4)
Total equity		**254.2**	204.4

Consolidated statement of cash flows

For the year ended 31 December 2021

	Note	2021 £m	2020 £m
Cash flows from operating activities			
Profit for the year before tax		**67.2**	75.0
Adjustments for:			
Depreciation of property, plant and equipment	8	**8.3**	9.7
Depreciation of right of use asset		**2.7**	2.2
Amortisation of intangible assets	9	**16.1**	11.0
Change in fair value of consideration		**-**	(0.1)
Share based payment expense		**4.8**	3.5
Interest income		**(0.1)**	(0.4)
Finance cost		**1.2**	1.1
Gain on disposal of subsidiary undertaking		**-**	(19.5)
		100.2	82.5
(Increase) in trade and other receivables		**(5.4)**	(6.1)
Decrease in inventories		**0.2**	0.3
(Decrease) in trade and other payables		**(6.2)**	(6.1)
Increase (Decrease) in contract liabilities		**1.5**	(1.2)
(Decrease)/Increase in provisions and employee benefits		**(0.5)**	0.9
Cash generated by operations		**89.8**	70.3
Taxes paid		**(13.3)**	(14.1)
Net cash flows from operating activities		**76.5**	56.2
Investing activities			
Gain on disposal of property, plant and equipment		**0.1**	-
Purchase of property, plant and equipment	8	**(9.1)**	(9.5)
Purchase of intangible assets	9	**(7.7)**	(5.9)
Interest received		**0.1**	0.4
Acquisition of subsidiaries net of cash acquired	10	**(49.3)**	(47.7)
Disposal of subsidiary net of disposed cash		**-**	19.4
Net cash used in investing activities		**(65.9)**	(43.3)
Financing activities			
Lease liability repayments		**(3.1)**	(2.1)
Repayment of borrowings		**(2.3)**	(1.6)
Interest paid		**(0.5)**	(0.3)
Share issues		**5.9**	1.5
Dividends		**(11.7)**	(10.4)
Net cash used in financing activities		**(11.7)**	(12.9)
Net increase in cash and cash equivalents		**(1.1)**	-
Cash and cash equivalents at beginning of the year		**53.9**	53.9
Cash and cash equivalents at end of the year		**52.8**	53.9

Consolidated statement of changes in equity

For the year ended 31 December 2021

	Share capital	Share premium reserve	Other reserves	Retained earnings	Total	Non-Controlling interests	Written put options over non-controlling interests	Total equity
	£m	£m	£m	£m	£m	£m	£m	£m
1 January 2020	0.2	6.6	4.8	140.9	152.5	-	-	152.5
Issue of shares	-	2.4	(1.4)	1.3	2.3	-	-	2.3
Recognition of share-based payment expense	-	-	2.8	-	2.8	-	-	2.8
Tax on share-based payment expense								
- Current	-	-	-	1.0	1.0	-	-	1.0
- Deferred	-	-	-	0.5	0.5	-	-	0.5
Non-controlling interests on acquisition of subsidiary	-	-	-	-	-	2.8	-	2.8
Equity put rights	-	-	-	-	-	-	(11.4)	(11.4)
Dividends paid	-	-	-	(10.4)	(10.4)	-	-	(10.4)
Transactions with owners	-	2.4	1.4	(7.6)	(3.8)	2.8	(11.4)	(12.4)
Profit for the year	-	-	-	64.2	64.2	0.2	-	64.4
Other comprehensive (expense)/income	-	-	(0.1)	-	(0.1)	-	-	(0.1)
Total comprehensive (expense)/income	-	-	(0.1)	64.2	64.1	0.2	-	64.3
31 December 2020	0.2	9.0	6.1	197.5	212.8	3.0	(11.4)	204.4
1 January 2021	0.2	9.0	6.1	197.5	212.8	3.0	(11.4)	204.4
Issue of shares	-	5.9	(2.2)	2.2	5.9	-	-	5.9
Recognition of share-based payment expense	-	-	4.1	-	4.1	-	-	4.1
Tax on share-based payment expense								
- Current	-	-	-	1.7	1.7	-	-	1.7
- Deferred	-	-	-	(0.7)	(0.7)	-	-	(0.7)
Non-controlling interests	-	-	-	1.2	1.2	(1.2)	-	-
Equity put rights	-	-	-	(4.7)	(4.7)	-	4.7	-
Dividends paid	-	-	-	(11.7)	(11.7)	-	-	(11.7)
Transactions with owners	-	5.9	1.9	(12.0)	(4.2)	(1.2)	4.7	(0.7)
Profit for the year	-	-	-	53.6	53.6	0.4	-	54.0
Other comprehensive (expense)/income	-	-	(3.5)	-	(3.5)	-	-	(3.5)
Total comprehensive (expense)/income	-	-	(3.5)	53.6	50.1	0.4	-	50.5
31 December 2021	**0.2**	**14.9**	**4.5**	**239.1**	**258.7**	**2.2**	**(6.7)**	**254.2**

Notes to the consolidated financial statements

For the year ended 31 December 2021

1. Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board ('IASB') as adopted by the United Kingdom ('adopted IFRS'). The financial statements are presented in sterling and, unless otherwise stated, have been rounded to the nearest 0.1 million (£m).

The financial statements have been prepared on a historical cost basis.

The financial information contained in this statement does not constitute statutory financial statements within the meaning of the Companies Act 2006. They are an extract from the full accounts for the year ended 31 December 2021 on which the auditor has expressed an unqualified opinion and do not include any statement under section 498 of the Companies Act 2006. The full accounts contain a detailed statement of the accounting policies which have been used to prepare this summary. The accounts are available at the Gamma Communications plc website and will be posted to shareholders prior to the AGM and subsequently filed at Companies House.

There are no additional standards or interpretations requiring adoption that are applicable to the Group for the accounting period commencing 1 January 2021.

A full set of the audited statutory accounts will be available at:

www.gammacommunicationsplc.com/investors/financial-results-and-shareholder-communications/

2. Accounting policies, judgements and estimates

The accounting policies adopted are consistent with those followed in the preparation of the audited statutory financial statements for the year ended 31 December 2021.

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 estimates and assumptions that have a significant risk of causing a material adjustment within the next financial year are discussed below.

Critical accounting judgements

Critical judgements, apart from those involving estimations, applied in the preparation of the consolidated financial statements are discussed below:

(a) Principal vs agent classification of channel partners

The Group receives payment for products and services from channel partners who onwardly sell to end users. The Group has considered whether channel partners are acting as a principal or an agent under the criteria in IFRS 15.

Where a channel partner has the primary responsibility for providing the products or services to the end user, carries the inventory risk, is free to establish its own prices and bears the credit risk for the amount receivable from the end user then the channel partner is treated as the principal in that transaction. The Group therefore recognises revenue earned in this way based on the transactions with the channel partner and not the end user. For more information on the Group's revenue please see note 3, Segment information.

(b) Revenue recognition

Revenue recognition on contracts may involve providing services over multiple years and involving a number of products. In such instances, judgement is required to identify the date of transaction of separable elements of the contract and the fair values which are assigned to each element. The Group also regularly assesses customer credit risk inherent in the carrying amounts of receivables, contract costs and estimated earnings. For more information on the Group's revenue recognition policy please see note 1, Accounting policies.

Key accounting estimates

There are no key accounting estimates that will have a significant risk of causing a material adjustment within the next financial period.

Alternative Performance Measures

Adjustments to the income statement have been presented because the Group believes that adjusted performance measures (APMs) provide valuable additional information for users of the financial statements in assessing the Group's performance, also represents the underlying performance of the Group. These are also used by the Board and management as key KPIs and one reason for this is to understand how the business is performing. Moreover, they provide information on the performance of the business that management is more directly able to influence and on a basis comparable from year to year.

The measures are adjusted for the following items:

(a) Depreciation and amortisation

Depreciation and amortisation relate to the assets which were acquired by the Group. These are omitted from adjusted operating expenses to allow users of the accounts to compare against other external data sources.

(b) Depreciation and amortisation arising due to business combinations

This adjustment is made to improve the comparability between acquired and organically grown operations, as the latter cannot recognise as wide a range of internally generated intangible assets. Adjusting for amortisation provides a more consistent basis for comparison between the two.

(c) Change in fair value of acquisitions

The change in fair value of deferred consideration and put option liability is adjusted for to improve the comparability between acquired and organically grown operations, providing a more consistent basis for comparison between the two.

(d) Exceptional items

The Group treats certain items which are considered to be one-off or not representative of the underlying trading of the Group as exceptional in nature.

The Directors apply judgement in assessing the particular items, which by virtue of their scale or nature should be classified as exceptional items. The Directors consider that separate disclosure of these items is relevant to an understanding of the Group's financial performance. Any changes to items that are initially identified as exceptional in one year will consistently be treated as exceptional in subsequent periods.

Changes in deferred consideration, reduction of intangible assets and goodwill, and profit upon disposal of a subsidiary are considered to be exceptional where of a certain scale as they are not representative of the primary activities of the Group.

(e) Adjusting tax items

Where movements to tax balances arise and these do not relate to the underlying trading current year tax charge, these are adjusted in determining certain APMs as they do not reflect the underlying performance in that year.

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

Measure	Statutory Basis	Amortisation of intangibles	Change in fair value of acquisitions	Adjusting tax items	Exceptional items **	Adjusted basis
2021						
PBT (£m)	67.2	9.5	0.5	-	-	77.2
PAT* (£m)	53.6	9.5	0.5	(1.5)	-	62.1
EPS (FD) (p)	55.2	9.8	0.5	(1.5)	-	64.0
2020						
PBT (£m)	75.0	6.0	0.3	-	(19.6)	61.7
PAT* (£m)	64.2	6.0	0.3	(1.5)	(19.6)	49.4
EPS (FD) (p)	66.6	6.2	0.3	(1.5)	(20.3)	51.3

*PAT is the amount attributable to the ordinary equity holders of the Company.

** See note 4 for further details.

In addition to the above we add back the depreciation and amortisation charged in the year to Profit from Operations (2021: £68.3m; 2020: £75.7m) to calculate a figure for EBITDA (2021: £95.4m; 2020: £98.6m) which is commonly quoted by our peer group internationally and allows users of the accounts to compare our performance with those of our peers. We further adjust EBITDA for exceptional items as this gives a reader of the accounts a view of the underlying trading picture which is comparable from year to year (2021: £95.4m; 2020: £79.0m).

An adjustment to the cash has been presented because the Group believes that adjusted performance measures (APMs) provide valuable additional information for users of the financial statements in assessing the Group's performance as Net Cash is a better measure of liquidity.

	2021	2020
	£m	£m
Cash and cash equivalents	**52.8**	53.9
Borrowings	**(3.3)**	(5.9)
Net Cash	**49.5**	48.0

3. Segment information

The Group's main operating segments are outlined below:

- UK Indirect – This division sells Gamma's products to channel partners and contributed 60% (2020: 63%) of the Group's external revenue.
- UK Direct – This division sells Gamma's products to end users in the SME, Enterprise and Public sector together with an associated service wrap. It contributed 24% (2020: 25%) of the Group's external revenues.
- European - This division consists of sales made in Europe by Gamma Communications Benelux B.V. and its subsidiaries in the Netherlands, by VozTelecom Oigaa360 S.A.U. and its subsidiaries in Spain and by HFO Holding GmbH and its subsidiaries in Germany contributing 16% (2020: 12%) of the Group's external revenues.
- Central functions – This is not a revenue-generating segment but is made up of the central management team and wider Group costs.

Factors that management used to identify the Group's reportable segments

The Group's reportable segments are strategic business units that offer products and services into different markets. They are managed separately because each business requires different marketing strategies and are reported separately to the Board and management team. Management are in the process of reviewing the go to market segments.

Measurement of operating segment profit or loss, assets and liabilities

The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies. The Group evaluates performance on the basis of profit or loss from operations but excluding non-recurring losses, such as goodwill impairment 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.

2021	UK Indirect £m	UK Direct £m	European £m	Central functions £m	Total £m
Segment revenue	293.6	104.8	72.7	-	471.1
Inter-segment revenue	(23.4)	-	-	-	(23.4)
Revenue from external customers	270.2	104.8	72.7	-	447.7
Timing of revenue recognition					
At a point in time	17.5	2.7	27.4	-	47.6
Over time (recurring)	252.7	102.1	45.3	-	400.1
	270.2	104.8	72.7	-	447.7
Total gross profit	**143.2**	**52.6**	**32.7**	**-**	**228.5**
Operating expenses	(90.3)	(27.6)	(34.3)	(8.0)	(160.2)
Earnings before depreciation, amortisation and exceptional items	**66.7**	**27.3**	**9.4**	**(8.0)**	**95.4**
Exceptional items	-	-	-	-	-
Earnings before depreciation and amortisation	**66.7**	**27.3**	**9.4**	**(8.0)**	**95.4**
Depreciation and amortisation (excluding business combinations)	(12.8)	(0.9)	(3.9)	-	(17.6)
Depreciation and amortisation arising due to business combinations	(1.0)	(1.4)	(7.1)	-	(9.5)
Profit/(loss) from operations	**52.9**	**25.0**	**(1.6)**	**(8.0)**	**68.3**

External customer revenue has been derived principally in the geographical area of the operating segment and no single customer contributes more than 10% of revenue.

2021	UK Indirect £m	UK Direct £m	European £m	Central functions £m	Total £m
Additions to non-current assets	13.3	2.4	2.7	-	18.4
Reportable segment assets	241.7	18.9	101.2	-	361.8
Reportable segment liabilities	56.1	17.0	34.5	-	107.6

2020	UK Indirect £m	UK Direct £m	European £m	Central functions £m	Total £m
Segment revenue	268.5	98.1	48.5	-	415.1
Inter-segment revenue	(21.3)	-	-	-	(21.3)
Revenue from external customers	**247.2**	**98.1**	**48.5**	**-**	**393.8**
Timing of revenue recognition					
At a point in time	14.7	4.0	15.8	-	34.5
Over time (recurring)	232.5	94.1	32.7	-	359.3
	247.2	98.1	48.5	-	393.8
Total gross profit	**132.2**	**46.3**	**22.3**	**-**	**200.8**
Operating expenses	(87.3)	(4.2)	(25.6)	(8.0)	(125.1)
Earnings before depreciation, amortisation and exceptional items	**59.6**	**23.4**	**4.0**	**(8.0)**	**79.0**
Exceptional items	-	19.5	0.1	-	19.6
Earnings before depreciation and amortisation	**59.6**	**42.9**	**4.1**	**(8.0)**	**98.6**
Depreciation and amortisation (excluding business combinations)	(13.6)	(0.5)	(2.8)	-	(16.9)
Depreciation and amortisation arising due to business combinations	(1.1)	(0.3)	(4.6)	-	(6.0)
Profit/(loss) from operations	**44.9**	**42.1**	**(3.3)**	**(8.0)**	**75.7**

External customer revenue has been derived principally in the geographical area of the reporting segment and no single customer contributes more than 10% of revenue.

2020	UK Indirect £m	UK Direct £m	European £m	Central functions £m	Total £m
Additions to non-current assets	16.4	0.2	4.5	-	21.1
Reportable segment assets	199.6	31.1	90.9	-	321.6
Reportable segment liabilities	60.1	15.0	42.1	-	117.2

4. Exceptional items

	2021	2020
	£m	£m
Contingent consideration adjustment – Nimsys[1]	**-**	0.1
Profit upon disposal of subsidiary[2]	**-**	19.5
Total exceptional items	**-**	19.6

[1]Contingent consideration due in respect of Nimsys was decreased by £0.1m, this was credited to the statement of comprehensive income.

[2]Relates to the sale of The Loop Manchester on 31 December 2020.

5. Taxation on profit on ordinary activities

	2021	2020
	£m	£m
Current tax expense		
Current tax on profits for the year	**13.4**	12.1
Adjustment in respect of prior year	**0.6**	0.1
Overseas tax	**1.0**	0.5
Total current tax	**15.0**	12.7
Deferred tax expense		
Origination and reversal of temporary differences	**(1.7)**	(2.3)
Adjustment in respect of prior years	**(0.5)**	0.1
Tax rate change	**0.4**	0.1
Total deferred tax	**(1.8)**	(2.1)
Total tax expense	**13.2**	10.6

The reasons for the difference between the actual tax charge for the year and the standard rate of corporation tax in the United Kingdom applied to profits for the year are as follows:

	2021	2020
	£m	£m
Profit before income taxes	**67.2**	75.0
Expected tax charge based on the standard rate of United Kingdom corporation tax at the domestic rate of 19% (2020: 19%)	**12.8**	14.3
Effects of:		
Tax-exempt income	**-**	(3.7)
Tax effect of expenses that are not deductible in determining taxable profit	**0.2**	-
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(0.1)**	(0.2)
Tax rate change	**0.4**	-
Exceptional (tax credit on reduction of intangibles)	**(0.2)**	-
Adjustment in respect of prior years	**0.1**	0.2
Total tax expense	**13.2**	10.6

6. Earnings per share

	2021	2020
Earnings per Ordinary Share – basic (pence)	**55.9**	67.5
Earnings per Ordinary Share – diluted (pence)	**55.2**	66.6

The calculation of the basic and diluted earnings per share is based on the following data:

	2021	2020
	£m	£m
Earnings		
Profit after tax attributable to the ordinary equity holders of the company	**53.6**	64.2

Shares	**Number**	Number
Basic weighted average number of Ordinary Shares	**95,894,913**	95,058,880
Effect of dilution resulting from share options	**1,166,725**	1,273,867
Diluted weighted average number of Ordinary Shares	**97,061,638**	96,332,747

In 2021, as part of Gamma's acquisitions certain vendors of Mission Labs reinvested £2.8m (182,086 shares) and the vendors of HFO reinvested £0.7m (37,294 shares). In June 2021 £0.3m of Ordinary Shares (15,844 shares) were issued as part of the deferred consideration for the acquisition of Exactive Holdings Limited.

Adjusted earnings per share is detailed below:

	2021	2020
Adjusted earnings per Ordinary Share – basic (pence)	**64.8**	51.9
Adjusted earnings per Ordinary Share – diluted (pence)	**64.0**	51.3

Adjusted profit used in the calculation of adjusted earnings per share is detailed below:

	2021	2020
	£m	£m
Earnings		
Profit attributable to the ordinary equity holders of the company	**53.6**	64.2
Depreciation and amortisation arising on business combinations	**9.5**	6.0
Movement on fair value of put option	**0.5**	0.3
Exceptional items (disposal of subsidiary)	**-**	(19.5)
Exceptional items (change in value of deferred consideration)	**-**	(0.1)
Adjusting tax items	**(1.5)**	(1.5)
Adjusted profit after tax for the year	**62.1**	49.4

7. Dividends

The following dividends were paid by the Group to its shareholders:

	2021	2020
	£m	£m
Final dividends for the year ended 31 December 2019 of 7.0p per ordinary share	-	6.6
Interim dividend for the year ended 31 December 2020 of 3.9p per ordinary share	-	3.8
Final dividends for the year ended 31 December 2020 of 7.8p per ordinary share	7.5	-
Interim dividend for the year ended 31 December 2021 of 4.4p per ordinary share	4.2	-
	11.7	10.4

A final dividend of 8.8p will be proposed at the Annual General Meeting but has not been recognised as it requires approval. The total amount of dividends proposed is 13.2p. The payments of these dividends do not have any tax consequences for the Group.

8. Property, plant and equipment

	Land and buildings	Network assets	Computer equipment	Fixtures and fittings	Total
	£m	£m	£m	£m	£m
Cost					
At 1 January 2021	4.8	71.9	11.6	2.0	90.3
Additions	-	7.5	1.1	0.5	9.1
Acquisition of subsidiaries	-	-	0.1	-	0.1
Disposals	-	(0.6)	(0.3)	(0.1)	(1.0)
Exchange differences	(0.3)	(0.1)	(0.2)	-	(0.6)
At 31 December 2021	4.5	78.7	12.3	2.4	97.9
Depreciation					
At 1 January 2021	0.1	44.7	7.9	1.3	54.0
Charge for the year	0.2	6.1	1.7	0.3	8.3
Disposals	-	(0.5)	(0.3)	(0.1)	(0.9)
Exchange difference	-	-	(0.3)	-	(0.3)
At 31 December 2021	0.3	50.3	9.0	1.5	61.1
Net book value					
At 1 January 2021	4.7	27.2	3.7	0.7	36.3
At 31 December 2021	**4.2**	**28.4**	**3.3**	**0.9**	**36.8**

9. Intangible assets

	Goodwill	Customer contracts	Brand	Development costs	Software	Total
	£m	£m	£m	£m	£m	£m
Cost						
At 1 January 2021	55.0	48.6	2.4	17.6	16.6	140.2
Additions	-	-	-	4.8	2.9	7.7
Acquisition of subsidiaries	38.7	1.5	0.9	5.2	-	46.3
Transfer	-	-	-	0.8	(0.8)	-
Disposals	-	-	(1.0)	-	-	(1.0)
Exchange differences	(1.9)	(2.5)	(0.1)	(0.3)	(0.2)	(5.0)
At 31 December 2021	**91.8**	**47.6**	**2.2**	**28.1**	**18.5**	**188.2**
Amortisation						
At 1 January 2021	8.8	13.5	0.7	10.1	11.8	44.9
Charge for the year	-	7.4	1.3	4.3	3.1	16.1
Transfer	-	-	-	0.4	(0.4)	-
Disposals	-	-	(1.0)	-	-	(1.0)
Exchange differences	(0.1)	(0.7)	(0.1)	-	(0.2)	(1.1)
At 31 December 2021	**8.7**	**20.2**	**0.9**	**14.8**	**14.3**	**58.9**
Net book value						
At 1 January 2021	46.2	35.1	1.7	7.5	4.8	95.3
At 31 December 2021	**83.1**	**27.4**	**1.3**	**13.3**	**4.2**	**129.3**

Amortisation on intangible assets is charged to the consolidated statement of profit or loss and included in operating expenses.

Given the recent acquisition date of Voz in April 2020, the company is still in its early integration life cycle stage with the Group; the headroom between the recoverable amount (determined based on a value in use model) and the carrying value of the Spain cash generating unit (“CGU”) is modest at £12m (2020: £11m) at the measurement date. We expect the headroom to increase in future periods as the business delivers its UCaaS growth strategy. We have considered reasonably possible changes in key assumptions that could cause an impairment at 31 December 2021, and have identified two key assumptions relating to the cash flows in years 1 to 5, being:

1. The Group's value in use cash flows assumes a double-digit revenue CAGR over the five-year period. A decrease in the forecast revenue CAGR by 4% (2020: 3%) over this period, would see the headroom reduced to nil.
2. To breakeven, the EBITDA margin percentage achieved in year 5 would need to reduce by 9% (2020: 5%).

10. Business combinations

Summary of acquisitions

On the 3 March 2021 the Group acquired 100% of Mission Labs Limited and its subsidiaries. ("Mission Labs"). Mission Labs is a leading developer of applications to manage cloud contact centres and enhance customer experience.

The identifiable asset and liabilities acquired are as follows:

	Mission Labs
	£m
Tangible fixed assets	0.1
Right of use assets	0.1
Intangible - development costs	5.2
Intangible - customer contracts	1.5
Intangible – brand	0.9
Cash	2.4
Trade receivables	1.0
Other receivables	0.3
Trade payables	(0.3)
Other payables	(0.5)
Borrowings	(0.2)
Deferred tax liability	(1.3)
Net identified assets acquired	9.2
Add: Goodwill	38.7
Net assets acquired	**47.9**
Satisfied by:	
Cash paid	43.2
Contingent consideration[1]	4.7
Fair value of purchase consideration	**47.9**

[1]Contingent consideration is based on Mission Labs achieving milestones in 2021,2022 and 2023. Consideration of up to £6.0m may be payable. The fair value of £4.7m at acquisition is based on a payout of £5.7m which takes into account the weighted probability of success.

Net cash outflow on acquisitions:

	Mission Labs	Other	Total
	£m	£m	£m
Cash consideration	43.2	-	43.2
Less: cash acquired	(2.4)	-	(2.4)
Net outflow of cash for acquisitions in the year	40.8		40.8
Contingent consideration payments during the year	-	3.5	3.5
Put option liability payment in the year	-	5.0	5.0
Net outflow of cash - Investing activities	40.8	8.5	**49.3**

Valuations of intangible assets

Customer contracts were valued under the Replacement Cost and Distributor approach as appropriate. Technology was valued under the multi-period excess earning model and Brand under the Relief-from-royalty methodology.

Goodwill

The goodwill encapsulates the ability to grow through new technology and attracting new customers as well as the synergies gained through bringing Mission Labs into the Group. It is attributable to the UK Indirect CGU and is not deductible for tax purposes.

Acquired receivables

The fair value of acquired trade receivables for Mission Labs is £1.0m. The gross contractual amount for trade receivables due is £1.0m.

Revenue and Profit Contribution

From the date of acquisition, Mission Labs has contributed £5.4m of revenue and £2.2m of loss after taxation attributable to the equity holders of Gamma Communications plc.

If the acquisition occurred on 1 January 2021, Mission Labs would have contributed £7.1m revenue and £2.3m loss after taxation attributable to the equity holders of Gamma Communications plc.

11. Share capital

At 31 December the share capital was as follows:

	Number	£m
1 January 2021		
Ordinary Shares of £0.0025 each	95,402,437	0.2

	Number	
At 1 January 2021	95,402,437	
Movement:		
January	5,629	(a)
March	8,305	(a)
April	182,086	(b)
April	23,715	(a)
May	47,400	(a)
June	359,377	(a)
June	37,294	(c)
June	15,844	(d)
July	144,727	(a)
August	327	(a)
September	44,536	(a)
October	19,487	(a)
November	10,582	(a)
December	21,308	(a)
At 31 December 2021	96,323,054	

(a) Ordinary Shares were issued to satisfy options which had been exercised.

(b) Ordinary shares were issued to certain vendors of Mission Labs as a result of reinvestment in Gamma.

(c) Ordinary shares were issued to a certain vendor of HFO Holding GmbH as a result of reinvestment in Gamma.

(d) Ordinary shares were issued as consideration to the shareholders of Exactive Holdings Limited.

	Number	£m
31 December 2021		
Ordinary Shares of £0.0025 each	**96,323,054**	**0.2**

12. Other Reserves

	Merger reserve	Share option reserve	Foreign exchange reserve	Own shares	Total other reserves
	£m	£m	£m	£m	£m
1 January 2020	2.3	3.8	(0.6)	(0.7)	4.8
Issue of shares	-	(1.4)	-	-	(1.4)
Share-based payment expense	-	2.8	-	-	2.8
Other comprehensive income	-	-	(0.1)	-	(0.1)
31 December 2020	2.3	5.2	(0.7)	(0.7)	6.1
1 January 2021	2.3	5.2	(0.7)	(0.7)	6.1
Issue of shares	-	(2.2)	-	-	(2.2)
Share-based payment expense	-	4.1	-	-	4.1
Other comprehensive income	-	-	(3.5)	-	(3.5)
31 December 2021	**2.3**	**7.1**	**(4.2)**	**(0.7)**	**4.5**

13. Events after the reporting date

There have been no significant events affecting the Group since 31 December 2021.