Working smarter, together.

Gamma Communications plc
Annual Report and Accounts 2020

Gamma is a leading technology-based provider of communication services to the business market in Western Europe.

Online report

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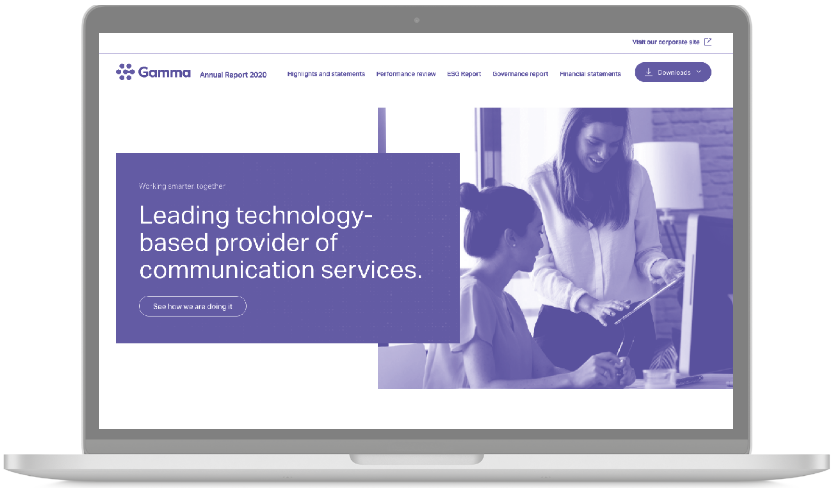


Strong organic growth in the UK supported by strategic acquisitions in Europe combine to deliver positive results for 2020

Revenue

£393.8m +20%

Growth from £328.9m to £393.8m

Profit from operations

£75.7m +66%

Growth from £45.5m to £75.7m

Adjusted EBITDA*

£79.0m +24%

Growth from £63.5m to £79.0m

Dividend

11.7p +11%

Grew from 10.5p to 11.7p

* All adjusted measures set out throughout this document which are described as "adjusted" represent Alternative Performance Measures ("APMs") and are defined and reconciled in the Financial Review section and are applied consistently. Where reference is made to adjusted EPS this is stated on a fully diluted basis ("FD's"). Our policy on the use of APMs is included in note 3.

Richard Last
Chair

"2020 has been a good year for Gamma in difficult circumstances; our partners and employees have worked hard to deliver continued growth."

Dividend per share

11.7p +11%

Earnings per share

66.6p +84%

Adjusted earnings per share

51.3p +26%

Overview of results

Group revenue for the year ended 31 December 2020 increased by £64.9m to £393.8m (2019: £328.9m) an increase of 20% on the prior year. Despite lower sales in quarter two due to the COVID-19 restrictions, organic growth in revenue amounted to £28.7m (+9%). Adjusted EBITDA for the Group increased by £15.5m (24%) to £79.0m (2019: £63.5m) whilst organic EBITDA growth was £11.6m. Organic growth excludes the results of acquisitions made in 2020. Adjusted items are explained and reconciled in the Financial review and note 3.

Fully diluted earnings per share for the year increased by 84% to 66.6p (2019: 36.1p). Adjusted earnings per share (FD) for the year increased by 26% to 51.3p (2019: 40.8p), with the main adjusting item being the profit made on the sale of The Loop (the fibre business based in Manchester) which generated a profit of £19.5m. Adjusted items are explained and reconciled in the financial review. The cash generated by operations for the year was £70.3m compared to £54.0m in 2019. The closing cash balance for the year was £53.9m which was the same as at the end of December 2019. This cash balance has been maintained despite investing £15.4m on capital items, £52.8m on acquisitions and paying £10.4m in dividends. The disposal of The Loop generated a cash income of £19.4m. Subsequent to year end, the Group paid initial consideration (on a cash free basis) of £40.2m for Mission Labs Limited.

Overview of the year

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

- The whole business has responded well to a difficult period; we have been able to run the business with the vast majority of our staff working from their homes.
- Growth in revenue and profitability has been good despite the economic downturn caused by COVID-19. The Group's recurring revenue model has proved robust and its product set supports businesses which have had to work remotely. The Group has seen cancellations and bad debt remain at the low levels experienced prior to the pandemic.
- There has been strong growth in the volumes of our key UCaaS products in the UK. SIP Trunking units increased by 17% (this includes MS Teams Direct Routing) and Cloud PBX units increased by 15%. In Europe we now have 114,000 Cloud PBX seats – 16% of our total seats.
- In April 2020, we launched a Microsoft Teams Direct Routing product to our Channel Partners, making Gamma's market-leading SIP trunks available to Enterprises using Microsoft Teams. This is an expanding market and we have already connected thousands of individuals to the platform since the launch.
- During the year, the Group acquired UCaaS providers in two countries – Voz Telecom (Spain) and HFO (Germany). We had started discussions with both businesses before the pandemic made international travel difficult. As we have known management for some time, the integration continues to go well. The UCaaS market in both countries is significantly less penetrated than in the UK but is expected to grow rapidly. We also acquired gnTel in the Netherlands (which provides a product capability and opens up a new route to market through partners who specialise in IT).
- To improve our product offering in the UCaaS space, Gamma acquired Exactive in the UK (which supports companies wishing to use Microsoft Teams as a UCaaS solution). After the year end we acquired Mission Labs Limited which will give us additional capabilities in the rapidly evolving markets of Cloud Contact Centre and Cloud Communications.
- The Group continues to develop its product portfolio, it launched Horizon Contact Centre on 2 March 2021 which has been received positively by our channel partners. Further product releases are expected throughout 2021.

Board and governance

I was delighted to welcome Charlotta Ginman and Xavier Robert onto the Board on 8 September 2020 as additional Independent Non-Executive Directors.

Charlotta holds a number of non-executive roles at both AIM and fully listed businesses and is also the chair of the audit committee at Keywords Studios plc, Pacific Asset Trust plc and Polar Capital Technology Trust plc.

Xavier Robert is Head of UK at Bridgepoint Private Equity and was their Global head of TMT from 2011 to 2018. He has acted as a non-executive for many private companies – in many cases as chairman of the Board or chair of the remuneration or audit committees. He is a French national and lives in the UK. He has significant experience of international M&A.

As we announced on the 23 March 2021 Alan Gibbins will be leaving the Board following our AGM in May 2021. Alan has been a Non-Executive Director and Chair of the Audit Committee since our flotation in 2014. I am grateful for all of his hard work and contribution to the Board. Charlotta will take over as Chair of the Audit Committee following Alan's departure.

On 2 June 2020, the Nominations Committee appointed Martin Lea as Senior Independent Director.

On 5 June 2020, it was decided to rotate the Chair of the Remuneration Committee. Martin Lea stood down as its chair after six years and handed over to Henrietta Marsh. Henrietta has been a member of the committee since joining the Board in April 2019 and has previously chaired remuneration commitees at other premium listed and AIM traded companies.

On 3 August 2020, the Board created a separate Environmental, Social and Governance ("ESG") Committee. This committee is chaired by Martin Lea and consists of a mixture of Non-Executive and Executive Directors. I am pleased to say that Gamma already has a strong set of ESG credentials; the purpose of the committee is to encourage and oversee the underlying activity and to ensure that we report in line with the emerging standards in this area.

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

Employees

At 31 December 2020, we had 1,530 employees in the Group based in seven countries. During the year I was pleased to welcome the staff of Exactive in the UK and Poland, Voz Telecom in Spain and Morocco, HFO in Germany and gnTel in the Netherlands and Germany 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 particularly pleasing to see the high take-up, with 449 staff choosing to participate in the scheme (2019: 459). 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.

The Board recognises the high levels of support and commitment from its staff through what has been a very difficult year. We would like to express our thanks for their dedication, hard work and enthusiasm. Gamma did not take advantage of the UK Government's Job Retention Scheme ("furlough") nor similar schemes offered by governments in the other countries in which we operate.

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. Having carefully considered the interests of all stakeholders, and noting that the Group has continued to be cash generative and has not availed itself of Government support, the Board has continued with this policy throughout 2020.

The Board is pleased to propose a final dividend, in respect of the year ended 31 December 2020, of 7.8 pence per share (2019: 7.0 pence), an increase of 11%. Subject to shareholder approval at the forthcoming AGM, this dividend will be payable on Thursday 24 June 2021 to shareholders on the register on Friday 4 June 2021. When added to the 3.9 pence interim dividend (2019: 3.5 pence) this would make a total dividend of 11.7 pence for the year as a whole (2019: 10.5 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. We run a certified CarbonNeutral© network and we have also now committed to supporting the UN Sustainable Development Goals.

Since Gamma's inception nearly 20 years ago, we have taken our responsibilities to the wider environment seriously and were the first UK carrier to offer "Green minutes" back in 2007. Prior to COVID-19, as a business which is based on multiple sites, we encouraged our people not to travel but rather to use our own collaborative communications tools which both reduces our carbon emissions and promotes employee wellbeing. This has stood us in good stead for the conditions in which we have had to operate throughout 2020.

Current Trading and Outlook

The Board is positive about the outlook for the Group in 2021 and beyond. Our product set is well suited to organisations that wish to work remotely as part of their disaster recovery plans or who will choose to allow more flexible working in future. We believe that experiences learned from the COVID-19 pandemic will demonstrate the advantages of UCaaS to businesses of all sizes across all industries and we expect to see continuous growth in UCaaS product sales.

Gamma will continue to concentrate efforts and investment on supporting our channel partners and end users. We will 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.

Richard Last
Chair

The future of business communications

1

Market Trend

Accelerated move to Cloud based business communications services

2020 was the year of cloud-based business, and domestic communications services. The move to more home and remote working driven by the pandemic, accelerated a trend that had been under way for many years. The key benefits of cloud-based business communications are:

- Flexible delivery of the service to the end user, in an office / at home / on the move
- Scalability of the service to support peaks and troughs of usage as the business requires
- Business continuity – always available communications regardless of the circumstances
- Commercial flexibility – pay for what you need on a monthly basis

Cloud-based business communication services have come into their own during these uncertain times, and increased the awareness across all business markets of the benefits of cloud-based services.

The market opportunity of adoption is still mainly untapped across the UK and European markets that Gamma operate in, with less than 30% market adoption even in the most “advanced “ countries.

Gamma Response

As one of the leading providers of Unified Communications as a Service (UCaaS) in Europe for over 10 years, Gamma is well positioned to support businesses looking to transition to a more flexible cloud-based business communications service.

Gamma supports businesses in that transition with a range of solutions and services tailored to fit the customers’ short-term and long-term requirements.

During 2020 we have enhanced our Horizon Collaborate service to support customers looking to move to a full collaboration service for their internal and external communications requirements.

In addition, we have supported tens of thousands of users looking to fully enable their investment in Microsoft Office / Teams, providing value added services to the Teams environment to ensure the power of Teams was fully enabled. This service development was built on the combination of the acquisition that we made of Exactive in 2020, and the Gamma market leading SIP trunking service.

The continued development of the UCaaS services is at the core of the Gamma product development roadmap, as we look to enhance our services across all our target markets.

Gamma provides business communication services that are flexible, scalable and secure to meet today's and tomorrow's challenges. Underpinning the business and user trends are a number of technology and industry directions that support the overall changes in how businesses operate.

2

Market Trend

Customer contact moves from calls to multiple contact methods

Customers want to contact businesses and organisations how they want to, not how the business may want to steer them!

With customers now looking to engage with all businesses in a more digital way (or at least having the option to engage that way) all types and sizes of organisations need to embrace a model that supports multiple customer contact methods in an integrated / structured way.

The technology that supports this integrated customer contact model has been deployed in large scale B2C contact centres, but the adoption and requirement of these services is now accelerating in all size businesses. It is becoming critical to have a multiple contact medium strategy to generate leads and improve customer satisfaction – the lifeblood of all businesses.

Gamma Response

Gamma acquired Telsis in 2019 to form the basis of our customer contact platform strategy. This platform that combines customer contact from calls, email and web chat fully integrated into our Cloud PBX and Collaboration services provides a customer contact platform for all sizes of businesses, but is especially targeted at SMEs by providing a simple to configure service for smaller businesses at a price point that works for their business.

Horizon Contact was launched in March 2021 with an extensive roadmap of functionality and integrations to meet the demands of all the Gamma target routes to market.

In March 2021 Gamma acquired Mission Labs which will allow Gamma to enhance and expand its cloud contact centre technology.

3

Market Trend

High bandwidth connectivity – Everywhere

Key to supporting the take up of cloud applications is the provision of high bandwidth, high availability and secure connectivity, regardless of whether that connectivity is provided to a business, home or user location via fixed or mobile access means.

Bandwidth and connectivity to provide uninterrupted and consistent access to the cloud-based business communications application is now the expected norm for business users and their clients. Whether that is to support a video conference or share an online document, to do it efficiently needs reliable and scalable connectivity.

Gamma Response

As a UCaaS provider born out of a Telco, Gamma appreciates that the application quality is only deliverable when the complete connection chain is optimal.

That is why Gamma provides packages of fixed and mobile connectivity to support customers accessing the Gamma applications and all other critical applications for the customer.

Gamma delivers a range of technologies to fit the end customer requirements from single fibre broadband services through to multisite Wide Area Network solutions using the latest SD WAN technologies.

Supporting business acceleration

Gamma is a leading technology-based provider of communication services to the business market in Western Europe via our extensive network of trusted channel partners and also directly.

The combination of network investment, a digital-first approach and in-house development skills has enabled Gamma to develop a comprehensive portfolio of communications services with a significant amount of intellectual property, which has given us a heritage of disrupting the market with innovative and market-leading cloud-based services such as SIP trunking and UCaaS in the UK.

Our differentiators

We believe we are a truly different and unique communications service provider and it is these five areas that set us apart from other businesses:

- **Product and network quality**
- **Channel automation**
- **Digital platforms**
- **Commercial agility**
- **Our people**

Opportunities

- **New UcaaS products**
- **New channel development**
- **Technology acquisitions**
- **New routes to market acquisitions**

How we create value

Our product categories

Unified Communications

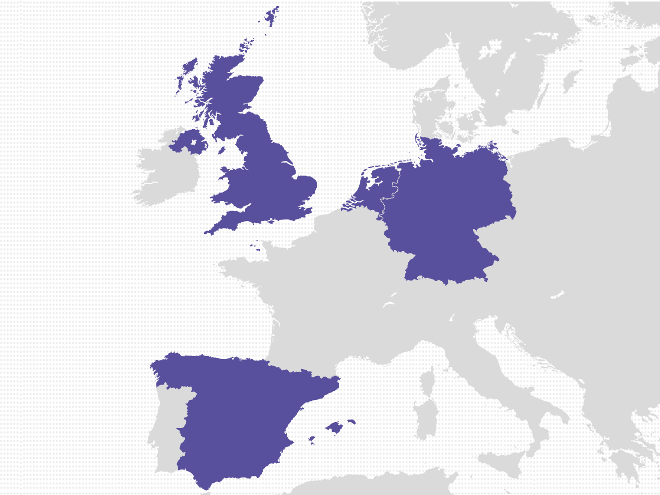
Our award-winning range of Unified Communications products enables businesses to raise productivity, boost agility and increase collaboration. From messaging and video calling to instant conference services, we help reduce costs and operational complexity while increasing employee engagement.

SIP trunking and call management

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

Where we operate

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



Market trends

The future of business communications:

1
Move to cloud-based business communications services

2
Always available customer contact

3
High speed connectivity

Market Trends
Page 4

Mobile

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

Connectivity

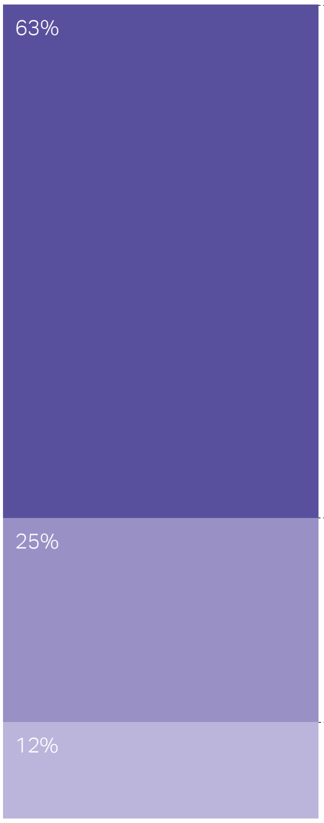
Our high-performance connectivity products deliver outstanding speeds combined with robust security and resilience measures; from broadband and Ethernet to advanced WAN services, we provide businesses with the customisable connectivity they need to grow.

CEO statement
Page 8

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.

Proportion of revenue



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

UK Direct
Our Direct business supports the requirements of Enterprises, Mid-markets and Public sector organisations looking to contract with the network operator.

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

Outputs

Shareholders
154%
Total shareholder return over three years

Our people
1,530
employees in seven countries

Customers
Innovative UCaaS solutions

Suppliers
£246m
spent over £246m per annum

s172 statement
Page 26

Andrew Taylor
CEO

"We have delivered a good business performance and a very good set of financial results, with both our UK and European businesses continuing to develop and grow positively."

Revenue

£393.8m +20%

Gross profit

£200.8m +21%

I am pleased to report another excellent set of financial results for 2020.

As well as executing against our short-term commitments, throughout 2020 we have also focused heavily on the further development and execution of our medium and longer-term growth strategy. We have, both organically and through acquisition, accelerated the development of our technology and product capabilities, while extending our European footprint. In addition, we have developed and strengthened the skills and capabilities of our team, while continuing our focus and investment on building digital platform capabilities and skills across Gamma.

I am very pleased with how the whole Group continues to respond to the COVID-19 pandemic. Our focus throughout has been on the safety and wellbeing of our staff, our partners and our end-customers but we have also sought to ensure that business continuity was at the heart of our planning and support. The level of support and engagement from all of our staff has been excellent throughout, and I want to give my thanks to the entire Gamma team for how they have responded to this challenging period for everyone. The services we provide to business customers have always been vital, and during the pandemic the structural changes to our marketplace have substantially reinforced both the importance of this and future growth opportunities for Gamma and our overall sector. We believe that the experience of COVID-19 will only accelerate the adoption of cloud services in the business market in the medium to long term, thereby reinforcing our overall UCaaS strategy.

Despite very difficult COVID-related economic and business market conditions, we have continued to grow and strengthen our position in our core UK market. Importantly, we have benefitted from our “SaaS” recurring revenue business model.

During the period we have made very good progress with the integration of our acquisitions that we previously made to support both our geographical expansion and the acceleration of our UCaaS technology and product strategy. These businesses, which include Dean One, Nimsys, Telsis and Exactive, are now very much part of the Gamma Group. In addition, during the period, we have expanded our business across mainland Europe through our first acquisitions in Spain (Voz Telecom) and Germany (HFO Group), as well as completing another bolt-on acquisition in the Netherlands (gnTel). All acquisitions are making very positive progress.

I am delighted with the continued investment and progress we have made throughout 2020, to both expand and strengthen our technology, product set, service, and delivery capabilities across Gamma. In November 2019 we acquired Telsis, which had cloud contact centre capabilities. Using this capability, we have recently launched our Horizon cloud contact centre solution (CCaaS) – this is aimed at end users in the SME market and is fully integrated into Horizon (our leading Cloud PBX service).

"I am delighted with the continued investment and progress we have made throughout 2020, to both expand and strengthen our technology, product set, service, and delivery capabilities across Gamma."

In February 2020, we acquired Exactive Holdings Ltd ("Exactive"), a unified communications specialist with expertise in Microsoft Teams. This has helped us to deliver our strategic objective of further developing our UCaaS proposition by enabling us to configure Microsoft Teams as a full UCaaS solution for those customers who require it – these customers tend to be larger in size. During the year, we also launched Microsoft Teams Direct Routing – a product which enables our Channel Partners to facilitate the implementation of Microsoft Teams for those end users who choose to do that. We will also be launching the tools which will allow our customers to integrate our Horizon product with Microsoft Teams later this year.

I would also like to highlight the progress we have made in developing and expanding both our mobile and fixed data access product portfolio in the UK and across Europe. We plan to launch our new UK MVNO service during the first half of 2021 and, when combined with our fixed access portfolio, this provides an opportunity for our sales team and channel partners to up-sell and cross-sell Gamma's access products.

I am also pleased that (after the end of the year under review) we acquired Mission Labs, a UCaaS technology business who we have previously partnered with and got to know over the last 18 months. This acquisition will deliver significant benefits to Gamma:

- It will enable us to enhance and expand our Cloud Contact Centre as a Service (CCaaS) technology, product, and channel partner capabilities with larger enterprise sized customers. Mission Labs has a well-established product and exciting AI capabilities which are complementary to our recent Telsis acquisition.
- It will allow us to accelerate our digital channel strategy, through the Mission Labs CircleLoop platform. CircleLoop provides a cloud-based telephony product which is fully serviced through the web and aimed at micro-businesses. We plan to launch our first jointly developed product (PhoneLine+) in the UK during Q2 2021.
- It has brought a group of highly talented software developers to Gamma, who will work with our existing team to define and deliver products in the UCaaS and CCaaS space.
- It has provided Gamma with a product capability and technology platform which supports our future growth plans and opportunities across the UK and Europe.

Business review

UK Indirect Business

The UK Indirect Business accounted for 63% of our group revenue in 2020, and I am very pleased to report that it performed very strongly, with gross profit up 11% to £132.2m and revenue up by 7% to £247.2m. Gross margin went up from 51.8% to 53.5% (which reflects an ongoing shift towards our higher margin UCaaS products). This performance demonstrates the robustness of our indirect channel to market and the high relevance of our products and services during the pandemic.

In response to the COVID-19 pandemic, during Q2 we introduced a "COVID-19 Support Package" for our UK channel partners, which allowed them to hibernate customers (i.e. temporarily pause their contracts) or to provide home working capability without charge from Gamma. This provided commercial assistance and a measure of certainty at a time when it was needed most and built a strong level of goodwill across our partner base.

During the period, most of our business has been conducted remotely with our partners, which has reinforced the benefits of our digital eLearning (Gamma Academy) and eMarketing (Gamma Accelerate) platform capabilities. These are now embedded into the everyday activity of our partner base, and during the period our partners completed 19,690 training courses and ran 303 digital marketing campaigns using our Gamma Accelerate platform.

Our overall product performance was strong, and we delivered net volume growth across all major product categories.

- Our UCaaS performance was particularly pleasing, and after a strong Horizon performance in Q1, we returned to normal net growth run-rate levels throughout Q3 and Q4 following lockdown in Q2.
- We delivered significant growth in Collaborate seats during the period. We now have a steady monthly run rate of collaborate subscriptions and a healthy attachment rate of 7% across the Horizon base. The product combination remains a strong, cost effective tool for smaller customers in our base.
- For larger customers, who have more complex and feature rich requirements, in April 2020 we launched Microsoft Teams Direct Routing which is now delivering a steady monthly run rate of net additions.
- Our SIP performance was particularly strong throughout the period, demonstrating the need for both business customers and carriers to strengthen their voice network capacity.

UK Direct Business

The Direct Business accounted for 25% of our group revenue in 2020. I am very pleased to report we delivered a very strong performance, with gross profit growing 21% to £46.3m and revenue growing 17% to £98.1m. Notwithstanding some of the project delivery and new business sales challenges during the lockdown period of the pandemic (e.g. access to customers, the temporary postponement of new projects and, due to physical access issues, a suspension of all but key existing project installations), we have delivered a strong year across all market segments. We secured over £85m of new contract bookings (excluding sales relating to The Loop); of this amount 75% was new business to Gamma.

Although COVID-19 supressed overall Direct sales performance in the first half of 2020, we quickly recovered during the second half and achieved notable wins across our Enterprise business with Serco plc (fully managed communications services), Grant Thornton (Microsoft Teams), Bannatyne Group (UCaaS) and Sureserve plc (UCaaS & CCaaS). We also extended existing long-term agreements with Dignity plc, BNP Paribas and Volkswagen Financial Services.

In Public Sector, we secured significant wins across a wide selection of councils, charities, healthcare providers and "blue light" providers. Of note is the RNIB who are implementing our UCaaS and CCaaS services, while Cardiff, South Ayrshire, Crawley and Coventry councils have implemented our market leading SIP services. Nine additional NHS trusts contracted with us for a mix of SIP and Microsoft Teams, and, as in previous years, we successfully delivered and supported a more complex University Clearing solution to the education sector during the pandemic.

Throughout 2020, we continued to focus on the development and execution of our direct digital programme (The Gamma Hub), and I am happy to report that we have made excellent progress in streamlining and fully automating our end-to-end operating and delivery model across all of our Direct market segments and products. As part of our investment during the period, we extended the use of AI and sales automation across our direct business, and this investment enabled us to rapidly switch to remote selling within hours of the national lockdown. In addition to this, we accelerated our adoption of digital marketing across all market segments, which has enabled us to maintain good levels of lead generation and strong engagement. Through 2021, we aim to focus our digital investments on delivering further improvements in operational efficiency and customer service. This will include the delivery of online quotation tools, a customer self-service capability, and fully automated provisioning, which will reduce our delivery lead times.

Finally, on 31 December 2020 we announced that we divested our non-core Manchester based fibre business which traded as "The Loop" and which we have reported on in our Direct Business. The proceeds from this sale strengthened our balance sheet.

European Business

Our European business grew – mainly through acquisition – with gross profit up 142% to £22.3m and revenue up by 219% to £48.5m. Gross margin went down from 61% to 46% as a result of the lower gross margins of Epsilon, the mobile focused distribution business which we acquired as part of the HFO acquisition. In 2020 the overseas business represented 12% of our Group revenue and 5% of our Group adjusted EBITDA (although the run rate is higher as 2020 includes only a part of the year for acquisitions). Throughout the year, I am pleased to report that we delivered positive net growth across all key European product categories, and at the end of 2020 have a total of 114,000 cloud seats across our European business.

HFO – Germany

We acquired HFO in July 2020. HFO has been providing SIP trunks to the German business market both directly and via its indirect channel partners since 2013. Similar to our UK business, HFO provides SIP trunking into "on premise" hardware PBXs as well as to support the enablement of cloud-based solutions.

Throughout 2020, the business focussed both on enlarging the partner base as well as encouraging existing partners who are currently selling SIP to start adding Cloud PBX products into their portfolio. The Cloud PBX market is significantly less developed in Germany than in the UK with a penetration of only approximately 9%. This transition from partners selling SIP to Cloud PBX is a very similar journey to that which the UK Indirect Channel business has been on for the past ten years. Despite the pandemic lengthening the sales cycle (in a similar manner to the UK), by the end of the year, HFO was delivering positive growth in new Cloud PBX sales.

At the end of 2020, we had a total of 10,400 Cloud seats in Germany. These include Cloud seats from HFO as well as those from the German division of gnTel which in 2021 we have merged with HFO. This has created synergies and will also allow HFO to sell gnTel's products into the German market through their well-established partner distribution channels.

Our UK sales and commercial teams have been sharing knowledge with their peers in our German businesses and a number of Gamma's well established UK commercial models and go to market strategies will be introduced into Germany during 2021.

In addition to the core HFO business which mainly focusses on SIP and UCaaS, part of the German Group is a mobile focused distribution business which trades under the Epsilon brand. Due to the mature nature of the mobile market, this business has less potential for growth than the core HFO business, however during 2020, it sold 100,000 mobile contracts across all of the major networks including Deutsche Telekom, Vodafone and Telefonica. Epsilon also launched its own IoT offering – Fusion IOT. This managed platform for M2M-simcards means that Epsilon is now a service provider with end-customer ownership.

Whilst we see limited growth in the Epsilon business in the medium term, we believe that Epsilon's distribution partners may be able to sell UCaaS products in the future.

Voz Telecom – Spain

In April 2020 we acquired VozTelecom OIGAA360, S. A. ("Voz Telecom"), a well-established provider of cloud communication services in Spain. The company provides us with access to the small but growing Cloud PBX market in Spain. Voz Telecom is the fourth largest cloud provider in Spain and the largest outside of the major network operators.

During 2020, we strengthened our UCaaS proposition in Spain through the addition of new product features and options. This included API integration with other business applications (CRM & ERP) and full availability of our self-developed softphone, which importantly, enabled end users to implement home working. In addition, through the year, we launched a white-label cloud PBX product for a national mobile operator which drove growth in our UCaaS seats. Our total UCaaS seats across all platforms in Spain now stand at 43,000.

As well as the core UCaaS business, our Spanish business has two other smaller business units – ComYMedia (a Cloud ICT direct business) and NetHits (which provides call centre facilities for, amongst others, Accenture). Unlike the rest of the Group, these business units were more severely impacted by COVID-19. ComYMedia is reliant on project income and projects were delayed or cancelled, and NetHits suffered as a key customer reduced their call centre capacity requirements.

In 2020 we transitioned to a new MVNO reseller agreement with MasMovil which increased gross margin and allowed us to introduce more competitive pricing plans. During the period, we started to bundle our mobile and UCaaS propositions with MasMovil, which enables us to drive improvements in margin and now also have a steady run-rate of UCaaS seats coming indirectly from the MasMovil channel.

Similar to Germany, and as part of a structured integration plan, we have shared some of the knowledge and tools from the UK team and have developed several initiatives to drive long-term cloud growth. For example, a new channel program was launched at the end of 2020. We are also leveraging our UK technology and product capabilities and plan to launch a Cloud Contact Centre solution (CCaaS) and Microsoft Teams Direct Routing service during 2021.

Netherlands
In July 2020 we acquired gnTel, which has materially strengthened our cloud position across the Dutch market, with a specific and complementary focus on the IT reseller channel. At the end of 2020, after delivering positive net growth through the year, we now have a total of 61,000 cloud seats in the Netherlands. In addition to this, our wholesale and retail mobile offerings, which we take to market in partnership with T-Mobile, performed very well. We more than doubled our mobile connections through 2020, and when combined with our cloud proposition, will remain an important driver for future growth.

Since acquiring gnTel, we have delivered strong growth in cloud seats across the IT channel and have reinforced our excellent reputation for providing a stable and reliable cloud PBX platform to channel partners and end users. Shortly after acquisition, we introduced our T-Mobile product offering to gnTel's channel partner base, which was well received and is positively contributing to our growth numbers.

Throughout the year, we focused on further developing and strengthening both our cloud product and channel proposition across the Dutch market, and similar to Spain and Germany, there was close cooperation with our UK commercial, product marketing and indirect channel teams. We launched a new cloud telephony product ("Horizon") during Q1 2020, delivering enriched features and with more competitive price positioning, and, as part of our partner proposition, we also implemented Gamma's e-marketing platform ("Accelerate") which has been very positively received in the market. Similar to Spain, we are leveraging our UK technology and product capabilities and plan to launch a Cloud Contact Centre solution (CCaaS) and Microsoft Teams Direct Routing service during 2021.

Our Nimsys business provides cloud communications and IT services to business customers operating from multi-tenanted offices. We experienced decreasing demand due to less business activities in office buildings, but we expect this trend to reverse once businesses start returning to their offices. In spite of this pandemic related issue, we connected 164 new business customers during 2020. In addition, we also re-signed two long-term contracts with important multi-tenant office providers.

As part of our integration planning, we have also integrated our Schiphol Connect business with Nimsys and aligned the businesses under common business and operational systems to drive synergy and a better customer experience. This approach has also allowed Schiphol Connect to cross-sell new Nimsys based products and enhanced support services to their customer base.

In August 2020, and as part of a structured succession plan, we appointed Gerben Wijbenga as CEO of our Benelux business, and I am very pleased to report that Gerben has settled in well and has started to make a very positive contribution.

Summary and outlook

As a business, we have responded decisively to both the challenge and opportunity that the COVID-19 pandemic has presented across our markets, while maintaining a focus on supporting our staff, our customers, and our channel partners. I continue to be very pleased with the execution of our short-term business objectives, and because of our robust business model and our very positive financial performance throughout the year, we have doubled down on the execution, continued investment, and further development of our longer-term growth strategy.

Looking forward, we will continue to stay focused on developing the products and services which enable our customers and our channel partners to be successful and win market share in their respective markets. We set out how this aligns with our four strategic pillars on pages 12 to 13. Given the growth opportunities across the core product areas and market segments in which we operate, we do expect to see ongoing competition which could lead to price pressure but to compensate for this, we will continue to add-value by further developing our products and our overall value proposition to our channel partners and end customers.

Our view of the current structural changes in the UCaaS market are also very positive with regards to our strategy and future growth opportunities. The pandemic has raised both the awareness and adoption of cloud communication services, and because of this, businesses and their employees have explored new ways of working both flexibly and remotely. The significant benefits of the UCaaS, CCaaS and fixed and mobile access products that we sell across the UK and Europe have been reinforced during the pandemic, and notwithstanding the risks of pandemic related economic and business market headwinds, we continue to see a positive business and overall 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 during a very difficult period. Given the circumstances, our performance during 2020 has been strong, and we remain optimistic about Gamma's future growth prospects.

Andrew Taylor
Chief Executive Officer

A strategy driven by an engaging culture

During 2020, we have been assessing the impact that the pandemic has had on our strategy and associated delivery programmes. Cloud-based UCaaS services have seen a massive acceleration in adoption, catalysed by the need for businesses to operate a more agile and virtual mode of working. Whilst in principle this is directly in line with our Strategic areas of focus, it does mean we have adjusted some of our priorities to ensure we can take advantage of this step change in the market. In particular we are enhancing our product integrations with Microsoft Teams and increasing our capability to provide richer integration with Business tools like CRM systems.

At the end of 2020 we started a strategic review focused on the changes in market behaviour post pandemic and our competitive environment. This will ensure that as we deliver our strategic product platforms, we can finesse the supporting 'Go To Market' plans and customer proposition.

Cloud telephony and UCaaS

Evolve our strong cloud telephony position into the UCaaS market

Having established market-leading positions in both the SIP and Hosted PBX markets, our focus is to build on that position and take advantage of the UCaaS market. This requires us to gain market share for both team collaboration (Instant messaging, Video conferencing, Screen Share) and Multi-Channel customer contact products and services. In both cases these need to be integrated with our core Hosted PBX and SIP offerings, underpinned by our fixed and mobile network solutions. The pandemic has accelerated adoption of these technologies and we are aligning our programmes accordingly.

Fixed and Mobile telecom

Build on our fixed and mobile telecom strength to differentiate our proposition from pure OTTs

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

Group Expansion

Expand into Europe to gain continued growth and scale

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

Digital Progression

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

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

Key to KPIs

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

KPIs
Pages 14-15

Key to risks

1 Unplanned service disruption
2 Data Loss and Cyber Attacks
3 Customer service experience
4 Suppliers
5 Market landscape
6 Legal and regulatory
7 Our people
8 M&A
9 Climate change

Risks
Pages 20-25

Achievement	Future priorities	Links
Following the launch of our Collaborate product in 2019 we have delivered significant growth from 5,000 seats at 31 December 2019 to 46,000 seats at 31 December 2020. We now have a steady monthly run rate of collaborate subscriptions and a healthy attachment rate of 7% across the base. During 2020 we have successfully built the development capabilities that put us in control of our UCaaS product roadmap. This capability allows us to design and develop 'application' based products and services for desktop and mobile devices. Following the acquisition of Telsis in 2019 we have successfully integrated their Cloud Contact Centre service with our existing Horizon Cloud PBX, this will be launched in 2021 as a 'bolt on' option for new and existing Horizon customers. The acquisition of Exactive in early 2020 gives us a significant capability to support communications enabled Microsoft solutions, particularly for the Enterprise and Public sector markets.	Our main priority in 2021 is to continue to enhance the integration between our products and Microsoft Teams, as well as launching our Horizon Contact Centre product. The acquisition of Mission Labs in March 2021 will give us additional capabilities in the rapidly evolving markets of Cloud Contact Centre and Cloud Communications.	**Relevant KPIs:** 2 7 8 **Associated risks:** 5 6 7
In November 2019 we announced the partnership agreement with Three UK that supports a smooth transition from our current operating model onto their 5G-ready network. Whilst some elements of this programme were disrupted by the first lockdown in March, we have since made good progress and anticipate launching the new model in H1 2021. On Broadband we reached agreement with Talk Talk to become our second wholesale provider of broadband services and this was launched at the end of 2020.	Our priority in 2021 is to complete the implementation of the new operating model with Three and have commenced the migration of customers to the new platform. It should be noted that this is largely a background system process with minimal customer disruption.	**Relevant KPIs:** 2 5 7 8 **Associated risks:** 5 8
Following our previous acquisitions in the Netherlands in 2018 and 2019, we entered the German and Spanish markets in 2020, with the acquisitions of HFO Telecom and Voz Telecom respectively. We also extended our presence in the Netherlands and Germany with the acquisition of gnTel. Whilst these deals were concluded during the pandemic, we had been fortunate enough to build good relationships with the management teams in these organisations prior to travel restrictions coming into force. This has enabled us to progress the integration and growth plans with all of these businesses without any delay.	We are focused on executing the organic and inorganic growth plans with these newly acquired businesses. As part of the 2026 strategic review we will assess the opportunity for expansion into additional markets.	**Relevant KPIs:** 2 5 6 7 8 **Associated risks:** 5 7 8
Despite the practical challenges of recruiting and onboarding team members during the lockdown period, we have made good progress in building our design and development capabilities to support our UCaaS strategic programme. In our UK Direct business we have continued to develop our online sales and support platform in line with our plans.	As well as supporting the launch of the new products in 2021 we will continue to build our capabilities in line with our UCaaS strategy. The acquisition of Mission Labs enables us to accelerate our digital channel strategy, through Mission Labs CircleLoop platform. We plan to launch our first jointly developed product (PhoneLine+) in Q2 2021.	**Relevant KPIs:** 1 3 6 7 8 **Associated risks:** 1 5

Key performance indicators

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

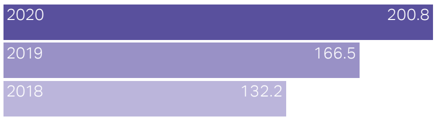
Revenue (£m)

£393.8m
+20%

Definition	Revenue from sales made to all customers (excluding intra-group sales which eliminate on consolidation).
Strategic focus	Gamma monitors growth in revenue as it shows how successful Gamma has been in expanding its markets and growing its customer base.
Progress	Revenue has grown in the year due to continued growth in our key products in the UK as well as new acquisitions across Europe.
Outlook	Continued growth as further adoption of cloud and full year trading of newly acquired European entities.

Gross profit (£m)

£200.8m
+21%



Definition	Revenue less cost of sales.
Strategic focus	Gross profit is the measure used to evaluate the performance of the Group as well as each of the operating segments.
Progress	Gross profit has continued to grow as a result of increased revenue and efficiencies achieved across the Group.
Outlook	Continued growth as further adoption of cloud and full year trading of newly acquired European entities.

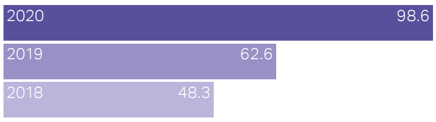
Gross margin (%)

51.0%
+0.4%

Definition	Gross profit as a percentage of revenue.
Strategic focus	Gross margin is a measure of the Group's profitability.
Progress	Continued growth.
Outlook	Gross margin growth is expected to slow as the product mix across the Group tends to an equilibrium.

EBITDA (£m)

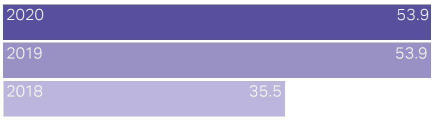
£98.6m
+58%



Definition	Earnings before interest, taxation, depreciation, gains and losses on disposal of fixed assets and amortisation, but after exceptional items.
Strategic focus	EBITDA is the measure used to evaluate the performance of the Group as well as each of the operating segments, including their support functions.
Progress	EBITDA has continued to grow but also includes exceptional items relating to the disposal of The Loop during the year (note 9).
Outlook	Continued growth as further adoption of cloud and full year trading of newly acquired European entities.

Cash (£m)

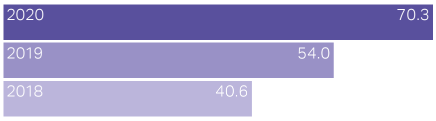
£53.9m
+0%



Definition	Cash and cash equivalents held at the end of the year.
Strategic focus	Cash demonstrates financial strength and the ability to pay sustainable dividends to our shareholders.
Progress	Cash has remained level despite a number of acquisitions during the year (note 19) but in part relating to the disposal of The Loop (note 18).
Outlook	The Group expects to increase the cash balance subject to any further acquisition opportunities that may arise.

Cash generated by operations (£m)

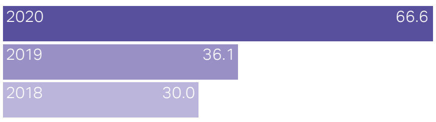
£70.3m
+30%



Definition	Net cash flows from operating activities before tax.
Strategic focus	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.
Progress	Cash generated by operations has continued to grow.
Outlook	Cash generated by operations is expected to grow inline with EBITDA – cash conversion is expected to remain strong.

EPS (p)

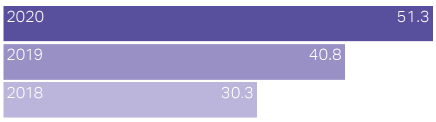
66.6p
+84%



Definition	Earnings after tax divided by the full diluted number of shares.
Strategic focus	Long-term growth in EPS is a fundamental driver to increasing shareholder value.
Progress	EPS has continued to grow; however includes exceptional items relating to the sale of The Loop (note 18).
Outlook	Expected to grow in the absence of any unforeseen events.

Adjusted EPS (p)

51.3p
+26%



Definition	Adjustments to earnings include in the current year amortisation arising on business combinations, change in fair value of acquisitions, exceptional items and related tax benefits.
Strategic focus	Adjusted EPS is a measure of how successful we are in our strategy and ultimately how Gamma increases value for its shareholders.
Progress	EPS has continued to grow.
Outlook	EPS is expected to continue to grow.

Performance Metrics

Number of UK hosted seats ('000s)

601
+15%

Definition	Number of billed seats at the end of the year on all UK Cloud PBX products.
Strategic focus	Growth in this metric demonstrates the ability of the sales force to win new customers while also retaining existing relationships.
Progress	We have achieved growth from prior year as planned.
Outlook	Continued growth.

Number of UK SIP Channels ('000s)

1,185
+17%

Definition	Number of billed UK SIP channels at the end of the year.
Strategic focus	Growth in this metric demonstrates the ability of the sales force to win new customers while also retaining existing relationships.
Progress	We have continued to grow our number of SIP channels during the year.
Outlook	Continued growth.

UK Network Availability (%)

99.994%
-0.0%

Definition	Availability of UK strategic platforms.
Strategic focus	By having a stable, available network this helps to attract and retain customers.
Progress	The network has continued to have strong availability throughout the year.
Outlook	To continue to have strong availability.

R&D Spend (£m)

£12.9m
+14%

Definition	The sum of research costs expensed through the statement of comprehensive income and capital expenditure on development costs in intangibles during the year.
Strategic focus	New and continued development on our products contribute strongly to overall growth, maintaining high returns and strengthens our overall market position.
Progress	We have continued to invest in research and development.
Outlook	Continued investment.

Recurring revenue

91%

-2%

Definition	The percentage of revenue recognised over time over total revenue. See note 5 in the financial statements.
Strategic focus	Recurring revenue gives an indication of future performance of the business.
Progress	Recurring revenue remains at a high level though showing a slight decline as a result of the mobile focused distribution business which was acquired as part of the HFO acquisition.
Outlook	Maintain a high proportion of recurring revenue.

In previous years, we have reported metrics regarding the Direct customer profile, Indirect strategic and enabling as a percentage of total revenue, Net Promoter Score (Direct) and Net Promoter Score (Indirect). These have been excluded in the current year while more relevant KPIs are established for the whole Group.

Understanding the risks that affect the Group

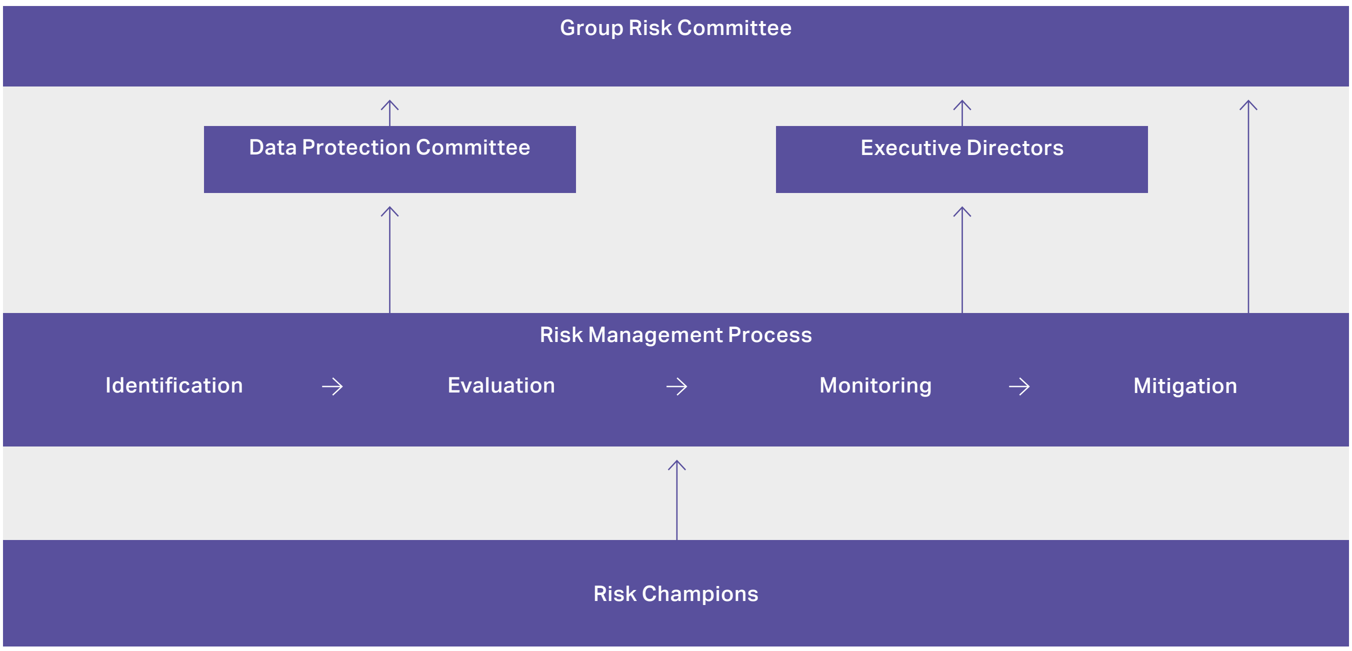
This section describes the principal risks that could have a material adverse impact on the Group and how those risks are identified, evaluated and managed.

How we manage risk

Gamma operates a robust and well-established structure for the management of risk in each area of its business. This process includes the identification, evaluation and scoring of risks based on the likelihood of occurrence, the potential impact, and the adequacy of the mitigation or control actions in place. Risks are categorised and aligned to Gammas strategic priorities to ensure appropriate evaluation and mitigation. An integrated risk management process provides visibility of risks across the Company and facilitates consistent data-driven decision making. Each generic area of risk has clearly assigned accountability within the Senior Leadership Team (SLT) with reporting lines to the CEO and ultimately the Board. A centralised risk register is maintained which includes all identified risks, their scores, prioritisation, the status of existing controls and action planning.

Risk management happens at multiple levels within the organisation and all employees are encouraged to consider company risks throughout their working routines, supported through a network of nominated people we call 'Risk Champions'. These people are actively encouraged to identify and assess risks across the business and work with employees to act on risks as they become aware of them. In this way, a culture of risk awareness and risk management is embedded throughout the organisation.

Risk management framework



Gamma continues to grow and reinforce its position in core UK markets alongside executing on strategic acquisitions to expand its addressable markets internationally. The majority of Gamma's resources and assets continue to reside in the UK and therefore Gamma's principal risks are largely centred on its UK business. As the Gamma Group continues to grow internationally, its group risk governance framework is introduced and as such it is expected that the principal risks will gain further international perspective over time.

Our risk governance

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

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

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

Additional governance is applied to manage the risk of data loss, which is one the Company's principal risks. A subset of the SLT forms the 'Data Protection Committee.' In addition to establishing strong governance controls for the protection of personal data and the business' GDPR obligations, the Committee also oversees Gamma data assets and ensures these are adequately protected. This Committee is informed by the Data Protection Officer, Information Security Director and Chief Architect to ensure all aspects of the data lifecycle are appropriately assessed, managed and protected.

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

Gamma has a series of policies regarding antibribery and corruption, modern slavery and human trafficking, ethical behaviour and wider social and governance matters; but the Board does not consider there to be significant risks in these areas. There is also a whistleblowing policy in place.

The risk management process

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

- Identification – Risks can be identified by any employee of Gamma and are reported via a simple online template with supporting guidelines.
- Evaluation – Once a risk is identified an impact assessment is completed, together with the likelihood and proximity and subsequent priority of a risk.
- Mitigation – Risk owners are assigned to every risk raised and action plans developed and implemented. Robust risk mitigation strategies are subject to regular and rigorous review.
- Monitoring – Every risk is monitored to keep the relative impact, likelihood and proximity current. Monitoring also ensures all risk owners have appropriate support and training to manage each risk effectively.

The Risk Committee undertakes a quarterly review of the risk register and in particular the number and status of the principal risks and progress with the implementation of any mitigation plans. In addition, the Committee receives reports on any material incidents, their root causes and mitigating actions. Material risks and mitigation strategies, along with the results of regular cyber security related testing and training are presented by the Group Operations Director, Information Security Director, and other members of the SLT.

Risk appetite

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

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

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

Through Gamma's acquisition strategy, risk assessments are completed as part of upfront due diligence and these risks are recorded and inform the timing and prioritisation of our post-acquisition planning.

Our principal risks and how we mitigate them

The assessment of our principal areas of risk, their link to our strategy, movement in the year and how we seek to mitigate them are described in the table below. The occurrence of any of these potential risk scenarios could to a greater or lesser extent potentially adversely result in damage to our reputation and/or business performance. The risk impact considers both the financial impact of the risk and the likelihood of it occurring.

Unplanned service disruption

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

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

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

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

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

The Company has established an Emergency Communications Committee as part of the communications process which is initiated during any major service incident. This committee ensures that the Company maintains effective communication both internally and externally with customers, suppliers and where necessary the media and regulatory bodies (the latter supported by specialist agencies). This process is normally rehearsed at least once a year and was last tested in August 2020.

Key to strategy

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

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

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

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

Our strategy
Pages 12-13

Key to change in risk profile

↑ Risk profile increase year on year

↔ Risk profile no change year on year

↓ Risk profile decrease year on year

Data Loss and Cyber Attacks

Risk Impact:	**High**
Change on prior year:	↔
Relevant strategy:	1 2 3 4

Description

By its very nature, Gamma's network infrastructure provides customers with open access to the internet and global voice networks. As such there is a risk from cyber threat and telephony fraud, as well as to the physical infrastructure.

Cyber-attacks are constantly evolving, and Gamma recognises that it could be a target for both sophisticated targeted attackers as well as nuisance attackers, due to the downstream services provided to key sectors within the UK and European markets. Gamma holds various types of data and its network carries customer communications, which heightens the risk of a data related attacks.

Potential impact

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

With employees working remotely during the pandemic, the potential for a breach of security controls is heightened as employees will be working in an environment where data loss is difficult to monitor and security awareness is less acute compared to working in an office environment.

Mitigating actions

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

The business took swift action during the pandemic, invoking business continuity plans to migrate its workforce to remote working. As part of its ongoing information security planning, early in 2020 Gamma completed the roll-out of a new laptop estate with secure multi-factor authentication (MFA) designed to better secure access to its corporate network for remote workers. In addition, Gamma's online security awareness training was adapted to focus on security threats relevant to the remote working environment and COVID-19.

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

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

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

Customer service experience

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

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

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

Mitigating actions
Gamma has a comprehensive service development strategy which aims to reduce the effort required by its customers to provision, support and consume its products and services. Gamma's award-winning customer portal and training are constantly developed to ensure there is consistent alignment to the needs of its customers.

Customer feedback is proactively gathered from customer engagement sessions and surveys and subsequently acted upon. This, coupled with digitally captured customer experience data, provides the foundation of the service development strategy.

In 2020 Gamma has further developed its governance surrounding customer services and a monthly operational review, chaired by the CEO and attended by the management team, is kept informed of customer satisfaction and service performance trends which are used to identify any quality concerns and agree priority actions.

The impact of the COVID-19 pandemic has heightened this risk in 2020, and Gamma has utilised its business continuity planning framework to continue to maintain industry leading customer service, recording a Net Promoter Score (NPS) of +66 within its annual Channel Partner customer satisfaction survey.

Suppliers

Risk Impact:	**High**
Change on prior year:	↑
Relevant strategy:	1 2 3

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

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

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

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

Gamma's Data Protection Committee manage the risk of data loss through third party suppliers and apply controls proportionate to the risk level, with a targeted approach to the risk of personal data loss. Gamma utilises a risk management platform, which automatically issues annual questionnaires surrounding third party data protection controls and identifies emerging risks for further analysis and audit.

Market landscape

Risk Impact:	**High**
Change on prior year:	↑
Relevant strategy:	1 2

Description
New entrants or existing service providers could extend or improve their product capability, to thereby further increasing the competitive intensity faced by Gamma's products and services. The communications market is constantly evolving both in terms of the available product technologies and also in terms of how people prefer to purchase certain products, particularly in terms of the increasing use of digital customer service technologies.

The impact of the COVID-19 pandemic has accelerated the business need for Unified Communications as a Service (UCaaS) products to support the surge in global demand for cloud communication and collaboration services as businesses transitioned to remote working. Gamma is well positioned to benefit from this market growth given the nature of its products, however the opportunity has also attracted new market entrants, and also driven existing service providers to pivot strategies in order to capitalise on this new demand.

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

Mitigating actions
Gamma aims to provide products and supporting services which are more attractive to its customers than those of its competitors. The planning, development and marketing of products and customer service that Gamma provides are closely aligned to the evolution of market demand and of relevant technologies. Gamma has 'stress-tested' its UCaaS strategy considering the market changes driven by the pandemic and has developed complementary strategies to continue to grow market share within its UK and European geographies. In addition, Gamma has continued to execute on its strategic technology and operational plans to remain competitive through rapid product development lifecycles and leading 'User Experience' (UX) software design.

Legal and regulatory

Risk Impact:	**Medium**
Change on prior year:	↑
Relevant strategy:	2 3

Description
The UK's telecommunications sector does not have a 'licence' requirement; it operates under a General Authorisation regime whereby, in combination with relevant UK and European statute, the sector's regulator outlines the required compliance which is presumed from telecommunications companies such as Gamma. 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.

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

This risk profile continues to evolve as Gamma acquires businesses outside of the UK.

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

Our People

Risk Impact:	**Medium**
Change on prior year:	↑
Relevant strategy:	1 2 3 4

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

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

The COVID-19 pandemic has intensified the market demand for UCaaS skills and as this market continues to accelerate, it will become increasing important to differentiate the Company's business and brand to continue to attract new talent to Gamma.

Potential impact
Loss of key individuals or an inability to recruit the required quantity or quality of people could have an impact on the future growth of the business or the quality of services provided. For instance in order for the business to achieve its strategic priorities, it is dependent upon recruiting and retaining highly skilled technical development and operational people with experience of modern technologies and design principles.

Mitigating actions
Gamma has a well-established team and a reputation for being a good employer. During 2020, in order to measure our employee satisfaction more frequently and in greater depth, the Company introduced a new employee survey platform and began quarterly employee engagement surveys across the business. Anonymous feedback is provided through this platform which has enabled managers to act more swiftly to reinforce positive trends and tackle any negative sentiment. In addition, a 'Gamma Wellbeing Channel' was introduced, which provides a place for employees to come together digitally, share experiences and promote wellbeing activities. The Company is also committed to the People Agenda, with focus on development and leadership programmes, succession planning as well as effective employee engagement initiatives. Furthermore, Gamma has a collaborative culture and a well-defined set of people-oriented values that help to make us an attractive employer.

M&A

Risk Impact: edium	**Medium**
Change on prior year:	↑
Relevant strategy:	3

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

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

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

Climate Change

Risk Impact:	**Low**
Change on prior year:	↔

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

Potential impact
The impact of climate change risks on Gamma is assessed as low. Extreme weather risks are mitigated via existing resilience plans. Gamma's energy costs are a small proportion of its costs and likely regulatory interventions are seen as manageable. The progressive effects on certain industry sectors are not expected to have a material negative effect given the diverse nature of Gamma's customer base; in fact, overall the effort to fight climate change is believed to present an opportunity for Gamma since its products generally help customers avoid travel. Gamma considers that there is a significant risk of reputational damage if it does not continue to respond appropriately to reducing its contribution to global climate change.

Mitigating actions
Gamma's business continuity planning is certified to the ISO22301 standard and the business can rapidly respond to climate related incidents. In the event of extreme weather Gamma has well-rehearsed procedures to protect all critical business operations. There are 'hot standby' operational sites, and our business can operate almost entirely remotely with secure, multi-factor authentication, access to our network. Gamma has also installed back-up generators at key network and customer support sites to mitigate the risk of power cuts.

As well as mitigating the risk from climate related impact, Gamma is also committed to reducing its contribution to global climate change by reducing its emissions and energy usage and has invested in carbon offset initiatives since 2006.

Other risks

COVID-19
In the prior year COVID-19 was shown as a transitional risk. In 2020 the impact of COVID-19 is taken into consideration within the individual principal risks.

Brexit
On 31 December, the transition period for the UK's withdrawal from the EU ended. From this point forward new rules applied for trade, immigration and the import and export of products. This has brought some clarity to areas where before there may have been an element of uncertainty and addressed the transitory Brexit risk outlined in the 2019 Annual Report. Brexit is therefore no longer considered a transitory risk.

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

Communicating with our stakeholders

Engaging with our stakeholders and acting in a way that promotes the long-term success of the Company, while considering the impacts of our business decisions on our stakeholders, are central to our strategic thinking and our statutory duties in accordance with Section 172(1) of the Companies Act 2006. The content below constitutes our s.172 Statement, as required under the Companies (Miscellaneous Reporting) Regulations 2018. The Board of Directors consider, both individually and together, that they have acted in the way that they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, having regard to the stakeholders and matters set out in s.172 (a-f of the Companies Act) in the decisions taken during the year. Our plan is designed to have a long-term beneficial impact on the Company and its stakeholders.

In the table below we set out our key stakeholder groups, their material issues and how we engage with them.

Directors' duties and decision-making

The powers and duties of the Directors are determined by legislation and the Company's Articles of Association. Directors are required to act in good faith in a way that they consider would be most likely to promote the success and having considered the views of the wider stakeholders of the Company. The Board factors the needs and concerns of the Company's stakeholders into its discussions and decisions in accordance with s.172 of the Companies Act 2006. Where appropriate, the Board receives recommendations in relation to matters delegated to the Committees of the Board which conduct their work in accordance with their respective terms of reference. On occasion the Board has to make decisions where the desires of stakeholders may conflict. When this occurs, the Board will act as equitably and fairly as it is able to, taking into account the position of each stakeholder.

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
- Share price appreciation
- Strategy
- Business model
- Behaviours towards other stakeholders including in Environmental, Social and Governance areas

Links to other relevant sections:

Our strategy – see pages 12-13

Our business model – see pages 6-7

Environment, Social and Governance – see pages 35-46

How we engage:

Our principal means of engaging with our shareholders are through:

- Communications such as trading updates, use of the Regulatory News Service ("RNS"), Annual Reports and notices of general meetings;
- One-to-one meetings with shareholders with the CEO and CFO being available to shareholders or potential shareholders and regularly meeting with them;
- Attendance at roadshow events organised by the brokers who provide analyst coverage of the Group;
- Information on the investor section of our corporate website: www.gammacommunicationsplc.com; and
- Discussions held during the Annual General Meeting (AGM).

What we have done:

- Continued strategic investment both organically and through acquisition, bringing new capabilities, new geographies and new market opportunities to the Group;
- Formed an ESG committee;
- Appointed a Workforce Engagement Director;
- Appointed a Senior Independent Director who is available to meet with major shareholders, if such meetings are required;
- Further strengthened internal governance through creation of a group procurement team and an internal audit function;
- Gamma adopted the Quoted Companies Alliance Corporate Governance Code (QCA Code) in 2018, this was updated and approved by the board on 3 September 2020; and
- Improved disclosure in the annual report, including in some cases adhering to the standards of the Corporate Governance Code.

Our people

Developing and attracting high quality talent is a key driver of our success. As of 31 December 2020, we have 1,530 employees worldwide.

Key areas of interest:

- Safe working environment
- Development and progression
- Competitive remuneration
- Diversity and inclusion
- Environmental footprint
- Workplace policies
- Collaboration

Links to other relevant sections:
Environment, Social and Governance – see pages 35-46

How we engage:

- During 2020 Henrietta Marsh (Independent Non-Executive Director) was appointed as a Workforce Engagement Director. It is expected that the Board will consider workforce engagement at least twice a year;
- During 2020 we piloted, in the UK and Hungary, the Gamma Pulse Survey, which is conducted quarterly and provides valuable insight to senior management. This is now implemented on an ongoing basis. Results are reported to the Board who have the opportunity to shape future surveys to areas of interest;
- Monthly webcasts led by the CEO and other senior management on Company performance and activities of the Group;
- As a result of the pandemic, the large majority of the workforce has worked from home for most of 2020. A Special COVID-19 Taskforce was arranged to provide regular communication to staff; and
- New processes were set up to ensure that managers engaged more frequently and to ensure they covered general employee wellbeing.

What we have done:

- Invested in our People function, including strengthening the Learning and Development teams;
- Conducted quarterly reviews of the employee engagement surveys and completed the feedback loop on any actions taken by reporting to employees;
- Supported employees to establish appropriate working conditions with appropriate equipment during the pandemic;
- Including a "people" section in our monthly board reports which focuses on key people metrics;
- Set up a new Whistleblowing facility, using external contractors, and reporting in the first instance to two Independent Non-Executive Directors, and communicated its availability to employees who wish to raise concerns;
- Formulated a plan to improve diversity and inclusion; and
- Adopted the UN Sustainability Goals as long-term objectives.

Customers: Channel partners

Gamma's ethos is to provide a robust product at a fair price. Where we are selling via channel partners, we want our partner to be able to make a fair margin for the value that they are adding to the end user.

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

Links to other relevant sections:
Our business model – see pages 6-7

How we engage:
- Gamma Channel Partner Programme;
- 24/7 UK-based technical help;
- Each channel partner will have 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 Senior Management Team; and
- Regular in-person or 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. The programme has been designed to help channel partners reach into the marketplace by increasing the knowledge base and partner expertise. It also creates a deeper, more collaborative relationship with Gamma; and
- Introduced a "COVID-19 Support Package" for our UK channel partners, which allowed them to hibernate customers (i.e. temporarily pause their contracts) or to provide homeworking capability without charge from Gamma.

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

Links to other relevant sections:
Our business model – see pages 6-7

Our strategy – see pages 12-13

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; and
- Gamma offers a service scheme to allow customers to choose the level of service required to match the right support in place whatever the end customer needs.

What we have done:
- Our Direct business unit (in the UK) 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 our Direct business we have continued to develop our online sales and support platform in line with our strategic plan.

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

Links to other relevant sections:
Environment, Social and Governance – see pages 35-46

How we engage:
- We partner with key suppliers to ensure that we have common goals and strategy;
- We ensure responsible procurement, through the Board approved policy; and
- Gamma's supplier payments policy is to always pay suppliers on or before the agreed term (which will vary from contract to contract).

What we have done:
- During the year we have established a Group procurement function to ensure best practices are applied across the Group.
- Annual approval of the Modern Slavery Statement by the Board.

Regulators

We operate within the requirements of a regulated industry.

Key areas of interest:
Ofcom's duties are 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.

Links to other relevant sections:
Environment, Social and Governance – see pages 35-46

How we engage:
- Engagement with Ofcom both formally and informally.
- Participation in consultation responses as a Group or as a member of industry bodies.

What we have done:
- Defend the Channel – we recognise that many channel partners are SMEs who do not always have the resources to engage with regulatory bodies;
- Give a voice to businesses – regulation is often aimed at protecting the domestic consumer but with unintended consequences when applied to business users;
- Challenge the cost assumptions of implementation – these can be underestimated; and
- Ensure that regulation stays current – to help provide adequate protection for end users.

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

Links to other relevant sections:
Environment, Social and Governance – see pages 35-46

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:
- Supporting communities via financial donation including a matching scheme for funds raised by employees;
- Supporting through time donated, where employees are given one day a year to help support their chosen charity;
- Formulated a plan to improve diversity and inclusion; and
- Formed an ESG committee and improved reporting in this area.

Andrew Belshaw
Chief Financial Officer

Growth in all geographies despite the pandemic.

Financial performance

Revenue
£393.8m +20%

Gross profit
£200.8m +21%

Adjusted EBITDA
£79.0m +24%

Cash generated by operations
£70.3m +30%

EPS (fully diluted)
66.6p +84%

Adjusted EPS (fully diluted)
51.3p +26%

Overview

Gamma has performed well during the year, increasing revenue by 20% to £393.8m (2019: £328.9m) and gross profit by 21% to £200.8m (2019: £166.5m). We have seen this strong performance across all the main areas of the business. The growth is in part due to acquisitions in the year with organic growth in revenue being £28.7m (+9%) and gross profit growth of £19.8m (+12%). (NB Organic growth removes the results of acquisitions made in 2020). Organic growth was slightly lower than originally expected due to the lower rate of sales in the second quarter driven by the onset of the COVID-19 pandemic, although sales activity returned to pre-COVID levels in the second half of the year. Adjusted EBITDA increased by 24% to £79.0m (2019: £63.5m) whilst organic EBITDA grew 19%. Adjusted EPS (FD) increased by 26% to 51.3p (2019: 40.8p).

Revenue and gross profit

UK Indirect

	2020 £m	2019 £m	Increase
Revenue	**247.2**	230.1	+7.4%
Gross Profit	**132.2**	119.1	+11.0%
Gross Margin	**53.5%**	51.8%	

Overall, the growth in the UK Indirect Business unit has been consistent with previous periods – the revenue growth was 7.4%. This is slightly lower than we had been originally expecting due to the lower rate of net additions in the second quarter which was driven by the onset of the COVID-19 pandemic – net additions did subsequently trend towards to pre-COVID-19 levels in the second half. Because of the recurring nature of revenues, lower net additions in the second quarter had an impact on the revenue performance in the second half of the year.

Within the UK Indirect Business, the gross profit from the traditional business (which includes calls and lines, and trade with other carriers) has seen minimal movement from the previous year. Indeed, the trend we had seen over the past years where traditional business was declining has flattened and there remains a small quantity of this traditional business on the Gamma network. This will gradually erode over time. We will therefore (from 2021) no longer show the "traditional" business as a separate line within our segmental analysis as the trend that it was highlighting is no longer a significant factor in our performance.

We group our data, mobile, SIP and UCaaS products as our "growth" products and revenue from growth product sales increased from £186.5m to £205.0m (+10%) and gross profit grew from £106.7m to £119.9m (+12%). The gross margin grew from 57% to 58%, which reflects the fact that the main contributors to this growth were SIP trunking and our UCaaS products (Horizon and Collaborate) which have higher margins than other products. In addition (again due to lockdown) we had fewer installations and hardware sales in the second quarter. These tend to be at a lower margin than the monthly recurring revenues and therefore the margin has increased due to the change in mix.

UK Direct

	2020 £m	2019 £m	Increase
Revenue	**98.1**	83.6	+17.3%
Gross Profit	**46.3**	38.2	+21.2%
Gross Margin	**47.2%**	45.7%	

The UK Direct Business continues to grow strongly and in line with previous periods despite the challenging market conditions. There is some inorganic growth driven by the acquisition of Exactive in February 2020. This contributed £3.3m of revenue in the year meaning that the organic growth was 13%.

The UK Direct Business continues to focus on selling to larger enterprise businesses and public sector customers on multi-year deals. The growth was mainly attributable to sales to Enterprise customers and revenue from those increased by £11.8m. Sales to the Public sector increased by £3.0m which relates to growth in both the organic and acquired business. Our Direct Mid-market revenue was in line with the prior year.

The gross margin increased due to a lack of installations and hardware sales which are lower margin and hence the mix changed favourably.

Europe

	2020 £m	2019 £m	Increase
Revenue	**48.5**	15.2	+219%
Gross Profit	**22.3**	9.2	+142%
Gross Margin	**46.0%**	60.5%	

Our European business consists of the group under Gamma Communications Benelux B.V. (formerly DX Groep) in the Netherlands, Voz Telecom in Spain (acquired April 2020) and HFO in Germany (acquired July 2020). In addition, Gamma Communications Benelux expanded with the acquisition of gnTel in July 2020. The acquisitions contributed £36.2m of revenue in the year and £12.8m of gross profit. The organic revenue growth of the Dutch business was 3% which was made up of a strong growth in sales of Cloud PBX and mobile products offset by a decline in the legacy ISDN product throughout 2019 which affected the opening run rate of revenue into 2020.

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. The margins on a product by product basis are consistent with those in the UK but the mix in Europe tends to be away from lower margin data products (broadband and ethernet).

The Group finance team has regular calls with the local finance teams to monitor their performance. We continue to spend time aligning both processes and accounting policies.

Operating expenses

Operating expenses grew from £121.0m to £125.1m. We break these down as follows:

	2020 £m	2020 £m	2019 £m	2019 £m	Growth
Expenses included within cash generated from operations					
- UK Indirect Business	**69.1**		64.9		+6.5%
- UK Direct Business	**22.9**		20.1		+13.9%
- European Business	**18.3**		8.9		+105.6%
- Central Costs	**8.0**		6.5		+23.1%
		118.3		100.4	
Depreciation and amortisation					
- tangible and intangible assets	**14.7**		13.4		+9.7%
- right of use assets	**2.2**		1.7		+29.4%
- acquisition	**6.0**		2.0		+200.0%
		22.9		17.1	
Share based payments		**3.5**		2.6	+34.6%
Exceptional items		**(19.6)**		0.9	
Operating expenses		**125.1**		121.0	+3.4%

Movements in cash-based expenses are discussed below:

- Within the UK Indirect Business, operating expenses have grown by 6.5% although of the increase in costs of £4.2m, £1.9m is the full year impact due to our acquisition of Telsis in 2019. Organic cost growth was 3.5% which is favourable compared to our growth in gross profit. This demonstrates both our ability to be cost efficient as the business grows and also the fact that working in the "Covid environment" means we have experienced some unexpected cost savings for example, travel and subsistence expenses are significantly lower. These savings are not expected to continue in the long run but it is difficult to predict how quickly costs will return. One significant driver of cost continues to be our investment in the development of products that will provide future benefits as well as our desire to ensure that our level of customer service remains the best in our industry.
- In the UK Direct business, overhead increased by 13.9% (compared to gross profit growth of 21.2%) – this includes £1.1m of costs from Exactive – the "like for like" growth is 8.5%. The level of increase was mainly to support the growth in the business as well as our ongoing investment in our digital strategy.
- The increase in European costs of £9.4m is reflective of the cost base growing by acquisitions. The organic Dutch business had overheads in line with prior year.
- Central costs have increased from the prior year, which is due to two main factors. First, as our European footprint expands, Group functions required to support the businesses we have acquired increases. Second, we have completed four acquisitions in the year and have incurred significant costs in respect of our M&A programme (which we include within our operating expenses).

Depreciation and amortisation on tangible and intangible assets have increased from £13.4m in 2019 to £14.7m in 2020. This is driven by acquisitions – the depreciation in the UK business decreased year on year. The annual depreciation charge is now in line with annual capital expenditure and (save for future acquisitions) is not expected to increase significantly.

Share based payments costs have increased during the year because of the increasing cost of the all-staff schemes – such as SAYE. In addition, the rising share price has made the costs of employers' NI for share grants higher than in previous years.

Exceptional Items

There were two exceptional items in the year which are discussed below.

Disposal of a subsidiary

On the 31 December 2020 Gamma completed the sale of of its non-core fibre business which traded as The Loop Manchester Limited, based in Manchester, UK.

An exceptional gain of £19.5m was recognised relating to the proceeds on disposal less the book value of the net assets of the business. This was a cash item.

Deferred consideration

An exceptional item of £0.1m was recognised as a result of a difference between the estimated consideration and the amount paid in relation to Nimsys.

Whilst this figure is not material, previous changes in estimated consideration have been treated as exceptional and hence we have been consistent by including this as exceptional.

In the prior year there were exceptional transactions related to the acquisition of the DX Groep which netted to zero – full details are provided in the prior year financial statements.

Alternative performance measures

Our policy for alternative performance measures is set out in note 3.

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

2020

Measure	Statutory Basis	Amortisation of intangibles	Change in fair value of acquisitions	Adjusting tax items	Exceptional items **	Adjusted basis
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

2019

Measure	Statutory basis	Amortisation of intangibles	Change in fair value of acquisitions	Adjusting tax items	Exceptional items **	Adjusted basis
PBT (£m)	45.2	2.0	–	–	0.9	48.1
PAT (£m)	34.5	2.0	–	1.6	0.9	39.0
EPS (FD) (p)	36.1	2.1	–	1.7	0.9	40.8

* PAT is the amount attributable to the ordinary equity holders of the Company.
** See note 9 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 also adjusted for exceptional items for the same reason as above but it is also adjusted for the amortisation of intangibles which were created on acquisition. 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 we add back the depreciation and amortisation charged in the year to Profit from Operations (2020: £75.7m; 2019: £45.5m) to calculate a figure for EBITDA (2020: £98.6m; 2019: £62.6m) 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 (2020: £79.0m; 2019: £63.5m).

Adjusted EBITDA

Adjusted EBITDA grew from £63.5m to £79.0m (24%). Were we to eliminate the effect of acquisitions made in 2020 then adjusted EBITDA would have grown by 19%.

Taxation

The effective tax rate for 2020 was 14% (2019: 24%). The rate in 2020 is depressed due to non-taxable income on the disposal of The Loop. The underlying rate applied to trading profits was slightly above the 19% statutory UK rate due to disallowable expenditure and the increasing impact of higher taxation rates in European countries. We would expect these trends to continue and hence to see the marginal rate of tax increase slightly above the UK headline rate in future years. In 2019, the rate was inflated by adjusting tax items of £1.6m and tax on business combinations of £0.5m – neither of these were cash items.

Net cash and cash flows

The Group has net cash of £48.0m. The gross cash balance at the end of the year was £53.9m in line with the end of the previous year and the Group had borrowings of £5.9m which are held by trading subsidiaries outside of the UK and pre-dated their acquisition by Gamma.

In addition, we estimate that we will have to pay an additional £14.2m in future in relation to acquisitions made before the end of the year (this is a mix of contingent consideration and the exercise of options over shares not yet acquired); these payments will be made between 2021 and 2023. There is also a possible £6m of contingent consideration which may become due to the vendors of Mission Labs Limited – a business acquired after the end of the year. We do not class contingent consideration as debt for the purposes of quoting a net cash figure.

Cash conversion from trading during the year was in line with previous years. The ratio of adjusted EBITDA to cash generated from operations was 89% (2019: 85%).

Items which are not directly related to trading were:

- Capital spend was £15.4m, which is an increase from £12.4m in the comparative period. This is discussed in detail below.
- £45.1m was paid for the new acquisitions net of cash acquired (2019: £7.5m) of which £3.2m was paid for the acquisition of Exactive, £16.6m for Voz Telecom, £18.5m for HFO and £6.8m for gnTel.
- £2.5m was paid in deferred consideration primarily relating to the acquisition of Nimsys in the prior year (2019: £nil).

- Our acquisition spend was offset by £19.4m which was received for the disposal of The Loop (our fibre business based in Manchester); this figure is net of cash.
- £10.4m was paid as dividends (2019: £9.2m) – we retained our pre-existing dividend policy despite the pandemic.

Capital spend

Capital spend in 2020 was £15.4m (2019: £12.4m) as follows:

- £9.5m 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 (2019: £9.9m).
- £2.7m was the capitalisation of development costs incurred during the period (2019: £1.4m) – the increase is due to acquisition, the amount of development capitalised in the UK business was consistent with the prior year.
- £3.2m was spent with third-party software vendors for the software which underpins our Cloud PBX products (£1.1m).

Adjusted EPS (FD) and Statutory EPS (FD)

Adjusted EPS (FD) increased from 40.8p to 51.3p (26%). 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 3 and a reconciliation to the statutory measure is shown in the table on page 104.

EPS (FD) grew from 36.1p to 66.6p (84%). The growth is higher than the adjusted metric, in the current year, because of the exceptional item 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 on pages 20 to 25.
- The financial position of the Group including budgets and financial plans.
- The strong cash position – at 31 December 2020 the Group had cash and cash equivalents of £53.9m (2019: £53.9m). Net cash (being cash and cash equivalents less borrowings) was £48.0m (2019: £53.9m). All borrowings were acquired with acquisitions in the year.
- Future cashflows including liquidity, borrowings and the acquisition of Mission Labs (which was £40.2m on a cash free basis). We have performed sensitivity analysis which has shown that EBITDA is our biggest sensitivity and would need to decrease by 43% for the Group to need additional borrowing (assuming no mitigating actions had been taken). We consider this to be highly unlikely. Notwithstanding, lenders have indicated to management that they would provide additional borrowing if required.
- The ongoing impact of COVID-19. Whilst this has impacted new wins in 2020, 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 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 2020.

Dividends

The Board has proposed a final dividend of 7.8p (2019: 7.0p). This is an increase of 11% and is in line with our progressive dividend policy.

Subject to shareholder approval, the final dividend is payable on Thursday 24 June 2021 to shareholders on the register as at Friday 4 June 2021.

Finally, I would like to thank Alan Gibbins for his support and wise counsel during the period he has chaired the Audit Committee.

Andrew Belshaw
Chief Financial Officer
22 March 2021

Environmental, social and governance report

Gamma takes its responsibilities towards the environment seriously. Despite being a service business with lower environmental impact than many other businesses, we are systematically assessing our impacts and developing programmes to minimise them. We are committed to social responsibility and embed this into our policies and practices. We believe that sound corporate governance is essential and that everyone within our business has a duty to behave responsibly and ethically. In 2020 an ESG committee was established and held its inaugural meeting in October 2020, further details can be found on page 65.

The Gamma Board adopted the UN Sustainable Development Goals in January 2020 and since that time Gamma has assessed each goal in depth to understand how the business is best placed to make a meaningful contribution. Four goals have been selected by Gamma and these goals form the foundation on which to develop our environmental, social, and ethical policies and will influence how we do business in the future.

The goals are:

Goal 5:	Achieve gender equality and empower all women and girls
Goal 8:	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all
Goal 10:	Reduce inequality within and among countries
Goal 13:	Take urgent action to combat climate change and its impacts

Environment

Helping the environment is a positive impact of our core products and services

Gamma's products help people communicate in smarter ways. By creating innovative Unified Communications, Gamma helps business people travel less and work in a way that is better for the planet and helps create a positive work-life balance.

Gamma is committed to reducing its impact on the environment. As part of its ongoing commitment to support the UN Sustainable Development goals, the Company has made good progress in 2020 on better understanding the impact its business has on the environment. Gamma has sponsored internal, as well as global projects aimed at carbon reduction since 2006.

In 2020 Gamma extended the reporting boundary to increase the accuracy of its UK emissions data and comply with the Streamlined Energy and Carbon Reporting (SECR) regulations. In addition, it increased its carbon offset to align with the new reporting boundary.

Gamma purchases 100% renewable energy to power its business in the UK and is proud to be certified as a carbon neutral company by Natural Capital Partners in line with the Carbon Neutral Protocol. Gamma is certified until the end of December 2021.

By creating innovative Unified Communications, Gamma helps business people travel less and work in a way that is better for the planet and helps create a positive work-life balance.

Responsibilities

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

Through the ESG Committee, the Board also ensures that environmental policies and suitable governance structures are established to align with Gamma's committed environmental targets.

As part of Gamma's executive management team, the Group Operations Director has responsibility for the Company's emissions reporting and carbon reduction planning.

Measuring our impact on the environment

The scope of the data presented for emissions and energy consumption primarily relate to Gamma's UK based activities. In addition, Gamma also has small staff operations in Hungary, Poland and Germany which help develop and support its UK products. The emissions and energy data do not reflect the non-UK European acquisitions in Netherlands, Spain and Germany.

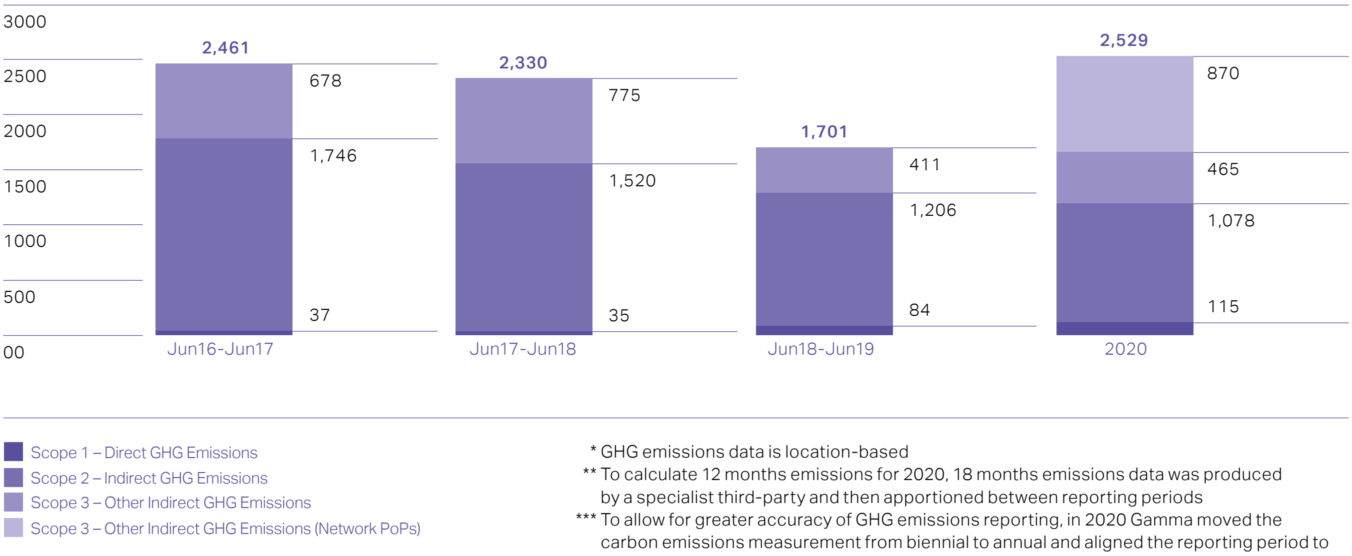
The emissions generated by Gamma are reported within three defined reporting scopes. Experienced third parties are used to measure the Company's energy usage and report on its carbon emissions data. This data is then used to manage Gamma's carbon offset. All carbon offset projects are validated and verified to 'The Carbon Neutral Protocol' global standard and carry guarantees of origin.

Scope	Description	How this applies to Gamma
Scope 1 – Direct GHG emissions	Greenhouse gas emissions released on an organisation's site or from their vehicles. More accurately, they are CO_2e emissions that come from sources that are owned or controlled by an organisation. Typically, these are emissions generated by gas boilers and owned or leased cars, vans & lorries. A telecoms specific example would be an off-grid generator to power a base station.	Gamma uses gas boilers for building and water heating within staff premises within the UK, and small staff premises in Hungary, Germany and Poland which help develop and support its UK products. Its key UK locations include premises in Glasgow, Manchester, Newbury, Port Solent and London. Gamma also operates off-grid generators at critical operational sites as well as a small fleet of vehicles utilised by engineers for the installation and repair of connectivity and communications services. There were no exclusions made within this scope.
Scope 2 – Indirect GHG emissions	Greenhouse gases released into the atmosphere from the consumption of purchased electricity, steam, heat and cooling. Although the CO_2e emissions result from an organisation's activities, they occur at sources it doesn't own or control. As a result, they are indirect emissions.	Gamma measures energy consumption within staff premises and dedicated data centres in the UK, and small staff premises in Hungary, Germany and Poland which help develop and support its UK products. There were no exclusions made within this scope.
Scope 3 – Other indirect GHG emissions	Other emissions resulting from business activities or sources connected to, but not directly generated by the business itself for example business travel, employee commuting, suppliers or distributors.	Gamma uses benchmark data to estimate the emissions generated through the use of water and wastewater. It also uses benchmark data to assess emissions arising from business travel (such as public transport, air, taxi, and hire car usage). Home working emissions were also calculated using benchmark data, estimating the impact of remote working through the COVID-19 pandemic during 2020. Gamma has a UK national network which comprises network assets providing 'Points of Presence' across the UK. Although Gamma's network uses energy and therefore generates emissions, the energy is procured by third parties and therefore is categorised under Scope 3. For reporting year 2020 Gamma has not calculated or offset emissions generated from employee commuting. This scope is voluntary; however it is Gamma's intention to continue to mature this for future reporting.

A thorough analysis of the impact of Gamma's UK business was concluded in 2020 which has resulted in the extension of the emissions reporting boundary to include emissions arising from all the business's UK network 'points of presence'. In addition, to allow for greater accuracy of GHG emissions reporting, in 2020 the carbon emissions measurement was moved from biennial to annual and the reporting period was aligned with the Company's financial year. In consideration of the extended emissions reporting boundary and to reinforce the business's commitment to the environment, the carbon offset plans have been increased to account for additional emissions measured in 2020. Further analysis will be conducted in 2021 to enable the reporting of emissions within recently acquired UK and European subsidiaries and to set a 'base year' for the purpose of setting future carbon reduction targets.

Gamma's GHG emissions have been quantified by applying the most relevant emission factors. GHG emission factors relating to the 2020 reporting period are predominantly sourced from DEFRA's 2020 UK GHG Conversion Factors for Company Reporting (June 2020). For air travel, Gamma has elected to apply an Aviation Impact Factor (AIF) of 1.2 for the 2020 GHG assessment as per the requirements of the updated 2021 Carbon Neutral® Protocol.

Gamma emissions by scope (Tonnes CO_2e)



* GHG emissions data is location-based

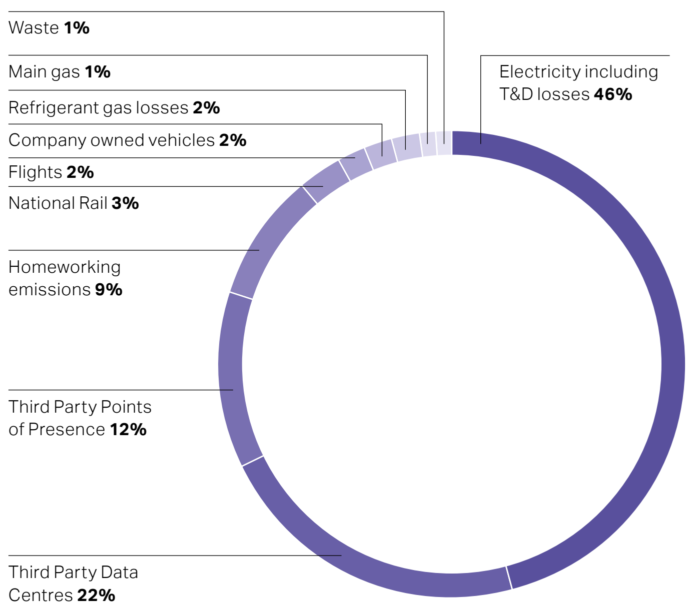
** To calculate 12 months emissions for 2020, 18 months emissions data was produced by a specialist third-party and then apportioned between reporting periods

*** To allow for greater accuracy of GHG emissions reporting, in 2020 Gamma moved the carbon emissions measurement from biennial to annual and aligned the reporting period to the Company's financial year. Emissions recorded between July 2019 and December 2019 total 1,264 tCO_2e. Of these emissions, 58 tCO_2e were recorded under Scope 1, 539 tCO_2e recorded under Scope 2, and the total recorded under Scope 3 was 667 tCO_2e.

In 2020, Gamma has reported an increase in emissions as a result of two contributing factors.

- To improve the accuracy of the emissions reporting, reliance upon estimated data has been reduced and 70% is now based on primary data. Where primary data is unavailable, Gamma has used benchmarks recommended by experienced third parties.
- 77 shared data centres and network 'points of presence' have been included within Scope 3 to represent emissions arising from Gamma's UK national network.

Gamma's emissions by source



* To calculate 12 months emissions for 2020, 18 months emissions data was produced by a specialist third-party and then apportioned between reporting periods.

During 2020, electricity procured and used by Gamma was its largest source of emissions (approximately 46%), followed by third-party data centres, third-party points of presence, home-working emissions, company owned vehicles, business travel (flights and rail), refrigerant gas losses, mains gas, and waste. The remaining sources; water, wastewater, taxis and hire cars each account for less than 1%.

	GHG Emissions Intensity Ratio	
	2018-2019	2020
UK GHG Emissions (tCO_2e)	1,620	2,409
Non-UK (offshore) GHG Emissions (tCO_2e)	81	120
Total GHG Emissions (tCO_2e)	1,701	2,529
Total Floor area (m^2)	8964.6	9174.6
GHG Emissions per sqm floor space	0.19	0.28

* 2018 – 2019 represents 12 months emissions data from July 2018 to June 2019. 2020 represents 12 months emissions data from January 2020 to December 2020.

The largest proportion of Gamma's emissions is generated through the use of electricity for its national network and offices and as such the floor space the Company occupies provides the most accurate emissions intensity ratio. The increase in GHG per square meter of floor space in 2020 relates to the disproportionately higher emissions generated by third-party data centres and network 'points of presence' included within the emissions reporting for this period. In 2020, 95% of emissions were produced in the UK, with 5% generated offshore.

Gamma's energy usage

	Electricity (kWh)	
	2018-2019	2020
UK	8,542,592	8,011,782
Non-UK (offshore)	39,816	36,953
Total	8,582,408	8,048,735

* 2018 – 2019 represents 12 months electricity data from July 2018 to June 2019. 2020 represents 12 months emissions data from January 2020 to December 2020.

** For the purposes of measuring energy efficiency trends, electricity and gas usage between 2018-2019 has been calculated retrospectively using the 2020 reporting boundary.

	Gas (kWh)	
	2018-2019	2020
UK	103,026	86,881
Non-UK (offshore)	35,390	26,591
Total	138,416	113,472

* 2018 – 2019 represents 12 months gas data from July 2018 to June 2019. 2020 represents 12 months emissions data from January 2020 to December 2020.

** For the purposes of measuring energy efficiency trends, electricity and gas usage between 2018-2019 has been calculated retrospectively using the 2020 reporting boundary.

In 2020, Gamma used 8,048,735 kWh of electricity and 113,472 kWh of natural gas. More than 99% of Gamma's electricity usage in 2020 was generated within the UK, with less than 1% generated offshore. In 2020, 77% of gas was used within the UK and 23% of gas used offshore.

Taking climate action

Gamma has made good progress in 2020 developing better climate related data and improving reporting capabilities to establish 2021 as the 'base year' for its carbon net-zero planning. In addition, the Company has taken steps in 2020 to further reduce its emissions. In 2020 it began to transition its fleet to 'self gen' hybrids, the desire is to complete this migration by 2023. It is estimated that this transition will result in a 15% annual CO_2 reduction per vehicle.

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

Because no organisation can produce no CO_2 footprint, where the Company's activities do result in CO_2 being released into the atmosphere, Gamma made a commitment in 2006 that it would fully offset this. Gamma has held 'Certified Carbon Neutral Company' status (conferred by Natural Capital Partners) since 2006 and to improve the accuracy of the carbon offset, the Company has switched from biennial to annual offset. 2529 tCO_2e will be offset for the 2020 reporting period.

Over the years Gamma has invested in a variety of "offset projects" which have been a combination of environmentally friendly power generation projects in the developing world and forest conservation. At present, the offsetting projects include:

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

Waste Management

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

Across Gamma sites, more general "office waste" is separated into recyclable and non-recyclable materials. Further improvements to waste management are planned, and although presently the mass of waste produced annually is not recorded, in 2021 it will begin to be measured and reported to enable future reduction and recycling targets to be set.

From Carbon Net-Neutral to Carbon Net-Zero

Gamma's 2021 Environmental targets

In 2021 it is Gamma's ambition to record emissions throughout the recently expanded Group. This data will form the 'Base Year' reporting to support the strategic 'Carbon Net-Zero' planning. In addition to this, the business will also measure and report on the mass of waste produced across the Group.

As such Gamma will further extend its 2021 reporting to include the following:

- Carbon emissions generated within all recently acquired European subsidiaries
- The mass of waste produced within all Gamma UK and European office facilities
- Emissions produced by major upstream suppliers
- Disclosures consistent with the recommendations of the Taskforce for Climate-related Financial Disclosures (TCFD)

And it will set out plans to make the energy that is purchased greener by switching to more Solar, Wind and Hydropower generation sources.

Climate-related business risks and opportunities

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

The COVID-19 pandemic has facilitated several climate opportunities in 2020, allowing travel to be curtailed and reducing business travel mileage by on average 100 miles per employee per month. Utilising its own Unified Communications products, Gamma transitioned to remote working quickly and it has since formulated plans to leverage the opportunity to reduce the longer-term emissions generated through employee travel.

Notwithstanding, there are risks which are discussed in the "Our principal risks" section of the Annual Report and these risks are reviewed quarterly by the Risk Committee, which reports to the Board.

Some types of "extreme weather" (which is becoming more frequent as a result of climate change) could pose a risk to Gamma. For example, the impact on assets caused by data centre flooding or extreme wind resulting in roof loss. The Company's buildings are maintained to a high standard and key network sites are located carefully to mitigate this risk. More widely, this type of weather could impact the electrical grid supply, and this is mitigated by having back-up systems in place on core parts of the network.

In addition to the risk of the direct impact of climate change, there are also internal risks relating to potential disruption to Gamma through its transition to net zero, as well as maintaining compliance with increased reporting and disclosure requirements, however these risks are also assessed as low impact.

Social

Gamma has established processes to consider the welfare of all of its stakeholders systematically.

Customers

Gamma's ethos is to provide a robust product at a fair price. Where we are selling via channel partners we want our partner to make a fair margin for the value that they are adding to our end user. We want to produce products which allow our end users to communicate easily and reliably.

The business has a strong reputation for service and support. We invest time engaging with our customers across a range of topics to ensure our business remains straightforward to deal with. In order to understand overall customer satisfaction levels, we run regular satisfaction surveys from our Sales and Support teams and in 2020 we introduced the 'Likert Scale' as our method to measure customer satisfaction. We are pleased to report a 69% CSAT rating in 2020. We also track an annual Net Promoter Score (NPS) and recorded a positive score of +66 for 2020, a year-on-year increase of 26 points, which is well above the industry average for our sector.

We aim to ensure our pricing is fair and transparent.

Data protection and privacy

We recognise our duty to ensure that any personal data that we may collect is properly protected and that we are transparent and responsible in the way we handle it. Details regarding our privacy policy can be found on our website: https://www.gamma.co.uk/privacy-policy/

Suppliers

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

Gamma is in the process of improving and standardising the management of suppliers. Preferred and strategic suppliers have their performance managed, monitored and reviewed to ensure the supply relationship always represents best value to Gamma and to underpin constructive discussion and resolution of any issues that might arise. Employees are asked to ensure that any issues relating to the supplier's service provision, quality of goods or any other indicator of performance (good or bad) is reported to the appropriate category procurement representative, so accurate performance records can be maintained and supplier performance can be managed and improved.

Regular supplier meetings take place with key suppliers and there is also a fortnightly 'Supplier Management Meeting' chaired by procurement, with inputs from Gamma key stakeholders including Commercial, Customer Operations, Network Operations, Product and Regulatory and Compliance which is a forum to discuss key suppliers and raise issues.

Gamma people

Employee engagement

Employee engagement is fundamental to Gamma's success at retaining highly motivated employees and contributes to the achievement of our strategic objectives.

By engaging with employees, we want to give them a voice to create a culture in which every employee can thrive. We want our people to bring their best selves to the working environment which should be a place where they feel safe, they belong, and they matter.

With the majority of Gamma's employees working remotely during the pandemic, engaging with staff, understanding how they were feeling and giving them a voice was a high priority.

We implemented a new engagement tool in 2020, the Gamma Pulse, with an Engagement Channel which is a resource tool for managers and employees. The Gamma Pulse ensured we could engage with employees in real time, which gave us quicker insights to enable us to implement actions and communicate results back to the business more efficiently.

In July we ran a COVID-19 survey to find out how our employees were, how they were feeling, whether they had the right equipment to do their role effectively and how we could help support them. We had an 81% participation rate with over 6,000 comments. In August we ran a further survey to gain feedback into new ways of working and again received a high participation rate of 82%. For both surveys we were able to communicate results and turn actions around quickly.

In October our regular surveys became quarterly and our Gamma Pulse enabled us to react to real-time feedback in an effective manner. We had an 80% participation rate with nearly 9,000 comments. Our results were communicated via an employee webinar and email communication.

We have created a senior leaders engagement working group to help drive change and actions in the business and to ensure we have a consistent approach. Engagement remains a key driver of our people agenda.

Culture and values

In January 2020 we launched our new values; aim high; consider others; think differently; and stronger together. The values were co-created with our employees through a number of workshops and feedback sessions to ensure they were authentic and were aligned to our culture.

We held a launch day in tandem with our new brand design and held a celebration in all our offices with senior leaders presenting to employees to raise awareness of our new values. In 2020 we have continued to embed our values through initiatives, inductions, our Gamma Pulse survey and communications, and will continue to build on our good foundations in 2021.

Diversity, belonging and inclusion

Gamma is committed to continually lead with our beliefs that enable our employees to develop their potential, continuously learn and bring their best selves to work. Our people come from a wide variety of backgrounds which makes our Company stronger together.

Our wellbeing programme has helped Gamma to create an awareness of different cultures by celebrating key calendar events, where employees have shared their stories and knowledge, such as Black History Month, LGBTQ+ and National Windrush Day. Our people also share information and their experiences to help educate others about festive celebrations such as Diwali, Eid, Rosh Hashanah, and Yom Kippur.

Wellbeing

We have put an increased focus on employee health and wellbeing in response to the pandemic in 2020 and we launched the Wellbeing Channel on Teams for employees in April 2020. The purpose of the Channel is to engage with and help staff during the pandemic and beyond. Sub-channels have been launched covering themes such as mental health support, tips for working remotely, fitness, health, and support for those shielding and for those isolated. Gamma has hosted events through the channel to help bring staff together such as gaming challenges, baking competitions, giving something back, and social support running to suit our employees' availability.

Our 17 mental health first aiders have worked on a rota system helping to support colleagues and we offered bite sized training on topics such as managing remotely, dealing with stress, and work-life balance. Our Employee Assistance Programme has provided employees with access to online information and advice and employees have shared their experiences of working from home and helping others. This has enhanced our culture and values and brought them to life as we have considered others and been stronger together.

Financial wellbeing is also important to our employees and we offer a salary sacrifice pension scheme, life assurance and income protection. Gamma offers a benefits package which includes: the government cycle to work scheme, childcare vouchers and additional holiday purchase as well as access to a health cashback plan. Gamma has also partnered with Reward Gateway to offer staff a variety of discounts from retail outlets and access to health and fitness discounts including gym memberships. We also offer enhanced adoption, maternity and paternity pay and shared parental leave.

Wellbeing will continue to be a key focus in 2021 to help support our employees with advice, training, assistance and continue to enhance our Wellbeing channel through our four key pillars of wellbeing: mental health, physical health, financial wellbeing, and community and social.

Health and safety

Gamma's health and safety initiatives evolved in 2020 with the aim of providing the same level of support from Gamma during the pandemic. Gamma's Group Operations Director chaired our COVID Committee, unifying Health and Safety with Employee Wellbeing, and with Business Continuity to ensure we are considering the welfare and safety of our employees. We responded rapidly to the outbreak of the pandemic, quickly transitioning our workforce to remote working, removing the need to travel for the vast majority of Gamma employees. For those employees where travel was essential, Gamma focused efforts on providing personal protective equipment (PPE) and introducing safety guidelines. In 2020 we also adjusted our employee health and safety training to support our employees working in a remote environment.

As a service business, Gamma experiences few workplace injuries. Nevertheless, Gamma recorded a reduced number of injuries in 2020, likely due to the office closures, and had no fatalities or major injuries related to work. A process has been established whereby all workplace injuries are reported to the Board.

Our health and safety policy has developed alongside our new working environment and we continue to work with third party specialists to ensure our employees are supported and environments are safe. Our health and safety governance has continued to mature in 2020, with enhancements to our internal reporting to provide better visibility to management of any concerns.

Sharing in the success of our business growth

As well as providing long-term incentive schemes which offer options to key employees, Gamma is keen to ensure that all employees who would like to be shareholders can do so in the most tax-efficient way. In the UK Gamma has an optional Save As You Earn ('SAYE') scheme which allows eligible employees to acquire shares and a Share Incentive Plan ('SIP') to allow employees to buy shares on a monthly basis. In 2020 43% (2019: 47%) of eligible employees chose to participate in the SAYE scheme, with options being granted over 345,953 (2019: 377,800) shares. Gamma is looking to roll out share schemes in Europe.

Apprenticeships

The Gamma apprenticeship programme has continued during 2020 with 15 apprentices in various functions (2019: 24). The majority of our apprentices are continuing studies from previous years, in some cases up to degree level or existing employees continuing their professional development through the apprenticeship model. We are committed to developing our employees and continuing to support talented people throughout their careers.

Gender pay gap

In 2021 we will continue to assess our gender pay gap and look at ways to continually support closing the gap between male and female employees and working to ensure that all employees are treated fairly.

Our gender pay gap report for the snapshot date of 5 April 2020 shows 1,046 employees within the Gamma Telecoms Holdings Ltd UK workforce: 728 men and 318 women.

Gender	% of Workforce 2020 vs (2019)
Male	69.60 (71.25)
Female	30.40 (28.75)

Below is the data from our 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 % 2020 vs (2019)	Median % 2020 vs (2019)
Pay Gap	25.45 (30.55)	23.19 (21.78)
Bonus Gap	63.27 (63.43)	26.47 (22.01)

Proportion of Males and Females receiving bonus

Gender	% receiving a bonus 2020 vs (2019)
Male	94.57 (95.68)
Female	93.56 (93.15)

Pay Quartiles

Quartile	Male % 2020 vs (2019)	Female % 2020 vs (2019)
Upper	80.53 (83.06)	19.47 (16.94)
Upper middle	72.41 (75.52)	27.59 (24.48)
Lower middle	61.83 (64.05)	38.17 (35.95)
Lower	63.60 (62.40)	36.40 (37.60)

Gamma operates in a sector where there is a shortage of technically skilled females who choose to pursue a career in telecommunications and technology. As seen across the sector, male employees continue to make up much of our workforce, however, we are seeing improvements in our mean figures.

Our development team within Gamma have been actively involved with the Hi-Tech Horizons initiative in conjunction with the Education Business Partnership. The initiative aims to engage and inspire the future workforce, raising awareness of the hi-tech sector and the opportunities available.

We have senior leaders within Gamma who continue to work with schools in the Greater Manchester and Newbury areas, supporting with career advice, work experience mornings, as well as promoting graduate and apprenticeship roles.

Group employee numbers at 31 December 2020

	Male	Female	Total
Directors of Gamma Communications plc	8 (80%)	2 (20%)	10
Senior Managers of the Company (including subsidiary Directors)	28 (97%)	1 (3%)	29
Employees	1,057 (69%)	473 (31%)	1,530

Group employee numbers at 31 December 2019

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

Whistleblowing Scheme

Gamma has recently launched a new Whistleblowing Policy and reporting system via an independent third party available to all employees, workers, suppliers, customers and other relevant third parties.

The enhanced approach provides employees with a confidential channel in which to raise any wrongdoing anonymously. The system is available 24/7 either online or via the telephone with multi-language functionality.

To ensure concerns are treated objectively, wrongdoing reports initially are sent directly from our third-party provider to our Whistleblowing Officers who are Independent Non-Executives on our Board. After an initial assessment, the report will either be sent to the panel which is made up of Gamma's Senior Leadership Team or the Whistleblowing Officers may deal with it independently.

Reports of wrongdoing concerns will be reported to the Board on a regular basis.

We will proactively communicate the Whistleblowing approach within our induction programme and have provided awareness communication and training to existing staff.

As part of our 2021 social plan within our ESG Strategy, we are committed to supporting the communities in which we are based and enhancing our charitable giving plan.

Giving something back

As part of our 2021 social plan within our ESG Strategy, we are committed to supporting the communities in which we are based and enhancing our charitable giving plan.

At Gamma we have 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. Whilst in 2020 our employees have been limited to what support they can offer due to the pandemic; they have still been involved with virtual initiatives and as a result we have set up a charities page for employees within our wellbeing channel.

Gamma agreed to match £25 for every donation up to £5,000 for the Ambitious about Autism virtual 10k fundraiser and 29 employees took part. One of our employees has raised £2,600 for the Children's Heart Surgery Fund and become a Trustee of the Board and the wellbeing channel has helped to raise awareness and get other employees involved. £574 was raised by an employee for the Royal British Legion through a 10k run and £1,089 was raised by another employee for the Stroke Association.

In 2020 we held a virtual Gamma Show which was a fantastic event which attracted widespread participation. For every live participant on the day Gamma gave £10 towards a charitable cause and topped this up to a £10,000 donation. Employees could apply to donate part of this money towards their chosen charity and we had £400 going to 25 different charities.

Giving something back is important to Gamma and our employees, and is aligned to our "consider others" value. We will continue to build on our community and charity plan in 2021 to help make a difference to good causes and our local communities.

Governance

Overview
The Board is responsible for defining, approving and monitoring the key activities of the business. The split of roles between the Board itself and executive management (i.e. the CEO, CFO and their reports) is set out in a 'Matters Reserved for the Board' document.

The Board delegates some of its activities to the Nomination, Audit, Remuneration, Risk and ESG Committees in accordance with their respective terms of reference. The operation of these Committees is set out in the 'Corporate Governance' section of this Annual report, and in the individual Committee reports. Certain Committees have employees who are not Board members as regular attendees.

Strategy
The Board approves the strategy of the business, which is refined in both Board meetings and in separate strategy events which involve senior management. In addition, the Board sets financial targets for the CEO, CFO and senior management (relating to both the annual bonus and Long-Term Incentives), and also personal targets. The combination of the agreed strategy and the targets enable the Board to steer the business and its evolutionary path.

Policies
Furthermore, certain critical Group policies are approved by the Board and then are implemented across the Group by executive management. These largely relate to legal compliance and ethical standards and include:

- Ethical Conduct (which covers not only compliance with the law but also high ethical standards in all dealings with customers, suppliers, staff and other stakeholders including Anti-Slavery)
- Anti-Bribery
- Whistleblowing
- Political contributions
- Share Dealing
- Tax strategy

These policies are publicly available on the Group's website: https://www.gammacommunicationsplc.com

Risk and ESG Committees
The Risk and ESG committees act as a focus for the development of projects to keep the Group aligned with standards appropriate for its size and for reporting on them, and so their influence can run deep into the organisation.

Senior Leadership Team
The CEO directs the business through the Senior Leadership Team (SLT) which meets regularly by videoconference. It includes the senior managers leading sales, product and marketing, software development and network architecture design, operations, people resources, commercial and legal. This team is central to the development of strategy and makes or reviews many of the key medium-term choices and priorities, in line with the agreed strategy.

Financial performance, sales, operational performance and product development are all reviewed at least monthly. A budget is set annually alongside a five-year financial plan to establish both the short-term and long-term viability of the business. Financial performance is monitored against this budget.

Non-UK operating companies
Gamma has made a number of acquisitions. There is now a holding company in Germany, Spain and the Netherlands. The holding company directors are the CEO, CFO and the local CEO. The trading company directors are the local CEO and their team. The legal directors of these operating companies are constrained by a 'Matters Reserved for the Group' document – where appropriate these constraints are written into the articles (or their local equivalent).

On a monthly basis the CEO, CFO and Chief Strategy Officer meet with the local CEO and their team to review the performance of each European business. In addition to the formal monthly meeting there are frequent informal conversations between the senior group team and the local management teams.

Acquisitions, regardless of whether they are an initial acquisition "in country" or a "bolt-on" are always brought to the Group Board for approval.

Regulation

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

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

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

Political contributions

There were no political contributions in the year.

The Strategic Report was approved by the Board of Directors on 22 March 2021

Andrew Belshaw
Chief Financial Officer

Corporate governance

Ensuring good governance and compliance

Role of the Board

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

The Board is responsible for establishing and maintaining the system of internal controls which has been in place throughout 2020. The effectiveness of the Group's system of internal controls is reviewed annually by the Audit Committee on behalf of the Board, as referred to in the Audit Committee report.

Dear shareholder,

Welcome to the Corporate Governance Report for the year ended 31 December 2020, which I am pleased to present on behalf of the Board. The Board recognises that sound corporate governance is an essential underpinning for a growing, publicly quoted business, and is committed to ensuring the integrity of both its processes and of those of the Group as a whole.

Corporate Governance Code

The Directors support high standards of corporate governance. In 2018, the Board of Gamma formally decided to apply 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 Compliance Code document which was approved on 3 September 2020 is available on the website www.gammacommunicationsplc.com.

The Board

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

After a thorough search to identify appropriate Non-Executive Directors we were pleased to welcome Charlotta Ginman and Xavier Robert to the Board on 8 September 2020. Charlotta has extensive technology sector experience and has supported the growth and development of businesses in the sector. Xavier has experience in identifying, acquiring, integrating and growing technology businesses, which is highly relevant to Gamma's international acquisition strategy.

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

Relations with shareholders

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

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

Looking ahead

The Group's commitment to strong corporate governance and risk management will remain central to the business during 2021 and beyond.

Richard Last
Chair and Independent Non-Executive Director

Corporate governance framework

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

Board of Directors

Chair The Chair is responsible for the leadership of the Board.	**Richard Last**	Chair and Independent Non-Executive Director
Executive Directors They are responsible for running the Company's business.	**Andrew Taylor**	Chief Executive Officer
	Andrew Belshaw	Chief Financial Officer
Non-Executive Directors They bring an independent perspective to decision-making; they hold senior management to account; they also support and mentor the CEO and senior management.	**Martin Lea**	Senior Independent Non-Executive Director
	Alan Gibbins	Independent Non-Executive Director
	Charlotta Ginman	Independent Non-Executive Director
	Henrietta Marsh	Independent Non-Executive Director
	Xavier Robert	Independent Non-Executive Director
	Andrew Stone	Non-Independent Non-Executive Director
	Wu Long Peng	Non-Independent Non-Executive Director

Board Committees

Audit Committee

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

Audit Committee Report
See page 60

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 58

Remuneration Committee

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

Remuneration Committee Report
See page 67

Risk Committee

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

Risk Committee Report
See page 63

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 65

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 at 31 December 2020

- Committee Chair
- A Audit
- N Nomination
- R Risk
- R Remuneration
- E ESG

Richard Last
Chair and Independent Non-Executive Director

Appointed to the Board:
2014

Committee Membership:
N E R R

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

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

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

Andrew Taylor
Chief Executive Officer

Appointed to the Board:
2018

Committee Membership:
E R

Skills and experience:
Andrew has over 20 years' experience in the Telecommunications industry, and has a demonstrable track record of achievement in previous roles, both in the UK and internationally.

Previously, Andrew was Chief Executive Officer of Nomad Digital, a provider of IP connectivity and digital solutions to the global transportation sector. In this role, Andrew was responsible for establishing Nomad as a leader in the sector, and when acquired by Alstom in 2017, was serving over 50 global customers from 20 international offices.

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

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

Other roles:
None

Andrew Belshaw
Chief Financial Officer

Appointed to the Board:
2014

Committee Membership:
E R

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

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

Other roles:
None

Martin Lea
Senior Independent Non-Executive Director

Appointed to the Board:
2014

Committee Membership:
R E N R

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

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

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

Alan Gibbins
Independent Non-Executive Director

Appointed to the Board:
2014

Committee Membership:
A N R

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

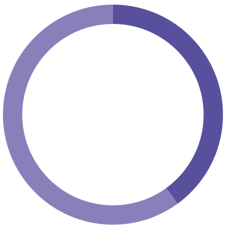
His responsibilities included one of the main London audit groups and he was an Audit and Business Assurance Partner. Alan joined Gamma in June 2014 and is Chairman of the Audit Committee.

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

Other roles:
Alan is presently Chairman of Jefferies International Ltd. He is a Non-Executive Director and Trustee for a number of private not-for-profit companies.

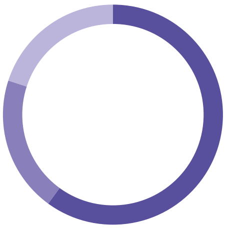
Tenure (since listing in 2014)

0-5 years	4
+5 years	6



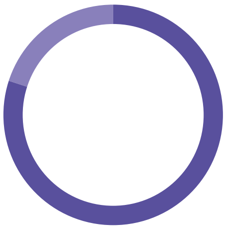
Independence

Independent Non-Executive	6
Non-Independent Non-Executive	2
Executive	2



Board gender

Male	8
Female	2



Charlotta Ginman
Independent Non-Executive Director

Appointed to the Board: 2020

Committee Membership: A E

Skills and experience:
Charlotta qualified as a Chartered Accountant before spending a career in investment banking and commercial organisations, principally in technology-related businesses. She began her career at Ernst & Young in 1989, and 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 Chief Financial Officer of its luxury mobile phone division Vertu Corporation Limited.

Other roles:
Charlotta is a Non-Executive Director and Chair of the Audit Committee of two Investment Trusts; Polar Capital Technology Trust PLC and Pacific Asset Trust PLC. She is also a Non-Executive Director of Unicorn AIM VCT PLC, a Venture Capital Trust, and AIM listed; Boku Inc.

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

Henrietta Marsh
Independent Non-Executive Director

Appointed to the Board: 2019

Committee Membership: A E N R R

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

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

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

Xavier Robert
Independent Non-Executive Director

Appointed to the Board: 2020

Committee Membership: R R

Skills and experience:
Xavier has been a private equity professional with more than 22 years of experience in M&A and investment, deal experience across Europe and the US. He leads the global private equity firm Bridgepoint in the UK and sits on the Executive and Investment Committees. Previously Xavier was in charge of technology investment globally for his private equity firm.

Other roles:
Xavier is Chairman of Calypso Technology, a privately-owned leading software company for capital market. He is also Chairman of Qualitest, the largest privately-owned software testing company.

Andrew Stone
Independent Non-Executive Director

Appointed to the Board: 2014

Committee Membership: N R

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

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

Wu Long Peng
Independent Non-Executive Director

Appointed to the Board: 2014

Committee Membership: A E N

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

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

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

Senior Leadership Team

Our leadership team have a wealth of industry experience.

Our leadership team have a wealth of industry experience.

Tenure:

0 – 5 years:	5
6 – 10 years:	1
Over 10 years:	7

Andrew Taylor
Chief Executive Officer

Biography available on page 50 Board of Directors.

Andrew Belshaw
Chief Financial Officer

Biography available on page 50 Board of Directors.

Malcolm Goddard
Group Commercial Director

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

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

Suzie Woodhams
Chief People Officer

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

Andy Morris
Chief Strategy and Operating Officer

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

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

Phil Stubbs
Chief Technical Officer

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

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

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

John Murphy
Group Operations Director

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

Chris Wade
Chief Marketing and Products 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.

Daryl Pile
Managing Director – UK Indirect

Daryl joined Gamma in 2003 and has a proven track record in overseeing revenue and margin growth in the telecoms industry. With over 18 years’ experience, he has taken a number of business development roles including Head of Channel and Sales Director at companies such as Telia, Uniworld and Gamma. Prior to his current position, Daryl was Head of Sales for the PBX / UC channel overseeing the development of around half our channel partners.

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

David Macfarlane
Managing Director – UK Direct

David joined Gamma in 2012 following Gamma’s acquisition of his managed services business Varidion Limited and now heads up the UK Direct division.

Prior to this, David was the CTO at Sirocom and latterly the Group CTO at Azzurri Communications and has over 25 years’ experience in creating and delivering managed services.

Gerben Wijbenga
Chief Executive Office – Gamma Communications Benelux

Gerben joined Gamma in August 2020 taking full responsibility for business activities across the Netherlands. Gerben worked at KPN for 10 years. After KPN Gerben was Directeur Général at Simyo France and CEO at Ortel Mobile, an ethnic 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, Gerben was CEO at Lebara Deutschland, a market leading MVNO based in Düsseldorf.

Xavier Casajoana
Chief Executive Office – Voz Telecom

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

After more than 10 years in Information Systems Management, Xavier joined Worldonline as Director of Information Systems. After mergering 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 the Universitat Politècnica de Catalunya and a Masters in Business and Technology from the Universitat Ramom Llull.

Achim Hager
Chief Executive Officer – HFO

Achim joined Gamma in July 2020 following Gamma’s acquisition of HFO Holdings.

He founded HFO Holdings in 1998, it now has 160 employees and is a leading SIP provider in Germany.

After an apprenticeship in the SchmidtBank, he studied business Economics.

Achim is member of the supervisory board of the German Carrier association Breko and has been supporting different non-commercial regional activities throughout his career.

Corporate Governance Report

Operation of the Board

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

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

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

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

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

Board activities

Strategy

- Approved the proposed acquisitions of Exactive, Voz Telecom, HFO and gnTel;
- Reviewed other potential acquisition targets which did not complete or were ongoing at year end; and
- Reviewed the Board composition of Non-Executive Directors.

Operational

- Discussed the mobile strategy;
- Discussed deals with data providers which underpin our access strategy (Broadband, Ethernet); and
- Reviewed operational changes as a result of the COVID-19 pandemic.

Financial performance

- Monitored 2020 performance against the approved budget;
- Approved the 2019 Annual Report and Accounts and determined they were fair, balanced and understandable;
- Approved the 2020 half-year results;
- Approved the final dividend for 2019 and 2020 interim dividend;
- Approved the 2021 budget; and
- Received reports from the Audit Committee concerning the overall level of financial governance of the Group.

Board Meeting attendance

	Board meeting	Audit Committee	Remuneration Committee	Nomination Committee	Risk Committee	ESG Committee
Executive Directors						
Andrew Taylor	10/10	n/a	n/a	n/a	4/4	0/1
Andrew Belshaw	10/10	n/a	n/a	n/a	n/a	1/1
Non-Executive Directors						
Richard Last	10/10	n/a	8/8	4/4	4/4	1/1
Alan Gibbins	10/10	5/5	6/6	4/4	4/4	n/a
Charlotta Ginman	2/2	2/2	n/a	n/a	n/a	n/a
Martin Lea	10/10	3/3	8/8	4/4	4/4	1/1
Henrietta Marsh	10/10	5/5	8/8	4/4	4/4	1/1
Xavier Robert	2/2	n/a	1/1	n/a	n/a	n/a
Andrew Stone	10/10	n/a	n/a	4/4	n/a	n/a
Wu Long Peng	10/10	2/2	n/a	4/4	n/a	n/a

For changes in Committee memberships please see the Committee reports.

Corporate governance

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

Risk

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

People and culture

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

Shareholders

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

Time commitment

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

During 2020, certain Directors who were not committee members attended meetings of the Audit Committee and Remuneration Committee by invitation. These details have not been included in the attendance table. Where a Director is unable to attend meetings of the Board or of Board Committees, such Director is invited to review the relevant papers for the meetings and provide their comments to the Board or the Board Committees in advance of such meetings.

Training and development

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

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

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

Board performance

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

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

The review is based on a template covering key areas:

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

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

Committees

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

Audit Committee

The make-up and workings of the Audit Committee are set out in the Audit Committee Report on page 60.

Remuneration Committee

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

Nomination Committee

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

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

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

Risk Committee

The Risk Committee was formed in December 2017 to assist the Board in its duty to carry out a robust assessment of the principal non-financial risks facing the Company (financial risk is considered by the Audit Committee). Its main function is to review the risk register prepared and maintained by management and to re-confirm that the principal risks have been identified and (where appropriate) mitigated. These are included on pages 63 to 64.

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

The Risk Committee is chaired by Martin Lea and its other members are Richard Last, Andrew Taylor, Alan Gibbins, Henrietta Marsh and John Murphy (Group Operations Director).

ESG Committee

During 2020 an ESG committee was formed. 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 ESG 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 regarding it. It also oversees the establishment of policies and codes of practice and their effective implementation.

The ESG Committee is chaired by Martin Lea, and its other members are Richard Last, Henrietta Marsh, Charlotta Ginman, Wu Long Peng, Andrew Taylor (CEO) and Andrew Belshaw (CFO). The ESG Committee plans to meet four times a year.

Stakeholder Engagement

Relations with shareholders

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

In order to ensure that the members of the Board develop an understanding of the views and concerns of major shareholders there is regular dialogue with institutional shareholders, including meetings after the announcement of the Company's annual and interim results. The Board uses the AGM to communicate with private and institutional investors and welcomes their participation. During 2020, a senior independent director was appointed. All the Non-Executive Directors and, in particular, the Chairman and the Senior Independent Non-Executive Director are available to meet with major shareholders, if such meetings are required.

Relations with employees/employee engagement

The Group recognises the importance of employees to the success of the business and ensures that they are fully informed of events that directly affect them and their working conditions. Information on matters of concern to employees is given in briefings that seek to provide a common awareness on the part of all employees of the financial and economic factors affecting the Group's performance through attendance at employee 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. We designated a Non-Executive Director for engagement with the workforce.

Business relationships

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

Suppliers

Gamma's supplier payments policy is to always pay suppliers on or before the agreed term (which will vary from contact to contract). If an invoice is fully authorised on the system, it will pull through to the next available payment run even if this is before the contractual due date. The maximum contractual payment period agreed is 90 days, which was offered by the supplier without Gamma's request. For the year ended 31 December 2020, the average time taken to pay invoices was 30 days.

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

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

Customers (and customer satisfaction)

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

Signed on behalf of the Board by:

Richard Last
Chair and Independent Non-Executive Director
22 March 2021

Nomination Committee Report

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 Committees of the Board.

It is primarily responsible for:

- leading the search process and making recommendations to the Board for the appointment of new Directors
- regularly reviewing the Board structure, size and composition (including the 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 role of Senior Independent Director, and membership of the ESG, Audit and Remuneration Committees in consultation with the Chairs of the relevant Committees.

	Meetings attended:
Richard Last (Chair)	4/4
Alan Gibbins	4/4
Martin Lea	4/4
Henrietta Marsh	4/4
Wu Long Peng	4/4
Andrew Stone	4/4

Richard Last
Chair

Dear Shareholder,

On behalf of the Nomination Committee, I am pleased to present our report for the year ended 31 December 2020. This report sets out the Committee's key activities in 2020 as well as the Committee's priorities for 2021.

The committee met four times during 2020. The principal matters dealt with included the following:

- evaluation of potential independent non-executive candidates;
- recommendation of the new Independent Non-Executive Directors for appointment to the Board and Committees;
- recommendation to the Board of the appointment of a Senior Independent Director; and
- recommendation to the Board of changes to the composition of the audit and remuneration committees and the initial appointees to the new ESG Committee.

Appointment of Non-Executive Directors

The Chair engaged a leading firm of organisational consultants to assist with the search for additional Independent Non-Executive Directors for the Board who possess the skills/diversity profile sought of the Board. The outcome of this process saw the appointment of Charlotta Ginman and Xavier Robert as new Independent Non-Executive Directors increasing the independent representation on the Board.

Charlotta holds a number of non-executive roles at both AIM and fully listed businesses and is also the chair of the audit committee at Keywords Studios plc and Polar Capital Technology Trust plc.

Xavier Robert has acted as a non-executive for many private companies – in many cases he has acted as Chair of the Board or the Remuneration or Audit Committees. He is a French national and lives in the UK. He has significant experience of international M&A. Xavier is Head of UK at Bridgepoint Private Equity and was their Global head of TMT from 2011 to 2018.

Appointment of Senior Independent Director

In line with our stated aim of adopting as much of the Combined Code as is practical for a business of our size and maturity, on 2 June 2020, the Nominations Committee appointed Martin Lea as Senior Independent Director. Martin has served as a Non-Executive since before Gamma's flotation in 2014.

Appointment of Board Committees

During 2020 the Committee and Board completed a review of the composition of the main Board Committees (Audit, Risk, ESG, Nomination and Remuneration) having regard to skills, experience, diversity and the time required of each of the Directors in discharging their responsibilities.

On 5 June 2020, it was decided the Remuneration Committee Chair should rotate. Martin Lea stood down after six years and handed over to Henrietta Marsh. Henrietta has been a member of the Committee since joining the Board in April 2019. Martin remains a member of the Committee.

On 3 August 2020, the Board decided to create a separate Environmental, Social and Governance ("ESG") Committee. Gamma has a strong set of ESG credentials; the Committee's purpose is to encourage and oversee the underlying activity and to ensure that we report in line with the emerging standards in this area. The Committee is chaired by Martin Lea and consists of a mixture of Non-Executive and Executive Directors.

Re-appointment of Directors

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

Diversity

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

Succession planning

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

Priorities for 2021

The Committee's priorities for the coming year will be continued focus on increasing the diversity within the Board and Senior Leadership Team and further work on succession planning activities.

Richard Last
Chair Nomination Committee
22 March 2021

Audit Committee Report

Audit Committee Role

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

Membership

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

	Meetings attended
Alan Gibbins (Chair)	5/5
Martin Lea[1]	3/3
Henrietta Marsh	5/5
Wu Long Peng[2]	2/2
Charlotta Ginman[2]	2/2

1 Marin Lea retired from the Committee on 30 October 2020
2 Membership from 30 October 2020

Changes to the membership of Board Committees were made in October 2020 with, in the case of the Audit Committee, Martin Lea stepping down and Wu Long Peng and Charlotta Ginman joining the Committee.

Alan Gibbins
Chair

Dear Shareholder,

I am pleased to present the Audit Committee report for the year ended 31 December 2020. This report details how the Audit Committee fulfilled its responsibilities during the year.

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

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

This year there were additional meetings relating to the appointment of Internal Auditors and subsequently to receive their first internal audit report. This is described further later in the report.

The normal pattern of meetings follows the public reporting and audit cycle, with meetings to consider the external audit plan; the half year announcement together with the external auditors' review of those results; and the full year Report and Accounts, again with the external auditors' observations and opinions. This pattern is likely to evolve to allow for the timely reporting back of internal audit findings in the future.

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

Role and responsibilities

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

In fulfilment of its role and responsibilities the Committee:

- reviews Gamma's financial statements and finance-related announcements, including compliance with statutory and listing requirements;
- considers whether these statements and announcements provide a balanced and understandable view of Gamma's strategy and performance, and of the risks surrounding internal financial controls. Other risks are considered by the Risk Committee, the ESG Committee and by the Board as a whole;
- considers the appropriateness of accounting policies and significant accounting judgements and the disclosure of these in the financial statements;
- reviews the effectiveness of financial controls and systems. The Committee's consideration of internal audit matters; and
- oversees the relationship with and performance of the external and internal auditors.

Activities of the Committee during the year

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

Financial reporting and statutory audit

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

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

As an AIM-quoted company, Gamma is not required to comply fully with the UK Corporate Governance Code, but seeks nevertheless to comply in all material respects. The Company has for the last three years adopted the QCA Governance Code issued by the Quoted Companies Alliance in 2018, and the Committee has satisfied itself that Gamma continues to comply with that Code.

External audit – accounting matters

The Committee discussed, challenged and agreed with Deloitte LLP, the external auditor, their detailed audit plans prepared in advance of the audit, which set out their assessment of key audit risks and materiality. These risks and other matters arising from their reviews and audit were also challenged and discussed in the appropriate meetings. Key areas were:

- Intangible assets: the valuation of customer contract intangible assets identified as part of the acquisitions of HFO and Voz Telecom;
- Revenue: accuracy of volume and pricing of indirect usage revenue; and
- the risk inherent to all companies of management override of controls.

The Committee discussed Deloitte's ability to carry out the audit remotely, with most Gamma employees working from home in response to the COVID-19 pandemic and noted that they had developed appropriate audit tools for this purpose. The importance of frequent contact to offset losing the immediacy of a physical presence was also highlighted.

The Committee discussed the materiality used by Deloitte for their audit of the Group Financial Statements. It is satisfied that the materiality thresholds used for reporting to the Committee are such as to give the Committee good oversight of the adequacy of the Group's accounting; and that specific procedures in Germany, including specific opening balance sheet testing, and a desktop review of the results of the Group's other European businesses continues to be appropriate at this stage. These businesses are subject to full local audits subsequent to the completion of the Group accounts where legally required in country. This is discussed later in this report.

Further details of Deloitte's audit and their conclusions thereon are contained in their audit opinion on pages 88 to 93.

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

Accounting policies, practices and judgements

The selection of appropriate accounting policies and practices is the responsibility of management, and the Committee discussed these with both management and the external auditors.

Revenue recognition

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

Purchase price accounting for Voz Telecom and HFO

The acquisition accounting for these companies was agreed as appropriate. Both companies have performed in line with revised expectations since acquisition (i.e. taking into account the effect of COVID-19 on the local economy) and no adjustments are considered necessary to the contingent consideration, goodwill or intangible assets established at the time of acquisition.

Other areas of judgement

In other areas such as revenues from contracts with customers; accounting for leases; the capitalisation of internal development costs; the carrying value of fixed assets; the calculation of the charge for share based payments; and provisions for taxation; the Committee has satisfied itself that Gamma's processes and procedures are such that each continues to be properly accounted for.

Overseas subsidiaries

As described earlier in this report, Deloitte perform specified procedures for HFO and desktop reviews of all other overseas subsidiaries as part of their annual audit. The relevant companies are subsequently subject to full audits by local audit firms where legally required in country. As the Group expands, the results of overseas subsidiaries are becoming more material and we will be moving to appoint Deloitte or another firm to carry out audits of these companies to the Group timetable. The Audit Committee have evaluated how the local companies report into Group and recognise that management has been working hard to ensure that local reporting is improving and accounting policies are materially in line with Group.

Assessment of internal financial control

Management is responsible for putting in place internal financial controls over financial reporting to protect the business from identified material risks; and that those controls are adequate in the face of COVID-19 restrictions.

Key Indirect revenue and certain other controls are reviewed by Deloitte during the course of their external audit but such reviews are only in support of their statutory audit opinion and as such are not the main focus of their work.

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

As described in this report last year, over the last few years Gamma has commissioned internal audit work from external firms on various areas including the billing system, the partner settlement process, and controls over physical stock. It also commissioned internal controls health checks on overseas subsidiaries. However, it was recognised that with the growth and increased complexity of the business, including UK and foreign acquisitions, that the Group needs to move toward a more formal internal audit arrangement. Accordingly, a competitive tender process between two big four firms was undertaken with the firms putting forward their proposals in written documents and face-to-face presentations to the Audit Committee. The Committee unanimously chose PwC for the role, with their lead partner taking the role of Head of Internal Audit reporting to the Audit Committee, with a dotted reporting line to the CFO.

Since their appointment in September 2020, PwC have agreed an Internal Audit Charter with Gamma; have presented their plan for 2021 (with the number of audits being increased after discussion with the Audit Committee); and in December presented their first report, on Company level controls. A number of recommendations relating to Group risk governance were made and are to be taken forward by management who will report back both to the Audit Committee and where appropriate, to the Risk Committee. The two committees will coordinate carefully to ensure a seamless approach to risk.

Effectiveness

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

Fees

A full review of the Group audit fees was carried out and the Committee is satisfied that the fees being paid are appropriate for the size of the Group, its increased complexity and the changing regulatory environment.

No significant non-audit fees were paid to Deloitte. A formal policy regarding the provision of non-audit services by the external auditors will be agreed during 2021.

Appointment of external auditors

Deloitte LLP were appointed as Gamma's external auditors for the first time for the year ending 31 December 2015 with reappointment approved annually thereafter. The Deloitte partner responsible for the Gamma audit, Andrew Bond, has rotated off the audit having served for five years and has been succeeded by Mark Tolley.

For the financial year ending 31 December 2021, the Committee has recommended to the Board that Deloitte LLP be reappointed and the Board will be proposing their reappointment at the AGM.

Alan Gibbins
Chair Audit Committee
22 March 2021

Risk Committee Report

Risk Committee

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

It is primarily responsible for ensuring that:

- Management has implemented an appropriate and effective risk 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.

	Meetings attended
Martin Lea (Chair)	4/4
Alan Gibbins	4/4
Richard Last	4/4
Henrietta Marsh	4/4
Andy Morris (Chief Strategy and Operating Officer)[1]	1/4
John Murphy (Group Operations Director)[1]	3/4
Andrew Taylor (CEO)	4/4

1 From end January 2020 John Murphy (Group Operations Director) replaced Andy Morris on the Risk Committee.

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

Martin Lea
Chair

Dear shareholder,

I am pleased to introduce the Risk Committee Report for the year ended 31 December 2020.

We were very pleased to welcome Xavier Robert to the Board of the Company and also as a new member of the Risk Committee towards the end of 2020. At the same time Andrew Belshaw CFO and Andrew Stone Non-Executive Director also joined the committee. The Committee now comprises five of the Company's Non-Executive Directors, the CEO, CFO and the Group Operations Director.

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 18 to 25 of the Strategic Report.

Role of the Risk Committee

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

Activities of the Risk Committee in 2020

The last year bought with it the challenge of the COVID-19 pandemic, and its associated new risks. Whilst Gamma's business and its supply chains proved to be resilient to the short-term economic impacts, the crisis presented challenges particularly in terms of the migration of the organisation to home working. Achieving this effectively and securely, whilst looking after the safety and wellbeing of all of our employees, as well as ensuring continuity of service to our customers, was a result of a tremendous effort across the organisation by all of our colleagues.

Other areas of focus during the year for the committee included: strengthening our risk management framework and processes around GDPR and completing the establishment of our Group Data Protection Committee; a major review of our people related risks and associated mitigation plans led by our Chief People Officer; the further development of our risk assessment process related to climate risk; the review and re-launch of our Group whistle blowing policy; and continuing to enhance general risk and security awareness throughout the business.

The Committee met four times in 2020, and in addition to the items above conducted the following regular items of business:

- reviewing any unexpected and material service incidents or other corporate risk incidents;
- reviewing the Company risk registers covering business continuity, cyber and physical security GDPR, supplier, regulatory, legal, people, climate, COVID-19 and Brexit related risks focusing on the higher risk items and the status of associated mitigation plans;
- determining how Group acquisitions will be incorporated into the overall Group risk management and control environment;
- reviewing the appropriateness and adequacy of the Group's insurance policies and related cover;
- reviewing the Risk Management and Principal Risks sections of the Strategic report within the Group's Annual Report; and
- reviewing the committee's terms of reference.

Looking forward

Our Group continues to grow in size and also in the breadth and sophistication of services provided as well as the diversity of geographic markets within which we operate. These factors, together with further developments in environmental governance expectations and standards, mean that risk awareness, identification, assessment and management will continue to be an important aspect of our overall activity and corporate governance. The Group's focus in the coming year will be on further developing and improving our effectiveness in the overall approach to risk management, extending our risk management framework and associated processes to incorporate our newly acquired non-UK subsidiaries, as well as continuing to increase risk and security awareness throughout the organisation.

Martin Lea
Chair Risk Committee
22 March 2021

ESG Committee Report

ESG Committee

The ESG Committee was formed during the year and held its inaugural meeting in October 2020.

It 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 constituents and that an ESG awareness is promoted throughout the organisation.

	Meetings attended
Martin Lea (Chair)	1/1
Andrew Belshaw (CFO)	1/1
Richard Last	1/1
Henrietta Marsh	1/1
Andrew Taylor (CEO)	0/1

From December 2020 Charlotta Ginman and Wu Long Peng also joined the ESG Committee.

In addition to the committee members, quarterly meetings are also normally attended by the Group Operations Director, the Company Secretary, the Chief People Officer, the Group Financial Controller, the Group Procurement Director, and the General Council.

Martin Lea
Chair

Dear shareholder,

Following the establishment of our new ESG committee in October, I am pleased to introduce our first ESG Committee Report for the year ended 31 December 2020.

We were very pleased to welcome Charlotta Ginman to the Board of the Company and also as a new member of the ESG Committee towards the end of 2020. The Committee now comprises five of the Company's Non-Executive Directors, the CEO, and the CFO.

Details of our Environmental, Social and Governance related strategy, policies, activities and performance are presented on pages 35 to 46 of the Strategic Report.

Role of the ESG Committee

The Committee is responsible, on behalf of the Board, for overseeing the development of the Group's ESG strategy and governance structure and the establishment of related goals and policies. It also should ensure that appropriate KPIs are established, together with performance targets across each key area of the ESG spectrum, and for overseeing their ongoing monitoring and reporting. In addition, the Committee is responsible for making sure that the Group is effectively monitoring ESG trends, and in particular the evolution of standards and legislative requirements, and how those may impact the Group in terms of strategy and financial performance. The Committee works in conjunction with the Risk Committee to oversee the identification and mitigation of risks relating to ESG matters, and for the identification of related opportunities. It is also required to ensure that the Group provides appropriate information and is transparent in its reporting of ESG strategy, policies, activities and performance to all of its key stakeholders. The Committee is responsible for ensuring that there is an evolving ESG awareness and culture throughout the organisation.

The Committee's terms of reference are available on the Company's website.

Activities of the ESG Committee in 2020

The Committee met for the first time in October 2020, and henceforth, under normal circumstances, would expect to meet once per quarter.

On Environmental matters; The Committee reviewed the current legislative reporting requirements as well as the status within the Company in terms of energy supply and usage, GHG emissions and carbon off-set, water and waste management measuring and reporting, and readiness to comply with the new Streamlined Energy and Carbon Reporting (SECR) regulations, for inclusion in the 2020 annual report. The Committee further considered the likely emergence of FCA policy, rules and guidelines on the inclusion of reporting in line with the Task Force for Climate-Related Financial Disclosure (TCFD) recommendations for companies with a primary listing, from 2021, and Gamma's response.

With respect to Social impacts; the Committee undertook a review of the Group's current activities, and status and forward plans across a number of areas including: employee engagement, health and wellbeing (in general and in light of COVID-19), employee share schemes, apprenticeships, internships and graduate recruitment, equality diversity and inclusion, community and charitable support, fairness in the workplace, and health and safety.

In terms of Governance; the Committee assessed the status of various policies and identified where revisions or updating were required, including: ethical procurement, anti-bribery and corruption, anti-modern slavery, ethical code of conduct, whistleblowing, lobbying and political contributions.

The Committee also reviewed how ESG responsibilities are devolved within the senior leadership and company management, and how the Group should best access the investor eco-system to communicate and promote its ESG credentials.

Looking Forward

Looking to the year ahead, the Committee will focus on a number of areas. On the environment, we will aim to extend the level of our emissions measurement and reporting to include Scope 2 and some of Scope 3, as well as incorporating waste into our regular reporting. Furthermore, we will develop a plan and timescale within which we will aim to move from our current carbon "net neutral" position to achieving "net zero" status. We will also develop our overarching climate change activities and management to enable us to report against the TCFD recommendations as we go into 2022.

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.

From a governance perspective, we will continue to update key policies as required, as well as introduce our ethical sourcing policy and in parallel increase the level and scope of our supplier questionnaires and audits. Having made a number of European acquisitions over the past 18 months, in the year ahead we will extend the geographic scope of our ESG initiatives and policies outside the UK.

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 of our key constituents.

Martin Lea
Chair ESG Committee
22 March 2021

Directors' Remuneration Report

Remuneration Committee

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

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

	Meetings attended
Henrietta Marsh (Chair)[1]	8/8
Martin Lea[2]	8/8
Richard Last	8/8
Alan Gibbins[3]	6/6
Xavier Robert[4]	1/1

1 Henrietta Marsh was appointed Chair of the Committee on 5 June 2020
2 Martin Lea retired as Chair of the Committee on 5 June 2020
3 Alan Gibbins retired from the Committee on 30 October 2020
4 Membership from 20 November 2020

Directors' Remuneration Report structure and content

This report for the year ended 31 December 2020 is split into the following main areas:

As an AIM-traded company, the information provided is disclosed to fulfil the requirements of AIM Rule 19.

Henrietta Marsh

Chair

Dear shareholder,

I am pleased to introduce the Directors' Remuneration Report for the year ended 31 December 2020.

There have been some changes in the composition of the Committee. Alan Gibbins retired from the Committee in October and we were pleased to welcome Xavier Robert in November. I took over the Chair of the Committee from Martin Lea in June. The Committee comprises four of the Company's Independent Non-Executive Directors.

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

Performance and approach to COVID-19

This year has been one of continued positive progress at Gamma. The Chair's statement (on pages 2 to 3) provides an overview of the strong financial performance and the strategic steps the Group has achieved. The highlights include revenue growth of 20% to £393.8m, and growth in Adjusted Profit Before Tax from £48.1m to £61.7m.

These positive results have been achieved against the background of the COVID-19 pandemic. Gamma has recurring revenues and supplies services for which, in general, there has been an increasing requirement. However, the backdrop has been a weaker economy and challenging working conditions. Throughout the period, the Board and the Committee have sought to meet obligations to stakeholders as expected and to maintain a reputation for consistency which we believe will serve shareholders well in the long term. We have not made use of any government financial facilities and when staff have been placed on leave, we have paid them 100% of salary. We have supported customers with a hibernation scheme and paid an increased dividend to shareholders. In the area of remuneration, we have also taken a consistent approach with employees; the Senior Leadership Team; and Executive Directors.

Early in the pandemic, the Committee considered the potential impact of the pandemic on its Senior Leadership Team remuneration and if any steps should be taken to ensure remuneration remained effective and fair. Overall, the Committee felt a consistent approach should be taken. It decided the annual bonus targets remained appropriate and no changes were made. It also considered whether the LTIPs granted during 2020 should have different growth targets and whether the performance periods for the awards should be delayed. In keeping with its consistent approach, growth targets were not amended for either Earnings Per Share ("EPS") or Total Shareholder Return ("TSR") and nor were start dates for performance periods changed. The share price at award for the LTIPs represented a 1% increase on that for the LTIPs issued in 2019 and a 42% increase on the figure in 2018.

In line with the policy, the new LTIPs were granted to the Executive Directors at 125% of salary and awards under the scheme were also made to other senior executives.

Executive Director remuneration outcomes in 2020

Based on overachievement against the Executive Directors' maximum Adjusted Profit before Tax performance targets (relating to 80% of their maximum bonus opportunity), and achievement of 17% in each case for the CEO's and CFO's personal performance objectives (relating to 20% of their maximum bonus opportunity), the CEO earned a bonus of 121% of salary (compared to the maximum potential bonus of 125%) and the CFO earned a bonus of 97% of salary (compared to a maximum of 100%). 25% of the bonus earned in both cases is subject to deferral into shares for three years.

The three-year performance conditions for the LTIP share option awards made in 2017 to the CFO, as well as other senior executives, were exceeded. These options therefore vested in full in 2020.

Whether the Policy operated as intended and exercise of discretion

The Committee considers that the Remuneration Policy has operated as intended. Strong share price and financial performance has been appropriately rewarded and the personal objectives contributed to focus on the major strategic goals. The Committee did not exercise discretion in the determination of the Executive Directors' remuneration during 2020.

Review of Executive Director remuneration

The Committee is committed to structuring senior executive remuneration that is competitive, enables the Company to attract, retain and motivate executives of the calibre required to successfully further develop and execute the Group's strategy, and that rewards good performance. As the Group grows in size, geographical reach and complexity, we are actively building the capability and size of our senior team. In our recruitment processes we have sometimes found it necessary to increase remuneration. In addition, we are aware of competitors who would like to attract our senior staff.

Therefore, during the year, the Committee took advice from H2GlenFern ("H2") on the Executive Directors' remuneration as compared to the remuneration of a peer group of well known, well-regarded UK premium list or AIM traded technology orientated companies. We referenced, in particular, the median remuneration in the companies. We also took advice separately from Willis Towers Watson ("WTW") on the remuneration of the Senior Leadership Team below board level and on an appropriate peer group where again we referenced the median. We also looked at published data on executive director remuneration.

The message of these different approaches was that there were some shortfalls in the overall expected remuneration of both Executive Directors. The WTW review also indicated that the pay of certain executives in the Senior Leadership Team needed addressing, for some in the area of base pay and for others in relation to incentives.

The Committee carefully considered the recommendations of the advisors in light of the circumstances of the pandemic and the wish of the Executive Directors to show restraint over base pay. Therefore, it decided that for 2021 base pay for the Executive Directors would be increased in line with the general salary increase for the workforce. It also decided not to make any changes to the Remuneration Policy in respect of the bonus scheme.

In respect of the long-term incentives, it decided to increase the LTIP awards for both Executive Directors to 150% of salary (from 125%) in normal circumstances and to implement this in 2021. It also decided to introduce a holding period of two years after vesting and to introduce a shareholding requirement of 200% of salary. The Committee considers that after these changes, the long-term incentive element of the Executive Directors' remuneration is competitive for the current circumstances of the Company.

The Committee considered whether to change the financial target measures for the bonus scheme for 2021 but decided that the current measure of Adjusted PBT remains appropriate. The Committee also considered whether to change the metrics for the LTIP awards in 2021 which relate to the achievement of TSR and EPS growth goals over a three-year measurement period. Given the Group's growth profile, its stage of development and the challenges of identifying a relevant peer group, the Committee considers that absolute performance goals remain more relevant than comparative performance measures.

In respect of the Senior Leadership Team below board level, the advisor's recommendations were broadly implemented and different elements were adjusted as appropriate.

Following review, we have also made some detailed clarifications to annual bonus and LTIP documentation which are set out in the Remuneration Policy Table and relate to strengthening malus and clawback provisions, Remuneration Committee discretions and developing leaver provisions in line with current best practice.

Employee share schemes

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

In addition, there is a Company Share Option Plan ("CSOP") which is designed to enable the Group to selectively incentivise key high performing employees. In 2020 awards of 201,629 options were made to high performing employees under the CSOP.

Under the SAYE scheme, employees who choose to participate are granted options, at a 20% discount to market price, and then save a pre-determined sum over a period of three years. The money saved can then be used by the employee to exercise their options. In 2020 42% (2019: 47%) of all employees chose to participate, with options being granted over 345,953 (2019: 377,800) shares.

The SIP scheme is evergreen. It allows staff to buy up to £150 of shares each month out of gross salary (Partnership shares). The shares need to be held for five years for the employees to keep the tax benefit. As at 31 December 2020, 42 employees had joined the scheme.

Employee remuneration

2020 has been a challenging year for employees, the large majority of whom worked from home for most of the year. A small number of staff were placed on leave for a period while the Group continued to pay 100% of salary. In addition, various schemes were initiated to support staff which are set out in greater detail on page 41. Employee wellbeing has been a key focus of the Senior Leadership Team and individual mangers throughout the organisation. In the area of remuneration, the Committee has sought to maintain a consistent approach. Based on the Group's performance in 2020, the Board was pleased to approve a 1.5% general salary increase at the end of 2020. In addition, all staff were given £100 in December as a thank you for their efforts during difficult circumstances.

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.

During the year, the Group enhanced and professionalised its engagement with employees, through the introduction of 'Pulse Surveys' as described on page 41. In the quarterly survey, employees had the opportunity to comment on their pay and reward. Comments were reviewed by the central Reward Team and Senior Leadership to enable actions to be taken where pay was not deemed to be fair or in line with internal best practice.

Appropriateness of Executive Director remuneration

In addition to considering the competitiveness of remuneration, incentivisation and alignment with shareholders, the Committee also considers appropriateness in the context of the workforce. The Group is growing strongly and requires increasing numbers of experienced and skilled staff. Reflecting these needs, the median salary increased ahead of inflation in 2020 and the CEO pay ratios decreased slightly at all percentiles. The total number of employees rose from 1,170 to 1,530. In the context of these business requirements, the Committee is comfortable with the increase in the Executive Directors' LTIP awards in 2021.

Non-Executive Director remuneration

The fees of the Chairman, committee chairs, the Senior Independent Director and the Non-Executive Directors were increased by 1.5% with effect from 1 January 2021 in line with the general Company-wide salary increase. Shareholder approval is being sought at the forthcoming AGM for an increase in the cap on total fees payable to Non-Executives Directors; this is to enable the Group to recruit additional Non-Executives for succession planning and allow for possible future fee increases.

Governance disclosure and the year ahead

This report is included in line with the requirements of the QCA Corporate Governance code. As a matter of best practice, we are progressively aligning ourselves to the UK Corporate Governance Code in the area of remuneration and it is our intention to continue to increase the scope and content of the report. This year we have started to address provisions 40 and 41 and have included a table relating to the work of the Committee during the year and a table relating to provision 40.

Engagement with shareholders

The Company regularly consults with institutional shareholders on strategic matters, including consultation through the Chairman. At this stage in its development, the Company requires the flexibility associated with the AIM market to support its continued strong growth and we have not at this stage adopted the consultation processes outlined in the Corporate Governance Code. However, we welcome dialogue with shareholders and the Directors' Remuneration Report will be put to an advisory vote at the forthcoming 2021 AGM. The Remuneration Committee Report was approved on an advisory basis at the 2020 AGM with 99.08% of votes cast in favour.

On behalf of the Committee, I thank you for your support in 2020 and hope that you find this report increasingly helpful and informative.

Henrietta Marsh
Remuneration Committee Chair
22 March 2021

Main Activities during 2020

January	Consideration of likely outcome of 2019 bonus scheme
	Determination of 2020 bonus scheme targets
	Determination of Chairman's fee
March	Discussion of approach to remuneration in the pandemic
	Determination of bonus payments
	Consideration of dilution
	Award of new LTIPs
April	Determination of vesting of 2017 LTIPs
July	Mid-year review of appropriateness of bonus targets
August	Competitive tender for review of Senior Leadership Team remuneration
October	Approval of remuneration of new Senior Leadership Team recruit
November	Review of Senior Leadership Team employment contracts
	Review of employee share schemes
	Review of competitiveness of Executive Director remuneration
December	Approval of exit terms for good leaver from Senior Leadership Team
	Determination of Company-wide pay increase
	Approval of senior executive health assessment policy
	Review of expenses policy
	Approval of Senior Leadership Team pay increases
	Consideration of bonus scheme structure and targets
	Determination of Executive Director pay rise
	Consideration of LTIP policy and normal award levels
	Review of Committee Terms of Reference

Examples of how the Committee has addressed provision 40 of the Code in 2020

Clarity	The Committee is committed to transparency and has improved disclosure. For example, the Remuneration Policy now includes limits on LTIP issuance and we have started addressing Provisions 40 and 41 of the Code.
Simplicity	The structure of the Remuneration Policy is unchanged and is commonly used by premium listed companies. Some of the remuneration structures used below board level in the Senior Leadership Team were more complex and these have been aligned with those of the Executive Directors in 2021.
Risk	The Committee recognises the risk of target-based plans and has sought to improve alignment in the coming year by introducing shareholding requirements and a two year holding period for LTIPs after vesting. During 2020, the clawback and malus clauses in the bonus scheme and LTIP were tightened to operate in the event of reputational issues and discretions for the Committee have been strengthened in both documents.
Predictability	A range of possible outcomes for Executive Director remuneration is set out set out on page 76.
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 of remuneration outcomes to long-term performance is primarily through the LTIP which has stretching targets based on EPS and absolute share price performance as well having vesting values which are directly linked with share price performance.
Alignment to culture	During 2020, Gamma launched a new brand and set of values which were the culmination of an extensive consultation exercise involving employees in 2019. The core values are encapsulated in the expression 'Working Smarter, Together.' The Remuneration Policy is aligned to our core values, being designed to ensure that successful long-term partnership with shareholders delivers good rewards to the Executive Directors, the Senior Leadership Team and the workforce as a whole.

Remuneration Policy

This part of the Directors' Remuneration Report sets out Gamma's Remuneration Policy with regard to its Directors.

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 effects of Executive Directors' remuneration on the workforce and other stakeholders.

Strategic rationale for Executive Director remuneration policies, structures and performance measures

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. The Group's strategy has four key elements as set out on page 12 and is designed to enable the business to grow both its profitability and revenues by developing new innovative communications products and services and through acquisition. 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. The personal performance objectives typically support the strategic initiatives.

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. Given the Company's growth profile, its stage of development and the challenges of identifying a relevant peer group, the Committee considers that absolute performance goals remain more relevant than comparative performance measures.

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

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

Summary of policy changes for 2021

Changes to the Remuneration Policy are set out in the Remuneration Policy Table. A statement of how the Company intends to implement its Remuneration Policy in 2021 is included in the Annual Report on Remuneration.

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.

Remuneration Policy table

Purpose and link to strategy	Operation	Potential remuneration	Performance metric	Change to policy?
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; 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.	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	No
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.	The cost of providing these benefits varies year on year depending on the schemes’ premiums. The Remuneration Committee monitors the overall cost of the benefits package.	Not applicable	No
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.	Only the CFO participates. 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	Yes. A cash alternative has been introduced, provided there is no additional cost to the Company

Purpose and link to strategy	Operation	Potential remuneration	Performance metric	Change to policy?
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 personal performance objectives for the individual Directors. Targets are set by the Committee at the beginning of each year with up to 20% of the maximum bonus opportunity being based on personal objectives, and the remainder on Group financial performance targets.	No
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 long term.	The Executive Directors and other senior executives participate in a discretionary LTIP. The plan entitles participants to an allocation of, or options over, free (or nominal value) shares after a performance period of three years (or any other period as the Committee may decide), subject to certain performance and service conditions being met. Participation is at the discretion of the Remuneration Committee. Awards will typically be made annually based on a multiple of annual salary. Performance conditions are set by the Remuneration Committee at the time of the award. The plan rules amongst other things include 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 will be subject to a two year post vesting holding period.	The Remuneration Committee would in normal circumstances expect to make annual LTIP awards to the Executive Directors at a value of up to 150% of base salary with a maximum of 200%. In the event of recruitment only, there is a limit of 400%.	The vesting of LTIP awards is conditional upon the successful achievement of financial performance conditions over the performance period, which are set by the Committee at the time of the award. Performance conditions currently include compound annual growth in adjusted earnings per share ("EPS"), and compound annual growth in total shareholder return ("TSR") with each having equal weighting i.e. up to a maximum vesting of 50% of the shares. In both cases ("TSR" and "EPS") the Committee has currently determined that at this stage of Gamma's development and its market position, absolute performance measures are more appropriate than relative measures. For future LTIP awards the Committee will assess what performance conditions and associated weightings it considers appropriate in supporting the Company's strategy and longer-term objectives.	Yes. The award in normal circumstances has been increased to 150% of salary (from 125%) for both Executive Directors together with the introduction of a holding period of two years post vesting. The existing normal maximum of 200% of salary has been included in the Policy. The existing limit of 400% in exceptional circumstances is being reserved for recruitment.
All employee share plans				
Executive Directors are eligible to participate in all employee share schemes which are designed to encourage share ownership across the wider UK workforce. These currently include regular Save as You Earn Option Plans ("SAYE" Plan) and an evergreen Share Incentive Plan ("SIP").	Executive Directors may participate in these plans in line with HMRC guidelines and on the same basis as other eligible UK employees.	Participation levels are in accordance with HMRC limits as amended from time to time.	Not applicable.	No
Shareholding guidelines				
Encourages Executive Directors to build a meaningful shareholding in Gamma so as to further align interests with shareholders.	Each Executive Director must 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 guideline, they will be expected to retain 50% of LTIPs at the end of the holding period until the requirement is met.	Not applicable.	Not applicable.	Yes. New policy

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.
- Overriding Committee discretion.

The LTIP Plan:

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

Consideration of pay and employment conditions elsewhere in the Group

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

Policy on recruitment

When hiring a new Executive Director, the Committee will consider the overall remuneration package by reference to the Remuneration Policy set out in this report. The Committee would not usually expect to pay sign-on payments or to compensate new Directors for any variable remuneration forfeited from any employment prior to joining the Board other than in exceptional circumstances, and in such circumstances would aim to compensate the new Executive through the Group's Long-Term Incentive Plan ("LTIP"). LTIP awards are made on an ongoing basis in line with our policy for Executive Directors and other senior executives. In the year of recruitment, a higher award may be made to a new recruit within the limits of the plan (maximum of 400% of salary). Salary and annual bonus levels will be set so as to be competitive at the median level with comparable roles in companies in similar sectors, and also taking into account the experience, seniority and the scope of responsibility of the appointee coming into the role. New Executive Directors will be able to participate in the annual bonus scheme on a pro-rated basis for the portion of the financial year for which they are in post. New Executive Directors may receive benefits and pension contributions in line with the Company's existing policy.

Policy on loss of office

The following sets out the Company's policy 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 make 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: twelve months, CFO: twelve months). However the Company has the discretion to make a lump sum payment for termination in lieu of notice.
- Benefits and Pension contributions: These will normally continue to be provided over the notice period; however, the Company has the discretion to make a lump sum payment on termination equal to the value of the benefits payable during the notice period.
- Annual Bonus: The payment of any annual bonus would be entirely at the discretion of the Remuneration Committee and if made would be pro-rated to the time of active service in the year that employment ceased and be subject to the original performance conditions and policy on deferral. The decision of the Committee, in such circumstances, would take into consideration the financial performance of the Company, the performance of the individual, and the circumstances of the termination of employment.
- Long-Term Incentive Plan ("LTIP"): This is governed by the rules of the LTIP scheme at the time of award. In the case of good leavers, LTIP awards made under the current plan rules, will be treated in line with the plan rules on exit which specify that awards will be pro-rated for time served and vest in accordance with the performance conditions other than in limited circumstances. The Committee retains discretion to decide to waive in full or in part the performance conditions if it feels that is appropriate in any particular circumstances.

The Committee retains discretion to consider the termination terms of any Executive Director, having regard to all the relevant facts and circumstances available to them at the time.

Policy on Non-Executive Director remuneration

Purpose and link to strategy	Approach to setting fees	Other items
Chairman 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 SID to reflect additional responsibilities, as appropriate. The level of fees for 2020 is shown in the Annual Report on Remuneration. Non-Executive Directors fees are reviewed annually with changes effective from 1 January each year. Non-Executive Directors are entitled to be reimbursed for reasonable expenses. The Chairman's fee is approved by the Board on the recommendation of the Remuneration Committee. The other Non-Executives' fees are approved by the Board on the recommendation of the Chairman, 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, employee share plans or pension arrangements, and do not receive any employee benefits.

Service Agreements

Executive Directors'

The Executive Directors' service agreements summary is as follows:

Key element	CEO Andrew Taylor	CFO Andrew Belshaw
Effective date of contract	CEO Designate – 4 April 2018 CEO – 23 May 2018	10 October 2014
Notice period	12 months' notice given by either party	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 Company has the discretion to make a payment of basic salary in lieu of notice to terminate the employment forthwith in the event of notice being given

Non-Executive Director letters of appointment

Non-Executive Directors have letters of appointment (as opposed to service contracts) and are appointed for a three-year term which may be extended by mutual agreement. All Non-Executive Directors are subject to annual re-election by the shareholders.

The Chairman 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 Chairman 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
Richard Last	17 June 2014
Alan Gibbins	17 June 2014
Martin Lea	17 June 2014
Wu Long Peng	6 June 2014
Andrew Stone	6 June 2014
Henrietta Marsh	16 April 2019
Charlotta Ginman	8 September 2020
Xavier Robert	8 September 2020

Illustrations of application of the Remuneration Policy

The charts below represent estimates under three performance scenarios ("Minimum", "Maximum" and "Maximum assuming a 50% share price appreciation between award and vest") of the potential remuneration outcomes for each Executive Director resulting from the application of the 2021 base salaries to awards made in accordance with the proposed policy for 2021. 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 quality 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 78) but assuming the LTIPs have been awarded at the new levels of award. 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.

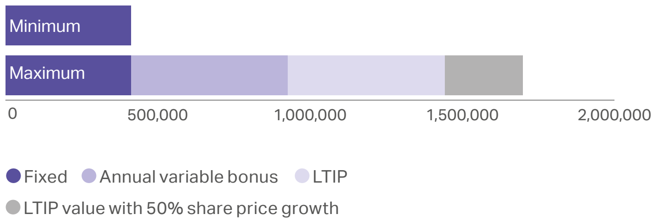
Performance scenarios

	Minimum	Maximum[1]
Base salary (2021)	✓	✓
Benefits (2020 actuals)	✓	✓
Pension (2021 estimate)	✓	✓
Bonus	Nil	125% CEO 100% CFO
LTIP	Nil	150% CEO 150% CFO

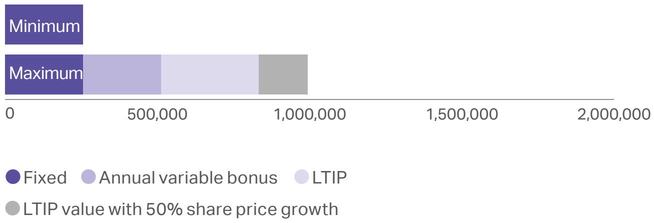
1 Maximum scenario assuming 50% share price appreciation.

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

Chief Executive Officer



Chief Financial Officer



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 2020. The information in this report is unaudited, unless indicated otherwise.

Single total figure of remuneration for Executive Directors (audited)

Director	Year	Salary £000s	Benefits £000s	Annual bonus £000s	Long-term incentive ("LTIP") £000s	Pension £000s	Total £000s	Fixed £000s	Variable £000s
Andrew Taylor	2020	412	–	500	–	–	912	412	500
	2019	402	–	482	–	–	884	402	482
Andrew Belshaw	2020	262	–	248	350	6	866	266	598
	2019	252	–	250	469	10	981	262	719

Annual bonuses are shown on an accrued basis and include both the cash and deferred share element. The value of the LTIP for 2020 relates to the vesting of the 2017 LTIP awards, and the value has been calculated using the share price on the vesting date of 28 April 2020. Andrew Belshaw received £6,358 salary in 2020 in lieu of a contribution by the Company to his pension of £7,235.

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 2020

The maximum annual bonus award opportunity in respect of the year ended 31 December 2020 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	% of Bonus Payable	
					A.Taylor	A.Belshaw
Adjusted profit before tax[1]	80%	51.0	58.9	60.0	100%	100%
Personal Objectives	20%	n/a	n/a	n/a	17%	17%
					97%	97%

1 For the purpose of the bonus scheme Adjusted PBT was further adjusted by the Committee to exclude contributions from acquisitions made during the year, as decided by the Committee at the time the targets were set.

The personal objectives set for 2020 were:

CEO: To continue to develop and promote our UCaaS proposition; to continue to develop our mobile proposition; and to achieve the financial plan for Voz Telecom and produce a three year growth plan for Voz Telecom and Gamma Communications Benelux (formerly DX Groep).

CFO: To broaden the shareholder base; to continue to improve Group reporting; and to develop a scalable Group financial reporting function.

The deferred bonus award is calculated as 25% of bonuses earned for 2020. 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 2020 £000s	Cash-settled £000s	Value of 2020 deferred bonus award £000s
Andrew Taylor	97%	500	375	125
Andrew Belshaw	97%	248	186	62

Deferred bonus awards will be granted under the Deferred Bonus Plan in April 2021. 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 2020 in respect of the deferred bonus for 2019 are below:

2020 Director	Type of scheme interest	Number of awards	Vesting date	Face value of award[1]	Exercise price
Andrew Taylor	Nil-cost option	12,060	31 March 2023	120,600	£0.0025
Andrew Belshaw	Nil-cost option	6,250	31 March 2023	62,500	£0.0025

1 The face value of the award has been calculated using the closing share price on the day prior to the vesting commencement date, being 31 March 2020, to estimate the value of the incentive, as the actual value of the award will not be finalised until the closing share price is known when the incentive vests.

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

Long-Term Incentive Plan ("LTIP") – Vesting of 2017 LTIP awards.

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

Director	Total number of shares	% Vesting	Shares Vesting	Share price[1] £	LTIP value
Andrew Belshaw	38,140	100%	38,140	9.18	350,293

1 The long-term incentive figure for the year has been valued using the market value of the shares that vested in 2020 at the vesting date of 28 April 2020.

The face value of the 2017 LTIP vested shares at time of award was £187,277. Of the increase in the value of the shares on vesting, £163,026 was as a result of share price appreciation over the period.

The 2017 LTIP was subject to a combination of performance conditions based on annual compound growth in total shareholder return ("TSR") and annual compound growth in earnings per share ("EPS") over the three-year period. Details of the performance against these performance conditions are shown below.

Measure	Weighting	Threshold performance (30% vesting)	Target performance (100% vesting)	Actual performance	% vesting
Annual compound growth in TSR	50%	8%	15%	37.7%	100%
Annual compound growth in EPS	50%	8%	20%	24.6%	100%

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

Share options awarded during the year ended 31 December 2020 under the LTIP (audited)

During the year ended 31 December 2020 the following LTIP awards were granted. The performance conditions are set out below the table.

2020 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 Taylor	Nil-cost option	125% of salary	51,507	£10.00	April 2023	515,070	£0.0025
Andrew Belshaw	Nil-cost option	125% of salary	32,031	£10.00	April 2023	320,310	£0.0025

1 The vesting date is approximately one month from the date of announcement of the Group's results, which historically has been in March, when the Remuneration Committee determines the extent to which the performance conditions have been satisfied.

2019 Director	Type of scheme interest	Basis of award	Number of awards	Share price at award	Vesting date	Face value of award	Exercise price
Andrew Taylor	Nil-cost option	125% of salary	50,964	£9.86	April 2022	502,509	£0.0025
Andrew Belshaw	Nil-cost option	125% of salary	31,693	£9.86	April 2022	312,500	£0.0025

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

The 2020 and 2019 LTIP awards have a performance period of three years starting from the vesting commencement date. The awards will vest as follows:

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

Save As You Earn ("SAYE") Share Scheme

During the year the Executive Directors were eligible to participate in Gamma's SAYE Scheme which is open to all UK employees.

The 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 2020	Granted in 2020	Exercised in 2020	Lapsed in 2020	At 31 Dec 2020	Option price (p)	Date Exercisable	Expiry date	Market price on exercise (p)	Gain on exercise
Andrew Taylor											
SAYE	1 July 2020	–	2,250	–	–	2,250	800	1 July 2023	31 December 2023	–	–

Single total figure of remuneration for Non-Executive Directors (audited)

	Directors' Fees		Committee Chair/SID Fees		Total	
Director	2020 £000s	2019 £000s	2020 £000s	2019 £000s	2020 £000s	2019 £000s
Richard Last	102	100	–	–	102	100
Alan Gibbins	49	45	8	8	57	53
Charlotta Ginman[1]	16	–	–	–	16	–
Martin Lea[2]	49	45	21	15	70	60
Henrietta Marsh[3]	49	34	5	–	54	34
Wu Long Peng	49	45	–	–	49	45
Xavier Robert[1]	16	–	–	–	16	–
Andrew Stone	49	45	–	–	49	45

1 The 2020 fee shown is pro-rated as Charlotta Ginman and Xavier Robert joined the board in September 2020.
2 Martin Lea received a fee for acting as SID from 2 June 2020. He retired as Chair of the Remuneration Committee in June 2020 and was appointed Chair of the ESG Committee in October 2020. He has served as Chair of the Risk Committee since December 2017.
3 Henrietta Marsh was appointed Chair of the Remuneration Committee in June 2020. The 2019 fee shown is pro-rated as Henrietta joined the Board in April 2019.

Statement of Directors' shareholding and share interests (audited)

Directors' share interests at 31 December 2020 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.

		Options			
2020	Number of beneficially owned shares	With performance measures	Without performance measures	Vested but unexercised	Exercised during the year
Executive Director					
Andrew Taylor[1]	–	210,852	23,519	–	–
Andrew Belshaw	129,505	98,228	6,250	–	38,140
Non-Executive Director					
Richard Last	53,475	–	–	–	–
Alan Gibbins	13,368	–	–	–	–
Charlotta Ginman	1,000	–	–	–	–
Martin Lea	13,368	–	–	–	–
Henrietta Marsh	1,000	–	–	–	–
Wu Long Peng	–	–	–	–	–
Xavier Robert	3,000	–	–	–	–
Andrew Stone	425,000	–	–	–	–

1 Andrew Taylor joined the Company in 2018. He does not currently meet the shareholding requirements. The first of the LTIPs awarded to him are currently expected to vest in April 2021.

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

2019	Number of beneficially owned shares	Options: With performance measures	Options: Without performance measures	Vested but unexercised	Exercised during the year
Executive Director					
Andrew Taylor	–	159,345	9,209	–	–
Andrew Belshaw	179,505	104,337	–	–	44,002
Non-Executive Director					
Richard Last	53,475	–	–	–	–
Alan Gibbins	13,368	–	–	–	–
Martin Lea	13,368	–	–	–	–
Henrietta Marsh	1,000	–	–	–	–
Wu Long Peng	–	–	–	–	–
Andrew Stone	393,962	–	–	–	–

Performance graph and table

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

Chief Executive's historical remuneration (audited)

The table below sets out the total remuneration of the Chief Executive over the last seven years valued using the methodology applied to the single total figure remuneration (page78).

	CEO	Total remuneration	Annual bonus payment level achieved (% of maximum opportunity	LTIP Vesting level achieved (% of maximum opportunity)
2020	Andrew Taylor	£911,608	97%	N/A
2019	Andrew Taylor	£884,408	96%	N/A
2018[1]	Andrew Taylor	£655,990	100%	N/A
	Bob Falconer	£1,466,688	100%	92.83%[2]
2017	Bob Falconer	£2,243,428	100%	100%
2016	Bob Falconer	£599,760	100%	N/A[3]
2015	Bob Falconer	£2,320,287	100%	N/A[3]
2014	Bob Falconer	£544,793	100%	N/A[3]

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

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

The table below outlines the increase in salary, other pay and benefits and annual bonus for the year ended 31 December 2020 compared with 2019 for Andrew Taylor in comparison to the wider workforce.

	CEO	Employee
	% increase	% increase
Salary, other pay and benefits	2.5%	5.3%
Annual bonus	3.6%	9.6%

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

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

Year	Method	25th percentile pay ratio	50th percentile pay ratio	75th percentile pay ratio
2020	Option A	29.4	20.2	13.4

Pay data	Base salary	Total pay and benefits
Group CEO	412,058	911,608
UK employees 25th percentile	22,046	30,986
UK employees 50th percentile	36,060	45,192
UK employees 75th percentile	58,077	67,982

1 "Option A" methodology was selected on the basis that it provides the most robust and statistically accurate means of identifying the median, lower and upper quartile colleagues.
2 The Group Chief Executive remuneration is the total single figure remuneration for the year ended 31 December 2020 contained on page 78.
3 The workforce comparison is based on actual payroll data for the period 1 January 2020 to 31 December 2020.
4 The total single figure remuneration calculated for each employee includes full-time equivalent base pay, annual bonuses for the 2020 performance year, overtime, benefits, allowances and employer pension contributions.
5 Part-time workers have been included by calculating the full-time equivalent value of their pay and benefits.
6 Leavers, joiners and employees on reduced pay (due to sick pay, maternity leave, etc.) have been included on a full year equivalent basis.

Relative importance of spend on pay (audited)

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

	2020 £m	2019 £m	Change %
Overall spend on pay, including Executive Directors	83.3	67.2	+24.0%
Profit before tax	75.0	45.2	+65.9%
Capital expenditure[1]	15.4	12.4	+24.1%
Dividends	10.4	9.2	+13.0%

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 2021

The changes in the Remuneration Policy in 2021 are explained in the Remuneration Committee Chair's statement on page 67 and set out in the Remuneration Policy table. The principal changes are the increase in LTIP awards to 150% of salary for both the CEO and CFO, the inclusion of a mandatory holding period of two years after vesting and the addition of shareholding requirements.

Executive Directors

The following table summarises the Executive Director remuneration package for 2021.

Director	Salary £000s	Benefits	Maximum pension contribution (% of salary)	Maximum annual bonus opportunity (% of salary)	Maximum LTIP opportunity (% of salary)
Andrew Taylor	418	–	–	125%	150%
Andrew Belshaw	260	–	5.1%	100%	150%

Salary: With effect from 1 January 2021, the salaries of the Executive Directors were increased by 1.5%.

Pension and Benefits: There are no changes to these arrangements for the year commencing 1 January 2021.

Annual performance bonus: The maximum annual bonus opportunity remains the same as it was in the prior year. The performance measures and weightings are similar to the prior year with 80% of the maximum potential bonus being based on growth in adjusted profit before tax, and 20% based on personal objectives. The specific targets for the annual bonus for 2021 will be disclosed in the 2021 Annual Report on Remuneration.

Long-term incentive plan ("LTIP"): It is anticipated that further performance-based share option awards will be made in April 2021. The Committee will determine the levels, performance conditions, weighting and targets to be applied at the time of the award and will disclose them in the 2021 Annual Report.

Non-Executive Directors

The Chairman's fees, the committee chair fees, the SID fee and the Non-Executive Directors' general fees were increased by 1.5% with effect from the 1 January 2021.

The following table summarises the 2021 Non-Executive Director fees.

Director	Directors' Fees £000s	Committee Chair Fees £000s	SID Fee	Total Fees £000s
Richard Last	104	-	–	104
Alan Gibbins	50	8	–	58
Charlotta Ginman	50	-	–	50
Martin Lea	50	16	8	74
Henrietta Marsh	50	8	–	58
Wu Long Peng	50	-	–	50
Xavier Robert	50	-	–	50
Andrew Stone	50	-	–	50

The Non-Executive Directors are entitled to claim reasonable expenses in attending board meetings.

Advisers to the Remuneration Committee

During the year, H2GlenFern advised the Committee on certain aspects of the remuneration of the Executive Directors. Fees of £23,200 exclusive of VAT were paid to H2GlenFern.

During the year Willis Towers Watson advised the Committee on certain aspects of the remuneration of the members of the Senior Leadership Team (excluding the Executive Directors). Fees of £41,750 exclusive of VAT were paid to Willis Towers Watson.

Statement of Voting

During the 2020 AGM, a motion was set for the shareholders to approve on an advisory only basis the Remuneration Committee Report. 99.08% votes were cast in favour of the motion.

This Directors' Remuneration Report will be put to an advisory vote at the forthcoming 2021 AGM. This report was approved by the Board of Directors on 22 March 2021 and signed on its behalf by:

Henrietta Marsh
Remuneration Committee Chair
22 March 2021

Directors' Report

The Directors present their Annual Report, together with the Group's audited financial statements for the year ended 31 December 2020.

The Corporate Governance Statement set out on pages 48 to 49 forms part of this report.

Details of any significant events since the reporting date are included in note 35 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 26 to the financial statements.

Dividends
The Directors recommend a final dividend of 7.8p per ordinary share (2019: 7.0p) to be paid on Thursday 24 June 2021 to ordinary shareholders on the register on Friday 4 June 2021 which, together with the interim dividend of 3.9p (2019: 3.5p), makes a total of 11.7p for the year (2019: 10.5p).

Capital structure
Details of the authorised and issued share capital of the Company and options over shares of the Company are set out in notes 30 and 32 to the Group financial statements. 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.

Composition of the Group
Details concerning subsidiary undertakings are given in note 18 to the Group financial statements.

Directors
The names and biographies of the Directors during the year and up to the date of signing are disclosed on pages 50 to 51.

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

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

Going concern
The financial accounts are therefore prepared on a going concern basis. Further detail can be found in the financial review on pages 30 to 34.

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

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

Political contributions

No political contributions were made in the year (2019: £nil).

Disabled employees

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

Auditors and their independence

A resolution to appoint auditors for the year to 31 December 2021 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 have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

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.

Approved and authorised by the Board.

By order of the Board,

Andrew Belshaw
Chief Financial Officer
22 March 2021

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and Article 4 of the IAS Regulation and have elected to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 101 'Reduced Disclosure Framework'. Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the parent company financial statements, the Directors are required to:

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

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

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Responsibility statement

We confirm that to the best of our knowledge:

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

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

Andrew Belshaw
Chief Financial Officer
22 March 2021

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

Report on the audit of the financial statements

1. Opinion

In our opinion:

- the financial statements of Gamma Communications plc (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2020 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated statement of comprehensive income;
- the consolidated and parent statement of financial position;
- the consolidated and parent company statements of changes in equity;
- the consolidated statement of cash flows;
- the consolidated related notes 1 to 35; and
- the parent company's related notes 1 to 11

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law, and international accounting standards in conformity with the requirements of the Companies Act 2006 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 parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • Revenue: accuracy of volume and pricing of indirect usage revenue • Intangible assets: the valuation of customer contract intangible assets identified as part of the acquisitions of HFO Holding GmbH ("HFO") and VozTelecom Oigaa360 S.A ("Voz") Within this report, key audit matters are identified as follows: Newly identified Increased level of risk Similar level of risk Decreased level of risk
Materiality	The materiality that we used for the group financial statements was £2.8m which was determined on the basis of 5% of profit before tax excluding the exceptional gain on sale of The Loop.
Scoping	The Group engagement team have performed a full scope audit for the entire UK group with the exception of the newly acquired Exactive Holdings Limited ("Exactive") as well as Telsis Communication Services Limited (Telsis). The entities we perform full scope audit procedures over represent the principal business units and account for 85% (2019: 96%) of the Group's revenue, 96% (2019: 99%) of the Group's statutory profit before tax and 90% (2019: 99%) of the Group's net assets. The Group engagement team have performed specific audit procedures over HFO and analytical review procedures over the remainder of the Group.
Significant changes in our approach	In the prior year we noted a downturn in the performance of DX Groep B.V (DX), DX Groep B.V (DX), resulting in the identification of impairment indicators. As a result, we specifically identified the revenue growth assumptions in the customer relationship intangible asset valuation model to be a key audit matter. Due to the trading performance and amortisation of the DXof the DX intangible asset in the current year, we believe a further material impairment is unlikely and therefore this is no longer a key audit matter. In the year, Gamma have made two acquisitions which have resulted in material assets being recognised on the Balance Sheet, being Voz and HFO. The risk has been pin-pointed to the most sensitive assumptions applied to the customer contract intangible asset with the attrition and discount rates being sensitive to both acquisitions as well as the EBIT margin for Voz and the revenue growth rate in HFO.

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 and parent company's ability to continue to adopt the going concern basis of accounting included:

- An assessment of management's Going Concern paper and their forecasts for at least 12 months from the date of signing.
- Evaluating the Group's existing access to sources of financing, including undrawn committed bank facilities;
- An analysis of the impact of the acquisition of Mission Labs Limited on the post year-end cash flows and forecasts.
- Stress tests and break-even analyses on management's forecasts to assess the reasonableness of assumptions.

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 and parent 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 volume and pricing of indirect usage revenue

Key audit matter description	Indirect usage revenue is calculated based on the volume of traffic and associated pricing. The accurate measurement of the volume of traffic as well as the accuracy of the pricing, which is applied against these volumes to determine the value of revenues within the UK entities has been identified as the key audit matter due to the volume of transactions. In 2020 the Group's revenues were £393.8m (2019: £328.1m) of which UK indirect usage revenue represents £76.4m (2019: £73.3m). The Group's revenue recognition principles are disclosed in note 1.
How the scope of our audit responded to the key audit matter	We have obtained an understanding of and tested the relevant controls surrounding the volume and pricing of indirect usage revenue, specifically the rate change reviews, the revenue reconciliations performed (including the reviews thereof), and the analysis of monthly revenue trends. Working with our specialist IT auditors, we assessed the relevant automated controls, the most critical of which being the matching of the rates input and call data records (CDR) automatically within the system to calculate the billing per transaction. We have tested the volumes and prices involved in indirect usage revenues by tracing a sample of invoice information to call data records. We recalculated the revenue in relation to the calls by multiplying the appropriate rate against the minutes. In addition we performed an expectation of total revenues for the year based on the month-on-month trends, movements in minutes, as well as rate fluctuations. We compared this expectation to actual revenues, with any differences outside of our threshold investigated further. We also traced a sample of credit notes raised post year end to supporting documentation to test for possible overstatement of revenue.
Key observations	Based on our procedures, no material misstatements have been identified in respect of this key audit matter.

5.2. Intangible assets: the valuation of customer contract intangible assets identified as part of the acquisitions of HFO and Voz

Key audit matter description	During the year the Group acquired Exactive, Voz, HFO and GnTel B.V. ("GnTel"). The GnTel and Exactive acquisitions have not resulted in the recognition of assets for which there is a significant risk of material misstatement , however the Voz and HFO acquistions has led to the recognition of customer contract intangible assets of £7.1m and £11.61.6m for Voz and HFO respectively. There is a significant level of judgement required in fair valuing the assets and therefore the key audit matter has been pin-pointed to the most sensitive assumptions applied to the customer contract valuation with the attrition and discount rates being sensitive to both acquisitions, as well as the EBIT margin for Voz and the revenue growth rate in HFO.
How the scope of our audit responded to the key audit matter	We have assessed the adequacy of the design and implementation of controls over the review of acquisition accounting. We have performed substantive audit procedures on the acquisition accounting, supported by our valuation specialists. Our substantive tests involved: • evaluating the appropriateness of the valuation techniques employed by both Management and Management's experts; • assessed and challenged the reasonableness of management's business and accounting assumptions used in the forecast data by considering previous forecasting accuracy and performance since acquisition; • comparing the projections used to management budgets; and • performing sensitivity analysis for comparison to the entity's fair value estimate. We have also: • assessed and challenged the reasonableness of management's business and accounting assumptions used in the forecast data by considering previous forecasting accuracy and performance since acquisition; • comparing the projections used to management budgets; and • testing the mathematical accuracy of the overall models.
Key observations	Based on our procedures, no material misstatements have been identified in respect of this key audit matter.

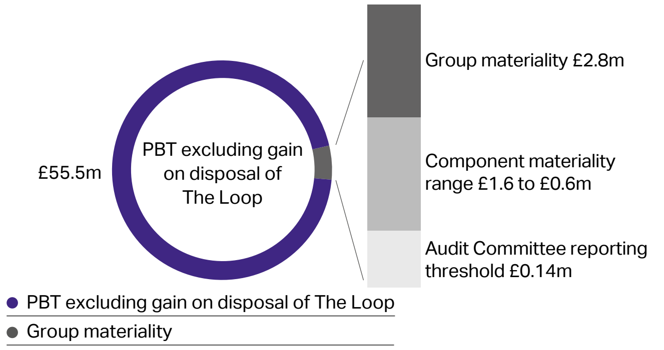
6. Our application of materiality

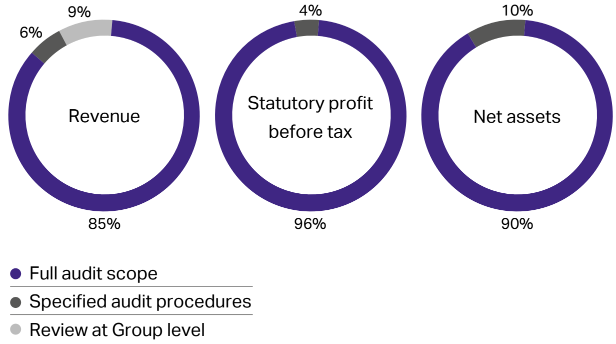
6.1. Materiality

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

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

	Group financial statements	Parent company financial statements
Materiality	£2.8m (2019: £2.3m)	£1.4m (2019: £1.1m)
Basis for determining materiality	5% of profit before tax excluding gain on disposal of The Loop (2019: 5% of profit before tax).	2% (2019: 2%) of net assets
Rationale for the benchmark applied	We chose this measure as it is the primary statutory measurement used by the users of the accounts and key stakeholders to measure the performance of the group. We have removed the gain on disposal of The Loop as this is not indicative of the trading performance of the Group as a whole.	Net assets has been chosen as the benchmark as it is considered the most relevant benchmark for an investment holding company.





6.2. Performance materiality

	Group financial statements	Parent company financial statements
Performance materiality	70% (2019: 70%) of group materiality	70% (2019: 70%) of parent company materiality
Basis and rationale for determining performance materiality	• Our historical knowledge of the Group's business and our ability to forecast misstatements • The quality of the control environment • The nature, volume and size of misstatements (corrected and/or uncorrected) in the previous audit • Management's willingness to investigate and correct these misstatements • Low turnover of management or key accounting personnel • Prior period errors found in the current year	

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.14m (2019: £0.11m), 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 focused our Group audit scope primarily on the audit work at 4 components (2019: 4). These 4 components represent the principal business units within the UK and account for 85% (2019: 96%) of the Group's revenue, 96% (2019: 99%) of the Group's statutory profit before tax and 90% (2019: 99%) of the Group's net assets. They have therefore been assessed as the most financially significant components within the Group and as such full scope audit procedures have been performed across these components.

Specified audit procedures around revenue, cost of sales and trade receivables has also been performed for HFO, which has given us a further 6% of coverage over revenue.

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

7.2. Our consideration of the control environment

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

8. Other information

The 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 parent company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

10. Auditor's responsibilities for the audit of the financial statements

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

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

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 and the audit committee about their own identification and assessment of the risks of irregularities;
- 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; and and
- the matters discussed among the audit engagement team including significant component audit teams and relevant internal specialists, including tax, valuations 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 the valuation of customer contract intangible assets and UK indirect revenue accuracy. 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 and AIM Listing Rules.

11.2. Response to risks identified

As a result of performing the above, we identified acquisition accounting of Intangible assets: the valuation of customer contract intangible assets identified as part of the acquisitions of HFO and Voz, as well as UK indirect revenue accuracy as key audit matters related to the potential risk of fraud. The key audit matters section of our report explains these matters in more detail and also describes the specific procedures we performed in response to these key audit matters.

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

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

We have nothing to report in respect of these matters.

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
22 March 2021

Consolidated statement of profit or loss
For the year ended 31 December 2020

	Notes	2020 £m	2019 £m
Revenue	5	**393.8**	328.9
Cost of sales		**(193.0)**	(162.4)
Gross profit		**200.8**	166.5
Operating expenses		**(125.1)**	(121.0)
Earnings before depreciation, amortisation and exceptional items		**79.0**	63.5
Exceptional items	9	**19.6**	(0.9)
Earnings before depreciation and amortisation		**98.6**	62.6
Depreciation and amortisation (excluding business combinations)	8	**(16.9)**	(15.1)
Depreciation and amortisation arising due to business combinations	8	**(6.0)**	(2.0)
Profit from operations		**75.7**	45.5
Finance income	11	**0.4**	0.1
Finance expense	11	**(1.1)**	(0.4)
Profit before tax		**75.0**	45.2
Tax expense	12	**(10.6)**	(10.7)
Profit after tax		**64.4**	34.5
Attributable to:			
Equity holders of Gamma Communications plc		**64.2**	34.5
Non-controlling interests		**0.2**	–
		64.4	34.5
Earnings per share			
Basic per Ordinary Share (pence)	13	**67.5**	36.6
Diluted per Ordinary Share (pence)	13	**66.6**	36.1

Adjusted earnings per share is shown in note 13.

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

Consolidated statement of comprehensive income

	2020 £m	2019 £m
Profit after tax	**64.4**	34.5
Other comprehensive loss		
Items that may be reclassified subsequently to the income statement (net of tax effect)		
Exchange differences on translation of foreign operations	**(0.1)**	(0.4)
Total comprehensive income	**64.3**	34.1
Attributable to:		
Equity holders of Gamma Communications plc	**64.1**	34.1
Non-controlling interests	**0.2**	–
	64.3	34.1

The notes on pages 98 to 132 form part of these financial statements.

Consolidated statement of financial position
As at 31 December 2020

	Notes	2020 £m	2019 £m
ASSETS			
Non-current assets			
Property, plant and equipment	15	**36.3**	32.1
Right of use assets	16	**11.5**	11.4
Intangible assets	17	**95.3**	37.4
Deferred tax assets	29	**5.7**	3.0
Trade and other receivables	21	**14.8**	15.0
		163.6	98.9
Current assets			
Inventories	20	**8.1**	8.1
Trade and other receivables	21	**93.7**	77.5
Cash and cash equivalents	22	**53.9**	53.9
Current tax asset		**2.6**	–
		158.3	139.5
Total assets		**321.9**	238.4
LIABILITIES			
Non-current liabilities			
Other payables	23	**1.5**	0.2
Borrowings	24	**4.6**	–
Provisions	27	**1.9**	0.8
Lease liabilities	28	**10.8**	11.3
Contract liabilities		**8.3**	9.1
Contingent consideration	26	**1.2**	1.1
Put option liability	25	**5.6**	–
Deferred tax	29	**9.0**	3.9
		42.9	26.4
Current liabilities			
Trade and other payables	23	**54.9**	46.1
Borrowings	24	**1.3**	–
Provisions	27	**0.6**	0.9
Lease liabilities	28	**2.3**	1.3
Contract liabilities		**7.6**	8.0
Contingent consideration	26	**1.8**	1.5
Put option liability	25	**5.6**	–
Current tax liability		**0.5**	1.7
		74.6	59.5
Total liabilities		**117.5**	85.9
Net assets		**204.4**	152.5
EQUITY			
Share capital	30	**0.2**	0.2
Share premium reserve	31	**9.0**	6.6
Merger reserve	31	**2.3**	2.3
Share option reserve	31	**5.2**	3.8
Foreign exchange reserve	31	**(0.7)**	(0.6)
Own shares	31	**(0.7)**	(0.7)
Retained earnings	31	**197.5**	140.9
Equity attributable to owners of Gamma Communications plc		**212.8**	152.5
Non-controlling interests	31	**3.0**	–
Written put options over non-controlling interests	31	**(11.4)**	–
Total equity		**204.4**	152.5

The financial statements on pages 94 to 97 were approved and authorised for issue by the Board of Directors on 22 March 2021 and were signed on its behalf by:

Andrew Belshaw
Chief Financial Officer

The notes on pages 98 to 132 form part of these financial statements.

Consolidated statement of cash flows
For the year ended 31 December 2020

	Notes	2020 £m	2019 £m
Cash flows from operating activities			
Profit for the year before tax		**75.0**	45.2
Adjustments for:			
Depreciation of property, plant and equipment	15	**9.7**	9.8
Depreciation of right of use assets	16	**2.2**	1.7
Amortisation and reduction in value of intangible assets	17	**11.0**	13.7
Change in fair value of contingent consideration	9	**(0.1)**	(7.2)
Share based payment expense		**3.5**	2.6
Interest income	11	**(0.4)**	(0.1)
Finance expense	11	**1.1**	0.4
Gain on disposal of subsidiary undertaking	9	**(19.5)**	–
		82.5	66.1
Increase in trade and other receivables		**(6.1)**	(16.7)
Decrease/(increase) in inventories		**0.3**	(1.9)
(Decrease)/increase in trade and other payables		**(6.1)**	6.3
(Decrease)/increase in contract liabilities		**(1.2)**	0.7
Increase/(decrease) in provisions		**0.9**	(0.5)
Cash generated by operations		**70.3**	54.0
Taxes paid		**(14.1)**	(7.5)
Net cash flows from operating activities		**56.2**	46.5
Investing activities			
Purchase of property, plant and equipment	15	**(9.5)**	(9.9)
Purchase of intangible assets	17	**(5.9)**	(2.5)
Interest received		**0.4**	0.1
Acquisition of subsidiaries net of cash acquired	19	**(47.7)**	(7.5)
Disposal of subsidiary net of disposed cash	9	**19.4**	-
Net cash used in investing activities		**(43.3)**	(19.8)
Financing activities			
Lease liability repayments		**(2.1)**	(1.1)
Repayment of borrowings		**(1.6)**	–
Interest paid		**(0.3)**	–
Share issues		**1.5**	2.0
Dividends	14	**(10.4)**	(9.2)
Net cash used in financing activities		**(12.9)**	(8.3)
Net increase in cash and cash equivalents		**-**	18.4
Cash and cash equivalents at beginning of year		**53.9**	35.5
Cash and cash equivalents at end of year		**53.9**	53.9

The notes on pages 98 to 132 form part of these financial statements.

Consolidated statement of changes in equity
For the year ended 31 December 2020

	Share capital £m	Share premium reserve £m	Merger reserve £m	Share option reserve £m	Foreign exchange reserve £m	Own shares £m	Retained earnings £m	Total £m	Non-controlling interests £m	Written put options over non-controlling interests £m	Total equity £m
1 January 2019	0.2	4.6	2.3	3.2	(0.2)	(0.8)	112.4	121.7	–	–	121.7
Issue of shares	–	2.0	–	(1.4)	–	–	1.3	1.9	–	–	1.9
Investment in own shares	–	–	–	–	–	0.1	–	0.1	–	–	0.1
Share based payment expense	–	–	–	2.0	–	–	–	2.0	–	–	2.0
Tax on share based payment expense:											
Current tax	–	–	–	–	–	–	1.0	1.0	–	–	1.0
Deferred tax	–	–	–	–	–	–	0.9	0.9	–	–	0.9
Dividend paid[1]	–	–	–	–	–	–	(9.2)	(9.2)	–	–	(9.2)
Transaction with owners	–	2.0	–	0.6	–	0.1	(6.0)	(3.3)	–	–	(3.3)
Profit for the year	–	–	–	–	–	–	34.5	34.5	–	–	34.5
Other comprehensive loss	–	–	–	–	(0.4)	–	–	(0.4)	–	–	(0.4)
Total comprehensive (loss)/income	–	–	–	–	(0.4)	–	34.5	34.1	–	–	34.1
31 December 2019	0.2	6.6	2.3	3.8	(0.6)	(0.7)	140.9	152.5	–	–	152.5
1 January 2020	0.2	6.6	2.3	3.8	(0.6)	(0.7)	140.9	152.5	–	–	152.5
Issue of shares	–	2.4	–	(1.4)	–	–	1.3	2.3	–	–	2.3
Share based payment expense	–	–	–	2.8	–	–	–	2.8	–	–	2.8
Tax on share based payment expense:											
Current tax	–	–	–	–	–	–	1.0	1.0	–	–	1.0
Deferred tax	–	–	–	–	–	–	0.5	0.5	–	–	0.5
Non-controlling interests on acquisition of subsidiary	–	–	–	–	–	–	–	–	2.8	–	2.8
Equity put rights	–	–	–	–	–	–	–	–	–	(11.4)	(11.4)
Dividend paid[1]	–	–	–	–	–	–	(10.4)	(10.4)	–	–	(10.4)
Transaction 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 (loss)	–	–	–	–	(0.1)	–	–	(0.1)	–	–	(0.1)
Total comprehensive (loss)/income	–	–	–	–	(0.1)	–	64.2	64.1	0.2	–	64.3
31 December 2020	**0.2**	**9.0**	**2.3**	**5.2**	**(0.7)**	**(0.7)**	**197.5**	**212.8**	**3.0**	**(11.4)**	**204.4**

[1] Refer to Note 14

The notes on pages 98 to 132 form part of these financial statements.

Notes to the financial statements
For the year ended 31 December 2020

1. Accounting policies

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

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

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

Going concern
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 30 to 34.

Basis of consolidation
The Group financial statements consolidate the financial statements of Gamma Communications plc ('the Company') and the entities controlled by the Company (its subsidiaries). All subsidiaries have a reporting date of 31 December.

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 18.

Exemption from audit
For the year ending 31 December 2020 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
Exactive Limited	SC285583
Exactive Holdings Limited	SC293070
Telsis Communication Services Limited	09235326
Telsis Direct Limited	02977905
Telsis Services Limited	02304971

For the year ending 31 December 2020, Gamma Communications Europe B.V. and Gamma Communications Benelux B.V. (formerly DX Groep B.V.) were entitled to exemption from preparation of consolidated financial statements under Section 408 of the Dutch Civil Code (consolidation exemption for intermediate holding companies).

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

At the acquisition date, the acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 Business Combinations are recognised at their fair value. Certain assets and liabilities are not recognised at 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. Subsequent changes are adjusted against the cost of acquisition where they qualify as measurement period adjustments. All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant IFRSs.

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 in the net assets of consolidated subsidiaries. The Group recognises the cost of writing such put options, determined as the excess of the fair value on the option over any consideration paid, as a financing cost.

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.

Goodwill
Goodwill arises on business combinations and represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the acquired business at the acquisition date.

Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to the Consolidated statement of profit or loss. 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. Impairment tests on goodwill are undertaken annually at the financial year end.

Goodwill on acquisitions prior to the date of transition to IFRS have been retained at the previous UK GAAP amounts subject to impairment testing.

Revenue
Revenue represents the fair value of the consideration received or receivable for communication 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 communications products each of which typically consists of all or some of four main types of revenue – voice and data traffic, a subscription or rental, equipment sales and installation fees. Revenue for each element of the sale of the product is recognised as described below.

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

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

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, hosted UCaaS 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 it was earned once it has been notified of them by the mobile network operators. Annual commission is recognised on an accruals basis based on the estimated value for the year.

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 attributes a proportion of revenue against these costs. Where there is no revenue the credit is shown against revenue over the period of the deal.

Notes to the financial statements continued
For the year ended 31 December 2020

1. Accounting policies continued

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 profit or loss, except for foreign currency borrowings qualifying as a hedge of a net investment in a foreign operation, in which case exchange differences are recognised in other comprehensive income and accumulated in the foreign exchange reserve along with the exchange differences arising on the retranslation of the foreign operation.

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 other comprehensive income and accumulated in the foreign exchange reserve.

Exchange differences recognised in the profit or loss of Group entities on the translation of long-term monetary items forming part of the Group's net investment in the European operation concerned are reclassified to other comprehensive income and accumulated in the foreign exchange reserve on consolidation.

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 treated in line with other financial assets.

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 will be measured under the simplified approach with an expected credit loss percentage applied to each ageing category. All financial assets will be reported net of impairment; when the Group has no reasonable expectation of recovering a financial asset, the portion that is not recoverable is derecognised.

Financial liabilities

Trade payables

Trade payables are other financial liabilities initially measured at fair value and subsequently measured at amortised cost.

Equity instruments

Equity instruments are recorded at the proceeds received, net of direct issue costs. Gamma Communications plc Ordinary Shares held by the Group are classified in equity as Own Shares. Gains and losses arising from changes in fair value are recognised directly in other comprehensive income, and are not subsequently reclassified to the Group income statement, including on derecognition.

Derivatives

Forward exchange contracts are entered into to mitigate foreign exchange risk. These contracts are derivatives and therefore measured at fair value through profit or loss. Hedge accounting has not been applied.

Borrowings

Borrowings represent bank loans, initially measured at net proceeds and subsequently measured at amortised cost, using the effective rate method.

Offsetting financial instruments

Financial assets and liabilities are offset and presented on a net basis in the Consolidated statement of financial position, only if the Group holds an enforceable legal right of set-off for such amounts and there is an intention to settle on a net basis or to realise an asset and settle the liability simultaneously. In all other instances they are presented gross in the Consolidated statement of financial position.

Measurement

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.

Dividends

Dividends are accounted for when they become legally payable. In the case of interim dividends to equity shareholders, this is upon payment. For final dividends, this is when they are approved by the shareholders at the AGM. Dividend distributions payable to equity shareholders are included in other liabilities when the dividends have been approved in a general meeting prior to the reporting date. Dividends are disclosed in note 14.

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. The fair value excludes the effect of non-market based vesting conditions. The fair value is expensed 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 comprehensive income so that, ultimately, the cumulative amount recognised reflects the latest estimates with a corresponding adjustment to the share option reserve.

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 proft and loss over the remaining vesting period.

The fair value of the options is measured by use of either the Black-Scholes method or the Monte Carlo method. The latter methodology is used where there are market conditions attached to the share awards.

Hedge accounting
At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, as well as the risk management objective and the strategy for undertaking the hedge transaction. The Group also documents its assessment of whether the hedge is expected to be, and has been, highly effective in offsetting the risk in the hedged item, both at inception and on an ongoing basis.

Changes in the fair value of hedging instruments that are designated and qualify as a hedge of a net investment in a foreign operation (net investment hedges) or a hedge of a future cash flow attributable to a recognised asset or liability, a highly probable forecast transaction or a firm commitment (cash flow hedges), and that prove to be highly effective in relation to the hedged risk, are recognised in other comprehensive income and a separate reserve within equity. Gains and losses accumulated in this reserve are included in the income statement on disposal of the relevant investment or occurrence of the cash flow as appropriate.

Changes in the fair value of hedging instruments that are designated and qualify as a hedge of the fair value of a recognised asset or liability (fair value hedges) are recognised in the income statement. The gain or loss on the hedged item that is attributable to the hedged risk is recognised in the income statement. This applies even if the hedged item is an available for sale financial asset or is measured at amortised cost. If a hedging relationship no longer meets the criteria for hedge accounting, the cumulative adjustment made to the carrying amount of the hedged item is amortised to the income statement, based on a recalculated effective interest rate over the residual period to maturity. In cases where the hedged item has been derecognised, the cumulative adjustment is released to the income statement immediately.

Leased assets
Leased assets consist of rental property, cars and fibre networks 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 comprises of 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 Group 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.

Notes to the financial statements continued
For the year ended 31 December 2020

1. Accounting policies continued

Deferred tax
Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the Consolidated statement of financial position differs from its tax base, except for differences arising on:

- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit; and
- investments in subsidiaries and jointly controlled entities where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the statement of financial position date. Deferred tax is charged or credited in the 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 costs less accumulated depreciation and any accumulated impairment losses. Costs 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 profit or loss 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, or for administration purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees. Depreciation of these assets, on the same basis as other assets, commences when the assets are ready for their intended use.

Acquired intangible assets
Separately identified intangible assets acquired as part of a business combination are initially valued at their fair value (regarded as cost). Intangible assets are subsequently valued at cost less accumulated amortisation and any impairment losses. Amortisation is charged on a straight-line basis over the estimated useful life of the asset. The carrying value of the intangible asset is reviewed for impairment if events or changes in circumstance indicate the carrying value may not be recoverable. The expected useful economic life of the intangible assets represents the best estimates available and are outlined below:

Category	Useful Economic Life
Customer contracts	Four to ten years
Development costs	Two to five years
Brand	Three to ten years

Development costs
Expenditure on the research phase of an internal project is recognised as an expense in the period in which it is incurred. Development costs incurred on specific projects (whether in respect of new products or enhancement of existing products) are capitalised when all the following conditions are satisfied:

- completion of the asset is technically feasible so that it will be available for use or sale;
- the Group intends to complete the asset and use or sell it;
- the Group has the ability to use or sell the asset and the asset will generate probable future economic benefits (over and above cost);
- there are adequate technical, financial and other resources to complete the development and to use or sell the asset; and
- the expenditure attributable to the asset during its development can be measured reliably.

Development costs not meeting the criteria for capitalisation are expensed as incurred. The cost of an internally generated asset comprises all directly attributable costs necessary to create, produce and prepare the asset to be capable of operating in the manner intended by management. These typically include employee costs incurred and third-party costs.

Judgement is applied when deciding whether the recognition requirements for development costs have been met. Judgements are based on the information available at each statement of financial position date. In addition, all internal activities related to the research and development of new projects are continuously monitored. Amortisation is charged to the Statement of profit or loss 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 five years.

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, the impairment test is carried out on the smallest group of assets to which it belongs for which there are separately identifiable cash flows; its cash generating units ("CGUs"). Goodwill is allocated on initial recognition to each of the Group's CGUs that are expected to benefit from the synergies of the combination giving rise to the goodwill.

Impairment charges are included in profit or loss, except to the extent they reverse gains previously recognised in other comprehensive income. An impairment loss recognised for goodwill is not reversed.

Inventory
Inventory (which is 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.

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. Provisions are disclosed in note 27.

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.

Notes to the financial statements continued
For the year ended 31 December 2020

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 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 5, 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

(a) Put option liability

On 1 July 2020, the Group acquired 80.25% of HFO Holding AG (HFO). The remaining 19.75% can be purchased in three tranches via put and call options. When calculating the liability, management has made an estimate of the 2021 EBITDA and the 2022 run rate monthly net additional cloud seats. The Group has a put option liability of £11.2m at 31 December 2020. This is calculated on an expected returns approach.

A change in the number of net additions to cloud seats could change the put option liability by £2.7m (€3m). Further detail can be found in note 19, Business combinations.

3. 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. 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 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 impact of these adjustments is shown in the table below:

2020

Measure	Statutory Basis	Depreciation and amortisation on business combinations	Change in fair value of acquisitions	Adjusting tax items	Exceptional items **	Adjusted basis
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

2019

Measure	Statutory basis	Depreciation and amortisation on business combinations	Change in fair value of acquisitions	Adjusting tax items	Exceptional items **	Adjusted basis
PBT (£m)	45.2	2.0	–	–	0.9	48.1
PAT* (£m)	34.5	2.0	–	1.6	0.9	39.0
EPS (FD) (p)	36.1	2.1	–	1.7	0.9	40.8

* Profit after tax (PAT) is the amount attributable to the ordinary equity holders of the Company.
** See note 9 for further details.

In addition to the above we add back the depreciation and amortisation charged in the year to Profit from Operations (2020: £75.7m; 2019: £45.5m) to calculate a figure for EBITDA (2020: £98.6m; 2019: £62.6m) 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 (2020: £79.0m; 2019: £63.5m).

4. Changes in accounting policies

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 had not yet been adopted by the UK:

- IFRS 17 – Insurance Contracts
- IFRS 10 and IAS 28 (amendments) – 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
- Amendments to IFRS 3 – Reference to the Conceptual Framework
- Amendments to IAS 16 – Property, Plant and Equipment—Proceeds before Intended Use
- Amendments to IAS 37 – Onerous Contracts – Cost of Fulfilling a Contract
- Annual Improvements to IFRS Standards 2018-2020 Cycle – Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture

The Directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods.

Notes to the financial statements continued
For the year ended 31 December 2020

5. Segment information

The Group's main operating segments are outlined below:

- **UK Indirect** – This division sells Gamma's products to channel partners and contributed 63% (2019: 70%) of the Group's external revenue.
- **UK Direct** – This division sells Gamma's products to end users in the SME, enterprise and public sectors together with an associated service wrap. It contributed 25% (2019: 25%) of the Group's external revenues. This also includes the Exactive entities acquired during the year.
- **European (formerly Overseas)** – This division consists of sales made in Europe by Gamma Communications Benelux B.V. (formerly DX Groep B.V.) and its subsidiaries (including the newly acquired gnTel entities) in the Netherlands, by VozTelecom Oigaa360 S.A. and its subsidiaries in Spain and by HFO Holding GmbH (formerly HFO Holding A.G.) and its subsidiaries in Germany contributing 12% (2019: 5%) 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 operating segments

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

Measurement of operating segment profit or loss, assets and liabilities

The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies.

The Group evaluates performance on the basis of profit or loss from operations but excluding non-recurring losses, such as goodwill impairment, the effects of share based payments and exceptional income.

Inter-segment sales are priced 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.

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	232.5	94.1	32.7	–	359.3
	247.2	98.1	48.5	–	393.8
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)
Amortisation arising due to business combination	(1.1)	(0.3)	(4.6)	–	(6.0)
Profit/(loss) from operations	44.9	42.1	(3.3)	(8.0)	75.7

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

	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

The UK Indirect revenue and gross profit is further split between traditional and growth products below:

	2020 £m	2019 £m
Traditional products and services	**42.2**	43.6
Growth (being strategic and enabling) products and services	**205.0**	186.5
Total revenue from external customers	**247.2**	230.1

	2020 £m	2019 £m
Traditional products and services	**12.3**	12.4
Growth (being strategic and enabling) products and services	**119.9**	106.7
Total gross profit	**132.2**	119.1

Given that the decline in the traditional business has now stabilised and that element of the business is no longer material, this will be the final year where we show this split. We believe that it is no longer needed by a user of the accounts to understand the growth of the business.

The UK Direct revenue by market is detailed below:

	2020 £m	2019 £m
Mid-markets	**27.3**	27.5
Enterprise	**47.9**	36.1
Public sector	**21.6**	18.6
The Loop[1]	**1.3**	1.4
Total revenue from external customers	**98.1**	83.6

[1]The Group completed the sale of The Loop business on 31 December 2020.

Following a re-organisation, the UK Direct business is now managed with a common management team and hence this will be the last year that we split the revenue by sub-channel.

Notes to the financial statements continued
For the year ended 31 December 2020

5. Segment information continued

2019	UK Indirect £m	UK Direct £m	European £m	Central functions £m	Total £m
Segment revenue	251.6	83.6	15.2	–	350.4
Inter-segment revenue	(21.5)	–	–	–	(21.5)
Revenue from external customers	**230.1**	**83.6**	**15.2**	**–**	**328.9**
Timing of revenue recognition					
At a point in time	16.4	5.6	–	–	22.0
Over time	213.7	78.0	15.2	–	306.9
	230.1	83.6	15.2	–	328.9
Gross profit	**119.1**	**38.2**	**9.2**	**–**	**166.5**
Operating expenses	(81.5)	(20.3)	(12.7)	(6.5)	(121.0)
Earnings before depreciation, amortisation and exceptional items	**51.6**	**18.1**	**0.3**	**(6.5)**	**63.5**
Exceptional items	–	–	(0.9)	–	(0.9)
Earnings before depreciation and amortisation	**51.6**	**18.1**	**(0.6)**	**(6.5)**	**62.6**
Depreciation and amortisation (excluding business combinations)	(13.9)	(0.2)	(1.0)	–	(15.1)
Amortisation arising due to business combination	(0.1)	–	(1.9)	–	(2.0)
Profit/(loss) from operations	**37.6**	**17.9**	**(3.5)**	**(6.5)**	**45.5**

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

	UK Indirect £m	UK Direct £m	European £m	Central functions £m	Total £m
Additions to non-current assets	11.6	–	0.8	–	12.4
Reportable segment assets	190.4	23.0	25.0	–	238.4
Reportable segment liabilities	62.0	12.4	11.5	–	85.9

6. Revenue

Revenue in all periods principally arises from the provision of products and services.

Contract balances

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers:

	2020 £m	2019 £m
Receivables, which are included in 'Trade and other receivables'	**49.0**	34.8
Contract assets, which are included in 'Trade and other receivables'	**39.1**	33.1
Contract liabilities	**15.9**	17.1

The amount of revenue recognised in 2020 from performance obligations satisfied (or partially satisfied) in previous periods is £nil (2019: £nil).

The contract liabilities are deferred income arising from installations and Horizon upfront subscriptions, which are released to the income statement over the life of the contract.

The contract assets are accrued income, where invoices are raised in a different pattern compared to the revenue recognition to account for revenue when performance obligations have been met.

Significant changes in the contract liabilities balances during the year are as follows:

	2020 £m	2019 £m
Revenue recognised that was included in the contract liability balance at the beginning of the period	(10.4)	(7.8)
Increases due to cash received, excluding amounts recognised as revenue during the period	9.1	9.2

Revenue expected to be recognised in future periods for performance obligations that are not complete (or are partially complete) at the reporting date are £17.6m (2019: £19.5m). This will substantially be recognised as revenue within three years.

7. Contract costs

Capitalised contract costs consist of commissions from the UK Direct division which are directly associated with specific customer contracts and installation costs.

	2020 £m	2019 £m
Commissions		
Capitalised	1.1	1.6
Amortised	1.6	1.7
Installation costs		
Capitalised	2.6	3.7
Amortised	2.3	2.3

There was no impairment loss in relation to the costs capitalised (2019: £nil).

Notes to the financial statements continued
For the year ended 31 December 2020

8. Profit on ordinary activities

Profit on ordinary activities is stated after charging/(crediting) the following amounts:

	2020 £m	2019 £m
Net foreign exchange	**0.1**	0.2
Research costs	**10.2**	9.9
Employee costs (note 10)	**83.3**	67.2
Depreciation of property, plant and equipment	**9.7**	9.8
Depreciation on right of use assets	**2.2**	1.7
Amortisation of intangible assets (excluding business combinations)	**5.0**	3.6
Amortisation arising due to business combinations	**6.0**	2.0
Cost of inventories recognised as an expense	**11.7**	15.5
Impairment of trade receivables	**(0.1)**	(0.6)
Fees payable to the Group's auditor	**0.4**	0.2

Fees payable to the Group's auditor for the audit of the Company and the consolidated financial statements totalled £386k (2019: £205k), which includes £48k (2019: £41k) in respect of the half-year review which is considered a non-audit service. In addition, there was a charge in the year of £75k in respect of an overrun above the previously reported fee for 2019.

9. Exceptional items

	2020 £m	2019 £m
Contingent consideration adjustment – DX Groep	**–**	8.1
Reduction of goodwill carrying value	**–**	(4.2)
Reduction of intangible assets carrying value	**–**	(3.9)
Exceptional items related to DX Groep acquisition[1]	**–**	–
Contingent consideration adjustment – Nimsys[2]	**0.1**	(0.9)
Profit upon disposal of subsidiary[3]	**19.5**	–
Total exceptional items	**19.6**	(0.9)

1 In 2019, the Gamma Communications Benelux Group (formerly DX Groep) experienced a higher than expected attrition rate of legacy customers taking ISDN. This resulted in lower than expected revenues. Therefore, the estimated contingent consideration due was revised and the associated intangible assets including goodwill were reduced.

2 At 31 December 2020, contingent consideration due in respect of Nimsys was remeasured and updated as a result of the 2020 EBITDA being slightly lower than the estimate. The overall balance due decreased by £0.1m (2019: increase £0.9m) which was credited to the statement of comprehensive income, further detail can be found in note 26.

3 Relates to the sale of The Loop Manchester on 31 December 2020, further detail can be found in note 18.

10. Employee costs

	2020 £m	2019 £m
Employee costs (including Directors) comprise:		
Wages and salaries	**67.3**	54.6
Defined contribution pension cost	**4.6**	3.9
Social security contributions and similar taxes	**7.9**	6.1
	79.8	64.6
Share based payment expense (note 32)	**3.5**	2.6
	83.3	67.2

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:

	2020 Number	2019 Number
Operational	**786**	632
Selling, administration and distribution	**621**	481
	1,407	1,113

Key management personnel compensation

Key management personnel comprise the Board of Directors (listed on pages 50 and 51) and the Senior Leadership Team (listed on pages 52 and 53).

	2020 £m	2019 £m
Salary	**4.0**	3.3
Post-employment benefits	**0.1**	0.1
Short-term employee benefits	**0.9**	0.8
	5.0	4.2
Share based payment expense (note 34)	**1.8**	1.1
	6.8	5.3

Remuneration in respect of the Board of Directors is summarised below:

	2020 £m	2019 £m
Salary	**1.8**	1.7
Social security contributions and similar taxes	**0.3**	0.3
	2.1	2.0
Share based payment expense	**0.8**	0.5
	2.9	2.5

During the year, the aggregate amount of gains made by the Executive Directors on the exercise of share options was £0.4m.

During the year, one Executive Director (2019: one Executive Director) participated in a private money purchase defined contribution pension scheme.

11. Finance income and expense

	2020 £m	2019 £m
Finance income		
Interest received on bank deposits	**0.4**	0.1
Total finance income	**0.4**	0.1
Finance expense		
Lease liability interest costs	**(0.5)**	(0.4)
Movements of fair value	**(0.3)**	-
Interest on borrowings	**(0.3)**	–
Total finance expense	**(1.1)**	(0.4)
Net finance expense	**(0.7)**	(0.3)

Notes to the financial statements continued
For the year ended 31 December 2020

12. Tax expense

	2020 £m	2019 £m
Current tax expense		
Current tax on profits for the year	**12.1**	9.9
Adjustment in respect of prior year	**0.1**	(0.6)
Overseas tax	**0.5**	0.7
Total current tax	**12.7**	10.0
Deferred tax expense		
Origination and reversal of temporary differences	**(2.3)**	(1.2)
Adjustment in respect of prior years	**0.1**	0.5
Tax rate change	**0.1**	(0.2)
Adjusting tax items	**–**	1.6
Total deferred tax (note 29)	**(2.1)**	0.7
Total tax expense	**10.6**	10.7

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

	2020 £m	2019 £m
Profit before income taxes	**75.0**	45.2
Expected tax charge based on the standard rate of United Kingdom corporation tax at the domestic rate of 19% (2019: 19%)	**14.3**	8.6
Effects of:		
Tax-exempt income[1]	**(3.7)**	–
Tax effect of expenses that are not deductible in determining taxable profit	**–**	0.5
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(0.2)**	(0.2)
Tax rate change	**–**	(0.2)
Tax on business combinations	**–**	0.5
Adjusting tax items	**–**	1.6
Adjustment in respect of prior year	**0.2**	(0.1)
Total tax expense	**10.6**	10.7

1 Includes gain on the disposal of The Loop Manchester Limited (note 18)

Deferred tax was calculated based on the tax laws and rates that were enacted or substantively enacted at the balance sheet date. After the balance sheet date, during the budget, a change in corporation tax rate in 2023 was announced; the change will be immaterial.

13. Earnings per share

	2020	2019
Earnings per Ordinary Share – basic (pence)	**67.5**	36.6
Earnings per Ordinary Share – diluted (pence)	**66.6**	36.1

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

	2020 £m	2019 £m
Profit attributable to the ordinary equity holders of the Company	**64.2**	34.5

Shares	No.	No.
Weighted average number of Ordinary Shares for basic earnings per share	**95,058,880**	94,370,938
Effect of dilution resulting from share options	**1,273,867**	1,246,648
Diluted weighted average number of Ordinary Shares	**96,332,747**	95,617,586

On 28 February 2020, the Group acquired Exactive Holdings Limited and its subsidiaries; £0.9m of Ordinary Shares (69,024 shares) were issued as part consideration in March 2020.

Adjusted earnings per share is detailed below:

	2020	2019
Adjusted earnings per Ordinary Share – basic (pence)	**51.9**	41.3
Adjusted earnings per Ordinary Share – diluted (pence)	**51.3**	40.8

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

	2020 £m	2019 £m
Profit attributable to the ordinary equity holders of the Company	**64.2**	34.5
Amortisation arising on business combinations	**6.0**	2.0
Movement in fair value on put option liability	**0.3**	–
Exceptional items (disposal of subsidiary)	**(19.5)**	–
Exceptional items (change in value of deferred consideration)	**(0.1)**	0.9
Adjusting tax items	**(1.5)**	1.6
Adjusted profit after tax for the year	**49.4**	39.0

Notes to the financial statements continued
For the year ended 31 December 2020

14. Dividends

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

	2020 £m	2019 £m
Final dividends for the year ended 31 December 2018 of 6.2p per ordinary share	**–**	5.8
Interim dividend for the year ended 31 December 2019 of 3.5p per ordinary share	**–**	3.4
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**	–
	10.4	9.2

A final dividend of 7.8p will be proposed at the Annual General Meeting but has not been recognised as it requires approval. The total amount of dividends proposed is 11.7p. The payments of these dividends do not have any tax consequences for the Group.

15. Property, plant and equipment

	Land and buildings £m	Network assets £m	Computer equipment £m	Fixtures and fittings £m	Total £m
Cost					
At 1 January 2020	–	67.9	9.1	1.4	78.4
Additions	–	7.2	2.2	0.1	9.5
Acquisition of subsidiaries	4.9	0.1	0.3	0.5	5.8
Disposals	–	(3.1)	–	–	(3.1)
Exchange difference	(0.1)	(0.2)	–	–	(0.3)
At 31 December 2020	4.8	71.9	11.6	2.0	90.3
Depreciation					
At 1 January 2020	–	38.6	6.8	0.9	46.3
Charge for the year	0.1	8.1	1.1	0.4	9.7
Disposals	–	(1.6)	–	–	(1.6)
Exchange difference	–	(0.4)	–	–	(0.4)
At 31 December 2020	0.1	44.7	7.9	1.3	54.0
Net book value					
At 1 January 2020	–	29.3	2.3	0.5	32.1
At 31 December 2020	**4.7**	**27.2**	**3.7**	**0.7**	**36.3**

Refer to note 24 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.

16. Right of use assets

	Land and buildings £m	Other £m	Total £m
Cost			
At 1 January 2020	13.6	0.3	13.9
Additions	0.4	2.4	2.8
Disposals	(0.9)	–	(0.9)
Exchange differences	0.2	(0.1)	0.1
At 31 December 2020	**13.3**	**2.6**	**15.9**
Depreciation			
At 1 January 2020	2.4	0.1	2.5
Charge for the year	1.6	0.6	2.2
Disposals	(0.3)	–	(0.3)
At 31 December 2020	**3.7**	**0.7**	**4.4**
Net book value			
At 1 January 2020	11.2	0.2	11.4
At 31 December 2020	**9.6**	**1.9**	**11.5**

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 expiration of car leases.

No replacement leases have been committed to in the year ended 31 December 2020 (2019: none).

17. Intangible assets

	Goodwill £m	Customer contracts £m	Brand £m	Development costs £m	Software £m	Total £m
Cost						
At 1 January 2020	24.0	22.4	1.1	10.3	13.4	71.2
Additions	–	3.0	–	2.7	3.2	8.9
Acquisition of subsidiaries	32.0	22.6	1.4	4.7	–	60.7
Acquisition adjustment[1]	(0.8)	–	–	–	–	(0.8)
Exchange difference	(0.2)	0.6	(0.1)	(0.1)	–	0.2
At 31 December 2020	**55.0**	**48.6**	**2.4**	**17.6**	**16.6**	**140.2**
Amortisation and impairment						
At 1 January 2020	8.7	8.0	0.3	7.8	9.0	33.8
Charge for the year	–	5.5	0.4	2.3	2.8	11.0
Exchange difference	0.1	–	–	–	–	0.1
At 31 December 2020	**8.8**	**13.5**	**0.7**	**10.1**	**11.8**	**44.9**
Carrying value						
At 1 January 2020	15.3	14.4	0.8	2.5	4.4	37.4
At 31 December 2020	**46.2**	**35.1**	**1.7**	**7.5**	**4.8**	**95.3**

1 This relates to amendments made within the 12 months of acquisition date to the provisional amounts recognised for those acquisitions.

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

Notes to the financial statements continued
For the year ended 31 December 2020

17. Intangible assets continued

The carrying amount of goodwill is allocated to the cash generating units ("CGUs") as follows:

	2020 £m	2019 £m
Gamma Business Communications Limited	**6.8**	6.8
Gamma Network Solutions Limited	**1.2**	1.2
Gamma Communications Benelux B.V. (formerly DX Groep B.V.) and its subsidiaries	**2.8**	3.0
Nimsys B.V.	**2.1**	2.2
Telsis Group	**1.3**	2.1
Exactive Holdings Limited and its subsidiaries	**5.3**	–
VozTelecom Oigaa360 S.A. and its subsidiaries	**15.2**	–
HFO Holding GmbH and its subsidiaries	**7.3**	–
gnTel B.V. and its subsidiaries	**4.2**	–
	46.2	15.3

CGUs are determined based on how the business units are reported internally. The carrying value of the Group's goodwill was tested for impairment at 31 December 2020 and 2019.

The recoverable amount has been determined on a value-in-use basis on each CGU using the Board approved budgets, where gross margin percentage is assumed to be held constant and budgeted revenue and overheads are forecasted to grow. These budgets are built on past experience with the entities and are over five years plus terminal value. The long-term growth rates used were 2% (2019: 2%).

We have estimated the pre-tax discount rate using the Group's WACC. The pre-tax discount is 9.5%. We risk-adjusted the discount rate for risks specific to each market, adding between nil and 2% to the WACC as appropriate. For Gamma Communications Benelux this was 9.5%, 11.5% for Voz Telecom and 9.5% for HFO.

When considering the recoverable amount the break-even point for the assumptions is calculated to understand the sensitivity of the assumptions.

Based on the results of the impairment reviews carried out for each year the recoverable amount is greater than the carrying amount of goodwill.

When considering the recoverable amount, the break-even point for the assumptions is calculated to understand the sensitivity of the assumptions. Based on the results of the impairment reviews carried out for each year the recoverable amount is greater than the carrying amount of goodwill.

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 Voz CGU is modest at £11m at 31 December 2020. 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 2020, 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 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 5%.

Included within customer contracts are the following material balances:

- Gamma Communications Benelux B.V. (formerly DX Groep B.V.) and its subsidiaries, £8.6m net book value at 31 December 2020 with eight years of amortisation remaining.
- VozTelecom Oigaa360 and its subsidiaries, £6.0m net book value at 31 December 2020 with five years of amortisation remaining.
- HFO Holding GmbH and its subsidiaries, £10.2m net book value at 31 December with five years of amortisation remaining.

18. Subsidiaries

The principal subsidiaries of Gamma Communications plc are as follows:

Name	Country of incorporation	Nature of business	Registered office
Gamma Group Holdings Limited	United Kingdom	Intermediate holding company	(a)
Gamma Europe Holdco Limited	United Kingdom	Intermediate holding company	(a)
Gamma Telecom Holdings Limited	United Kingdom	Intermediate holding company	(a)
Gamma Telecom Limited	United Kingdom	Telephony services	(a)
Gamma Business Communications Limited	United Kingdom	Telephony services	(a)
Gamma Network Solutions Limited	United Kingdom	Telephony services	(a)
Telsis Direct Limited	United Kingdom	Other telecommunication activities	(a)
Telsis Communication Services Limited	United Kingdom	Other telecommunication activities	(a)
Telsis Services Limited	United Kingdom	Other telecommunication activities	(a)
Telsis GmbH	Germany	Other telecommunication activities	(b)
Gamma Development KfT	Hungary	Software services	(c)
Gamma Communications Europe B.V.	Netherlands	Intermediate holding company	(d)
Gamma Communications Benelux B.V. (formerly DX Groep B.V.)	Netherlands	Intermediate holding company	(e)
Dean One B.V.	Netherlands	Telephony services	(e)
Schiphol Connect B.V.	Netherlands	Telephony services	(e)
Nimsys Groep B.V.	Netherlands	Telephony services	(f)
gnTel B.V.	Netherlands	Other telecommunication activities	(g)
gnTel GmbH	Germany	Other telecommunication activities	(h)
VozTelecom Oigaa360	Spain	Telephony Services	(i)
VozTelecom Comunicación Inteligente, S.L.U.	Spain	Other telecommunication activities	(i)
VozTelecom Puntos de Servicio, S.L.U.	Spain	Other telecommunication activities	(j)
VozTelecom Maroc S.A.R.L. A.U.	Morocco	Customer Service Centre	(k)
ComyMedia Proyectos y Servicios S.L.U	Spain	Information technology consultancy activities	(l)
VozTelecom Andalucía	Spain	Other telecommunication activities	(m)
Gamma Communications Germany GmbH	Germany	Intermediate holding company	(n)
HFO Holding GmbH (formerly HFO Holding AG) (80.25% ownership)	Germany	Telephony Services	(o)
HFO Telecom GmbH	Germany	Telephony Services	(o)
Epsilon Telecommunications GmbH	Germany	Telephony Services	(o)
HFO Technology GmbH	Germany	Other telecommunication activities	(o)
Exactive Holdings Limited	United Kingdom	Information technology consultancy activities	(p)
Exactive Limited	United Kingdom	Information technology consultancy activities	(p)
Exactive Poland sp. zoo	Poland	Software services	(q)
Gamma Communications Ireland Ltd	Ireland	Telephony services	(r)
Exactive Online Limited	United Kingdom	Information technology consultancy activities	(p)
Gamma Communications US Inc	United States	Dormant	(s)
Uniworld Bureau Services Limited	United Kingdom	Dormant	(a)
Gamma Telecomunicaciones Spain Holdings S.L.	Spain	Dormant	(l)

Notes:
All Group entities are wholly owned subsidiaries unless otherwise stated.

Registered Office
(a) 5 Fleet Place, London, EC4M 7RD, England.
(b) Rößlerstraße 88, 64293 Dlstadt, Germany
(c) 1054 Budapest, Széchenyi Rakpart 8, Hungary.
(d) Office address: 5 Fleet Place, LondonIC4M 7RD, England.
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(f) Administrative Office: Herengracht 124-128, Amsterdam, the Netherlands
(g) Barbara Strozzilaan 201, 1083 HN Amsterdam, the Netherlands
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Notes to the financial statements continued
For the year ended 31 December 2020

18. Subsidiaries continued

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 39.99% stake in VozTelecom Latinoamerica, registered in Mexico. The investment value is £0.025m and is accounted for under the equity method. The Group holds no other interests in unconsolidated structured entities.

Disposals

During the year ended 31 December 2020, the Group completed the disposal of The Loop Manchester Limited for consideration of £19.6m. The business was transferred into a company that was set up on 20 May 2020 having been trading as a separate business unit for a number of years previously. The assets and liabilities disposed of were as follows:

	2020 £m
Property, plant and equipment	**1.5**
Trade and other receivables	**0.4**
Cash and cash equivalents	**0.2**
Current tax payable	**(0.1)**
Trade and other payables	**(1.9)**
Net assets disposed	**0.1**
Consideration/Equity value	**(19.6)**
Gain on disposal	**(19.5)**

19. Business combinations

Summary of acquisitions

During 2020, the Group completed a total of four acquisitions, all of which are 100% owned by the Group unless otherwise stated.

Acquisition	Acquired	Principal activity
Exactive Holdings Limited and its subsidiaries (Exactive)	February	Exactive is a leading UK Microsoft Gold Partner and specialist Microsoft Teams UCaaS provider and operates in the United Kingdom.
VozTelecom Oigaa360[1] and its subsidiaries (Voz Telecom)	April	VozTelecom provides telecommunication services to end users directly and through a network of wholesale partners, franchisees and dealers and operates primarily in Spain.
HFO Holding AG[2] and its subsidiaries (HFO)	July	The core HFO business is one of the leading SIP Trunk providers in Germany. It also has a subsidiary which focuses on mobile distribution which trades under the Epsilon brand.
gnTel B.V. and gnTel GmbH (gnTel)	July	gnTel operates VoIP platform services, EasyConference and other activities and operates in the Netherlands and Germany.

1 On 9 April 2020, the Group acquired 94.9% of the issued share capital of VozTelecom Oigaa360 S.A., with the remaining 5.1% acquired by 30 June 2020.
2 On 1 July 2020, the Group acquired 80.25% of HFO Holding AG (HFO), with an option to acquire the remaining shareholding, held by management, over the next three years.

The identifiable assets acquired and liabilities assumed are as follows:

	Exactive £m	Voz Telecom £m	HFO £m	gnTel £m	Total £m
Tangible fixed assets	–	0.7	5.1	–	5.8
Intangible – development costs	–	2.5	1.5	0.7	4.7
Intangible – customer contracts	1.8	7.1	11.6	2.1	22.6
Intangible – brand	–	0.7	0.5	0.2	1.4
Cash	0.9	1.4	–	0.6	2.9
Trade receivables	0.6	1.3	5.5	0.5	7.9
Other receivables	0.3	4.4	0.6	0.7	6.0
Inventories	–	0.3	–	–	0.3
Trade payables	(0.2)	(3.2)	(2.2)	(0.1)	(5.7)
Other payables	(1.1)	(7.2)	(4.8)	(1.0)	(14.1)
Deferred tax liability	(0.3)	(0.4)	(3.8)	(0.5)	(5.0)
Total identifiable assets	2.0	7.6	14.0	3.2	26.8
Less: Non-controlling interests	–	–	(2.8)	–	(2.8)
Add: Goodwill	5.3	15.2	7.3	4.2	32.0
Net assets acquired	7.3	22.8	18.5	7.4	56.0

	Exactive £m	Voz Telecom £m	HFO £m	gnTel £m	Total £m
Satisfied by:					
Cash paid	4.1	17.7	18.5	7.4	47.7
Ordinary Shares issued	0.9	–	–	–	0.9
Consideration for convertible bonds	–	5.1	–	–	5.1
Contingent consideration[1]	2.3	–	–	–	2.3
Total	7.3	22.8	18.5	7.4	56.0

1 Contingent consideration is based on Exactive achieving predetermined EBITDA targets for fiscal years 2020 and 2021. Additional consideration of up to £1.5m may be payable in 2021 and 2022 of which 80% will be in cash and 20% by the issue of consideration shares. The fair value of the contingent consideration at acquisition of £2.3m was based on Exactive achieving £0.9m EBITDA for 2020 giving £1.5m contingent consideration and achieving £1.9m EBITDA for 2021 giving £0.9m contingent consideration. At 31 December 2020 the maximum £1.5m relating to EBITDA for 2020 is expected to be paid and £0.9m relating to the EBITDA targets for 2021.

HFO – Remaining Shareholding

The Group has an option to acquire the remaining 19.75% of the shares (which are held by management) in two tranches of c8% in 2021 and 2022 (where the consideration will be based on the results of the preceding financial year) and one final tranche of c4% in 2023 (based on net additions to cloud seats in the preceding financial year). This additional consideration will in aggregate be between €7.5m and €17.5m and will be payable in cash. As part of the transaction, management has agreed to re-invest approximately 17% of the cash proceeds it will receive from each tranche of the additional consideration into Gamma shares which will then be "locked up" for two years after each re-investment. The upper end of the option price will only be achieved if HFO achieves challenging growth targets related to its IP telephony business. This has been included as a put option liability based on the estimated gross obligation, which is detailed in note 25.

Notes to the financial statements continued
For the year ended 31 December 2020

19. Business combinations continued

Net cash outflow on acquisitions:

	Exactive £m	Voz Telecom £m	HFO £m	gnTel £m	Total £m
Cash paid	4.1	18.0	18.5	7.4	48.0
Less: cash acquired	(0.9)	(1.4)	–	(0.6)	(2.9)
Net outflow of cash for acquisitions in the year	3.2	16.6	18.5	6.8	45.1
Deferred consideration payments during the year					2.6
Net outflow of cash – investing activities					47.7

The cash consideration for Voz Telecom includes the additional £0.3m made to acquire the non-controlling interest.

Valuations of intangible assets
Customer contracts were valued under the Income Method and the brand under the Relief from Royalty Method.

Goodwill
The goodwill is attributable to the acquired entities. The goodwill is not deductible for tax purposes.

Acquired receivables
The fair value of acquired trade receivables for Exactive, Voz Telecom, HFO and gnTel is £0.6m, £1.3m, £5.5m and £0.5m respectively. The gross contractual amount for trade receivables due is £0.6m, £1.3m, £6.0m and £0.5m respectively, of which £0.5m in Voz Telecom is expected to be uncollectible.

Revenue and profit contribution
From the date of acquisition, the acquired businesses have contributed £36.2m of revenue and £1.0m of profit after taxation attributable to the equity holders of Gamma Communications plc:

	Revenue £m	Profit/(loss) before tax £m	Profit/(loss) after tax £m
Exactive	3.3	0.6	0.4
Voz Telecom	9.8	(0.5)	(0.4)
HFO	21.0	1.4	0.9
gnTel	2.1	0.2	0.1
	36.2	1.7	1.0

If these acquisitions had occurred on 1 January 2020, the acquired businesses would have contributed 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/(loss) before tax £m	Profit/(loss) after tax £m
Exactive	3.8	0.6	0.5
Voz Telecom	13.1	(1.9)	(1.5)
HFO	38.3	3.1	1.9
gnTel	5.0	0.8	0.5
	60.2	2.6	1.4

20. Inventories

	2020 £m	2019 £m
Raw materials and consumables	8.5	8.5
Provision	(0.4)	(0.4)
Total inventories	8.1	8.1

The replacement cost of inventories equals the statement of financial position amount.

21. Trade and other receivables

	2020 £m	2019 £m
Trade receivables	**44.2**	34.8
Less: provision for impairment of trade receivables	**(6.4)**	(4.4)
Trade receivables – net	**37.8**	30.4
Contract assets	**43.9**	33.1
Prepayments	**22.4**	25.8
Other receivables	**4.4**	3.2
Total trade and other receivables	**108.5**	92.5
Of which:		
Due within one year or less	**93.7**	77.5
Due after more than one year	**14.8**	15.0

The Directors consider that the carrying value of the trade and other receivables is approximately equal to their fair value.

Movements on the provision for impairment of trade receivables are as follows:

	2020 £m	2019 £m
At beginning of the year	**4.4**	4.6
Acquisition of subsidiaries	**0.5**	-
Provided during the year	**1.5**	0.4
Receivable written off during the year as uncollectible	**-**	(0.6)
	6.4	4.4

The movement on the provision for impaired receivables has been included in the revenue line or operating expense line as appropriate in the Consolidated statement of profit or loss.

The main factors considered by the finance function in determining that the amounts due are impaired are that the customers are unlikely to be trading or the debts are three months and more past due. We provide for all receivables based on knowledge of customer and historical experience and estimate irrecoverable amounts by reference to past default experience. The ageing of these receivables is as follows:

	2020 £m	2019 £m
Not due	**1.0**	0.2
Up to 3 months	**2.8**	2.3
3 to 6 months	**0.2**	0.8
6 to 12 months	**0.5**	0.5
Older than 1 year	**1.9**	0.6
	6.4	4.4

The Group does not have any concentration of credit risk. None of the customers represents more than 10% of trade receivables.

As at 31 December 2020 and 2019 trade receivables as shown below were past due but not impaired. They relate to customers with no default history or where we have an offset arrangement. The ageing analysis of these receivables is as follows:

	2020 £m	2019 £m
Up to 3 months	**2.7**	4.1
3 to 6 months	**0.8**	0.5
6 to 12 months	**0.8**	0.2
Older than 1 year	**0.1**	–
	4.4	4.8

Notes to the financial statements continued
For the year ended 31 December 2020

22. Cash and cash equivalents

	2020 £m	2019 £m
Cash at bank	**53.9**	53.9

23. Trade and other payables

	2020 £m	2019 £m
Current and non-current		
Trade payables	**9.4**	6.1
Other payables	**8.6**	3.1
Accruals – Cost of sales	**16.0**	13.3
Accruals – Operating expenses (excluding payroll)	**6.4**	6.5
Accruals – Payroll (excluding tax and social security)	**10.2**	8.8
Tax and social security	**3.2**	4.5
Deferred income	**2.6**	4.0
Total trade and other payables	**56.4**	46.3
Book values approximate to fair value at 31 December		
Of which:		
Due within one year or less	**54.9**	46.1
Due after more than one year	**1.5**	0.2

Within 'Accruals – Cost of sales' is an amount which represents the estimated costs which have yet to be billed by other carriers. This accrual is required because in the telecoms industry, calls and data are passed from one carrier to another and there is a significant level of billing between carriers, and reconciliations are carried out between the data records of each carrier. In some cases, these reconciliations may take some time to perform. Even when a bill has been received, most carriers reserve the right to issue additional bills if they discover that the units thereon were incomplete or the calls were not correctly rated.

24. Borrowings

	2020			2019		
	Current £m	Non-current £m	Total £m	Current £m	Non-Current £m	Total £m
Secured						
Bank loans	**0.4**	**2.0**	**2.4**	–	–	–
Total secured borrowings	**0.4**	**2.0**	**2.4**	–	–	–
Unsecured						
Bank loans	**0.4**	**2.1**	**2.5**			
Other borrowings	**0.5**	**0.5**	**1.0**	–	–	–
Total unsecured borrowings	**0.9**	**2.6**	**3.5**	–	–	–
Total Borrowings	**1.3**	**4.6**	**5.9**	–	–	–

	2020 £m
At 1 January 2020	-
Acquisition of subsidiaries	7.6
Repayments of borrowings	(1.6)
Exchange difference	(0.1)
At 31 December 2020	5.9

All of the loans were held by trading subsidiaries outside of the UK and pre-date acquisition by Gamma.

Of the bank loans, £2.4m are secured on the Group's land and buildings. Other secured borrowings are effectively secured as the rights to the leased assets recognised in the financial statements revert to the lessor in the event of default.

The Group has complied with the financial covenants of its borrowing facilities during the year.

25. Put option liability

	2020			2019		
	Current £m	Non-current £m	Total £m	Current £m	Non-Current £m	Total £m
Put option Liability	**5.6**	**5.6**	**11.2**	–	–	–

The Group has an option to acquire the remaining 19.75% of the shares in HFO Holdings (which are held by management) in two tranches of c8% in 2021 and 2022 (where the consideration will be based on the results of the preceding financial year) and one final tranche of c4% in 2023 (based on net additions to coud seats in the preceding financial year). This additional consideration will in aggregate be between €7.5m and €17.5m and will be payable in cash. The upper end of the option price will only be achieved if HFO achieves challenging growth targets related to its IP telephony business. This has been included as a put option liability based on the estimated gross obligation.

26. Financial instruments – risk management

The Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

Principal financial instruments

	2020 £m	2019 £m
Cash and cash equivalents	**53.9**	53.9
Trade receivables – net	**37.8**	30.4
Contract assets	**43.9**	33.1
Other receivables	**4.4**	3.2
Financial assets at amortised cost	**140.0**	120.6

	2020 £m	2019 £m
Trade payables	**9.4**	6.1
Other payables	**8.6**	3.1
Accruals – Cost of sales	**16.0**	13.3
Accruals – Operating expenses (excluding payroll)	**6.4**	6.5
Accruals – Payroll (excluding tax and social security)	**10.2**	8.8
Lease liabilities	**13.1**	12.6
Borrowings	**5.9**	-
Financial liabilities at amortised cost	**69.6**	50.4

General objectives, policies and processes

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's Senior Leadership Team (SLT). The Board receives monthly reports from the SLT through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below:

Credit risk
Credit risk is the risk of financial loss to the Group if a customer or a counterparty to a financial instrument fails to meet its contractual obligations. The Group is mainly exposed to credit risk from credit sales. It is Group policy, implemented locally, to assess the credit risk of new customers before entering into contracts.

The Credit Committee has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings where available. Purchase limits are established for each customer, which represent the maximum open amount without requiring further approval from the Credit Committee.

The Credit Committee determines concentrations of credit risk by monitoring the creditworthiness rating of existing customers and through regular reviews of the trade receivables' ageing analysis. During the COVID-19 pandemic, senior members from the finance, commercial and sales teams have been meeting weekly to monitor customer performance and payments in order to identify any credit risk at the earliest possible stage.

The Group does not enter into derivatives to manage credit risk.

Quantitative disclosures of the credit risk exposure in relation to financial assets are set out below. Further disclosures regarding trade and other receivables, which are neither past due nor impaired, are provided in note 21.

Due to the Group's procedures for managing credit risk, expected credit losses on all non-trade receivable financial assets are expected to be negligible. Expected impairment for trade receivables is calculated based on historical default rates. Details of this provision are shown in note 21.

Notes to the financial statements continued
For the year ended 31 December 2020

26. Financial instruments – risk management continued

Financial assets – maximum exposure

	2020 £m	2019 £m
Cash and cash equivalents	**53.9**	53.9
Trade receivables – net	**37.8**	30.4
Contract assets	**43.9**	33.1
Other receivables	**4.4**	3.2
Total financial assets	**140.0**	120.6

The Credit Committee monitors the utilisation of the credit limits regularly and at the reporting date does not expect any losses from non-performance by the counterparties in addition to those already provided against.

Cash in bank
The Group is continually reviewing the credit risk associated with holding money on deposit in banks and seeks to mitigate this risk by only holding deposits with banks with a credit rating of A or above, unless Board approval is obtained.

Market risk
Foreign exchange risk

Foreign exchange risk arises because the Group has operations located in Europe and the acquired companies under Gamma Communications Benelux B.V. (formerly DX Groep B.V.), Voz Telecom OIGAA360 S.A. and HFO Holding GmbH which are not in the Group's functional currency. The Group's operational risk is reduced by the fact that its European operations are small compared to those in the UK. The Group's net assets arising from such European operations are exposed to currency risk resulting in gains or losses on retranslation into Pound Sterling. Given the levels of materiality, the Group does not hedge its net investments in European operations as the cost of doing so is disproportionate to the exposure.

During the year, the Group entered into one forward foreign exchange contract to mitigate against the foreign exchange risk on foreign contracts. This is in USD and relates to one supplier. The foreign exchange contract was open at year end to cover payments totalling USD $8.2m.

As of 31 December 2019 and 31 December 2020 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.

Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. At the year end the Group had £5.9m 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. The Board receives annual 36-month cash flow projections. At the end of the financial year, these projections indicated that the Group expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances.

The following table sets out the contractual maturities (representing undiscounted contractual cash flows) of financial liabilities (excluding lease and contract liabilities):

	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m
2020	**50.4**	**3.9**	**1.9**	**0.3**
2019	37.7	0.1	–	–

The Group presents a maturity analysis of lease liabilities within note 28.

For more details on the line items included above, see notes 23 and 24.

Capital disclosures

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's overall strategy remains unchanged from the prior year. The Group monitors 'adjusted capital' which comprises all components of equity that are managed as capital (i.e. share capital, share premium reserve, merger reserve, share option reserve and retained earnings).

The Group 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.

	2020 £m	2019 £m
Borrowings (note 24)	**(5.9)**	–
Lease Liabilities (note 28)	**(13.1)**	(12.6)
Cash and cash equivalents	**53.9**	53.9
Total equity	**204.4**	152.5
Capital	**252.4**	193.8

Fair value of financial instruments

Set out below is the fair values of financial liabilities. All liabilities are classified as level 3.

Financial liabilities		2020 £m	2019 £m
Contingent consideration	Current	**1.8**	1.5
	Non current	**1.2**	1.1
		3.0	2.6
Put option liability (note 25)	Current	**5.6**	–
	Non current	**5.6**	–
		11.2	–

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 techniques used for instruments categorised in level 3 are described below.

Contingent consideration relates to the acquisition of Exactive and is based on the EBITDA performance for 2020 and expected 2021 EBITDA of the business.

The discount rate used is based on the Group's estimated cost of debt. The effects on the fair value of risk and uncertainty in the future cash flows are dealt with by adjusting the discount rate.

The most significant sensitivity is a change in future EBITDA. The potential undiscounted amount payable under the agreement is between zero and £3.0m. Of this £1.5m relates to the results of 2020. For every £1.00 that the EBITDA for 2021 exceeds the 2021 Hurdle of £800,000 EBITDA an amount of £2.143 is paid up to a maximum of £1.5m

Management has recalculated the fair value at the end of the accounting period and there have been adjustments to Exactive contingent consideration.

The put option liability was valued using a probability weighted expected returns methodology, using a discount rate appropriate to the transaction. Movements in the fair value of the put option liability are charged through the profit and loss.

Level 3 fair value measurements

The reconciliation of the carrying amounts of contingent consideration is as follows:

	Nimsys £m	Exactive £m	Voz[1] £m	Total £m
1 January 2020	2.6	–	–	2.6
Acquisition of subsidiary	–	2.3	0.7	3.0
Contingent consideration paid	(2.5)	–	–	(2.5)
Adjustment to contingent consideration	(0.1)	–	–	(0.1)
31 December 2020	–	2.3	0.7	3.0

1 This related to acquisitions made by Voz prior to the acquisition by the Group.

Notes to the financial statements continued
For the year ended 31 December 2020

27. Provisions

	2020 £m	2019 £m
Leasehold dilapidation provision	**1.2**	1.3
Onerous contracts	**0.1**	–
Other provisions	**1.2**	0.4
Total provisions	**2.5**	1.7
Of which:		
Due within one year or less	**0.6**	0.9
Due after more than one year	**1.9**	0.8

	Leasehold dilapidation provision £m	Onerous contracts £m	Other provisions £m	Total £m
At 1 January 2020	1.3	–	0.4	1.7
Additional provision in the year	0.1	0.1	1.0	1.2
Utilisation of provision	(0.2)	-	(0.2)	(0.4)
At 31 December 2020	1.2	0.1	1.2	2.5

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, dilapidations costs are accounted for within the right of use asset and released to the profit and loss account through depreciation. The main uncertainties relate to estimating the cost that will be incurred at the end of the lease and also whether the option to break from the lease will be exercised. Leasehold dilapidation provisions relate to property rentals and vary from less than 12 months to in excess of five years.

From time to time the Group engages in contracts with suppliers where there is a minimum commitment. This is done in instances where the minimum purchase commitment is considered to be comfortably achievable and there is a material commercial advantage to making that commitment. Rarely, there may be an unforeseen change in circumstances which means that the commitment becomes onerous and a provision is made at the point it appears that the minimum commitments will not be achieved. Provisions for onerous contracts related to contracts less than 12 months in length.

28. Lease liabilities

	2020 £m	2019 £m
Lease liabilities included in the statement of financial position at 31 December		
Current	**2.3**	1.3
Non-current	**10.8**	11.3
	13.1	12.6
Maturity analysis – contractual undiscounted cash flows		
In one year or less	**2.7**	1.7
Between one and five years	**8.0**	6.9
In five years or more	**4.1**	6.6
Total undiscounted lease liabilities at 31 December	**14.8**	15.2
Amounts recognised in the comprehensive income statement		
Interest expense on lease liabilities	**0.6**	0.4
Expenses relating to short-term leases	**–**	–
Expenses relating to leases of low value assets, excluding short-term leases of low value assets	**–**	–

	2020 £m
At 1 January 2020	**12.6**
Additions	**2.8**
Disposals	**(0.9)**
Repayments	**(2.1)**
Finance expense	**0.6**
Exchange differences	**0.1**
At 31 December 2020	**13.1**

The amounts recognised in the statement of consolidated cash flows is £2.1m (2019: £1.1m).

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 2020 (2019: £nil).

29. Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using the tax rate at which it is expected to unwind, being 19%.

The movement on the deferred tax account is as shown below:

	2020 £m	2019 £m
(Liability)/asset at 1 January	**(0.9)**	0.5
Tax charge recognised in profit and loss	**2.1**	(0.7)
Recognised directly in equity	**0.5**	0.9
Tax arising on acquisition	**(5.0)**	(1.6)
Net liability at 31 December	**(3.3)**	(0.9)

Deferred tax assets and liabilities are offset where the Group has a legally enforceable right to do so. All deferred tax has been recognised as the Group is consistently profitable and so expects to have sufficient profits which can be utilised.

Notes to the financial statements continued
For the year ended 31 December 2020

29. Deferred tax continued

The deferred taxation asset/(liability) consists of the tax effect of temporary differences as follows:

2020	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	0.1	–	0.1	0.1	–
Other temporary and deductible differences	2.7	–	2.7	0.3	–
Deferred tax on share options	2.9	–	2.9	0.4	0.5
Deferred tax on acquisition of subsidiaries	–	(9.0)	(9.0)	1.3	–
Deferred tax asset/(liability)	5.7	(9.0)	(3.3)	2.1	0.5

2019	Asset £m	Liability £m	Net £m	Credited/ (charged) to profit or loss £m	Credited/ (charged) to equity £m
Difference in capital allowances and depreciation/amortisation	–	–	–	(1.9)	–
Other temporary and deductible differences	1.1	(0.2)	0.9	(0.4)	–
Deferred tax on share options	1.9	–	1.9	–	0.9
Deferred tax on acquisition of subsidiaries	–	(3.7)	(3.7)	1.6	–
Deferred tax asset/(liability)	3.0	(3.9)	(0.9)	(0.7)	0.9

30. Share capital

At 31 December the share capital was as follows:

	2020 Number	2020 £m	2019 Number	2019 £m
Authorised, allotted and fully paid Ordinary Shares of £0.0025 each	**95,402,437**	**0.2**	94,781,312	0.2
		0.2		0.2

Ordinary Share movement in the year is as follows:

	Number	Notes
As at 1 January 2020	94,781,312	
January	7,925	(a)
March	14,400	(a)
March	69,024	(b)
April	39,688	(a)
May	20,283	(a)
July	159,208	(a)
September	265,028	(a)
October	21,362	(a)
November	8,449	(a)
December	15,758	(a)
As at 31 December 2020	95,402,437	

(a) Ordinary Shares were issued to satisfy options which had been exercised.
(b) Ordinary shares were issued as consideration to the shareholders of Exactive Holdings Limited.

There is an earn out agreement in place for Exactive, based on Exactive's EBITDA for fiscal years 2020 and 2021. In 2021 an amount of £1.5m will be paid of which 80% will be in cash and 20% by the issue of consideration shares. In 2022, relating to 2021, additional consideration of up to £1.5m may be payable of which 80% will be in cash and 20% by the issue of consideration shares.

31. Reserves

The following describes the nature and purpose of each reserve within equity:

Reserve	Description and purpose
Share premium reserve	Amount subscribed for share capital in excess of nominal value.
Merger reserve	Represents the share capital and share related movements of the previous holding company Gamma Telecom Holdings Limited following the common control transaction in 2014. These financial statements incorporate the results of business combinations using the acquisition method with the exception of the common control transaction on the forming of the Group. In the statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.
Share option reserve	Represents credit to equity relating to share based payment expense on share options.
Foreign exchange reserve	Exchange differences relating to the translation of the net assets of the Group's foreign subsidiaries from their functional currency into the parent's functional currency.
Own shares	Purchase of own shares under a SIP scheme.
Retained earnings	All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.
Non-controlling interest	Proportion of equity relating to the proportion of non 100% owned subsidiaries.
Written put options over non-controlling interest	Represents debit to equity in relation to the put option liability.

32. Share based payment expense

Share options granted

On 28 April 2020 the Board approved an issue of options under a Save As You Earn scheme which granted 345,953 options over £0.0025 Ordinary Shares at an exercise price of £8.0000. These options will vest in July 2023.

On 7 May 2020 the Board approved an issue of options under the Company Share Option Plan which granted 201,629 options over £0.0025 Ordinary Shares at an exercise price of £12.6500. These will vest in May 2023.

On 14 September 2020, the Board approved awards under the long-term incentive plan for the Executive Directors. 264,936 options were granted over £0.0025 Ordinary Shares at an exercise price of £0.0025 per share which will vest on 1 April 2023 subject to performance conditions. The awards granted will have a performance period of three years starting from the vesting commencement date, being 31 March 2020.

On 14 September 2020, the Board approved awards under the Deferred Bonus Plan for the senior management team. 18,310 options were granted over £0.0025 Ordinary Shares at an exercise price of £0.0025 per share which will vest on 31 March 2023. 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 1 April 2020.

The awards issued under the long-term incentive plan will vest as follows:

- 15% of the shares are subject to an award if annual compound total shareholder return over the performance period equals 8% and 50% of the shares are subject to an award if the annual compound total shareholder return over the period exceeds or equals 15% with pro rata straight line vesting in between; and
- 15% of the shares are subject to an award if annual compound growth of the Group's adjusted earnings per share over the performance period equals 8% between the financial years at the beginning and the end of the performance period and 50% of the shares are subject to an award if the annual compound growth of the Group's adjusted earnings per share exceeds or equals 20% with pro rata straight line vesting in between.

The weighted average fair value of awards granted during the year was £8.42 (2019: £4.89).

Notes to the financial statements continued
For the year ended 31 December 2020

32. Share based payment expense continued

Share options movements

Movements in the number of options during the year were as follows:

The options below were exercised at a weighted average share price of £14.21, and weighted average exercise price of £2.71, and the weighted average exercise price of share options exercisable at 31 December 2020 was £4.17.

2020 Date of grant	Start of year	Granted	Forfeited/ Cancelled	Exercised	End of year	Exercise price	Class of share	Notes
6 June 2014	14,400	–	–	(14,400)	–	£0.2500	Ordinary	(a)
8 May 2015	35,810	–	–	(1,000)	34,810	£2.7000	Ordinary	(a)
15 April 2016	16,058	–	–	(4,588)	11,470	£4.3575	Ordinary	(a)
19 May 2016	7,925	–	–	(7,925)	–	£3.4440	Ordinary	(a)
5 April 2017	156,667	–	–	(94,909)	61,758	£4.9325	Ordinary	(a)
9 May 2017	223,785	–	(1,817)	(221,968)	–	£4.1600	Ordinary	(a)
22 May 2017	198,912	165	–	(199,077)	–	£0.0025	Ordinary	(a)
3 April 2018	315,353	9,300	(17,319)	–	307,334	£0.0025	Ordinary	(b)
8 May 2018	200,204	–	(5,391)	(2,095)	192,718	£5.5520	Ordinary	(c)(l)
23 May 2018	175,886	–	(3,294)	(2,837)	169,755	£7.3400	Ordinary	(d)(l)
8 May 2019	362,037	–	(30,395)	(2,309)	329,333	£8.2800	Ordinary	(e)(l)
13 May 2019	154,245	–	(5,917)	(993)	147,335	£10.9000	Ordinary	(f)(l)
3 June 2019	232,674	–	(12,398)	–	220,276	£0.2500	Ordinary	(g)
20 September 2019	3,422	–	–	–	3,422	£0.2500	Ordinary	(g)
1 October 2019	4,183	–	–	–	4,183	£0.2500	Ordinary	(g)
22 November 2019	9,209	–	–	–	9,209	£0.2500	Ordinary	(g)
28 April 2020	–	345,953	(10,417)	–	335,536	£8.000	Ordinary	(h)
7 May 2020	–	201,629	(790)	–	200,839	£12.6500	Ordinary	(i)
14 September 2020	–	264,936	–	–	264,936	£0.2500	Ordinary	(j)
14 September 2020	–	18,310	–	–	18,310	£0.2500	Ordinary	(k)

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 3 April 2018.
(c) The awards granted will have a performance period of three years starting from the vesting commencement date, being 1 July 2018.
(d) The awards granted will have a performance period of three years starting from the grant, being 23 May 2018.
(e) The awards granted will have a performance period of three years starting from the vesting commencement date, being 1 July 2019.
(f) The awards granted will have a performance period of three years starting from the grant date, being 13 May 2019.
(g) The awards granted will have a performance period of three years starting from the vesting commencement date, being 1 April 2019.
(h) The awards granted will have a performance period of three years starting from the vesting commencement date, being 1 July 2020.
(i) The awards granted will have a performance period of three years starting from the grant date, being 7 May 2020.
(j) The awards granted will have a performance period of three years starting from the vesting commencement date, being 31 March 2020.
(k) The awards granted will vest in full on the third anniversary of the vesting commencement date, being 31 March 2020.
(l) Options for good leavers were vested early on a pro rata basis and hence exercised before the rest of the scheme becomes exercisable. The unvested shares were cancelled.

There were no lapsed share options during the year (2019: none).

Apart from the options noted as exercisable, all other options above are outstanding. The share options outstanding at 31 December 2020 represented 2% of the issued share capital as at that date (2019:2%) and would generate additional funds of £12.3m (2019: £8.9m) if fully exercised. The weighted average remaining life of the share options was 16 months (2019: 17 months), with a weighted average remaining exercise price of £5.33 (2019: £4.22).

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 £11.13, and weighted average exercise price of £2.57, and the weighted average exercise price of share options exercisable at 31 December 2019 was £2.57.

2019 Date of grant	Start of year	Granted	Forfeited/ Cancelled	Exercised	End of year	Exercise price	Class of share	Notes
6 June 2014	20,000	–	–	(5,600)	14,400	£0.2500	Ordinary	(a)
8 May 2015	89,230	–	(35,183)	(18,237)	35,810	£2.7000	Ordinary	(a)
15 April 2016	63,088	–	(2,294)	(44,736)	16,058	£4.3575	Ordinary	(a)
17 May 2016	206,116	–	–	(206,116)	–	£0.0025	Ordinary	(b)
19 May 2016	565,974	–	(36,052)	(521,997)	7,925	£3.4440	Ordinary	(c)
5 April 2017	170,348	–	(13,681)	–	156,667	£4.9325	Ordinary	(d)
9 May 2017	255,395	–	(31,610)	–	223,785	£4.1600	Ordinary	(e)
22 May 2017	198,912	–	–	–	198,912	£0.0025	Ordinary	(f)
3 April 2018	315,353	–	–	–	315,353	£0.0025	Ordinary	(g)
8 May 2018	221,019	–	(20,815)	–	200,204	£5.5520	Ordinary	(h)
23 May 2018	179,974	–	(4,088)	–	175,886	£7.3400	Ordinary	(i)
8 May 2019	–	377,800	(15,763)	–	362,037	£8.2800	Ordinary	(j)
13 May 2019	–	157,914	(3,669)	–	154,245	£10.9000	Ordinary	(k)
3 June 2019	–	232,674	–	–	232,674	£0.0025	Ordinary	(l)
20 September 2019	–	3,422	–	–	3,422	£0.0025	Ordinary	(l)
1 October 2019	–	4,183	–	–	4,183	£0.0025	Ordinary	(l)
22 November 2019	–	9,209	–	–	9,209	£0.0025	Ordinary	(l)

Notes:
(a) Options have vested and are exercisable.
(b) The awards granted will have a performance period of three years starting from the vesting commencement date, being 31 March 2016.
(c) The awards granted will have a performance period of three years starting from the vesting commencement date, being 1 July 2016.
(d) The awards granted will have a performance period of three years starting from the grant date, being 5 April 2017.
(e) The awards granted will have a performance period of three years starting from the vesting commencement date, being 1 July 2017.
(f) The awards granted will have a performance period of three years starting from the vesting commencement date, being 31 March 2017.
(g) The awards granted will have a performance period of three years starting from the vesting commencement date, being 3 April 2018.
(h) The awards granted will have a performance period of three years starting from the vesting commencement date, being 1 July 2018.
(i) The awards granted will have a performance period of three years starting from the grant date, being 23 May 2018.
(j) The awards granted will have a performance period of three years starting from the vesting commencement date, being 1 July 2019.
(k) The awards granted will have a performance period of three years starting from the grant date, being 13 May 2019
(l) The awards granted will have a performance period of three years starting from the vesting commencement date, being 1 April 2019.

Share based payment expense

Equity-settled share based payments are measured at fair value (excluding the effect of market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share based payments is expensed over the vesting period, based on the Company's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

Application of the fair value measurement results in a charge to operating expenses within the subsidiary company Gamma Telecom Limited. The charge has been made to the profit and loss account of the subsidiary as the employees' services are provided to the subsidiary company. The charge for each year is as listed below:

	2020 £m	2019 £m
Share options issued to key management	**1.8**	1.1
Share options issued to other employees	**1.7**	1.5
Total share based payment expense	**3.5**	2.6

Included within the total share based payment expense of £3.5m (2019: £2.6m) is National Insurance of £0.7m (2019: £0.6m).

Notes to the financial statements continued
For the year ended 31 December 2020

32. Share based payment expense continued

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.

	2020 £m	2019 £m
Share price at grant date (pence)	**1245 – 1565**	1060 – 1165
Exercise price (pence)	**0.25 – 1090**	0.25 – 1090
Expected volatility	**28%**	27%
Risk-free rate	**-0.086 – 0.704%**	0.531 – 0.770%
Expected dividend yield	**0.9%**	0.9%

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 2019 and 2020.

33. Capital commitments

As at 31 December 2020, amounts contracted for but not provided in the financial statements amounted to £6.3m for the Group (2019: £11.5m). This amount is for the purchase of software licences in 2021.

The capital commitments in 2020 are payable in USD, with the payable amount being $8.2m. Changes in the exchange rate could cause variances in the value of the commitment.

34. Related party transactions

Details of key management's remuneration are given in note 10.

Dividends of £0.07m (2019: £0.03m) were paid to Directors during the year and no dividends were payable to Directors at the year end.

There were no other transactions with related parties outside of the wholly owned group during the year.

35. Subsequent events

On 3 March the Group acquired Mission Labs Limited and its subsidiaries for an initial consideration of £42.6m. Mission Labs provide the Group with expertise and product capability in the Cloud Contact Centre as a Service market ("CCaaS"). It also has a solution for micro-business users called Circle Loop which is sold digitally.

The initial consideration for the entire issued share capital of Mission Labs is £40.2m on a cash free basis with up to an additional £6.0m contingent deferred consideration payable over the next three years assuming certain development milestones are met on the existing and future product set.

As part of the transaction, management shareholders (who previously owned 72% of the shares acquired) have agreed to re-invest approximately 10% of their cash proceeds into Gamma shares which will be locked up for three years. These shares will be issued by Gamma following the announcement of its 2020 full year results on 23 March 2021. The price will be based on the average of daily closing price over the 30-day period prior to the release of the results.

Due to the proximity of the acquisition to the publication of these accounts, the Group has not yet completed the purchase price allocation and it is impractical to give further information.

Company statement of financial position
As at 31 December 2020

	Notes	2020 £m	2019* £m
Fixed assets			
Investments	3	**15.9**	13.0
		15.9	13.0
Current assets			
Debtors	4	**76.9**	86.5
Cash and cash equivalents		**34.4**	31.8
		111.3	118.3
Creditors: amounts falling due within one year	5	**(56.1)**	(53.9)
Net current assets		**55.2**	64.4
Total assets less current liabilities		**71.1**	77.4
Capital and reserves			
Called up share capital	6	**0.2**	0.2
Share premium account		**9.0**	6.6
Share option reserve		**15.6**	12.8
Profit and loss account		**46.3**	57.8
Shareholders' funds		**71.1**	77.4

* Restated inter-company dividends received, see note 1.

As a consolidated statement of comprehensive income is published, a separate profit and loss account for the parent company is omitted from the Group financial statements by virtue of section 408 of the Companies Act 2006. The (loss)/profit in respect of the Company for the year was (£1.1m) (2019: £21.7m*).

The financial statements of Gamma Communications plc (registered number 08943488) on pages 133 to 137 were approved and authorised for issue by the Board of Directors on 22 March 2021 and were signed on its behalf by:

Andrew Belshaw
Chief Financial Officer

The notes on pages 135 to 137 form part of these financial statements.

Company statement of changes in equity
For the year ended 31 December 2020

	Notes	Share capital £m	Share premium reserve £m	Share option reserve £m	Profit and loss account £m	Total equity £m
1 January 2019		0.2	4.6	10.8	45.3	60.9
Dividends paid	7	–	–	–	(9.2)	(9.2)
Share based payments		–	–	2.0	–	2.0
Issue of shares		–	2.0	–	–	2.0
Transaction with owners		–	2.0	2.0	(9.2)	(5.2)
Total comprehensive income*		–	–	–	21.7	21.7
31 December 2019		0.2	6.6	12.8	57.8	77.4
1 January 2020		0.2	6.6	12.8	57.8	77.4
Dividends paid	7	–	–	–	(10.4)	(10.4)
Share based payments		–	–	2.8	–	2.8
Issue of shares		–	2.4	–	–	2.4
Transaction with owners		–	2.4	2.8	(10.4)	(5.2)
Total comprehensive income		–	–	–	(1.1)	(1.1)
31 December 2020		**0.2**	**9.0**	**15.6**	**46.3**	**71.1**

* Restated inter-company dividends received, see note 1.

The notes on pages 135 to 137 form part of these financial statements.

Notes to the Company financial statements
For the year ended 31 December 2020

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 5 Fleet Place, London, EC4M 7RD. The principal activity of the Company is to act as a holding company that does not trade with third parties.

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 consistently applied 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 on page 98.

The Directors have taken advantage of the exemption available under section 408 of the Companies Act 2006 and not presented the income statement or a statement of comprehensive income for the Company alone. The (loss)/profit in respect of the Company for the year was (£1.1m) (2019: £21.7m).

Restatement
The financial statements include a restatement to correct the dividend received amount. The correction resulted in an increase to the 2019 total comprehensive income of £9.2m. There was a corresponding increase in debtor balance, amounts due from Group undertakings. The restatement only affects the Company financial statements. There is no effect on the consolidated financial statements.

Disclosure exemptions adopted
In preparing these financial statements the Company has taken advantage of all disclosure exemptions conferred by FRS 101. Therefore these financial statements do not include:

(a) certain disclosures regarding the Company's capital;

(b) a statement of cash flows;

(c) the effect of future accounting standards not yet adopted;

(d) the disclosure of the remuneration of key management personnel;

(e) disclosure of related party transactions with other wholly owned members of the Group headed by Gamma Communications plc;

(f) disclosures in respect of financial instruments; and

(g) disclosures in respect of IFRS 2 share based payments.

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
Shares in Group undertakings are initially recorded at cost and subsequently adjusted for capital contributions related to share based payments and any provisions for impairment.

The cost of acquisition is the amount of cash or cash equivalents paid and the fair value of other purchase consideration given by the acquirer, together with the expenses of the acquisition. Where the payment of consideration for an acquisition is to be made after the date of acquisition, reasonable estimates of the amounts expected to be paid are included in the cost of acquisition at their present values.

The cost of acquisition is adjusted when revised estimates are made, with consequential corresponding adjustments continuing to be made to the cost of the investment, and therefore goodwill, until the ultimate amount is known.

Financial assets
The Company does not have any financial assets which it would classify at fair value through profit or loss, available for sale or held to maturity. Therefore, all financial assets are classed as loans and receivables as defined below.

Loans and receivables
These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset.

They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Company will be unable to collect all of the amounts due, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable.

Notes to the Company financial statements
For the year ended 31 December 2020

1. Accounting policies continued

The Company's loans and receivables comprise amounts due from Group undertakings, other receivables and cash and cash equivalents in the statement of financial position. Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown within loans and borrowings in current liabilities on the statement of financial position.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Dividends and distributions relating to equity instruments are debited direct to equity.

2. Critical accounting judgements and estimates

Gamma Communications plc is a non-complex entity primarily holding intercompany debtors and creditors. As such there are no critical judgements or accounting estimates that represent a risk of material misstatement over the next 12 months.

3. Investments

	2020 £m	2019 £m
At 1 January	**13.0**	11.0
Capital contributions arising from share based payments	**2.9**	2.0
At 31 December	**15.9**	13.0

Details of the subsidiaries held directly or indirectly by Gamma Communications plc are given in note 18 to the consolidated financial statements.

4. Debtors

	2020 £m	2019* £m
Amounts due from Group undertakings	**76.7**	86.5
Prepayments	**0.2**	-
	76.9	86.5

* Restated inter-company dividends received. See note 1

Amounts due from Group undertakings are payable on demand. The expected credit loss on amounts due from Group undertakings is negligible.

5. Creditors

	2020 £m	2019 £m
Amounts due to Group undertakings	**55.7**	53.8
Accruals	**0.4**	0.1
	56.1	53.9

6. Called up share capital

Details of the share capital and movement during the year are given in note 30 to the consolidated financial statements.

7. Dividends paid

Details of the dividends paid during the year are given in note 14 to the consolidated financial statements.

8. Contingent liabilities

The Company had no contingent liabilities at 31 December 2019 or 31 December 2020.

9. Capital commitments

The Company had no capital commitments at 31 December 2019 or 31 December 2020.

10. Related party transactions

The Company has taken advantage of the exemption available within FRS 101 Reduced Disclosure Framework not to disclose transactions with other members of the Group headed by the Company. See note 34 to the consolidated financial statements for details of the disclosed related party transactions.

11. Subsequent events

In March 2021 an entity owned by the Company acquired Mission Labs Limited. Further details are given in note 35 to the consolidated financial statements.

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Notes

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