Working smarter, together.

Gamma Communications plc
Annual Report and Accounts 2021

Empowering people to communicate

Gamma is a leading provider of Unified Communication as a Service ("UCaaS") products to the business market in Western Europe.

Online report

Read our report online for additional video content

This year we have adopted a digital first approach reflecting how we operate as a business. As a result, while the Annual Report continues to be a core part of our reporting suite, we have simplified the format and included links to interactive online content, such as videos. Please refer to the QR codes throughout the document. This online material brings to life what we do, how we do it, and provides you with a better overall understanding of our business.

Online report

Scan to go to our online Annual Report and Accounts 2021.
gammacommunicationsplc.com/AR2021

Chair's overview

Scan to watch a video of our Chair, Richard Last, talking about our Partnerships and new Board appointments.

Chief Executive Officer's overview

Scan to watch a video of our CEO, Andrew Taylor, summarising our performance and growth over 2021.

Chief Financial Officer's overview

Scan to watch a video of our CFO, Andrew Belshaw, discussing our 2021 financial performance.

Environmental overview

Scan to watch a video of our Group Sustainability Director, Sarah Kirton, talking about our plans to become Carbon Net-Zero.

Social overview

Scan to watch a video of our Chief People Officer, Chris Bradford, talking about some key People initiatives.

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

Revenue

£447.7m +14%

Growth from £393.8m to £447.7m (these figures include acquisitions made)

Profit from operations

£68.3m -10%

Decrease from £75.7m to £68.3m, due to an exceptional gain of £19.6m in 2020 mainly relating to the disposal of a subsidiary, see note 8

Adjusted EBITDA*

£95.4m +21%

Growth from £79.0m to £95.4m

Dividend per share

13.2p +13%

Grew from 11.7p to 13.2p

* 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"). Our policy on the use of APMs is included in note 3.

Richard Last
Chair

2021 has been another good year for Gamma. The year has been one of strong strategic execution.

Dividend per share

13.2p +13%

Grew from 11.7p to 13.2p

Earnings per share

55.2p -17%

Decrease from 66.6p to 55.2p, due to an exceptional gain of £19.6m in 2020 mainly relating to the disposal of a subsidiary, see note 8

Adjusted earnings per share

64.0p +25%

Grew from 51.3p to 64.0p

Cash generated by operations

£89.8m +28%

Grew from £70.3m to £89.8m

Chair's overview
Scan to watch a video of our Chair, Richard Last, talking about our Partnerships and new Board appointments.

Overview of results

Group revenue for the year ended 31 December 2021 increased by £53.9m to £447.7m (2020: £393.8m), an increase of 14% on the prior year. Profit before tax for the year was £67.2m, a decrease of 10% from the prior year figure of £75.0m; the reduction is driven by the 2020 exceptional gain on the sale of our subsidiary, The Loop (the fibre business based in Manchester). Adjusted EBITDA for the Group increased by £16.4m (21%) to £95.4m (2020: £79.0m). Adjusted items are explained and reconciled in the Financial review and note 3.

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

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

Overview of the year

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

- The whole business has continued to respond well to the ongoing difficulties COVID-19 has brought; we have demonstrated that we are able to run the business with the vast majority of our staff working from their homes. We are moving to hybrid working for some parts of our business which we believe will allow us to attract and retain staff.
- The Group's revenue model has proved robust and its product set supports businesses which have either had to work remotely or have chosen to do so because they see the advantages of flexible working patterns.
- On 3 March 2021 we significantly expanded our software development capability through the acquisition of Manchester based Mission Labs. Gamma had been partnering with Mission Labs for over 18 months on projects such as PhoneLine+. The acquisition gives Gamma additional development capabilities in the rapidly evolving markets of Cloud Contact Centre and Cloud Communications.
- The acquisition also enables us to accelerate our digital strategy. Mission Labs owns a digitally based voice application CircleLoop (www.circleloop.com). This is a UCaaS technology platform which provides a cloud-based telephony product fully serviced through web, desktop and mobile applications. It is aimed at the micro-

business market. The fact that we own this capability will enable us to roll it out in other territories to address a key market opportunity in the UK and Europe.

- During the year we have increasingly seen the importance of partnering with Microsoft Teams. We had previously launched a Microsoft Teams Direct Routing product to our Channel Partners, making Gamma's market-leading SIP trunks available to Enterprises which use Microsoft Teams. On 27 September 2021 we announced we had been successful in our efforts to work with Microsoft to join the Operator Connect for Microsoft Teams programme. Operator Connect is a new operator-managed programme from Microsoft designed to enable seamless and integrated PSTN calling to Teams.
- In July 2021 we launched a product enhancement which allows users to integrate their Horizon Cloud product with Microsoft Teams.
- During the first half we launched our Cloud Contact Centre product – Horizon Contact. This was developed by our team of in-house software developers and is a fully integrated additional module that attaches to our core Horizon Cloud product.
- We committed to becoming a carbon net-zero business by 2042.

Board and governance

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

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

Taking over from Andrew Belshaw, Bill Castell has been appointed Chief Financial Officer. Bill will report to Andrew Taylor and will join the Company and the Board of Directors on 1 May 2022. Bill is currently Chief Financial Officer at OVO Energy, the technology-led green energy business. Before joining OVO Energy in 2020, Bill spent three years at Virgin Media which he joined as Deputy Chief Financial Officer and later became acting Chief Financial Officer. From 2005 to 2017, Bill was at Barclays Bank where he held a number of senior finance roles including Chief Financial Officer at Barclays Corporate Bank and Chief Financial Officer of Barclaycard Europe.

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

Employees

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

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

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

We would like to express our thanks to all of our staff for their dedication, hard work and enthusiasm.

Dividend

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

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

Environmental

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

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

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

Current trading and outlook

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

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

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

Richard Last
Chair

Supporting business acceleration

Our differentiators

Gamma's financial performance reinforced by our robust business model.

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

Strong Business Model – with high visibility and quality of earnings through 2021 and beyond.

Our product categories

A developer and provider of UCaaS, CCaaS, voice, data and mobile communication services.

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.

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.

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
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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 sales

60% — UK Indirect
Our primary route to market, the channel is at the heart of what we do. We provide market-leading products to 1,000+ channel partners, with an exceptional service wrap.

24% — UK Direct
Our Direct business supports the requirements of Enterprises and Public Sector organisations looking to contract with the network operator.

16% — European
Our European businesses sell both directly and through the channel consisting of sales in the Netherlands, Spain and Germany.

Market trends

The future of business communications:

- Move to cloud-based business communications services
- Always available customer contact
- High speed connectivity

Market trends
Page 06

Outputs

Addressing multiple indirect, direct and digital channels, driving growth opportunities across all business market segments.

Shareholders
115%
Total shareholder return over three years*

Our people
1,745
employees in seven countries

Customers
Innovative UCaaS solutions

Suppliers
£277m
Spent over £277m per annum

* As at 31 December 2021

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The future of business communications

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.

Market trend: 1 /The opportunity for UX and CX to win in the Experience Economy

Consumer buying behaviours and expectations around service have changed drastically over the past few years. They expect a seamless, easy and intuitive user experience (UX), and are making decisions on purchases based on experiences rather than goods.

This is adding to what has been called the Experience Economy, which is projected to be worth $12bn by 2023. More than two thirds of businesses now compete on the basis of customer experience (CX) – a competition that is driving businesses to transform in order to remain relevant, avoid commoditisation and take advantage of the opportunity.

Gamma's response

Gamma understands the importance of CX and UX to differentiate in the Experience Economy, and has, therefore, significantly increased our investment in both.

In the last 24 months, we have invested significantly in both people and tools to better understand our customer and user needs; to help us to make more informed decisions about designing intuitive solutions to solve customer problems; and in turn, to build products that empower people to communicate and work smarter, together.

In 2020, we formed the Gamma CX function, demonstrating the importance of designing intended UX and CX as part of the Gamma product and technology strategy. The team covers several roles that are essential to supporting successful software design, including product owners, business analysts, UX designers and researchers, and digital content designers.

In addition to a highly skilled team, we've deployed a range of tools to build our customer insight. Utilising qualitative and quantitative data we can better understand the UX and critically drive improvements in our product and process design.
We have also built the capability to run extensive research activities from surveys through to moderated and unmoderated testing of products, with an emphasis on prototype testing. This allows us to build prototypes quickly and at low cost, so that we can then test with users to capture early feedback that can, in turn, be reflected in our product designs.

Gamma has seen a wide range of benefits as a result of this approach: analytics have allowed us to identify customer pain points and iterate the product design to improve usability and accessibility; early prototyping allows us to test user reaction to our products and refine the designs quickly, at low cost and without distracting development teams. We've also seen a much greater focus on data-driven decision making as a result of research and empirical data, and we've seen cultural benefits of our teams learning new skills and allowing for increased collaboration.

We are excited to pass on the benefits of our increasing investment in CX and UX to our channel partners and users.

Market trend: 2

/Hybrid here to stay

The end of the pandemic appears to be in sight. Yet, the world will be moving on with lasting change. In a recent survey by the Office of National Statistics 85% of adults currently homeworking wanted to use a "hybrid" approach of both home and office working in future*. Many organisations, large and small, will need to adapt to a hybrid working culture, enabling employees to continue to benefit from the work life balance they have come to value, as well as enjoying time back in the office with colleagues.

Despite many businesses transforming the way they work quickly, and with some even reporting a rise in productivity, having a dispersed workforce split between remote and office-based leads to new challenges in how employees collaborate and work.

Businesses need to ensure that those who prefer to work remotely have the same experience and opportunities as their office-based colleagues. In this light, cloud communications technology will play a vital role in the way businesses enable their employees to collaborate and communicate efficiently, regardless of their location.

Gamma's response

As one of the leading providers of UCaaS in the UK and Europe for 20 years, Gamma is well positioned to support businesses in the transition to a full hybrid working environment.

Our comprehensive portfolio of communications solutions and services allows us to cater for the short and long-term needs of a variety of businesses, adapting to their challenges and requirements.

In 2021, Gamma continued to work closely with Microsoft to deliver enhanced calling capabilities within Teams. Building on our position as the UK's No.1 SIP provider and the acquisition of Exactive, we were proud to join the Operator Connect for Microsoft Teams programme.

Operator Connect, a new operator-managed programme from Microsoft designed to enable seamless and integrated PSTN calling to Teams, allows us to deliver a reliable and secure service to easily maximise value from their Microsoft Teams environment.

In addition, Gamma also deepened its interconnection with Microsoft's applications with an enhancement to its Direct Routing proposition and a new PBX integration for Microsoft Teams.

Building on the previously released Direct Routing for Microsoft Teams proposition, we expanded the solution to automate and simplify the provisioning experience with the launch of the Gamma Voice application. We also launched Horizon for Microsoft Teams, a bolt-on solution to Horizon bringing the features of Gamma's leading business-grade cloud PBX within the Microsoft Teams environment.

Our wide range of products to enable Microsoft Teams calling allows us to deliver tailored solutions for our customers and their team, giving them flexibility and adapting to their business requirements.

The addition of these solutions to our portfolio, coupled with our Managed Services solution and our 15 years' experience enabling voice solutions for Microsoft Teams, perfectly positions Gamma to help our customers navigate the challenges of hybrid working and to offer our channel partners different routes to market.

Market trend: 3

/Fundamentals are more important than ever

With 90% of enterprises having at least one application or part of it in the cloud in 2020**, the need for stable, reliable and secure connectivity and bandwidth has never been more important.

Uninterrupted and good quality access, the fundamental of any cloud-based application, is now simply expected by business users and their clients. They require an infrastructure provider that is able to maintain access to cloud-based applications, irrespective of whether that application supports video, voice or simply document sharing.

Moreover, as many people continue to work away from the office, whether at home or on the road, mobile connectivity has grown in popularity for businesses hoping to deliver the same experience to their employees, regardless of location.

Reliability of service, coupled with consistent, quality support, has become a key differentiator in the cloud communications market, as businesses simply can't afford any downtime and require a provider that can support through challenging and transformational times.

Gamma's response

Gamma fully understands the importance of connectivity to ensure application quality and efficiency.

Built on the back of our strong network, our fixed and mobile connectivity products deliver fast, secure and reliable access, no matter the operational size. This is supported by our highly-skilled group of UK-based support staff and engineers, ready to help if a problem were to occur.

In 2021, we strengthened our partnership with Three UK to enhance our Gamma Mobile service. Gamma Mobile customers can now benefit from 99% outdoor coverage and the fastest 5G network in the UK***. The service allows businesses to give their employees the capability to seamlessly work on the move to a similar standard they would experience in the office.

In addition, Gamma also expanded our Access portfolio to include Single Order Generic Ethernet Access (SoGEA) broadband to respond to the changes in the UK telecom infrastructure due to the PSTN Switch Off.

Customer service also continues to be fundamental to achieving our mission to provide straightforward cloud communication and collaboration services for business. Our Net Promoter Score (NPS) results are consistently above industry average, and we continuously strive to deliver service excellence.

Moreover, beyond the day-to-day customer service support, we are proud to support our customers and partners through challenging and unprecedented times, as demonstrated by our Support and Recovery Packages launched to help channel businesses weather the COVID-19 storm.

* Business and individual attitudes towards the future of homeworking, UK: April to May 2021 Office for National Statistics (ons.gov.uk).

** 451 Research.

*** According to Ookla, 2021.

Our key stories

Mission Labs is accelerating Gamma's ability to take advantage of the transforming market

Customer demands and behaviours have grown and changed in recent years. With digital channels becoming more prominent during the pandemic, customers expect to communicate with businesses, whenever they want and via the communication channel of their choice. With a rise in customer interactions taking place in public forums such as social media platforms, customer experience has never been more crucial and the latest contact centre technology can play an important part in the success of an organisation.

Gamma acquired Mission Labs in March 2021, which has brought the Company leading capabilities in the rapidly evolving markets of Cloud Contact Centre and Cloud Communications.

Mission Labs has been working with Amazon Web Services (AWS) since 2016, helping clients to bring the future of business communications and customer experience with AWS cloud-based and serverless technologies.

Mission Labs is an approved Amazon Connect Service Delivery Partner, and an AWS Advanced Consulting Partner, recognising its successful track record and experience in designing, building and supporting AWS-based solutions for clients. Mission Labs works with a large range of AWS services – Amazon Connect in particular – enabling its team to deliver powerful, client-specific solutions which improve efficiency, reduce costs and supercharge customer experience.

Mission Labs and AWS work together to identify opportunities to help organisations improve customer-centricity, and to leverage the benefits of the world's most comprehensive and broadly adopted cloud platform.

Market trend 1
page 6

Gamma provides calling capabilities for Microsoft Teams

Building on over 15 years' experience in delivering voice solutions for Microsoft, Gamma was pleased to have been chosen as one of a select number of providers in the Operator Connect for Microsoft Teams programme.

The COVID-19 pandemic accelerated Unified Communications (UC) technology adoption in 2021 seeing Microsoft Teams grow its user base to over 270 million monthly active users. However, only a fraction of those users are leveraging Teams' calling capabilities.

Microsoft has worked to enable seamless and integrated PSTN calling to Teams by designing a new operator-managed programme, Operator Connect.

Gamma's inclusion in the programme streamlines calling capabilities for Teams users by bridging the gap between their Teams environment and Gamma as their operator.

The addition of Operator Connect further enhances Gamma's existing Microsoft Teams telephony offering for its customers and channel partners, with the Company already enabling Teams seats across the Group via its Microsoft Teams Direct Routing and managed service offering, Cloud UCX™.

Gamma's growth in delivering Microsoft Teams telephony was built on the combination of the acquisition of Exactive in 2020, and Gamma's market-leading SIP trunking service.

Market trend 2
page 7

Gamma awarded Best Lockdown Project/Initiative at CRN Channel Awards 2021

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

Demonstrating the Company's continued loyalty and commitment to its partners and customers, Gamma was recognised by the CRN Channel Awards for the Best Lockdown Project/Initiative.

The CRN Channel Awards celebrates the latest technology innovations and advancements and recognises the ingenuity and exceptional achievements of the UK channel industry over the year.

The Best Lockdown Project/Initiative award recognised the innovation and exceptional support that companies have demonstrated during the pandemic. Gamma's award entry focused on the two packages it developed to assist partners and their end customers during the pandemic.

Gamma launched the Support and Recovery Packages in 2020, to help channel businesses and customers weather the COVID-19 storm, with a raft of immediate and practical measures to assist them during the challenging times.

The Packages allowed Gamma partners to hibernate customers (i.e., temporarily pause their contracts) or to provide homeworking capability without charge from Gamma.

Gamma was recognised for the project, and hopes that the initiative took some of the financial burden away from channel partners and users who may have been suffering the effects of the lockdown.

Gamma celebrates National Customer Service Week

For the third consecutive year, Gamma celebrated National Customer Service Week (NCSW) across its UK businesses.

Held between Monday 4 to Friday 8 October, NCSW is a week-long opportunity to raise awareness of customer service and the vital role it plays in successful business practice and the growth of the UK economy.

Throughout the week, Gamma recognised its customer service heroes and the great work they do for customers and partners with a series of themes spanning the changing world of work, through to strategy and leadership.

Providing great customer service is key to Gamma's mission. We offer 24/7 support and technical help, and assign customer service managers to each account giving a consistent point of contact within Gamma.

Gamma also 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. Our services and support infrastructures are co-located meaning that end users get through to the right person to handle the query.

As the world continues to be unpredictable, Gamma will continue to keep customer satisfaction paramount to its mission.

Market trend 3
page 7

Gamma to deploy recycled Eco-SIM across its network of channel partners and business mobile customers

Supporting the Company's long-term commitment to safeguarding the environment, Gamma has expanded its partnership with Thales, a global technology business, to deploy Eco-SIM across its network of channel partners and business mobile customers.

With 4.5 billion SIM cards produced every year – amassing to 20,000 tons of plastic – Thales' Eco-SIM, developed in partnership with Veolia, is made from 100% recycled polystyrene recovered from discarded refrigerators. This step in the Thales-Gamma partnership acts as a force for sustainability within the telecoms market, offering a green plastic supply flow to Gamma.

Gamma is a certified Carbon Neutral company and continues to look for ways to build upon its ESG strategy. Thales' carbon offsetting programme ensures its Eco-SIM is certified Carbon Neutral, and as a result, further supports Gamma's ESG strategy, and the adoption of the UN Sustainable Development Goals announced in January 2020.

Thales has thus far provided SIM cards and related services to Gamma, delivering SIM applications and device management services since 2016. The switch to Eco-SIM provides an opportunity for both companies to enhance their ecological transformation and contribution to a circular economy.

Traditional SIM cards consume nearly 20,000 tons of PVC every year, but these new Eco-SIM will save nearly 5,000 metric tonnes of virgin plastic every year.

ESG
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Andrew Taylor
CEO

We have delivered strong results, and while executing very well against our short-term business and financial objectives, we have continued to invest widely across our business and make significant progress against our strategic objectives.

Chief Executive Officer's overview

Scan to watch a video of our CEO, Andrew Taylor, summarising our performance and growth over 2021.

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

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

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

Development of our UCaaS suite

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

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

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

Partnering with global providers

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

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

Revenue

£447.7m +14%

Grew from £393.8m to £447.7m

Gross profit

£228.5m +14%

Grew from £200.8m to £228.5m

Amazon Connect

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

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

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

Microsoft

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

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

Business review

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

UK Indirect Business

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

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

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

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

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

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

- An acceleration of the adoption of UCaaS across all markets and business segments to support remote and flexible working.

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

UK Direct business

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

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

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

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

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

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

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

European business

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

Gamma Germany

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

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

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

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

Gamma Spain

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

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

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

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

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

Gamma Netherlands

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

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

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

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

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

Summary and outlook

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

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

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

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

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

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

Andrew Taylor
Chief Executive Officer

A strategy driven by an engaging culture

During 2021, we began a five-year strategic review mapping the competitive and market landscape out to 2026. This has been in the context of the pandemic and the resulting disruption in the natural evolution of the market. Strong trends are starting to emerge, albeit with varying perspectives on the pace of change we might experience through the period. We will provide more information during 2022 on the conclusions we have drawn.

Based on the work we have done so far, we don't see any major deviation from the 2023 Strategy we presented back in 2019 however the pace of change increased through the pandemic and we are tracking how that will settle post pandemic, across all the markets we serve.

The major influencing factors we see include:

- Communications delivered as an application on a desktop or mobile device and becoming increasingly integrated with other business tools like CRM and Collaboration.
- Real acceptance of technologies such as video plus growth of social messaging being used for business interactions.
- Business models adapting to a more even balance between home, mobile and office working – hybrid working.
- Evolution of fixed and mobile access technologies.

Over time these factors will change the way businesses purchase and use our services and will accelerate the convergence of IT and Telecommunications.

Cloud telephony and UCaaS

Evolve our strong cloud telephony position into the UCaaS market

Relevant KPIs: 2 7 8

Associated risks: 4 5 7

Our focus as stated in 2019

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 fast growing 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.

Achievement

In March 2021, we acquired Mission Labs bringing additional technology and product capabilities to the Group (Smart Agent and CircleLoop) as well as adding important software development capabilities. The integration of Mission Labs has gone well and is proceeding in line with expectations. We are leveraging Mission Labs' relationship with Amazon to expand our offering into the Enterprise market through the Smart Agent product, which has generated new customers during the period. The CircleLoop product (which is a digitally based Cloud PBX product aimed at the micro business market) is also growing in line with expectations. Moreover, the Mission Labs team is working well with the existing Gamma technology and product teams which have collectively accelerated progress on product and feature development.

In line with our plan, we launched 'Horizon Contact' (which is a Contact Centre as a Service product) and we also integrated Microsoft Teams to our Horizon Cloud PBX product. These two integrations demonstrate significant progress in our ability to become more integral to our customers' business applications and processes, a cornerstone of the emerging UCaaS market.

We continued to develop our relationship with Microsoft and launched Microsoft Teams Direct Routing in March – essentially a SIP Trunk which works specifically with Teams. We were also added to Microsoft's select list of carriers who offer the "Operator Connect" service which is designed to enable seamless and integrated calling between Teams and the local telephony infrastructure (known as the PSTN). This selection demonstrates our strength in having both a UCaaS offering as well as an ability to provide integration to the PSTN.

Future priorities

Our main strategic priority in 2022 is to begin the programme to roll out our product portfolio across all Group businesses. Tangible progress can be achieved during 2022 but this is a multi-year programme.

KPIs, Pages 16-17

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

Principal risks, Pages 22-25

1 Unplanned service disruption
2 Data loss and cyber attacks
3 Over-reliance on suppliers
4 Inability to attract and retain top talent
5 Uncertain competitive landscape
6 Price erosion
7 Legal and regulatory non-compliance
8 Unsuccessful M&A strategies

Fixed and Mobile telecom

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

Relevant KPIs: 2 5 7 8

Associated risks: 5 8

Our focus as stated in 2019

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.

Achievement

In November 2019 we announced the partnership agreement with Three UK that supports a smooth transition from our legacy operating model onto their 5G-ready network. Whilst some elements of this programme were disrupted by the first lockdown in March 2020, we launched the new service in the summer of 2021.

In each country in which we operate we have a mobile offering with one or more MNOs.

We also work with a number of data providers in each country to be able to deliver business grade broadband and ethernet products which support our UCaaS product portfolio.

Future priorities

Our priority in 2022 is to complete the implementation of the new operating model with Three and the migration of customers to the new platform. It should be noted that this is largely a background system process with minimal customer disruption.

Group Expansion

Expand into Europe to gain continued growth and scale

Relevant KPIs: 2 5 6 7 8

Associated risks: 4 5 8

Our focus as stated in 2019

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.

Achievement

The acquisitions of HFO Telecom, Voz Telecom and GnTel in 2020 significantly increased our market presence in Europe. During 2021 we have developed and started executing our short, medium and long-term plans to drive growth. During the year we placed an emphasis on developing an improved proposition to our sales partners in these countries, as well as designing the operating model we need to move towards a single product platform across the Group. We have also continued to assess options to deliver scale through acquisition and we continue to evaluate a number of potential targets.

Future priorities

Our primary focus is to continue to execute the organic and inorganic growth plans with these businesses. In parallel we will start the introduction of our common product platforms and establish the supporting group operating model.

Digital Progression

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

Relevant KPIs: 1 3 6 7 8

Associated risks: 1 5

Our focus as stated in 2019

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

Achievement

The acquisition of Mission Labs and in particular its product CircleLoop provided a step change in our Digital capabilities. Circle Loop is a 'Digital first' product with full self-service interfaces from initial enquiry, through provisioning, billing and support and is designed to address the micro end of the business market. This acquisition completed our portfolio of route to market channels, covering the full spectrum from Direct Digital, through Dealer and Wholesale models to fully managed services for Enterprise.

Future priorities

We now have a comprehensive set of capabilities to design, develop and take to market well designed, digitally orientated products and support services. We will continue to utilise these capabilities to enhance our existing products and move towards a single product portfolio across all Group businesses.

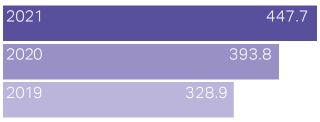
Key performance indicators

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

Revenue (£m)

£447.7m

+14%



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.

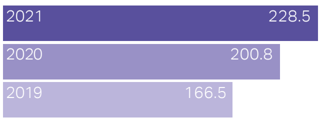
Progress
Revenue has grown in the year due to continued growth in our key products in the UK as well as full year trading of acquisitions in 2020 across Europe.

Outlook
Continued growth as further adoption of cloud.

Gross profit (£m)

£228.5m

+14%



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.

Gross margin (%)

51.0%

+0.0%

Definition
Gross profit as a percentage of revenue.

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

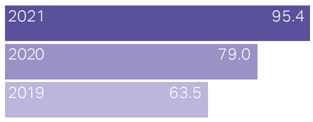
Progress
Gross margin is in line with the prior year.

Outlook
Gross margin is expected to remain consistent as the product mix across the Group tends to an equilibrium.

Adjusted EBITDA (£m)*

£95.4m

+21%



Definition
Adjusted earnings before interest, taxation, depreciation, gains and losses on disposal of fixed assets, amortisation and exceptional items.

Strategic focus
Adjusted 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
Adjusted EBITDA has continued to grow.

Outlook
Continued growth as further adoption of cloud.

* Adjusted EBITDA is now being shown as a KPI rather than EBITDA as it gives a reader of the accounts a view of the underlying trading picture which is comparable year to year.

Cash (£m)

£52.8m

-2%

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.

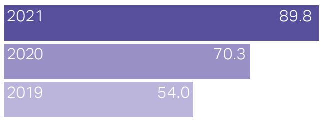
Progress
Cash has decreased slightly despite spending £49.5m on acquisitions during the year (note 18).

Outlook
The Group expects to increase the cash balance subject to any further acquisition opportunities that may arise.

Cash generated by operations (£m)

£89.8m

+27%



Definition
Net cash flows from operating activities before tax paid.

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.

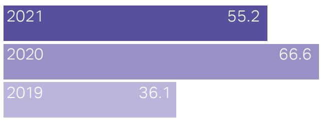
Progress
Cash generated by operations has continued to grow.

Outlook
Cash generated by operations is expected to grow in line with EBITDA – cash conversion is expected to remain strong.

EPS (p)

55.2p

-17%



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.

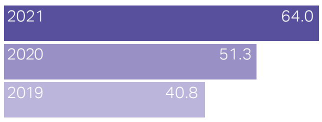
Progress
EPS has declined as a result of an exceptional item relating to the sale of The Loop in the prior year (note 8).

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

Fully diluted adjusted EPS (p)

64.0p

+25%



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

Progress
Fully diluted adjusted EPS has continued to grow.

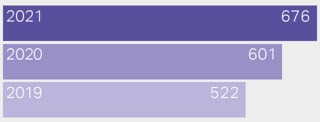
Outlook
EPS is expected to continue to grow.

Performance Metrics

Number of UK hosted seats ('000s)

676

+12%



Definition
Number of billed seats at the end of the year on Horizon (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.

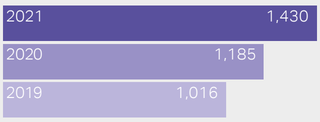
Progress
We have achieved growth from prior year as planned.

Outlook
Continued growth.

Number of UK SIP Channels ('000s)

1,430

+21%



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.

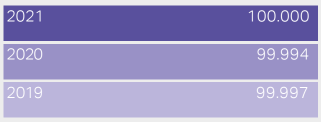
Progress
We have continued to grow our number of SIP channels during the year.

Outlook
Continued growth.

UK Network Availability (%)

100.000%

+0.0%



Definition
Availability of UK strategic platforms.

Strategic focus
By having a stable, available network this helps to attract and retain customers.

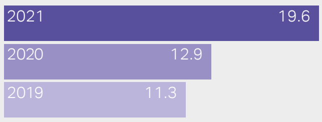
Progress
The network has continued to have strong availability throughout the year.

Outlook
To continue to have strong availability.

R&D Spend (£m)

£19.6m

+52%



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.

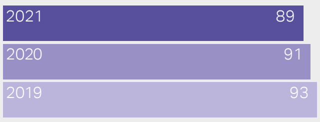
Progress
We have continued to invest in research and development.

Outlook
Continued investment.

Recurring Revenue (%)

89%

-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 a full year of the mobile focused distribution business which was acquired as part of the HFO acquisition in July 2020.

Outlook
Maintain a high proportion of recurring revenue.

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 Gamma manages 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, when it may impact Gamma and the potential impact when it does, alongside the adequacy of the mitigation or control actions in place. Risks are categorised and aligned to Gamma's business priorities to ensure appropriate senior visibility, evaluation and mitigation exists. 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. The organisation level at which risk is owned is determined by its severity. This ensures the owner has appropriate level of authority to decide upon the response to a risk. Alongside an ongoing education and training programme, the Company continues to build a risk aware culture.

Gamma continues to grow and reinforce its position in core UK markets, whilst in parallel executing on strategic acquisitions to expand its addressable markets internationally, and in 2021 Gamma conducted a thorough review of its principal risks to ensure they are representative of the Group with adequate international perspective.

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.

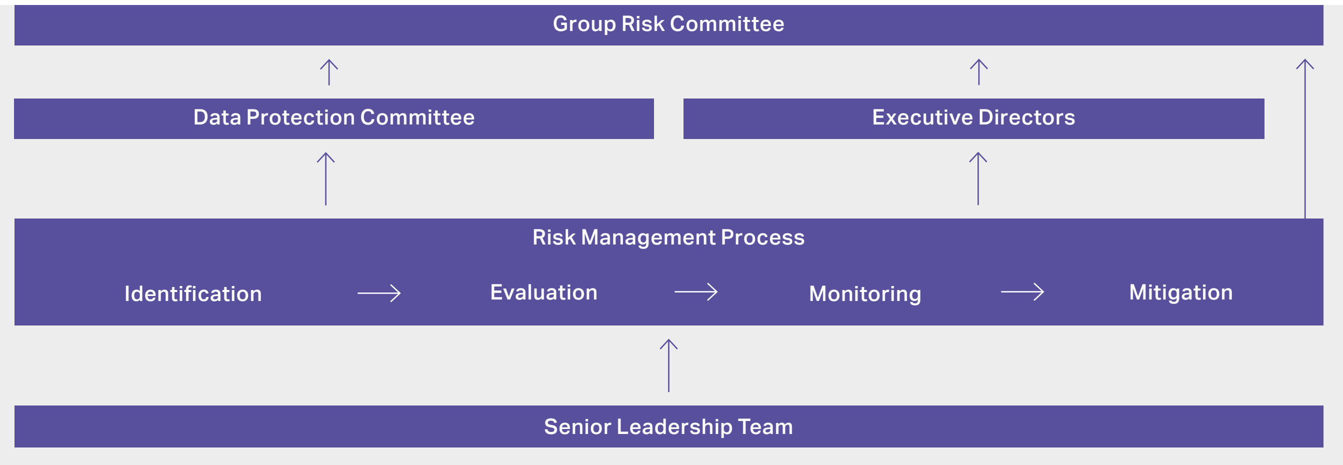
To assist in this process, with respect to non-financial risk, the Board established a Group Risk Committee under the stewardship of Martin Lea, Senior Independent Non-Executive Director. In addition to its Chair, the Risk Committee comprises the Company's Chair, two other Non-Executive Directors, the CEO, the CFO and the Group Operations Director. It generally meets quarterly or as otherwise required and liaises where necessary with other Board committees.

The main tasks of the Risk Committee are to ensure 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.

Additional governance is applied to manage the risk of data loss, which is one of the Company's principal risks. A subset of the Senior Leadership Team (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

Risk management framework



Committee also oversees Gamma data assets and ensures these are adequately protected. This Committee is advised 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 – All employees are encouraged to consider and document risks within their working routines and the risk management process supports this at every organisational level.

Assessment – Risks are assessed by reference to likelihood (i.e., probability of occurrence), proximity and impact against the assessment criteria. By measuring risks against consistent criteria, it allows comparison of risks on a like for like basis and this assessment also sets out the thresholds which determine at which level a risk should be owned.

Risk response – Once assessed, a risk response option is selected and implemented which will determine any action that is required to reduce the risk impact and/or likelihood.

Monitoring, Reporting and Escalation – Every risk is monitored to keep the relative impact, likelihood and proximity current. Additionally, the risk owner must review, and where required, update the risk register on a quarterly basis.

Unpredictable and significant events

Where highly unpredictable, significant, and close proximity risks (sometimes referred to as black swan events) occur they are managed through Gammas Risk Management Process and are closely managed by the relevant team within Gamma. They are assessed, scored and managed using the integrated framework, recognising the assessment must be completed at the pace of the event. An important aspect of an unpredictable risk is that, in hindsight, it may have been predictable or visible had certain data or knowledge been available. As such a post risk review occurs to ensure the Company learns and adjusts its risk framework where appropriate.

Risk appetite

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

As part of the annual review of the risk framework Gamma conducted a review of its risk appetite surrounding its principal risks. Risk appetite statements have been developing and are owned by the SLT and approved by the Risk Committee. Gamma appetite statements are directional and ensure that those managing operational risks understand Gamma's desires and willingness to take risk within the area. The purpose of these statements is to strengthen risk assessment and allow prioritisation of risk response activities. This allows efficient use of time and resources when managing risk, whilst ensuring acceptable levels of risk are taken to deliver the strategic objectives.

An example of this is demonstrated within the 'Unplanned service disruption' principal risk. This was assessed by the SLT and the appetite set such that service interruption must be avoided, in particular across Gamma's mature products and services where a large number of customers rely upon them for business critical operations. Equally, Gamma do recognise that technology failure cannot be completely avoided and for the deployment of new products it is also important to counterbalance maintaining highly available products and services at scale with the pace in which Gamma takes these to market. Once the risk appetite is defined and approved by the Risk Committee, this then helps employees working within Gamma's development, engineering and operational teams understand the importance of maintaining high levels of service availability.

Gamma's principal risks and how they are mitigated

The assessment of the principal areas of risk, their potential impact to achieving Gamma's strategy, movement in the year and how the Company seeks 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 Gamma's reputation and/or business performance. The risk impact considers both the financial impact of the risk, when it may impact Gamma and the likelihood of it occurring.

Unplanned service disruption

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

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

Potential impact
If Gamma's products and services perform below our customers' expectations, then this could have a direct impact on product and revenue growth through reputational impact and could also result in significant financial loss.

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, 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 the ISO 22301 certification.

Regular reviews take place with key suppliers and there is an internal fortnightly 'Supplier Management Meeting' chaired by Gamma's procurement team, which seeks to improve supplier performance as well as address risks as they arise.

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 during the heightened cyber security threat in mid-2021.

Gamma recognises that occasional technology failures cannot be avoided and are more open to this risk when it comes to the deployment of new products at pace to maintain a competitive advantage.

Data loss and cyber attacks

Risk Impact:	**High**
Change on prior year:	↔
Link to 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. Gamma may also be targeted based on the downstream services provided to key sectors within the UK and European markets or may also be subject to potential breaches of security within its supply chain.

Gamma holds various types of data and its network carries customer communications, which heightens the risk of 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.

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 threats. 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 maturity of the governance structure.

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

Gamma carefully considers the cost vs benefit when it comes to investing in controls against cyber attacks, as well as how its peers are approaching this risk. Targeted investments are made in preventative, detective and responsive controls but it is accepted that some service disruption resulting from cyber attacks is possible.

A large proportion of the Gamma workforce has continued to work remotely in 2021, and Gamma has invested in automated data controls to limit the chance of data leakage as well as continuing with an online awareness training package adapted to focus on security threats relevant to remote working.

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

The Company also has fraud management applications used to identify unusual voice traffic patterns quickly with its 24/7 operational monitoring.

Key to change in risk profile

↑ Risk profile increased year on year
↔ Risk profile no change year on year
↓ Risk profile decreased year on year

Key to strategy

1 **Cloud Telephony and UCaaS**
2 **Fixed and Mobile Telecom**
3 **Company Expansion**
4 **Digital Progression**

Our strategy
Pages 14-15

Over-reliance on suppliers

Risk Impact:	**High**
Change on prior year:	↔
Link to 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. Due to the nature of the services provided over-reliance may result in unplanned service interruptions or inability to provide equipment required to provide services. The latter has materialised in 2021 with the global shortage of chipsets.

Mitigating actions
Where possible, the business avoids significant reliance on suppliers, reducing the potential for operational issues or resulting in Gamma's inability to react to market and customer developments. Gamma is more tolerant when it comes to reliance on dominant "tech suppliers" as their risk profile is lower and working with them is essential in certain selected market or product segments.

Suppliers of important services are monitored carefully and are subject to regular performance 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 actions quarterly.

Recognising the global shortage of chipsets in the supply chain during 2021, Gamma invested in over £5m of stock which ensures that the Company is well positioned to continue to provide product hardware to its customers. In addition, new hardware options have also been introduced into the Gamma portfolio so that the Company can ensure continuity of service to customers and partners should key stock lines become scarce.

Inability to attract and retain top talent

Risk Impact:	**High**
Change on prior year:	↑
Link to 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 has generally been able to develop or recruit the number and quality of staff required to support Gamma's 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 increasingly 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 reputation for being a good employer. Gamma encourages internal promotions with external hires in specialist areas, Gamma recognises the need for strong mitigation activities including appropriate value and reward propositions supported by performance management systems. In order to attract new technology focused skills, the Company has launched a technology careers webpage, demonstrating the different roles within Gamma and showcasing its existing talent.

Employee satisfaction is measured formally every six months using the Gamma Pulse survey. Anonymous feedback is provided through this platform which has enabled managers to act more swiftly to reinforce positive trends and tackle any negative sentiment.

Gamma sees the opportunity that flexible working provides as part of its employee value proposition and in 2021 established a flexible work framework which will be open to all its employees from 2022.

Additionally, the Company is committed to regularly reviewing the employee rewards package to ensure that it remains competitive for existing staff and attractive for new starters. The Company is committed to its People Agenda, with focus on development and leadership programmes, succession planning, employee wellbeing, developing our diversity, charitable giving, as well as effective employee engagement initiatives.

Uncertain competitive landscape

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

Description
The lack of a clear view of the competitive landscape and Gamma's future positioning within the market could result in Gamma being unable to identify new entrants or potential competitive threats and respond accordingly. These threats could include for example, new market entrants such as software firms, disruptive technologies and competitive market consolidation.

Potential impact
These factors may impact Gamma's position in the market due to the loss of its customers and growing competition may dilute the addressable market and slow down the rate of business 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 is not an innovator of novel products but a "fast follower" and seeks to address growing markets tailoring products for the target market quickly. However, in light of the changing competitive landscape close monitoring is required to remain relevant and competitive and it is accepted that Gamma will likely need to become more disruptive and innovative in selected segments going forward.

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.

Market insight is gathered, both through recognised industry and market experts, and internal analysis. This insight informs decision making and execution plans across multiple time horizons.

In addition, the Company undertakes a thorough strategic review every three years and in 2021 Gamma 'stress-tested' its UCaaS strategy considering the market changes and evolving competitive landscape. This has driven complementary strategies to continue to grow market share within its UK and European geographies.

Price erosion

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

Description
Gamma could be exposed to increasing pricing pressure in its existing markets. This could be due to factors such as market consolidation, increased competition or the commoditisation of its products.

Whilst Gamma focus' on its UCaaS strategy, it continues to benefit from its position within more mature markets within the UK such as SIP trunking where price erosion could become more prevalent.

Potential impact
Price erosion may not be comparable with Gamma's cost base as the Company grows, which may impact margins achieved. This may ultimately impact Gamma's profitability and reduce outside investment interest.

Mitigating actions
Gamma takes a cautious approach to protect price and margin on its existing products and services. This is tightly governed by its pricing committee in the UK. However, it strives to be more creative and disruptive with pricing models for future or improved products and services.

Gamma's strategy is to leverage its skills and experience of operating communications products at scale in mature markets and penetrate less mature markets with its modern UCaaS product portfolio. In addition, it continues to introduce complementary features and services to its products to add value and protect profitability.

Gamma also strives to reduce operating costs by driving efficiency activities throughout the business.

Legal and regulatory non-compliance

Risk Impact:	**Medium**
Change on prior year:	↔
Link to 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.

As UCaaS develops and begins to diverge from traditional telephony, each regulator may take a different view on the level of regulation required and therefore Gamma may either inadvertently breach local numbering regulations (resulting in regulatory penalties and reputational damage) or could be slow to act and lose ground to competitors through over-compliance with regulation which no longer applies.

As Gamma broadens its routes to market, the territories in which it operates and its pricing strategies evolve, there could be a greater risk of anti-competitive behaviour and non-compliance to competition law.

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

Legal and regulatory non-compliance could lead to significant reputational damage and resultant fines.

Mitigating actions
Gamma does not seek to influence regulations in every market, but may choose to do so in selected markets, considering various factors, such as the market size, our presence, and the regulatory maturity of that market.

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.

In addition, Gamma carefully governs its pricing strategies, setting reasonable thresholds and a governance process that extends across the Gamma Group. In the UK where Gamma carries a large market share of Cloud PBX and SIP trunking, a central pricing committee operates to control and agree pricing limits and incentives.

Furthermore, specific training surrounding competition law and anti-competitive behaviour is provided to employees with roles where this risk may occur.

Unsuccessful M&A strategies

Risk Impact:	**Medium**
Change on prior year:	↔
Link to strategy:	3

Description
Gamma faces multiple risks surrounding its M&A activity with the significant risks being:

- an over-reliance on organic growth instead of M&A which could limit Gamma's potential for growth;
- disruption to its business through a more aggressive in-organic strategy or poor integration; and
- potential inappropriate governance or poor due diligence on M&A leading to the purchase of a business that fails to deliver.

Potential impact
The result of one or more of these risks occurring could limit both Gamma's geographical reach as well as the opportunity to improve shares in its existing markets, which could ultimately result in the loss of competitiveness.

Mitigating actions
Acquisition targets are identified based on Gamma's strategic objectives. Giving in depth consideration to what the new company could contribute to Gamma, such as geographical expansion into new markets.

Acquisition of new businesses, particularly those in different countries, introduces both financial and operational risk. 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.

Gamma also ensures that its SLT responsibilities are aligned to effectively support the development and growth of the Group.

Gamma recognises that entering markets is a risk that can be tempered by effective M&A activities.

Emerging risks

In addition to the Principal Risks facing Gamma, the Company also considers emerging risks, which have different characteristics and are defined as a risk which is either highly ambiguous and therefore cannot yet be impact assessed or is a risk that materialises and evolves rapidly and therefore requires frequent re-assessment to gauge the potential impact to Gamma.

Russian / Ukraine conflict
Gamma is closely following the conflict between Russia and the Ukraine and continues to monitor and adjust its risk assessment as the situation evolves.

Gamma does not have customers in either Russia, the Ukraine or any other non-EU bordering territories and therefore does not anticipate any immediate threat to financial performance. Additionally, Gamma does not anticipate any significant impact to the Company through the application of sanctions. Direct operational threats have been assessed as well as potential consequences in Gamma's upstream and downstream supply chain.

However, the following areas of risk have been identified and remain under regular review.

- The increasing cyber threat, where Russian state sponsored attacks could by targeted at UK or European communications providers and national infrastructure as a direct response to sanctions.
- The risk of further escalating energy and fuel costs in the medium-term would subsequently increase Gamma's costs to power its data centres and offices.
- Longer-term economic downturn or a period of high inflation may have a detrimental impact on Gamma's financial performance.

Gamma's core network operates within the UK and best practice is followed in the identification and management of information and cyber security threats which are constantly evolving. Gamma also receives intelligence from the National Cyber Security Centre, which enables the dynamic adaption of cyber controls to help mitigate targeted threats. As a precautionary measure Gamma has also brought forward planned cyber security investments to further strengthen its rapid response capability in preparation for any large-scale network attack.

Energy supply to Gamma's UK data centres represents the largest proportion of the company's usage and Gamma has multi-year fixed energy pricing on its UK office facilities and its largest UK data centre. This helps to contain company exposure to short-term price escalation, however risks do still remain with energy price increases to power network equipment located in 3rd party data centres.

Climate change
During 2021 Gamma has made significant progress on the assessment of climate-related risks, assessing the impact of both transition and physical risks, both of which are judged to be minimal at present and more detail of which can be found in Gamma's Climate Related Business Risks & Opportunities section on page 42.

The profile and therefore impact of climate-related risks are set to change as government policy evolves through the transition to a carbon net-zero economy and Gamma's physical assets expand to new geographies.

To support the management of emerging risks in this area, Gamma has roles dedicated to environmental management and has established a Group Environmental Management Policy with senior management responsibilities to oversee related risks.

Adjustments to Gamma's principal risks from prior year

Customer Service experience
Gamma's principal risks were reviewed in 2021 and the risk of delivering poor customer service recorded within its 2020 Annual Report was subsumed into the present principal risk relating to unplanned service disruption. The rationale for this change was driven by the potential for a greater impact to Gamma's customer experience, reputation and revenue growth if Gamma's products and service availability were to perform below customer expectation.

Our Stakeholders

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

	Key areas of interest:	How we engage:
Shareholders Shareholders are key beneficiaries in the value that we create. We are committed to transparent and open engagement with them.	• Financial performance • Dividends • Share price appreciation • Strategy • Business model • Behaviours towards other stakeholders including in Environmental, Social and Governance areas	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. • 142 one-to-one meetings with shareholders with the CEO and CFO being available to shareholders or potential shareholders and regularly meeting with them. • Two Capital Market Days were run, one talking about Gamma's product suite and one to talk about the European business. • 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. • Discussions held during the Annual General Meeting (AGM).
Our People Developing and attracting high-quality talent is a key driver of our success. As of 31 December 2021, we have 1,745 employees worldwide.	• Safe working environment • Development and progression • Competitive remuneration • Diversity and inclusion • Environmental footprint • Workplace policies • Collaboration • Share price	• Henrietta Marsh (Independent Non-Executive Director) is the Workforce Engagement Director. • During 2021 the Gamma Pulse Survey, which was piloted in 2020, was rolled out across the Group. It is conducted on a bi-annual basis and provides valuable insight to senior management. 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 2021. A Special COVID-19 Taskforce was arranged to provide regular communication to staff. • New processes were set up to ensure that managers engaged more frequently and to ensure they covered general employee wellbeing.
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.	• Innovative solutions • Long-term relationships • Value • Service • Product development	• 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. • Regular in-person or virtual roadshows to showcase new products and to share the development roadmap.

What we have done:	Links to other relevant sections:
• Continued strategic investment both organically and through acquisition, bringing new capabilities, new geographies and new market opportunities to the Group. • Formed the ESG Committee. • In 2020 we 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 continues to comply with the Quoted Companies Alliance Corporate Governance Code (QCA Code), this was confirmed by the Board on 3 September 2021. • Improved disclosure in the Annual Report.	**Our strategy** Pages 14 to 15 **Our business model** Pages 4 to 5 **Environment, Social and Governance** Pages 36 to 47
• Invested in our People function, including strengthening the Learning and Development teams. • Conducted bi-annual 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. • Rolled out a Whistleblowing facility across all Group companies, 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. • Adopted the UN Sustainability Goals as long-term objectives.	**Environment, Social and Governance** Pages 36 to 47
• 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. This programme has also been rolled out in the Netherlands.	**Our business model** Pages 4 to 5

	Key areas of interest:	How we engage:
Customers: End users To provide reliable, innovative products and services that meet the needs of the end users.	• Product quality • Product availability • Product cost	• We assign customer service managers to each account giving a consistent point of contact within Gamma. • We offer 24/7 support through our support team. • The support infrastructure is co-located, meaning that end users get through to the right person to handle the query. • Gamma offers a service scheme to allow customers to choose the level of service required to match the right support in place whatever the end customer needs.
Suppliers Developing strong operational relationships is key to success.	• Social and ethical impact • Payment practices • Long-term partnerships to develop innovative products and solutions	• We partner with key suppliers to ensure that we have common goals and strategy. • We ensure responsible procurement, through the Board approved policy. • Gamma's supplier payments policy is to always pay suppliers on or before the agreed term (which will vary from contract to contract).
Regulators We operate within the requirements of a regulated industry.	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.	• Engagement with Ofcom both formally and informally. • Participation in consultation responses as a Group or as a member of industry bodies.
Communities We have a duty to conduct business in a responsible way that aligns with our purpose and values.	• Environmental and social impact • Improving quality of life • Protecting people • Diversity and Inclusion	• We are committed to supporting the communities in which we are based and are enhancing our charitable giving plan.

Our strategy see pages 14-15

Our business model see pages 4-5

Environment, Social and Governance see pages 36-47

What we have done:	Links to other relevant sections:
• Our UK Direct business unit organises an annual conference for our customers which allows them to stay in touch with the senior team at Gamma as well as to share knowledge with their peers. • In our UK Direct business we have continued to develop our online sales and support platform in line with our strategic plan.	**Our business model** Pages 4 to 5 **Our strategy** Pages 14 to 15
• During the year we have built our Group procurement function to ensure best practices are applied across the Group. • Annual approval of the Modern Slavery Statement by the Board.	**Environment, Social and Governance** Pages 36 to 47
• 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. • Ensure that regulation stays current – to help provide adequate protection for end users.	**Environment, Social and Governance** Pages 36 to 47
• 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. • Formed an ESG committee and improved reporting in this area. In 2021 a Charity forum was set up to add focus to this area.	**Environment, Social and Governance** Pages 36 to 47

Section 172

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 Group for the benefit of its members as a whole, having regard to the stakeholders and matters set out in section 172 (a)-(f) of the Companies Act in the decisions taken during the year.

The Board considers the matters set out in section 172 of the 2006 Act in all its discussions and decision making. That includes:

The likely consequences of any decision in the long term:

The Directors recognise that the decisions they make today will affect the Group's long-term success. During the year the Board continued to monitor the Group's strategy, which is discussed further on pages 14-15, which shows how the Group will increase value for all our stakeholders. This guides the Board's decisions between short and long-term investments.

The interests of the Company's employees:

The Board recognises that Our People are a key differentiator and they are always considered as part of the Board's discussions and decision making. The Board is committed to the People Agenda, with focus on development and leadership programmes, succession planning as well as effective employee engagement initiatives. The Group has invested in our People function, including strengthening the Learning and Development teams. Regular employee engagement surveys are performed across the whole Group with results and actions being discussed at the Board level. Henrietta Marsh (Independent Non-Executive Director) is the Workforce Engagement Director. The Remuneration Committee takes an active interest in the remuneration of employees at all levels to ensure that the overall reward is equitable.

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

The Board understands the importance of fostering good relationships with its stakeholders. More detail about how it engages with it stakeholders is on pages 26 to 29. The Board does also rely on its subcommittees and senior management to develop relationships and to share the views of the relevant stakeholders. Board members meet with customers as well as monitoring the relationship with key customers via the Executive Directors and the Senior Leadership Team (SLT). The Board additionally actively monitor the relationships with key suppliers through the Executive Directors and the SLT.

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

The Board recognises the importance of its decisions on the community and the environment. The 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. 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. In 2021 the Group appointed a Group Sustainability Director who has responsibility for the Company's emissions reporting and carbon reduction planning. Gamma has held 'Certified Carbon Neutral Company' status (conferred by Natural Capital Partners) since 2006 and has committed to become a carbon net-zero business by 2042.

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

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

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

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

Decisions made during the year:

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

Principal decision and stakeholders considered	Board's decision making process	Long-term considerations
Dividend Shareholders, Our People, customers and suppliers.	The Board considers its commitment to a progressive dividend policy which has seen the dividend increase by between 10-15% every year since IPO in 2014. It considers the financial resources required to execute our strategy, including organic investment needs and acquisition opportunities; maintaining a sufficient level of dividend cover and equitable treatment of our stakeholders.	Dividends consistent with the Company's financial performance without detriment to the strength of the balance sheet and future sustainability.
Acquisitions Shareholders, operating companies, suppliers, future employees and partners, and professional advisers.	The Executive Directors provide information to the Board on potential acquisitions. The Board consider this information taking the Group's strategy as well as the impact on different shareholders into account. The acquisition of Mission Labs in March 2021 went through this process.	The Board consider the long-term benefits of the investment versus the short-term impact on different stakeholders.
Capital allocation Shareholders, Our People and customers.	The Group's budget, approved by the Board, sets the allocation of capital to deliver our growth strategy through investment in R&D, capital expenditure, talent and acquisitions. The weighting of each is determined by our strategic priorities over the short to medium term.	Balancing investment for future growth whilst supporting Our People and customers in the short term as well as meeting shareholder expectations.
Board Composition – Executives Shareholders and Our People.	The role of Deputy CEO was established to take on a range of strategic and operational responsibilities to support the development and growth of the Group. This new role was offered to Andrew Belshaw (the incumbent CFO). He will start on 1 May 2022 when the new CFO arrives in post. A new CFO was recruited with emphasis being placed on the diversity of the long list to ensure that candidates of different ethnicities and both genders were considered.	The role of Deputy CEO helps supports the strategic growth of the Group in both the short and long term.
Carbon net-zero Shareholders, Our People, customers, suppliers and communities.	The Board considered the time frame to become net-zero taking into account the investment requirements along with the environmental considerations.	Gamma is pleased to announce its commitment to move from a Carbon Neutral business to become a carbon net-zero business by 2042, maintaining carbon neutral status in the interim period to achieving net-zero.

Andrew Belshaw
Chief Financial Officer

Financial performance

Revenue

£447.7m +14%

Grew from £393.8m to £447.7m

Gross profit

£228.5m +14%

Grew from £200.8m to £228.5m

Adjusted EBITDA

£95.4m +21%

Grew from £79.0m to £95.4m

Cash generated by operations

£89.8m +28%

Grew from £70.3m to £89.8m

EPS (fully diluted)

55.2p -17%

Fell to 55.2p from 66.6p

Adjusted EPS (fully diluted)

64.0p +25%

Grew from 51.3p to 64.0p

Chief Financial Officer's overview

Scan to watch a video of our CFO, Andrew Belshaw, discussing our 2021 financial performance.

Overview

Gamma has performed well during the year increasing revenue by 14% to £447.7m (2020: £393.8m) and gross profit by 14% to £228.5m (2020: £200.8m). The two UK businesses have in aggregate seen growth in Revenue of £29.7m (+9%) and Gross Profit of £17.3m (+10%). The growth in the Revenue of the European Business of £24.2m from £48.5m to £72.7m is primarily due to a full 12 months of results of businesses acquired in 2020. Adjusted EBITDA increased by 21% to £95.4m (2020: £79.0m). Adjusted EPS (FD) increased by 25% to 64.0p (2020: 51.3p).

Revenue and gross profit

UK Indirect

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

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

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

UK Direct

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

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

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

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

Europe

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

Our European business saw growth primarily as a result of the inclusion of a full 12 months of results of the acquisitions made in 2020 – Voz Telecom in Spain (acquired April 2020), HFO in Germany (July 2020) and Gamma Communications Benelux expanded in July 2020 with the acquisition of gnTel.

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

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

Operating expenses

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

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

Movements in expenses were driven by:

- The UK Businesses' operating expenses growing by 7% (compared to Gross Profit growth of 10%). This growth has been lower than originally expected as a result of continued lockdowns in 2021 resulting in unexpected cost savings (for example, travel and subsistence expenses continue to be significantly lower). Not all of these savings are expected to continue in the long run as "normality" returns post COVID. We expect to see our travel and marketing (event attendance) costs increasing "post Covid" in 2022. We are also seeing signs of wage inflation being above historical norms.
- There were two areas of overhead growth which were disproportionate:
  - We continue to invest in the development and maintenance of our voice application products and associated software tools (for example our portal). Our spend in this area during the year was £19.6m (of which £14.8m was charged to the profit and loss and £4.8m was capitalised; in 2020 these figures were £10.2m and £2.7m respectively). The increase is driven by our desire to develop more of our own technology which included the acquisition of Mission Labs, which brought more development costs into our cost base.
  - Share-based payments costs increased from £3.5m to £4.8m (+£1.3m). This is mainly due to the increasing take up of the various share schemes which are offered.
  - Aside of the effect of development and share based payments, the UK business overheads grew by only £0.4m year on year; as noted above we do not expect to be able to keep overheads increases to this level in 2022.
- The increase in European costs is reflective of the cost base growing by acquisitions (that is to say that it is not organic growth). In 2022 we intend to invest more in sales heads in each of the three countries which will increase the cost base a little (i.e. below £1m). The increase in sales heads is expected to increase the rate of sales of Cloud PBX seats by investing in the sales function.
- Central costs are inline with the prior year. They include the costs of our M&A programmes (which are not adjusting items).

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

Exceptional items

There were no exceptional items in 2021.

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

Alternative performance measures

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

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

2021

Measure	Statutory Basis	Amortisation of intangibles	Change in fair value of acquisitions	Adjusting tax items	Exceptional items**	Adjusted basis
PBT (£m)	67.2	9.5	0.5	–	–	77.2
PAT* (£m)	53.6	9.5	0.5	(1.5)	–	62.1
EPS (FD) (p)	55.2	9.8	0.5	(1.5)	–	64.0

2020

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

* PAT is the amount attributable to the ordinary equity holders of the Company.
** See note 8 for further details.

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

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

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

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

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

Adjusted EBITDA

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

Taxation

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

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

Net Cash and cash flows

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

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

Items which are not directly related to trading were:

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

Capital spend

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

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

Adjusted EPS (FD) and Statutory EPS (FD)

Adjusted EPS (FD) increased from 51.3p to 64.0p (25%). The growth in adjusted EPS (FD) has been driven by the continued growth in a difficult market as well as the acquisitions. Adjusted EPS is EPS as adjusted for exceptional items and other items as defined in note 3 and a reconciliation to the statutory measure is shown in the table on p34.

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

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic Report. In assessing going concern management and the Board has considered:

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

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

Dividends

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

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

Andrew Belshaw
Chief Financial Officer

21 March 2022

Environmental, social and governance report

Gamma takes its responsibilities towards the environment seriously and it is systematically assessing its environmental impacts and developing programmes to minimise them. The Company is committed to social responsibility and embeds this into its policies and practices. Gamma believes that sound corporate governance is essential and that everyone within the business has a duty to behave responsibly and ethically.

The ESG Committee oversees the development and activity of Gamma's ESG agenda, further details of which can be found on page 64.

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 were selected by Gamma and these goals form the foundation on which to develop its environmental, social, and ethical policies and will influence how we do business in the future.

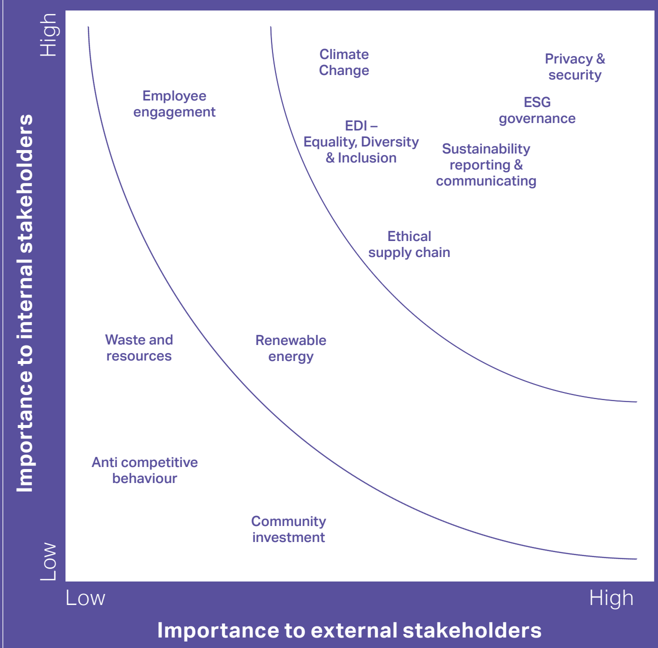
The goals are:

- 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

During 2021, supported by a specialist third party, Gamma undertook a materiality exercise of environmental, social and governance issues, with the aim of understanding the most impactful sustainability objectives, target areas and high-level actions that the Company should consider as part of its overall strategic plan.

This exercise included peer reviews, analysis of current and emerging regulation, and consultation with internal and external stakeholders, including shareholders, to understand their views and priorities. All of these activities enhanced Gamma's understanding of current expectations of its stakeholders.

The priorities identified as most material will be used to inform Gamma's ESG plans and strategic decision-making moving forwards.



Environmental

Understanding environmental impact

Gamma recognises the increasing risk climate change poses to our planet. Although Gamma as a service business has a lower impact on the environment than many other businesses and many of its services have a positive impact by reducing the need for travel, Gamma understands that all companies have a responsibility to act.

Over the last 12 months Gamma has increased the scope of reporting to include all acquisitions in Europe. Using this extended scope in 2021 Gamma has set its baseline energy and carbon emissions data which will be used to support future emissions reduction targets, more detail of which can be found below.

Gamma is pleased to announce its commitment to move from a Carbon Neutral business to become a carbon net-zero business by 2042, supporting both the Paris Treaty's aims to limit the temperature increase to 1.5°C globally and the UN Sustainable Development Goal 13: Climate Action.

Gamma has also committed to set near and long-term Company-wide emission reductions in line with climate science and with the Science Based Target initiative (SBTi). The Company will seek validation of its target within the SBTi timeframes.

Our carbon net-zero ambition Page 41

Environmental overview

Scan to watch a video of our Group Sustainability Director, Sarah Kirton, talking about our plans to become Carbon Net-Zero.

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. In addition, at the end of 2021, Gamma appointed a Group Sustainability Director responsible for the planning of all aspects of ESG, with specific responsibility for Gamma's Group environmental policy and carbon net-zero commitment.

During 2021 Gamma appointed an Environmental Data Manager to support the commitment to measure and reduce its carbon emissions through a clear and science-based carbon net-zero plan.

Gamma has published a Group Environmental Management Policy, available on the Gamma website, defining its commitment to reduce its impact on the environment and outlining the controls put in place to do so.

Measuring Gamma's impact on the environment

Re-baselining of emissions

A baseline is a quantitative reference providing a basis for comparison of energy/carbon performance over time. Gamma specifies the period to which baseline data applies as one year. It was important for Gamma to reset its energy and carbon emissions baseline in 2021 for several reasons.

The first and most important reason is that the data presented for emissions and energy consumption in 2021 relates to activities across the Gamma Group. While previous disclosures did include small operations in Hungary, Poland and Germany, the majority of historical emissions reported derived from UK-based operations and excluded acquisitions. These have now been included, with the exception of Mission Labs in the UK that was acquired by Gamma in March 2021. Mission Labs will be included in emissions calculations from 2022 onwards as this will be the first full year as a Gamma-owned company.

The acquisitions of Dean One and gnTel in the Netherlands (now Gamma Communications Nederland), HFO Telecom in Germany, and VozTelecom in Spain, supported by strong organic growth in all markets, have increased the number of employees and floor space in the business, reflected in the Group's GHG reporting scope for 2021.

Furthermore, the re-baseline gives the Company an opportunity to better define the remit on which Scope 3 emissions are reported.

The extent of emissions sources included in Scope 3 calculations has increased year on year and in 2021 Scope 3 includes IT equipment, hotel accommodation, and private commuting for the first time.

The emissions generated by Gamma are reported within three defined reporting scopes, as per the Greenhouse Gas Protocol. Primarily used to identify sources of emissions and methodically address their reduction, this data is also 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	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.	Gas boilers are used for building and water heating within Gamma office premises. Air conditioning units are operated in staff premises and data centres that use refrigerant gases. Off-grid generators are utilised at Gamma's critical operational sites. Gamma has a fleet of vehicles utilised by engineers for the installation and repair of connectivity and communications services.
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.	Electricity is used within office premises and dedicated data centres.
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, supplier or distributor activity.	Gamma consumes electricity which incurs transmission and distribution losses. Gamma employees use trains, planes, taxis, ferries and hire cars for business travel. Gamma employees commute to and from offices and other areas of work. Employees often stay in overnight accommodation when travelling. Many Gamma employees work from home. Waste and waste water is produced at facilities. Gamma procures products from suppliers including capital goods. Gamma utilises third party data centres and Points of Presence across its UK and European networks. Emissions are generated through the transportation and distribution of products required for Gamma's services.

Energy Performance

Due to ongoing business growth and because of its acquisitions, Gamma's total GHG emissions have increased year on year. This increase is not unexpected, and the Company is in the process of defining carbon reduction activities to support its carbon net-zero commitment. Gamma acknowledges that further acquisitions, coupled with more primary emissions data, will inevitably add to the total carbon emissions and therefore, Gamma understands that complementary metrics such as carbon intensity, regularly tracked over time, are vital barometers of improvements and efficiencies made.

In order to normalise its energy and carbon management performance the Company has chosen to define its emissions data in relation to floor space. The largest source of Gamma's GHG emissions is derived from the use of electricity for its network, data centres and offices. As such, tonnes of CO_2e per total square metres of floor space provides a consistent comparison of energy efficiency and carbon management performance over time.

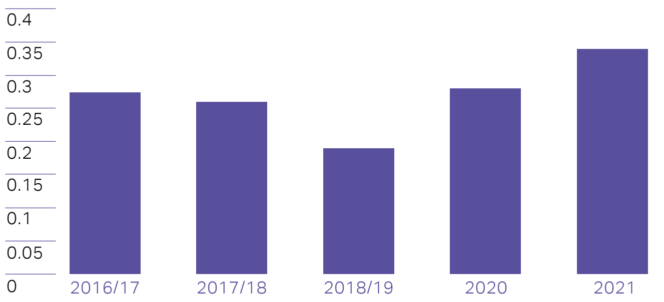
The carbon emissions intensity ratio data for 2021 reflects a significant increase in floorspace (42.15%) because of the acquisitions made to the business. An increase of 24% tCO_2e per sqm in 2021 is associated with Gamma's acquisitions, an increase in Scope 3 sources and improved data collection methods.

GHG Emissions Intensity Ratio

	2018-2019*	2020*	2021	Annual Change (%)
UK GHG Emissions (tCO_2e)	1,620	2,409	3,630	+50.71
Non-UK GHG Emissions (tCO_2e)	81	120	862	+618.96
Total GHG Emissions (tCO_2e)	1,701	2,529	4,493	+77.67
Total Floor area (m^2)	8,964.6	9,174.6	13,041	+42.15
GHG Emissions per sqm floor space	0.190	0.276	0.344	+24.64***
Total FTE	980	1,163	1,631**	+40.24
GHG Emissions per FTE	1.74	2.17	2.75	+26.7

* 2018 – 2019 represents 12 months emissions data from July 2018 to June 2019. 2020 and 2021 represents 12 months emissions data from January to December.
** Total Group employees on 31 December 2021 was 1,745. Mission Labs employees (114) removed from this total as not in scope for environmental data reporting in 2021.
*** Reflects the increase in floorspace and emissions due to European acquisitions.

Gamma emissions intensity (tCO_2e/m^2)

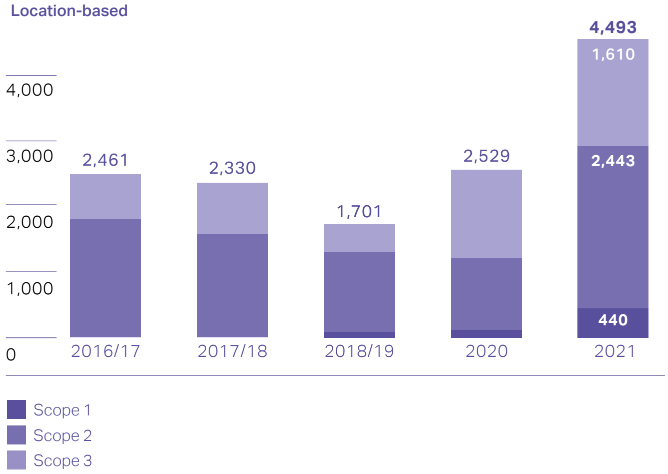


Gamma emissions by scope

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

Gamma emissions by scope (tCO_2e)

Location-based



* GHG emissions data is location-based

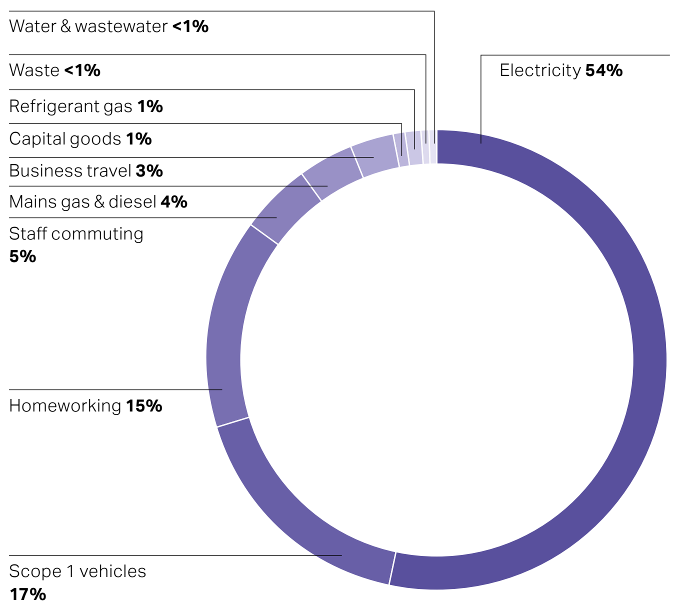
** To calculate 12 months' emissions for 2020, 18 months' emissions data was produced by a specialist third party and then apportioned between reporting periods.

*** 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.

Gamma's emissions by source

Scope	Emissions Source Category		tCO_2e
1	Direct emissions from owned, leased or directly controlled stationary sources that use fossil fuels or emit fugitive gases		87.6
	Direct emissions from owned, leased or directly controlled mobile sources		352.3
2	Emissions from the generation of purchased electricity, heat, steam or cooling	Location	2,443.2
3	Water		2.1
	Capital Goods		15.1
	Upstream emissions from purchased electricity and fuels		781.2
	Transmission and Distribution (T&D) losses		200.4
	Waste		6.4
	Wastewater		3.9
	Business Travel		71.9
	Hotel Accommodation		20.5
	Employee Commuting		129.9
	Homeworking		378.8
Total (location based)			4,493.3

Gamma GHG emissions by source



During 2021, electricity was Gamma's largest source of emissions (approximately 54%), followed by Scope 1 vehicles (17%) and homeworking (15%). All remaining sources account for approximately 14% of Gamma's GHG emissions.

Gamma's energy usage

Electricity

	2018/19	2020	2021	Annual Change (%)
UK (kWh)	8,542,592	8,011,782	7,339,515	-8.39
UK (kWh / m^2)	1,067.14	916.62	839.71	-8.39
Non-UK (kWh)	39,816	36,953	2,008,130	+5334.28***
Non-UK (kWh / m^2)	91.57	84.98	466.79	+449.29
Total (kWh)	8,582,408	8,048,735	9,347,645	+16.14
Total (kWh / m^2)	1,016.88	877.21	716.70	-18.30

Gas

	2018/19	2020	2021	Annual Change (%)
UK (kWh)	103,026	86,881	198,411	128.37
UK (kWh / m^2)	12.87	9.94	22.70	128.37
Non-UK (kWh)	35,390	26,591	175,738	560.89
Non-UK (kWh / m^2)	81.39	61.16	40.85	-33.21
Total (kWh)	138,416	113,472	374,149	229.73
Total (kWh / m^2)	16.39	12.37	28.69	131.93

* 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.

*** Reflects the increase in emissions due to European acquisitions

In 2021, Gamma used 9,347,645 kWh of electricity and 374,149 kWh of gas. More than 78% of Gamma's electricity usage in 2021 was within the UK, with less than 22% used in non-UK locations.
In 2021, 53% of gas was used within the UK and 47% of gas used in non-UK locations.

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.

In order to effectively implement the waste hierarchy once waste has been produced, "office waste" is separated into recyclable and non-recyclable materials in Gamma staff premises:

	Tonnage	tCO_2e diverted	tCO_2e landfill
UK	36.47	0.69	2.54
Non-UK	31.28	0.57	2.60
Total	67.74	1.26	5.14

Total mass estimated diverted from landfill = 83.67%, equal to 0.04 tonnes per FTE.

Key Biodiversity Areas

Gamma's operational impact on ecology and biodiversity is very low. At Group level there are three offices within 1km of Key Biodiversity Areas. Gamma will continue to assess proximity to KBAs in respect of staff premises and other facilities.

Taking climate action

Carbon Neutrality

Gamma has held 'Certified Carbon Neutral Company' status (conferred by Natural Capital Partners) since 2006. 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. Following a review of the projects in which Gamma invests, and in an effort to align the investment with Gamma's aim to support the UN Sustainable Development Goals, the offsetting projects for 2022 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.

Gamma's carbon net-zero ambition

Gamma acutely understands the need to contribute to the climate challenge with ever more ambitious plans and targets. As such, following the baselining of GHG emissions in 2021, Gamma is committed to becoming a carbon net-zero company by 2042.

Net-zero requires a reduction in emissions to a point at which Gamma can demonstrably show any remaining emissions are business critical. Net-zero plans can be backed and verified by science-based targets which quantifies what can be considered 'residual', e.g. total reduction =~90%.

Gamma has committed to set near and long-term Company-wide emission reductions in line with climate science with the Science Based Target initiative (SBTi) and the Company will seek validation of its target within the SBTi timeframe of 24 months from commitment.

Gamma has constructed a plan over five, four-year carbon emissions reduction periods, ensuring the Company's efforts are consistent with the need to decarbonise the wider economy at pace.

Goals

- Gamma will commit to reducing internal carbon emissions through five key reduction periods – the two periods between 2022-2030 will target a 90% reduction of both Scope 1 & Scope 2 emissions, in line with the 1.5°C pathways.
- Gamma will seek to have net-zero plans ratified by external accreditation (SBTi).
- Gamma is committed to maintaining Carbon Neutral status in the interim period prior to achieving net-zero.

Reducing energy consumption and environmental initiatives

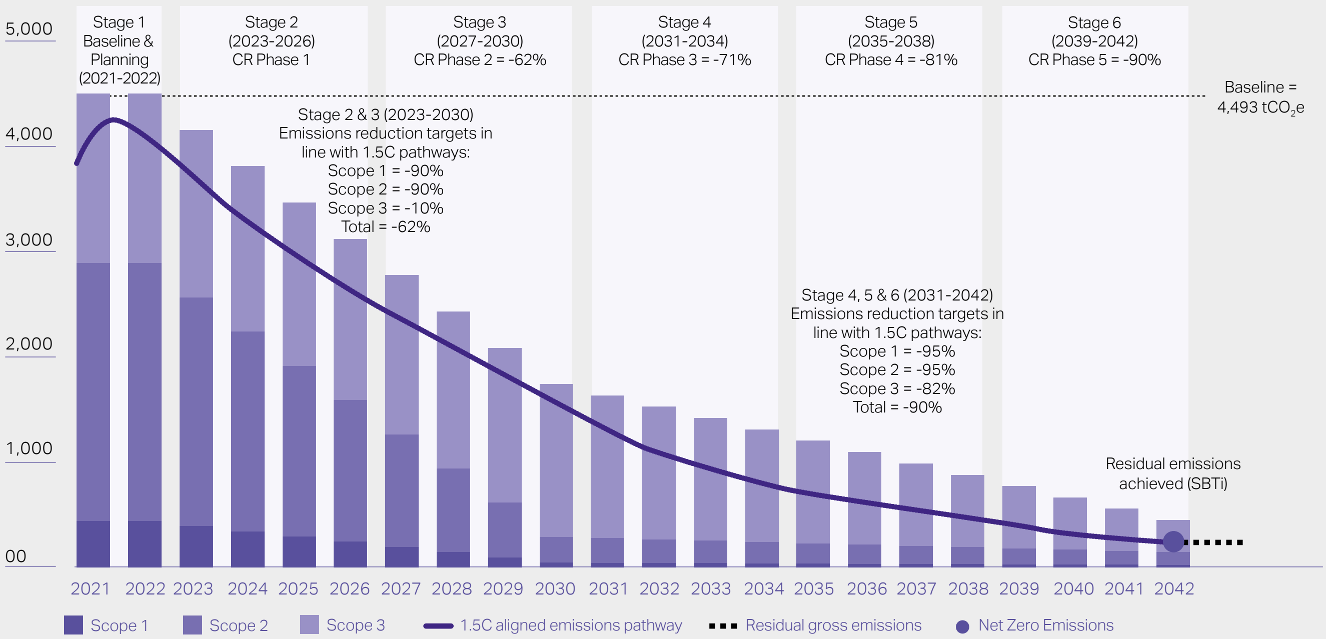
Gamma understands that energy and carbon reduction is the priority in implementing a science-based net-zero plan.

Emissions reduction projects have been ongoing throughout 2021. Gamma's commitment to move its small fleet of cars and vans over to self-gen hybrids is ongoing, with completion expected in 2023. In line with the reduction activities for the carbon net-zero plan, Gamma will then target the switch over to electric vehicles prior to 2030.

Gamma continues to improve the energy efficiency of its data centres and its technology. Annual capital expenditure investment ensures that the Company deploys energy efficient technology and continues to optimise its heating, ventilation and air-conditioning in key data centres. A rolling programme of decommissioning ensures that legacy and energy-hungry infrastructure is replaced.

Gamma has partnered with Thales and announced that it will switch the Gamma SIM supply with eco-designed card, made from recycled refrigerators, further reducing its environmental impact and contributing to a circular economy. You can read more on page 9.

Gamma Aggregated Emissions Trajectory (Target) (tCO_2e)



Gamma's 2022 environmental targets

In 2022, Gamma will extend its emissions measurement to include Mission Labs that was acquired in 2021.

Supported by its Ethical Procurement Policy, Gamma has started to work with major upstream suppliers to understand the applicable Scope 3 emissions and this work will continue into 2022 to understand the greatest opportunity to influence reductions.

Gamma is certified with the ISO14001 for Environmental Management in the UK and the Company will complete an assessment to consider extending its scope to include its European subsidiaries during 2022.

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.

Working within the Company's risk management framework and using the Taskforce on Climate-related Financial Disclosure (TCFD) scenario-based risk and opportunity assessment criteria, Gamma has identified potential climate change risks, none of which are considered of material impact at present. An extensive financial impact analysis will be completed in 2022.

Transition risks are risks related to the transition to a lower-carbon economy. These might include risks relating to policy and legal changes, technology, market and finally reputation.

Physical risks are related to the physical impacts of climate change in the short term (acute) or longer term (chronic). These risks may have financial implications for Gamma, such as direct damage to network assets, or indirect impacts from its supply chain.

Potential impact

The impact of both transition and physical risks to Gamma is assessed to be minimal at present.

Gamma recognises that current and emerging regulations in both the UK and Europe are likely to lead to enhanced disclosure requirements, with additional metrics and monitoring. Gamma's expansion strategy, the demand for carbon credits, as well as potential increases in carbon taxes, could have a negative impact on its financial performance. Additionally, the Company's existing commitment to remain carbon neutral could become prohibitively costly should carbon offset credits increase significantly in price.

Although Gamma's energy costs are a small proportion of its costs, the increasing demand for low carbon energy is likely to drive up electricity prices, which will impact its operational costs. Given the material importance of climate change to Gamma's internal and external stakeholders, as demonstrated by the results of a materiality exercise conducted in 2021, Gamma considers that there is a risk of reputational damage if it does not continue to respond appropriately to reducing its contribution to global climate change.

Gamma has assessed the physical risks of climate change both in the short term and longer term to be minimal. There is potential for disruption to the power supply to Gamma's data centres during a prolonged, extreme heatwave, leading to higher consumption and costs for cooling. Additionally, an acute flooding event would increase the likelihood of damaged infrastructure both in buildings (data centres/offices) and below ground level (network equipment).

Longer term, temperature increases in its key locations has been identified as potentially impacting the cost of cooling offices and data centres, as well as increasing Gamma's impact on the environment through carbon emissions. Wildfires are considered low risk overall but using climate factors and scenario forecasting, Gamma appreciates that this risk is heightened in Spain and Morocco.

Mitigating actions

Gamma has strengthened the governance around potential climate change impacts, ensuring that the Company submits to the Carbon Disclosure Project (CDP) annually.

Activity required to support CDP disclosures include identification and management of transition risks relating to regulation changes, disclosure requirements and carbon offset costs. Gamma's environmental programme of work ensures that its understanding of the market and emerging regulation is understood and assessed. Any strategic acquisition will include climate-scenario planning and emissions assessments to understand the potential impact on the Company's net-zero ambition and the risks outlined here. Any new premises will also be assessed thoroughly in terms of environmental credentials.

Gamma is committed to reducing its emissions and energy usage, and the Company will continue to remain Carbon Neutral by investing in carbon offset initiatives that are validated and verified to recognised global standards (Verified Carbon Standard (VCS), the Gold Standard, and Climate, Community and Biodiversity Standards (CCB).

Gamma has announced a carbon net-zero plan, aiming to be net-zero by 2042. To support its ambition, the Company has committed to set near and long-term Company-wide emissions reductions in line with SBTi, the Business Ambition for 1.5°C and the UNFCCC Race to Zero campaign. Aligned to SBTi key principles, Gamma's net-zero commitment consists of five key emissions reduction periods, facilitating the setting of interim targets to track progress. Gamma has committed to cutting emissions in line with halving emissions by 2030 and is aiming to have its target officially validated by the SBTi within SBTi guidelines of 24 months.

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 the business can operate almost entirely remotely with secure, multi-factor authentication access to the network. Gamma has also installed back-up generators at key network and customer support sites to mitigate the risk of power cuts.

Gamma is also proud that one of its biggest contributions to mitigating climate change is through the products that its employees and customers utilise. Unified Communication products enable users to reduce their travel and thus, reduce their own carbon footprint.

Additionally, there exists an opportunity to extend Gamma's waste management processes to customers through the recovery, re-use, and repair of consumables such as handsets and routers.

Social

Gamma has established processes to consider the welfare of all of its stakeholders systematically which are set out in detail below.

Customers

Gamma produces products which allow end users to communicate easily and reliably.

Gamma's ethos is to provide a robust product at a fair price. Where Gamma sells via channel partners the Company wants the partner to make a fair margin for the value that they are adding to the end user.

The Company has a strong reputation for service and support, and it invests time engaging with customers across a range of topics to ensure the Company remains straightforward to deal with. Regular satisfaction surveys are run across the UK businesses in order to understand overall customer satisfaction levels and the 'Likert Scale' continues to be used as the method to measure customer satisfaction. Gamma is pleased to report a 68% CSAT rating in 2021 (2020: 69%) with improved engagement from its partners. Gamma tracks an annual Net Promoter Score (NPS) and recorded a positive score of 48 for 2021, which remains well above the industry sector average.

Gamma continues to provide an online digital learning management system called the 'Gamma Academy' to support channel partners with their product knowledge and during 2021 a series of independent knowledge bases have been launched to end users with the aim of improving knowledge about how they consume Gamma products and reduce the need for additional support from channel partners.

Data protection and privacy

Gamma recognises its duty to ensure that any personal data that is collected is properly protected and that the Company is transparent and responsible in the way data is handled. Details regarding Gamma's privacy policy can be found on the website.

Social overview

Scan to watch a video of our Chief People Officer, Chris Bradford, talking about some key People initiatives.

Suppliers

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

The process of improving and standardising the management of suppliers is key to Gamma and is constant as the Company strives for continuous business improvement. 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 (positive or negative) are reported to the appropriate category procurement representative, so accurate performance records can be maintained and supplier performance managed.

Regular performance reviews take place with key suppliers and there is also a fortnightly 'Supplier Management Meeting' chaired by Gamma's procurement team, with inputs from key internal representatives on behalf of its Commercial, Customer, Network, Product and Regulatory functional areas. This forum is used to discuss supplier performance and risks.

To ensure that Gamma's business is conducted ethically, sustainably and within the local law, Gamma has implemented an Ethical Procurement Policy and expects its suppliers to meet the principles outlined in the Policy.

This policy is designed to support the procurement of goods and services from all its suppliers that minimise negative and enhance positive impacts on the environment and society whilst meeting business needs and maintaining alignment with its values. Gamma encourages suppliers to require the same of their supply chains.

Gamma requires suppliers to complete an Ethical Procurement Policy Questionnaire and assesses supplier responses as the mechanism to assess these risks. The Company audits its supply chain continuously to identify compliance risks. Failure to complete the questionnaire or unsatisfactory responses may result in suppliers being excluded from the Gamma supply chain.

Gamma people

Employee engagement

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

By engaging with employees, the Company gives employees a voice to create a culture in which everyone can thrive. Gamma wants its people to bring their best selves to the working environment which should be a place where they feel safe, they belong, and they matter.

The majority of Gamma's employees continued to work remotely during 2021, and as seen in the previous year, engaging with staff, understanding how they are feeling and giving them a voice remained a high priority.

Gamma's engagement tool, The Gamma Pulse, is a resource tool for managers and employees that ensures Gamma not only engages with its people in real time, but quickly gives insights to enable actions to be implemented and to communicate results efficiently.

Gamma Pulse surveys became biannual in 2021. The tool was introduced to the European subsidiaries during 2021 and the survey will extend out to the recent UK acquisition, Mission Labs, in 2022.

In September 2021 the Company surveyed 1,539 people, with an 81% participation rate and received 6,800 comments. The survey results were communicated directly to the CEO, Senior Leadership Team and the Gamma People Business Partners, and via a webcast and email communication to all employees. In addition, the results were explained to the Board.

2021 also saw the launch of an Employee Forum pilot in the UK. Comprised of nominated employees with a range of diverse roles, the forum aims to further strengthen the connection between employees and management through sharing ideas and feedback in a safe environment. It is the ambition to extend this forum more widely in 2022.

Employee experience

Gamma is committed to lead with a culture that enables employees to be their best, to feel connected to the Company, and contribute to its long-term success. Gamma's culture is underpinned by four values – Aim High, Consider Others, Think Differently, and Stronger Together.

The Company recruits people from a wide variety of backgrounds which supports one of its values making the Company 'Stronger Together'. The experience Gamma employees have within the Company remains a key focus of Gamma's People Function agenda and across the business in general.

Gamma has 12 qualified Mental Health First Aiders working on a rota system across all UK office locations, sign posting to external organisations where applicable and offering 'in-house' and 'bite-sized' training on topics such as managing remotely, dealing with stress, and work-life balance. The Employee Assistance Programme has provided employees with access to online information and advice.

Financial wellbeing is also important to Gamma's employees and the Company offers a salary sacrifice pension scheme, life assurance and income protection. Gamma offers a reward package which includes: the government cycle to work scheme, childcare vouchers, as well as access to a health cashback plan. The flexible holiday trading package offers employees the opportunity to purchase additional holidays or sell back holidays, with additional trading windows open during the pandemic. 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, saving employees over £38k in 2021. Gamma offers enhanced adoption, maternity and paternity pay and shared parental leave.

Wellbeing will continue to be a key focus in 2022 to help support employees with advice, training and assistance where needed.

Sharing in the success of Gamma's 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 a 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 2021 34% (2020: 43%, 2019: 47%) of eligible employees chose to participate in the SAYE scheme, with options being granted over 155,514 (2020: 345,953, 2019: 377,800) shares. The Gamma share schemes have been extended to Mission Labs and there remains a desire to extend the plan out to the European subsidiaries.

Health and safety

Gamma's health and safety initiatives evolved in 2021, ensuring employees had safe offices to return to. The Company's return plan focused on a steady increase, stopping at 50% capacity to ensure social distancing could be supported to at least the end of 2021. This has allowed employees the flexibility to use an office in which to collaborate with colleagues safely as well as the ability to continue to work remotely where possible.

As a service business, Gamma experiences few workplace injuries, however during the return to the office Gamma experienced an anticipated increase in very minor accidents and absenteeism related to COVID-19 infections. Gamma had no fatalities or major injuries related to work during 2021.

A quarterly report is provided to the Board that outlines accidents, updates regarding health and safety initiatives, and relevant metrics such as contact made to the Mental Health First Aiders.

Gamma's health and safety policy has developed alongside the new working environment and the Company continues to work with third-party specialists to ensure its employees are supported and environments are safe.

Skills and talent

Gamma is focused on attracting, retaining and developing the critical skills required to support its strategic ambitions.

During 2021 a new induction and onboarding platform was launched in the UK businesses. This provides a blended learning approach to equip all new starters in the Company with a foundational understanding of the Gamma Group, its products, markets and customers, as well as its way of working, culture and values. The platform supports the additional role-specific onboarding activity that already takes place across the business, including interactive technical product training.

Gamma has extended its learning and development offering during 2021, recognising that the skills and capabilities of its existing employees need to change with evolving modern technologies. The Company's learning and development team has delivered 2,700 hours of technical product training across 186 different courses to its customer services teams. This is supported by the Gamma Academy, also available to internal users, on which 2,000 courses have been completed by 760 distinct internal users.

Gamma has also introduced LinkedIn Learning within its Technology areas, providing employees with access to over 16,000 expert-led courses, enabling continuous growth and development.

Apprenticeships and Technology Graduate Programme

The Gamma apprenticeship programme has continued during 2021 with 20 apprentices in various functions (2019: 24, 2020: 15). Most of Gamma's 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.

Alongside a newly launched Technology Careers Site, Gamma has been working closely with the Graduate Recruitment Bureau to onboard 10 graduates by September 2022. The aim of the programme is to offer graduates experience of four different areas of technology across a two-year period. Gamma guarantees the graduate a permanent position at the end of successfully completing the programme.

Gender pay gap

In 2022 Gamma will continue to assess its 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.

The gender pay gap report for the snapshot date of 5 April 2021 shows 1,123 employees within the Gamma Telecoms Holdings Ltd UK workforce, excluding Mission Labs: 783 men and 340 women.

Gender	% of Workforce 2021 vs (2020)
Male	69.72 (69.60)
Female	30.28 (30.40)

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

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

Pay and Bonus Gap

	Mean % 2021 vs (2020)	Median % 2021 vs (2020)
Pay Gap	19.60 (25.45)	19.80 (23.19)
Bonus Gap	59.41 (63.27)	20.07 (26.47)

Proportion of Males and Females receiving bonus

Gender	% receiving a bonus 2021 vs (2020)
Male	92.66 (94.57)
Female	94.00 (93.56)

Pay Quartiles

Quartile	Male % 2021 vs (2020)	Female % 2021 vs (2020)
Upper	77.94 (80.53)	22.06 (19.47)
Upper middle	75.00 (72.41)	25.00 (27.59)
Lower middle	62.99 (61.83)	37.01 (38.17)
Lower	62.99 (63.60)	37.01 (36.40)

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 the workforce, however, we are seeing improvements in the mean figures.

Group employee numbers at 31 December 2021

	Male	Female	Total
Directors of Gamma Communications plc	7 (78%)	2 (22%)	9
Senior Managers of the Company (including subsidiary Directors)	26 (96%)	1 (4%)	27
Employees	1,192 (68%)	553 (32%)	1,745

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

Whistleblowing Scheme

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

The 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 a third-party provider to Gamma's Whistleblowing Officers who are Independent Non-Executives on the Board. After an initial assessment, the report will either be delegated to a panel which is made up of representatives of Gamma's Senior Leadership Team or the Whistleblowing Officers may choose to deal with it independently, including obtaining external advice. Gamma has trained appropriate level employees to manage the investigation process. Reports of wrongdoing concerns are reported to the Board on a regular basis.

The Gamma induction programme explains the Whistleblowing approach to all new starters and Gamma remains committed to providing awareness and training to existing staff.

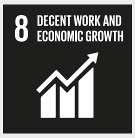
2022 Activity

In 2022, Gamma will be focusing on Equality, Diversity and Inclusion. The Company has partnered with ENEI (Employers Network for Equality and Inclusion) to complete a benchmarking exercise to understand the gaps and strengths in its current approach. The exercise will focus on key areas such as Gamma's workforce, strategy, leadership and accountability, recruitment and attraction, training and development and other employment practices. The outcomes will be used to set the ED&I strategy moving forwards. Gamma will also collect demographics data to better understand its workforce and align its future plans to support and strengthen its approach to attracting, developing and retaining underrepresented groups.

As part of Gamma's goal to impact and inspire young people the Company has formally partnered with Speakers for Schools and is designing a nationwide programme to support young people with understanding the technology industry, raising their confidence levels, mentoring and providing opportunities for work experience.

Gamma is also targeting talent communities internally and externally. Internally, the Company will be creating employee communities, to strengthen inclusion and belonging.

Externally, its Recruitment team has started to build networks to broaden the Company's connections with specific groups, focusing on Women in Technology, apprenticeships, and other underrepresented groups. This will include participation in hosted events and the creation of targeted recruitment campaigns to attract a more diverse talent pool. Gamma's Senior Leadership Team has committed that, starting this year, all senior roles at Gamma must have a diverse shortlist and Gamma will ensure its partners in executive search are working to deliver this.



Giving something back

As part of the 2021 social plan within Gamma's ESG strategy, the Company is committed to supporting the communities in which it is based and enhancing its charitable giving plan.

Supporting the UN Sustainable Development Goal 8: Decent work and economic growth, Gamma's technology teams have continued to provide remote Hi-Tech Horizons sessions through an initiative run by 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.

Additionally, Gamma has partnered with Speakers for Schools to deliver STEM insight to pupils in the North-West of England during Virtual Work Experience week in April, and Digital Careers in September. Gamma has a broad range of colleagues that volunteer to support these events to help inspire students and provide them with a wider perspective on what their options are for their future careers and opportunities.

Working in the communities in which the Company operate, Gammas 'Direct' customer business unit has worked with local authorities in the Manchester and Portsmouth areas to support their efforts in tackling digital poverty, address emerging skills gaps and prepare young people for the world of work in addition to providing employment in the area.

Gamma is committed to maintaining these relationships as well as building new ones during 2022 and the Company will endeavour to contribute to the UN Sustainable Development Goal 10: Reduced Inequalities through the extension of initiatives.

Gamma has always encouraged charitable initiatives, and often a worthy cause will find people's time just as valuable as any financial donation. Employees can contribute one day a year to help support their chosen charity or community support project and Gamma has continued to provide match funding across a range of charitable events that its staff has completed during 2021. A Charity Forum exists to support its employees to raise funds as well as use their charity day.

'Giving something back' is important to Gamma and its employees and is aligned to its "Consider Others" value. Driven by the Gamma Charity Forum, the Company will continue to build on its community and charity plan in 2022 to help make a difference to good causes and local communities.

Governance

Gammas approach to governance
Gamma understands the importance of having a well-established governance regime across its business and how fundamental this is to its continued success. Gamma recognises that different governance structures are appropriate at different stages of a company's development and as a rapidly growing business it is seeking to keep the maturity of governance structures ahead of the level that would be deemed appropriate for the size of the business.

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

Management oversees the establishment of controls across the Company which are managed through a combination of internal frameworks and externally recognised and audited standards. These controls take the form of Group and local level policies which determine the requirements for technology protocols such as access to internal systems, critical processes such as commercial approval or the management of network change, and the expectations that Gamma places upon its employees and its stakeholders. These internal controls align to and inform Gamma's Corporate Governance, reported on here, ensuring Board level oversight.

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

In 2021 Gamma built on its internal governance, with investment in first line capabilities to bolster internal controls and moving internal governance activity to be managed by a specialist team. The result of this is an independent review of internal controls, driving a continuous improvement ethos.

In 2021 Gamma launched a new policy framework to ensure its policies are owned, defined, implemented, and updated in an effective way. Specifically, this framework encourages greater consistency in policy design, clear behavioural guidelines and encourages greater use of conformance measures. All Group policies are signed off at the relevant Board subcommittee. All policy is governed by the internal governance team to drive consistency.

Current Group policies include:

- Anti-bribery and Corruption policy
- Environmental Management policy
- Ethical Conduct policy
- Political Contribution policy
- Risk Management policy
- Share Dealing policy
- Whistleblowing policy

The Company wants to ensure that it continues to empower employees to challenge boundaries but without taking inappropriate risk.

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

- ISO 27001: Information Security, certified since 2012
- ISO22301: Business Continuity Management, certified since 2013
- ISO 14001: Environmental Management, certified since 2013
- ISO 9001: Quality Management, certified since 2003
- ISO 10008: Electronic Information Management, certified since 2020
- Cyber Essentials, certified since 2019

Group subsidiaries 'Gamma Benelux', and 'HFO' attained ISO27001 certification in 2021.

In 2022 Gamma will begin to bring its standards under a single Integrated Management System (IMS), which will ensure greater consistency in the way in which these standards are managed across the Gamma Group.

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

Since the introduction of ISO standards within the Company Gamma has been conducting regular internal audits to assure ongoing compliance. Since this time the Company has continued to extend the reach of its internal audit function and is now in its second year of enhancing this capability, regularly working with an external partner to provide audit resources when Gamma's own internal capability is not considered suitable. In addition, Gamma's UK business is regularly and successfully audited by its larger Enterprise and Public Sector customers.

The Strategic Report was approved by the Board of Directors on 21 March 2022

Andrew Belshaw
Chief Financial Officer

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 2021.

Dear shareholder,

Welcome to the Corporate governance report for the year ended 31 December 2021, 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 2021 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.

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 2022 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
	Charlotta Ginman	Independent Non-Executive Director
	Henrietta Marsh	Independent Non-Executive Director
	Xavier Robert	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; to review the internal audit function 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, Chair and other senior executives and, in consultation with the CEO, for determining the remuneration packages of senior executive managers.

Remuneration Committee report
See page 66

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.

Risk Committee report
See page 62

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 64

Our highly experienced Board

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

Richard Last
Chair and Independent Non-Executive Director

Appointed to the Board:
2014

Committee Membership:
N E R R

Nationality:
British

Skills and experience:
Richard has over 30 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 Chair and Non-Executive Director of Hyve Group plc, a leading international exhibition and conference organisation listed on the London Stock Exchange and of AIM-listed Tribal Group plc, an education software, systems and services group. 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

Nationality:
British

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:
Non-Executive Director at Iomart PLC (started 1 August 2021).

Andrew Belshaw
Chief Financial Officer

Appointed to the Board:
2014

Committee Membership:
E R

Nationality:
British

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

Nationality:
British

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 Chair 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:
None

Charlotta Ginman
Independent Non-Executive Director

Appointed to the Board:
2020

Committee Membership:
A R

Nationality:
Finnish/British

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

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

Other roles:
Charlotta is a Non-Executive Director and Chair of the Audit Committee of two investment trusts, Polar Capital Technology Trust PLC and Pacific Asset Trust PLC, as well as AIM listed Keywords Studios 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 others 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:
Ⓐ Ⓔ Ⓝ R

Nationality:
British

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 Ⓡ

Nationality:
French

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

Other roles:
Xavier is Chairman of Qualitest, the largest privately-owned software testing company. He is also on the Board of Kyriba, the #1 software solution for corporate treasury management.

Wu Long Peng
Non-Independent
Non-Executive Director

Appointed to the Board:
2014*

Committee Membership:
Ⓐ Ⓔ Ⓝ

Nationality:
Singaporean

Skills and experience:
Long Peng has been a Director of Gamma entities since 2011. He was the Executive Director of Kuok (Singapore) Limited until 2017 and has over 30 years of experience in finance and corporate affairs over various industries.

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

Long Peng is a "non-independent non-executive" as at the time of float he was the representative of one of our founder shareholders. He sits on the Audit Committee as he is a Chartered Accountant and has significant experience as a CFO of a number of companies (albeit he is now retired from executive roles). The Board feels that it is better to have Long Peng sit on the Audit Committee given his experience and expertise even though he is technically "non-independent".

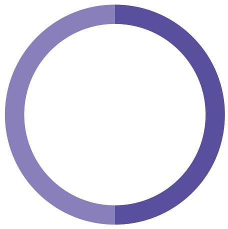
Other roles:
Long Peng is a Non-Executive Director and a Member of the Audit and Risk Committee of Mapletree Commercial Trust Management Ltd.

Key to committees at 31 December 2021

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

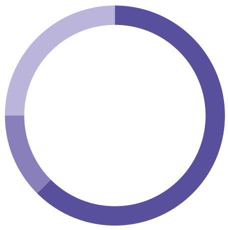
Tenure (since listing in 2014)

0-5 years	4
+5 years	4



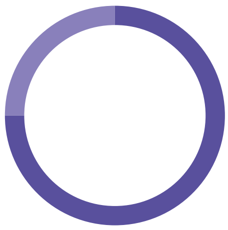
Independence

Independent Non-Executive	5
Non-Independent Non-Executive	1
Executive	2



Board gender

Male	6
Female	2



* Long Peng was a Director of the previous holding company from 2011.

At the AGM on 20 May 2021 Alan Gibbins and Andrews Stone stood down from the Board.

Our Senior Leadership Team

We have a strong and talented leadership team who support the Board and are responsible for day-to-day operations within the business.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13

1 Andrew Taylor
Chief Executive Officer

Biography available on page 50 Board of Directors.

2 Andrew Belshaw
Chief Financial Officer

Biography available on page 50 Board of Directors.

3 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.

4 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.

5 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.

6 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.

7 Chris Bradford
Chief People Officer

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

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

8 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.

9 Daryl Pile
Managing Director – UK Indirect

Daryl joined Gamma in 2003 and has been central to the development and execution of our Indirect Sales strategy which has delivered sustained revenue and margin growth every year. With over 25 years of experience, he previously held a number of senior business development roles at Telia, Uniworld and Gamma. Prior to his current position, Daryl was Director of Public Sector at Gamma, joining the senior leadership team in 2015.

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

10 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.

11 Gerben Wijbenga
Chief Executive Officer – 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.

12 Xavier Casajoana
Chief Executive Officer – Voz Telecom

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

After more than 10 years in Information Systems Management, Xavier joined Worldonline as Director of Information Systems. After merging 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 Voz Telecom 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.

13 Achim Hager
Chief Executive Officer – HFO

Achim joined Gamma in July 2020 following Gamma's acquisition of HFO Holding. He founded HFO Holding in 1998.

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

Of the Non-Executive Directors, the Group regards Richard Last, Martin Lea, 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.

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

Board activities

Strategy

- Approved the proposed acquisitions of Mission Labs.
- Reviewed other potential acquisition targets which did not complete or were ongoing at year end.
- Reviewed the Board composition of Non-Executive Directors.
- Reviewed the Board composition of Executive Directors.
- Discussed 2026 strategy planning.

Operational

- Monitoring the focus of the software development team.
- Reviewing the product launches (e.g. Horizon Contact).
- Discussing the integration plans for the European business units.
- Reviewed operational changes as a result of the COVID-19 pandemic including hybrid working arrangements.

Financial performance

- Monitored 2021 performance against the approved budget.
- Approved the 2020 Annual Report and Accounts and determined they were fair, balanced and understandable.
- Approved the 2021 half-year results.
- Approved the final dividend for 2020 and 2021 interim dividend.
- Approved the 2022 budget.
- 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	11/11	n/a	n/a	n/a	4/4	4/4
Andrew Belshaw	11/11	n/a	n/a	n/a	4/4	4/4
Non-Executive Directors						
Richard Last	11/11	n/a	7/7	3/3	4/4	4/4
Alan Gibbins	4/5	1/1	n/a	1/1	2/2	n/a
Charlotta Ginman	11/11	4/4	n/a	n/a	1/1	3/3
Martin Lea	11/11	n/a	7/7	3/3	4/4	4/4
Henrietta Marsh	11/11	4/4	7/7	2/3	n/a	4/4
Xavier Robert	11/11	n/a	7/7	n/a	4/4	n/a
Andrew Stone	4/5	n/a	n/a	1/1	2/2	n/a
Wu Long Peng	11/11	4/4	n/a	3/3	n/a	4/4

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.
- Chair and Non-Executive Directors met without the Executive Directors present.
- Review and approval of Group level policies.

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.
- 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 employee surveys.
- Reviewed updates regarding health and safety within the Group.
- Approved the appointment of Bill Castell as CFO (start May 2022).
- Approved the appointment of Andrew Belshaw (incumbent CFO) as Deputy CEO (start May 2022).
- Reviewed the Company's values.

Shareholders

- Reviewed feedback following the virtual investor roadshows and other institutional shareholder meetings.
- 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 Chair, 25-30 days per year for Independent Non-Executives with chair of committee responsibilities and 16-20 days for Non-Executives. The Chair and Non-Executive Directors have other third-party commitments including directorships of other companies. The Company is satisfied that these associated commitments have no measurable impact on their ability to discharge their responsibilities effectively. The Executive Directors are permitted to have third-party commitments with the permission of the Chair. The CEO has one external appointment, details of which are included on page 50, the CFO has no external commitments.

During 2021, 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.

The Nomination Committee concluded that it would be beneficial for there to be an externally-facilitated Board performance review and this review (which will complete within 2022) is currently underway in conjunction with Board Excellence Ltd. The scope includes evaluation of the performance of the Board, the Board Committees, individual Directors and of the Chair.

Board Excellence Ltd was selected via a competitive procurement process. It has no connection with the Company or any Director, although the Chair has been subject to their review process in another company.

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 and 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 has considered the composition of the Audit Committee and concluded that it is appropriate for Long Peng Wu to sit on the Committee. Mr Wu is a Non-Independent Non-Executive Director by virtue of the time he has served on the Board but he is a Chartered Accountant and has significant experience in the field of finance as both an executive and non-executive which makes him an important contributor to the work of the Audit Committee.

The Company's policy is to attract and develop a highly qualified and diverse workforce, to ensure that all selection decisions are based on merit and that all recruitment activities are fair and non-discriminatory. We continue to focus on encouraging diversity of business skills and experience, recognising that Directors and managers with diverse skills sets, capabilities and experience gained from different backgrounds enhance the Group. When we recruit senior roles (including Senior Managers and Directors) we work with agencies who can produce a diverse shortlist. The bonus criteria of the senior team now contains a requirement that all shortlists for management roles must be diverse.

Risk Committee

The 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). 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 22 to 25.

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 is to review reports from management to consider whether significant risks are identified, evaluated, managed and controlled and whether any significant weaknesses identified are promptly remedied. It will also indicate a need for more extensive monitoring.

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 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.

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. All the Non-Executive Directors and, in particular, the Chair 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. There is a designated 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. For the year ended 31 December 2021, the average time taken to pay invoices was 33 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

21 March 2022

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, Risk, Audit and Remuneration Committees in consultation with the Chairs of the relevant Committees.

Meetings attended:

Richard Last (Chair)	3/3
Alan Gibbins[1]	1/1
Martin Lea	3/3
Henrietta Marsh	2/3
Wu Long Peng	3/3
Andrew Stone[1]	1/1

1 Alan Gibbins and Andrew Stone left the Committee at the time they stood down from the Board at the AGM on 20 May 2021.

Dear Shareholder,

On behalf of the Nomination Committee, I am pleased to present our report for the year ended 31 December 2021. This report sets out the Committee's key activities in 2021 as well as the Committee's priorities for 2022.

The Committee met three times during 2021. The principal matters dealt with included the following:

- Evaluation of candidates for the CFO role.
- Creation of the role of Deputy CEO.
- Evaluation of potential independent non-executive candidates.
- Recommendation to the Board of changes to the composition of the ESG and risk committees.

Appointment of CFO

The Chair engaged a leading firm of consultants who specialise in the recruitment of CFOs into larger listed businesses. Once appointed, the consultants worked with the Chair, CEO and CFO to identify a long list of potential candidates. We ensured the long list of candidates was diverse and the majority of candidates on the long list were female, which reflects our efforts to make sure we are recruiting from a wide range of backgrounds and ethnicities.

Following interviews with our consultants, CEO and the CFO, a short list of candidates was prepared for review by the Chair. The short listed candidates had further interviews with the Chair, CEO, CFO, CPO and the Chair of the Audit Committee prior to an offer being made. In addition the final candidate also met two additional Independent Non-Executive Directors prior to appointment.

The outcome of this process saw Bill Castell appointed as CFO to start on 1 May 2022.

Appointment of Deputy CEO

It was decided to create the new post of Deputy CEO. This role will take on a range of strategic and operational responsibilities to support the development and growth of the Group. These responsibilities will include overseeing aspects of product management, product development and operations and the execution of M&A. It will also oversee Gamma's group people strategy, ensuring that Gamma attracts and retains great talent while continuing to be a great place to work.

Following conversations between the Chair and the CEO, the Committee decided to offer this new role to Andrew Belshaw (the incumbent CFO). He will start on 1 May 2022 when the new CFO arrives in post.

Appointments to Board Committees

During 2021 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 3 September 2021, it was decided that Charlotta Ginman should retire from the ESG Committee and join the Risk Committee. As Chair of the Audit Committee, it was felt that it was more efficient for there to be a clear link between the Audit and Risk Committees.

Reappointment of Directors

The reappointment 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 will 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.

The Board are looking to appoint a new Independent Non-Executive to sit on the Board and the Audit Committee. Once they are appointed and have joined the Board, Wu Long Peng will resign at the appropriate time.

Priorities for 2022

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

21 March 2022

Audit Committee report

Audit Committee

The Committee has written terms of reference, which are available to view on the Company's website www.gammacommunicationsplc.com. The terms of reference clearly define the Committee's responsibilities and duties and were reviewed by the Board during 2021 and updated accordingly. In addition to the Terms of Reference, the Committee has developed an annual agenda which corresponds with the meeting schedule, to ensure all key responsibilities are completed and managed.

Composition and attendance in 2021

The Committee members are Charlotta Ginman (Chair), Henrietta Marsh and Wu Long Peng. Alan Gibbins retired from the Board at the 2021 AGM at which point Charlotta Ginman took over the chairing of the Audit Committee. The Audit Committee, as a whole, has competence relevant to the industry and both Charlotta Ginman and Wu Long Peng have recent and relevant financial and accounting experience. More information about the Committee members can be found on pages 50 and 51. The Committee met four times during the financial year with all members in attendance at each meeting.

The meetings have been a mix of physical and remote attendance, adapting and changing to pandemic guidelines, working effectively in both scenarios.

Meetings attended:

Charlotta Ginman (Chair)	4/4
Alan Gibbins[1]	1/1
Henrietta Marsh	4/4
Wu Long Peng	4/4

1 Alan Gibbins left the Committee at the time he stood down from the Board at the AGM on 20 May 2021.

Dear Shareholder,

I am pleased to present what is my first Gamma Audit Committee report for the year ended 31 December 2021, having taken over the role as Chair in May 2021. This report details the work of the Committee over the past year, fulfilling our responsibilities to provide effective governance over the Group's financial activities.

Significant issues considered by the Audit Committee during the year

Key reporting issues

During the year and as part of the year end procedures, the Committee considered the following key financial matters in relation to the Group's financial statements and disclosures with input from both management and the external auditor:

- Revenue recognition – The Audit Committee had a deep dive session during the year with the Finance team, in an effort to better understand in particular the revenue recognition practices around accuracy of volume, timing and pricing as well as definitions used in the Group's revenue recognition work. The Audit Committee considered the information presented and are happy with the treatment.
- Impairment Assessment – At the Audit Committee meeting in September, management presented its annual impairment assessment work. The Audit Committee challenged the calculations used, including country specific discount rates. An update of the work was presented again to the Audit Committee at the February meeting at which point the Audit Committee agreed with the underlying assumptions used and management's assessment.
- Business combinations – During the year the Audit Committee reviewed the disclosures in relation to the Mission Labs acquisition including the applied purchase price allocation and concluded that the Committee agreed with management's treatment of the same.

Furthermore we also spent time talking about management estimates and judgements in connection with bad debt provisioning (IFRS 9), the accounting treatment of minority interests (HFO put option) as well as going concern. We also reviewed issues in relation to taxation and treasury and cash generating unit groupings.

Internal Audit

Gamma's outsourced Internal Auditor, PWC, completed their first full year in accordance with the plan as laid out in 2020. The activities of the internal audit function are governed by an Internal Audit Charter. During the year, the Audit Committee received updates on the results of the internal audit work for the following areas:

- The governance control framework in the UK Direct Business
- Post acquisition key controls reviews for entities in Spain and Germany
- UK Indirect revenue and billing assurance

The work did not reveal any significant failings in financial reporting controls but did result in some action plans, with improved processes and controls now being implemented by management to enhance the control environment in each area.

The Audit Committee approved the internal audit plan for 2022, which will focus on the following key financial processes:

- Cost of Sales for UK Indirect Business – Voice
- IT General Controls for revenue in the UK Indirect Business
- Cyber incident simulation review

The PWC team is headed up by P-O Ahlstrom, who attends all Audit Committee meetings and with whom I also meet separately on a regular basis.

Internal Control Framework

Following rapid expansion and a number of acquisitions both in the UK and Europe during the last few years, and in wake of the outcome of the BEIS consultation, Gamma is in the process of designing and documenting a Group-wide fit for purpose internal control framework that can be utilised both internally, as well as by the internal and external auditors going forward.

At the year-end Audit Committee meeting, management presented a "Management Fraud Assurance" report outlining the fraud risk areas, the relevant controls in place for the various processes and business practices adopted for fraud detection and monitoring. The Audit Committee found this statement useful and reassuring.

Annual Report and Financial Statements
The Board has asked the Committee to confirm that in its opinion the Annual Report as a whole can be taken as fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's financial position, performance, business model and strategy. In doing so the Committee has given consideration to:

- The way the Strategic Report (including the Chair's statement and reports of the CEO and CFO) presents the Group and its business, financial and business model and the metrics management uses to measure performance.
- Whether suitable accounting policies have been adopted and have challenged the robustness of significant management judgements and estimates reflected in the financial results.
- The comprehensive control framework around the production of the Annual Report, including the verification processes in place to deal with the factual content.
- The extensive levels of review that are undertaken in the production process, by both management and advisers.
- The Group's internal control environment.

The Group uses certain APMs to present its results, that are also used by management in running the business. These are non-GAAP measures but are designed to provide the users of the financial statements with additional useful information on the ongoing trading performance of the business. An explanation of the APMs and a reconciliation to the nearest statutory equivalent measure is provided on page 34.

As a result of the work performed, the Committee has concluded that the Annual Report for the year ended 31 December 2021, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy, and it has reported on these findings to the Board.

Group policies
The following Group policies were formalised by the Audit Committee during the year:

- Non-audit services policy
- Employment of former auditor's policy

Furthermore, the Audit Committee reviewed and reapproved the Group wide Treasury Policy during the year.

External Audit

Audit services
The auditor is appointed by the shareholders to provide an opinion on financial statements prepared by the Directors. Deloitte LLP, the Company's current auditor, were appointed for the first time for the year ending 31 December 2015. The year ending 31 December 2021 is the second year for Mark Tolley to act as lead partner, with the previous lead partner Andrew Bond having stepped down in 2020. In accordance with the FRC's ethical guidelines, it is anticipated that the audit will be put out to tender latest during 2024.

The scope of the current annual audit was agreed in advance with the Committee with a focus on areas of significant audit risk and the appropriate level of audit materiality. The Committee also had discussions with the auditor on fees, internal controls over indirect revenues, accounting policies and areas of critical accounting estimates and judgements. The auditor attends all meetings of the Audit Committee and reported to the Audit Committee on the results of the audit work and highlighted any issue which the audit work had discovered, or the Committee had previously identified as significant or material in the context of the financial statements.

There were no adverse matters brought to the Audit Committee's attention in respect of the 2021 audit, which were material and should be brought to shareholders' attention.

Effectiveness
The Audit Committee monitored and evaluated the effectiveness of the auditor under the current terms of appointment based on an assessment of the auditor's performance, qualification, knowledge, expertise, results of regulatory reviews and deployed resources and in light of the ongoing COVID-19 restrictions. The auditor's effectiveness was also considered along with other factors such as audit planning and interpretations of accounting standards and separate discussions with Management (without the auditor present) and with the auditor (without Management present). As Chair of the Committee, I also had discussions with the audit partner outside the formal meetings throughout the year.

The Committee was satisfied that the audit was effective and that Deloitte continues to demonstrate the skills and experience needed to fulfil its duties effectively.

Independence and non-audit fees
A non-audit services policy was formalised during the year, in line with the FRC ethical standards. Any non-audit services are required to be pre-approved by the Audit Committee. During the year Deloitte provided non-audit services to the Company of £51k (2020: £48k) in relation to the performed interim reporting review.

In order to fulfil the Committee's responsibility regarding independence of the auditor, the Committee reviewed the senior staffing of the audit, the auditor's arrangements concerning any conflicts of interest, the extent of any non-audit services, the fact that no former external auditors have been employed in the business, and the auditor's independence statement. The Committee was satisfied that the auditor remains independent.

For the financial year ending 31 December 2022, the Committee has recommended to the Board that Deloitte LLP be reappointed as auditor and the Board will be proposing their reappointment at the AGM.

Charlotta Ginman, FCA
Chair of the Audit Committee

21 March 2022

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
Andrew Belshaw (CFO)	4/4
Alan Gibbins[1]	2/2
Charlotta Ginman[2]	1/1
Richard Last	4/4
John Murphy (Group Operations Director)	4/4
Xavier Robert	4/4
Andrew Stone[1]	2/2
Andrew Taylor (CEO)	4/4

1 Alan Gibbins and Andrew Stone left the Committee at the time they stood down from the Board at the AGM on 20 May 2021.
2 Charlotta Ginman joined the Committee on 3 September 2021.

In addition to the committee members, quarterly meetings are also normally attended by the Company Secretary, the Chief People Officer, the Chief Strategy and Operating Officer, the Group Financial Controller, the Information Security Director, the General Council and Data Protection Officer, and Internal Audit representatives from PwC.

Dear shareholder,

I am pleased to introduce the Risk Committee report for the year ended 31 December 2021.

We were very pleased to welcome Charlotta Ginman to the committee towards the end of 2021, as well as being sorry to lose the services of Alan Gibbins and Andrew Stone as they retired from the board at the time of the AGM. The Committee now comprises four 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 20 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 the principal risks facing the Company are identified and there is a system in place for scanning the environment for new and emerging risks and responding to unexpected ones. It also monitors the risk exposure of the Group and is responsible for agreeing with management how the principal risks will be managed and mitigated or tolerated. The Committee is further responsible for reviewing and approving the remit of the risk management activity and ensuring that it is adequately resourced and independent and for ensuring that an appropriate and evolving risk awareness and risk management culture exists throughout the organisation.

Activities of the Risk Committee in 2021

The last year bought with it the continuing challenge of the COVID-19 pandemic, and its associated risks. Whilst Gamma's business and its supply chains generally maintained their resilience to the short-term economic impacts, the crisis continued to present challenges with only a partial return of our people to the office being possible when the government guidelines permitted. Throughout, looking after the safety and wellbeing of all our employees, as well as ensuring continuity of service to our customers, remained our priorities. In addition, following the end of the "Brexit transition period" 2021 bought with it a number of supply chain challenges, in particular as a result of the general chip shortages. The Committee monitored this situation carefully and were pleased that management's proactive approach minimised the impact on our customers.

During the year, based on an independent assessment by our internal auditors, the Committee oversaw management's introduction of a refreshed and revised Group risk management policy and framework. This has improved the consistency of how risks are categorised, assessed and qualified as well as strengthening individual executive ownership of individual or groups of risks. Later in the year management also undertook an externally facilitated review of the business's principle risks as well as an initial assessment of the Company's approach to risk appetite both overall and related to specific principle risks. The resourcing around our risk and control management activities was strengthened during the year with the appointment of a dedicated Risk Manager in February, a Head of Governance in July and a new Head of Business Continuity in December. The Committee also continued to support management in further developing general risk and security awareness throughout the business.

The Committee met four times in 2021, 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 enterprise risk register covering unplanned service disruption, data loss and cyber attacks, over-reliance on suppliers, uncompetitive landscape, price erosion, legal and regulatory non-compliance and unsuccessful M&A strategies 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.
- Receiving cyber security assurance and awareness status and planning updates from the Information Security Director.
- Receiving reports on the activities of the Group data protection committee.
- Reviewing the appropriateness and adequacy of the Group's insurance policies and related cover.
- Reviewing the Risk management and Our principal risks sections of the Strategic report within the Group's Annual Report.
- Reviewing the Committee's terms of reference.

Looking forward

Our Group continues to grow 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 ongoing developments in environmental governance expectations and standards, mean that risk awareness, identification, assessment and management will continue to be an important aspect of our overall activity and corporate governance. The Committee's focus in the coming year will be on continuing to improve our effectiveness in the overall approach to risk management, extending our refreshed risk management framework and associated processes to incorporate all of our non-UK subsidiaries, maintaining strong oversight of our cyber security and data protection activities, overseeing management's review of our business continuity strategy policy and practices, as well as continuing to increase risk and security awareness throughout the organisation.

Martin Lea
Chair Risk Committee

21 March 2022

ESG Committee report

ESG Committee

The ESG Committee is primarily responsible for:

- Overseeing the development of the Group's ESG strategy and governance structures and associated goals and policies.
- Ensuring that management establish appropriate ESG KPIs and related targets, and for overseeing their ongoing performance measurement and reporting.
- Monitoring ESG trends and related standards and legislative requirements and how those are likely to impact on the Group's strategy and financial performance.
- Making sure that the Group is transparent in its reporting of ESG matters to all its key stakeholders and that an ESG awareness is promoted throughout the organisation.

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

Meetings attended by committee members in 2021

Martin Lea (Chair)	4/4
Andrew Belshaw (CFO)	4/4
Charlotta Ginman[1]	3/3
Richard Last	4/4
Henrietta Marsh	4/4
Andrew Taylor (CEO)	4/4
Wu Long Peng	4/4

1 Charlotta Ginman was a member of the Committee until 3 September 2021.

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 Counsel.

Dear shareholder,

I am pleased to introduce the ESG Committee report for the year ended 31 December 2021.

There has been one change to the composition of the Committee during the year with Charlotta Ginman ceasing to be a member from 3 September 2021. The Committee now comprises four 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 36 to 47 of the Strategic Report. In addition, more detailed disclosures can be found in the 'ESG Information Hub' on the Company's website.

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 its key stakeholders. The Committee is responsible for ensuring that there is an evolving ESG awareness and culture throughout the organisation.

Activities of the ESG Committee in 2021

The Committee held four quarterly meetings during 2021, in order to review strategy, risks and opportunities, policy, governance, reporting and communications developments across all areas of ESG. In addition, it received regular updates from management regarding the regulatory environment and the evolution of various ESG standards. Good progress has been achieved in many areas but our particular focus in the past year has been on Climate and the Environment, and this is reflected in the more extensive disclosures being made for the year ending December 2021. Another key area of work has been to further strengthen the governance and ownership around our ESG priorities. During the past year an ESG Executive Steering Committee was established comprising members of the Senior Leadership Team and chaired by John Murphy our Group Operations Director. In addition, an ESG working group was formed with representation from across the Group both from within and outside the UK. This together with regular all staff ESG briefings is helping to increase levels of awareness and engagement across the Group.

In addition, during the year management commissioned a specialist third party to undertake an ESG materiality exercise to help us prioritise our ESG initiatives. This involved consultation with a broad set of the Group's stakeholders, including shareholders and employees, and has given management and the Committee a clear sense of the Group's current position and the way forward.

The year has not only been about structure and prioritisation. There have been initiatives in all three areas, particularly the Environment. Our emissions reporting boundary and carbon offset has been extended to cover our entire Group, including the non-UK subsidiaries for Scope 1, 2 and 3 emissions and energy data. The Committee is also pleased to have now approved a carbon net-zero plan for the Group with a target date of 2042 and will now be able to monitor the progress against that plan. We have also now included waste management data for the UK business.

With respect to Social impacts, in our last report we highlighted the UN Sustainability Goals where we thought Gamma could have the biggest positive impact, and these included Goals 5 and 10 dealing with Equality. Consistent with that the Group has identified Equality, Diversity and Inclusion (ED&I) as a key focus area. Management is undertaking an ED&I assessment of Gamma which will provide a clear view of the opportunities and challenges enabling us to develop a roadmap including the formulation of key metrics. In addition, we have reviewed our existing 'giving back' initiatives with a view to extending and enhancing these.

In terms of Governance, during the year several new policies have been developed such as Group Environmental Management and Group Ethical Conduct Policies which together with updated versions of previously existing policies are now available on the Company's website. The Committee takes responsibility for ensuring that all policies are subject to annual review.

Engagement with stakeholders

The Committee is responsible for ensuring that the Group provides appropriate visibility of its ESG credentials to the investment community, as well as other stakeholders. We are therefore pleased to report that during the year the Company has been subject to its first ESG assessments and received positive ratings from CDP and MSCI as well as an updated assessment and rating from Sustainalytics. We have also engaged individually with a number of larger shareholders whose ESG teams have requested meetings.

We have observed interest from employees and potential new recruits in certain ESG matters, for example in our plans for carbon net-zero and ED&I. In a competitive recruitment market, we believe our ESG efforts are a point of potential differentiation.

Some larger customers also require detailed questionnaires to be completed covering ESG matters and the results contribute directly to their decisions on contract awards. We consider that we are currently well placed competitively but need to keep investing in this area.

Looking forward

Looking to the year ahead, the Committee will focus on several areas. Considering the broad ESG scene, we will continue to develop a set of core KPI metrics across all aspects using the World Economic Forum (WEF) International Business Council (IBC) common metrics as a guide. The Committee will also carefully monitor progress by the International Sustainability Standards Board (ISSB) in achieving a harmonised set of ESG disclosure standards.

On the environment, we will focus on commencing the detailed planning around our carbon net-zero plan. Gamma has committed to set near- and long-term Company-wide emissions reductions in line with the Science Based Targets initiative (SBTi) and we will submit our target for validation within the SBTi guidelines. We will further improve the extent of our emissions measurement across the Group and further enhance our disclosures consistent with the TCFD recommendations. We will review the scope of our ISO 14001 (Environmental Management) UK certification and also plan to extend certification to our non-UK operating subsidiaries where that is appropriate.

We will continue to further develop our social programmes relating to our employees and the broader community, and as part of that continue to develop metrics and KPIs that will enable us to objectively and transparently report our performance. In particular our focus will be on the development of our Group ED&I strategy, policies and programmes as well as the implementation of a more structured approach to how we give back to the communities in which we operate and beyond.

From a governance perspective, we will continue to review key policies and monitor how they are being implemented as well as introducing additional policies where gaps in our framework are identified.

We remain strongly committed to our ESG programmes and the overarching principles of the UN Sustainable Development Goals. In order to reinforce this commitment we have also introduced ESG objectives into the 2022 senior executive bonus scheme. We will continue to develop Gamma's credentials as an environmentally and socially conscious business partner with high standards of governance and will endeavour to transparently disclose our progress and performance to all our key stakeholders.

Martin Lea
Chair ESG Committee

21 March 2022

Directors' Remuneration report

Remuneration Committee

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 Chair of the Board and, in consultation with the CEO, for determining the remuneration packages of other senior executives, as well as the Company Secretary and the Group Counsel. The Committee is also responsible for the review of share incentive plans and performance related pay schemes and their associated targets, and for making recommendations, to the Board in connection with them. It is also 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 terms of reference are reviewed and approved by the Board annually and are available on the Company's website.

	Meetings attended
Henrietta Marsh (Chair)	7/7
Martin Lea	7/7
Richard Last	7/7
Xavier Robert	7/7

Directors' Remuneration report structure and content

This report for the year ended 31 December 2021 is split into the following main areas:

Dear shareholder,

I am pleased to introduce the Directors' Remuneration report for the year ended 31 December 2021.

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 14% to £447.7m, and growth of 25% in Adjusted Profit Before Tax to £77.2m.

These positive results have been achieved against ongoing volatility in the economy caused by the COVID-19 pandemic. Gamma has recurring revenues and supplies services for which, in general, there has been an increasing requirement. It therefore has experienced ongoing steady growth in revenues rather than a sharp contraction and bounce back and has not needed to access any government support schemes relating to COVID-19. Our continued good growth underpinned a 13% increase in dividend to shareholders in 2021, maintaining our record of having increased our dividend every year since IPO in 2014, with a 13% increase recommended for 2022. In the area of remuneration, we have also sought to maintain a consistent approach. However, recruitment markets have become tight and in areas such as development and sales we are seeing sharp pressure on retention.

Early in the pandemic, the Committee considered the potential impact of the pandemic on its Senior Leadership Team (SLT) 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 and it has continued with this approach in 2021. In particular, the metrics for LTIPs (Total Shareholder Return (TSR) and adjusted Earnings Per Share (EPS)) have remained unchanged as have the growth targets. In line with the policy set out in last year's Annual Report, the LTIPs granted in 2021 to the Executive Directors were at 150% of salary. The share price at award for the LTIPs represented a 64% increase on that for the LTIPs issued in 2020 and a 66% increase on the figure in 2019.

A consistent approach has also been adopted to the setting of metrics and targets for the bonus scheme for 2022. A modest adjustment has been made through the introduction of a 5% element relating to ESG objectives. For both the Executive Directors and the SLT, the targets are designed to increase focus on diversity when recruiting, to disseminate the ownership of risk management through the leadership team and to improve recognition and measurement of Scope 3 emissions.

Executive Director remuneration outcomes in 2021

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 75% 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 119% of salary (compared to the maximum potential bonus of 125%) and the CFO earned a bonus of 95% 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 2018 to the Executive Directors, as well as other senior executives, were exceeded. These options therefore vested fully in 2021. Both Executive Directors are now shareholders in their own names and more than meet the shareholding requirements which the Committee instituted in 2020.

Whether the Policy operated as intended and exercise of discretion

The Committee considers that the Remuneration Policy has operated as intended. The share price and earnings performance over the three years to April 2021 was strong and the upper targets were comfortably exceeded. This has been appropriately rewarded with full vesting of the 2018 LTIPs. The bonus scheme has also operated as intended, incentivising collective effort across the senior team towards common financial goals as well as bringing individual focus on specific contributions to the major strategic goals. The Committee did not exercise discretion in the determination of the Executive Directors' remuneration during 2021.

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. During the year, we decided to expand our senior executive capacity and recruited a new CFO who will join us in May 2022. Andrew Belshaw will be promoted to Deputy CEO at the same time. We also recruited a replacement Chief People Officer.

In our recruitment processes, we have typically found we need to increase base pay remuneration to meet market levels. We will publish the terms on which our new CFO has been recruited next year when they are no longer commercially sensitive. In the meantime, we have increased the base pay of Andrew Belshaw to £325,000 with effect from the new year reflecting his enlarged responsibilities and the demonstrated market pay rates for his role. From our exposure to various potential new recruits, we have strong evidence this represents good value to the Company.

The pay of the CEO which was reviewed against comparators last year has been increased by 2.5% in line with the standard increase for the workforce.

During 2021, the Committee conducted a full review of the bonus scheme with the assistance of its advisers h2glenfern Remuneration Advisory. It reviewed the size of opportunities under the bonus scheme against comparators and decided not to make any changes. While the Committee continued to feel that the broad structure continued to be appropriate, it has introduced an element to be focused on ESG related objectives and the scheme for 2022 has 75% of opportunity related to Adjusted PBT, 20% to personal objectives, and 5% to ESG objectives. This structure is also being applied to the senior management.

In respect of the long-term incentives, the Committee decided not to change the quantum of the awards which stand at 150% of salary for both the Executive Directors. Having last year introduced a two-year holding period post vesting and a shareholding requirement of 200% of salary, in 2021 the Committee decided to introduce post termination shareholding requirements for Executive Directors signing new service contracts. The Committee considers that after these changes, the incentives to support the long-term progress of the Company are among the best on AIM and that malus and clawback clauses remain in line with best practice.

The Committee also considered whether to change the metrics for the LTIP awards which relate to the achievement of TSR and EPS growth goals over a three-year measurement period from absolute to relative. 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.

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 2021 awards of 183,643 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 2021 34% (2020: 42%) of all employees chose to participate, with options being granted over 155,514 (2020: 345,953) 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 2021, 48 employees had joined the scheme.

Employee remuneration

2021 has been another challenging year for employees, the large majority of whom worked from home or were hybrid working for most of the year. Given changed working patterns, consultation has taken placed with employees and managers to find the best mode of working on a team by team basis and a new hybrid working contract is in the process of being introduced for some staff and some new recruits. In the area of remuneration, the Board was pleased to approve a 2.5% general salary increase at the end of 2021 and it is hoped that this, combined with a hybrid working approach will be sufficient to deliver good staff retention and attract new employees. Nevertheless, in certain areas, for example software development and sales, we are facing significant competition for staff and we are making ad-hoc higher rises as required.

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 refined its use of 'Pulse Surveys' as described on pages 43 to 44. In the latest six-monthly 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 pressures, the median salary for existing employees in the UK increased by 2.5% for 2022 but the average UK salary, which takes account of the changing profile of the workforce, increased by 6.3% between 2020 and 2021. The CEO pay ratios increased significantly at all percentiles as a result of the vesting of the award made to the CEO in 2018 on recruitment. The total number of employees rose from 1,530 to 1,745.

Chair and Non-Executive Director remuneration

A review of the Chair of the Board's remuneration was completed in 2021 with the help of the Committee's advisers h2glenfern Remuneration Advisory. As a result of the Group's strong growth, both organic and inorganic, as well as the requirement in a bigger Group for clear strategic direction and higher standards of governance, the role of the Chair of the Board has enlarged. In recent years, restraint has been shown but consequently the remuneration has become increasingly uncompetitive. The Committee therefore decided to increase the Chair of the Board's pay to £140,000 with effect from 1 January 2022.

The fees of the committee chairs, the Senior Independent Director and the Non-Executive Directors were increased by 2.5% with effect from 1 January 2022 in line with the general Company-wide salary increase. A fee for the Workforce Engagement director has been allowed for in the Remuneration Policy if this is necessary to secure the right new non-executive to take on this role.

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 introduced post termination shareholding requirements for Executive Directors signing new service contracts. We have also disclosed the comparator group used for benchmarking exercises in 2020.

Engagement with shareholders

The Company regularly consults with institutional shareholders on strategic matters, including consultation through the Chair of the Board. 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 2022 AGM. The 2020 Directors' Remuneration report was approved on an advisory basis at the 2021 AGM with 99.92% of votes cast in favour.

On behalf of the Committee, I thank you for your support in 2021 and hope that you find this report increasingly helpful and informative.

Henrietta Marsh
Remuneration Committee Chair

21 March 2022

Main activities during 2021

January	Consideration of likely outcome of 2020 bonus scheme
	Determination of 2021 bonus scheme financial targets
	Approval of revisions to LTIP and bonus scheme documentation
March	Determination of 2020 bonus payments and deferral
	Consideration of the impact of employee share schemes on dilution
	Recommendation of 2021 LTIP awards to the Board together with performance conditions and targets
	Approval of LTIP vesting terms for good leaver
	Review of Executive Director and SLT bonus scheme targets in light of acquisition of Mission Labs and retention incentives for ML staff
April	Determination of vesting of 2018 LTIPs
	Recommendation of CSOP awards to the Board
	Review of gender pay gap
June	Review of bonus scheme against comparators
	Review of change of conditions for senior employee
July	Review of shareholder and proxy agent feedback
	Review of terms of reference
	Review of employee share schemes against alternatives
	Review of expenses policy
	Review of competitiveness of Executive Director remuneration
	Mid-year review of appropriateness of bonus targets
	Introduction of post-employment shareholding requirements for Executive Directors signing new contracts
September	Approval of remuneration of new Chief People Officer
November	Discussion on introduction of a reward framework across the Group
	Approval of remuneration and service contract of new CFO
December	Determination of Company-wide pay increase
	Approval of Senior Leadership Team pay increases
	Determination of Executive Director pay rise
	Consideration of bonus targets
	Approval of Chair of the Board's remuneration

Examples of how the Committee has addressed provision 40 of the Code in 2021

Clarity	The Committee is committed to transparency and has improved disclosure. For example, this year we have disclosed the comparator group we use when benchmarking remuneration. We have also provided greater detail in the policy on recruitment.
Simplicity	The structure of the Remuneration Policy is broadly unchanged and is commonly used by premium listed companies.
Risk	The Committee recognises the risk of target-based plans and has sought to improve alignment in the coming year by introducing post termination shareholding requirements. For 2022, in common with many larger businesses, we have introduced an element in the bonus scheme to incentivise progress in our ESG strategy and applied it to the SLT as well as the Executive Directors. In the ESG targets, there are specific objectives for the Executive Directors and senior management which relate to our risk management framework.
Predictability	A range of possible outcomes for Executive Director remuneration is 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 as having vesting values which are directly linked with share price performance.
Alignment to culture	The Gamma 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. Feedback from employees in 2021 has shown that a number of aspects relating to ESG are an important part of the culture, particularly improving diversity and targets dates for carbon net-zero. The inclusion of ESG targets in the bonus scheme will help align remuneration with culture.

Comparator group used for Executive Director benchmarking in 2020

Avast plc
Softcat plc
Computacenter plc
RWS plc
GB Group plc
Kainos Group plc
FDM Group (Holdings) plc
Telecom Plus PLC
First Derivatives plc
EMIS Group plc
NCC Group plc

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

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

Setting base salary for Executive Directors at an appropriate level is key to attracting and retaining high quality management. Therefore, the Remuneration Committee seeks to ensure that salaries are market-competitive for comparable companies. In addition to base salary, there are market competitive benefits and pension contributions which are at the same level as those available to eligible employees across the wider workforce. A significant proportion of total remuneration is performance-based using a structure which is common among AIM traded and premium listed companies. The Group's strategy has four key elements as set out on pages 14 to 15 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 as well as personal performance objectives. The latter typically support strategic and ESG 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. The Committee retains the discretion to set weightings on the performance goals or to set different performance measures from year to year.

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 a Save as You Earn ("SAYE"), and a Share Incentive Plan ("SIP"), the participation in which is open to all UK employees.

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

Consideration of shareholders' views on remuneration

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

Consideration of pay and employment conditions elsewhere in the Group

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

Summary of policy changes for 2022

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 2022 is included in the Annual Report on Remuneration. On 2 December 2021, we were pleased to announce that a new Chief Financial Officer, Bill Castell, is expected to join Gamma in May 2022 at which point Andrew Belshaw will become Deputy Chief Executive Officer. A summary of Bill Castell's remuneration will be included in the 2022 annual report of remuneration. Remuneration will be in accordance with the Remuneration Policy.

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	No
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

Purpose and link to strategy	Operation	Potential remuneration	Performance metric	Policy change?
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, from 2022 5% will be based on ESG related objectives and the remaining 75% based on Group financial performance targets. The Committee has the discretion to vary targets and weightings from year to year.	No However, this year ESG objectives have been introduced at 5% and Group financial objectives reduced from 80% to 75% with effect from 2022.
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 have been 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 to the CEO and the CFO, all 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.	No
Shareholding guidelines				
Encourages Executive Directors to build a meaningful shareholding in Gamma to further align interests with shareholders.	Each Executive Director is expected to build up and maintain a shareholding in Gamma equivalent to 200% of base salary. The shareholding includes beneficially owned shares, vested LTIPs on an after-tax basis and bonuses deferred into shares on an after-tax basis. If an Executive Director does not meet the guidelines, the Remuneration Committee may delay the release of 50% of LTIPs at the end of the holding period until the requirement is met. For Executive Directors who have entered into new service contracts after July 2021, the shareholding requirements apply for two years post cessation.	Not applicable	Not applicable	Yes Post cessation shareholding requirements introduced for executives signing new contracts.

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.
- To withhold the release of 50% of any year's LTIP award for Executive Directors not meeting the agreed shareholding requirements
- Discretion relating to vesting in the event of a change of control of the Company.
- 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.

Differences in Remuneration Policy for employees and Executive Directors

The principles behind the Remuneration Policy for Executive Directors are cascaded down through the Group and their aims are to attract and retain the best staff and to focus their remuneration on the delivery of long-term sustainable growth by using a mix of salary, benefits, bonus and longer-term incentives. As a result, no element of the Executive Director Remuneration Policy is operated exclusively for Executive Directors other than the two-year post vesting holding period and the post-employment shareholding policy:

- The annual performance related pay scheme for Executive Directors is largely the same as that of the rest of the Senior Leadership Team. In the UK, all are aligned with similar business objectives. In the European subsidiaries, there are objectives relating to the subsidiaries' financial and business performance.
- Participation in the LTIP is extended to the rest of the Senior Leadership Team and several other senior managers.
- The pension scheme is operated for all permanent employees and the Executive Directors receive the same level of contribution as the majority of other employees other than the CEO who does not participate.

The main difference between pay for Executive Directors and employees is that, for Executive Directors, the variable element of total remuneration is greater while the total remuneration opportunity is also higher to reflect the increased responsibility of the role.

Policy on recruitment

When hiring a new Executive Director, the Committee will consider the overall remuneration package by reference to the Remuneration Policy set out in this report. Salary and annual bonus levels will be set so as to be competitive with comparable roles in companies in similar sectors, and also taking into account the experience, seniority and the scope of responsibility of the appointee coming into the role. New Executive Directors will be able to participate in the annual bonus scheme on a pro-rated basis for the portion of the financial year for which they are in post. New Executive Directors may receive benefits and pension contributions in line with the Company's existing policy. LTIP awards are made on an ongoing basis in line with our policy for Executive Directors and other senior executives. In the year of recruitment, a higher award may be made to the new recruit within the limits of the plan (maximum of 400% of salary) and may be made with non-standard performance conditions or without performance conditions and with a shorter vesting period and without a holding period. Such an award may be spread over the two years following recruitment.

The approach in respect of compensation for forfeited remuneration from a previous employer will be considered on a case-by-case basis taking into account all relevant factors, such as the form of compensation forfeited, performance achieved or likely to be achieved, and the proportion of the performance period remaining. If any compensation for forfeited remuneration is paid, its value will not exceed 400% of salary when combined with any one-off LTIP awards.

In the case of an internal appointment, any variable pay element awarded in respect of a prior role would be allowed to pay out according to its terms, adjusted if relevant to take account of the appointment.

Change in policy?

Yes. While the overall limit of 400% of salary on recruitment is unchanged, a policy on compensation for forfeited remuneration has been introduced and there is greater flexibility on the method of payment and period over which recruitment awards can be made. A policy on promotions has been included.

Policy on loss of office

The following sets out the Company's policy in normal circumstances with regard to exit payments for each remuneration element for Executive Directors. The Group will pay any amounts it is required to in accordance with or in settlement of a director's statutory employment rights and in accordance with their service contract. A Director's service contract may be terminated without notice and without any further payment or compensation, except for sums accrued up to the date of termination, on the occurrence of certain events such as serious dishonesty, gross misconduct, incompetence, or willful neglect of duty.

Basic salary: This will be paid over the contractual notice period (CEO: 12 months: CFO: 12 months). However, the Company has the discretion to make a lump sum payment for termination in lieu of notice.

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

Annual Bonus: The payment of any annual bonus would be entirely at the discretion of the Remuneration Committee and if made would 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"): Awards are governed by the rules of the LTIP scheme at the time of award. In the case of good leavers, the current plan rules specify that, on exit, 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.

Post cessation shareholding requirements: For Executives Directors who have entered into new service contracts after July 2021, the shareholding requirements, by which an Executive Director is expected to build up a shareholding (including beneficially owned shares, vested LTIPs on a post-tax basis and deferred bonuses on a post-tax basis) of twice salary apply for two years post cessation.

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.

Change in policy?

Yes. Post cessation shareholding requirements introduced.

Policy on Non-Executive Director remuneration

Purpose and link to strategy	Approach to setting fees	Other items
Chair and Non-Executive Directors' fees		
To enable Gamma to recruit and retain Non-Executive Directors of the highest calibre, at an appropriate cost.	Non-Executive Directors are paid a basic annual fee. Additional fees may be paid to Non-Executive Directors who chair the Board, chair a committee and to the SID to reflect additional responsibilities, as appropriate. The level of fees for 2021 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 and the Chair of the Board are entitled to reimbursement for reasonable expenses (other than travel to and from the Company's London and Newbury offices unless this is by air). The Chair'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 Chair of the Board, the CEO and the CFO. The Non-Executive Directors are not involved in any decisions about their own remuneration.	Non-Executive Directors are not entitled to receive any compensation for loss of office, other than fees for their notice period. They do not participate in the Group's bonus, LTIP, employee share plans or pension arrangements, and do not receive any employee benefits. A taxable expense allowance has been introduced which replaces the Chair's and Non-Executives' previous entitlement to claim expense to and from the Company's London and Newbury offices. The amounts are set out in the Annual Report on Remuneration under Implementation of Remuneration Policy in the financial year 2022.

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 May 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 Chair and Non-Executive Directors have notice periods of three months from either party which do not apply in the case of a Director not being re-elected by shareholders or retiring from office under the Articles of Association. Other than fees for this notice period, the Chair and Non-Executive Directors are not entitled to any compensation on exit.

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

Director	Date of first appointment
Richard Last	17 June 2014
Martin Lea	17 June 2014
Wu Long Peng	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 vesting under the LTIP scheme) of the potential remuneration outcomes for each Executive Director resulting from the application of the 2022 base salaries to awards made in accordance with the proposed policy for 2022. 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 77). 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.

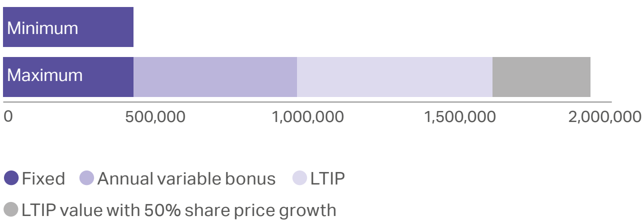
Performance scenarios

	Minimum	Maximum[1]
Base salary (2022)	✓	✓
Benefits (2021 actuals)	✓	✓
Pension (2022 estimate)	✓	✓
Bonus	Nil	125% CEO 100% CFO
LTIP	Nil	150% CEO 150% CFO

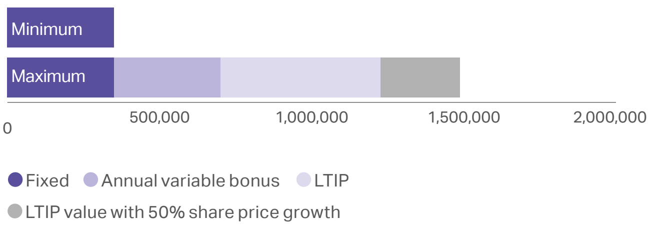
1 Maximum scenario assuming 50% share price appreciation.

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 2021. 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	2021	418	–	496	1,968	–	2,882	418	2,464
	2020	412	–	500	–	–	912	412	500
Andrew Belshaw	2021	269	–	256	627	3	1,155	272	883
	2020	262	–	248	350	6	866	266	598

Annual bonuses are shown on an accrued basis and include both the cash and deferred share element. The value of the LTIP in 2021 relates to the vesting of the 2018 LTIP awards, and the value has been calculated using the share price on the vesting date of 28 April 2021. Of the LTIP value of £1,968,000 for the CEO, £1,218,000 is attributable to share price appreciation. Of the LTIP value of £627,000 for the CFO, £388,000 is attributable to share price appreciation. In 2021, Andrew Belshaw received £8,727 (2020: £6,358) salary in lieu of a contribution by the Company to his pension of £9,931 (2020: £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 2021

The maximum annual bonus award opportunity in respect of the year ended 31 December 2021 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 Opportunity Payable	
					A.Taylor	A.Belshaw
Adjusted profit before tax[1]	80%	64.0	74.0	77.2	80%	80%
Personal Objectives	20%	n/a	n/a	n/a	15%	15%
					95%	95%

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 2021 and main achievements were:

CEO:

- Demonstrate significant progress in the integration of the European businesses into the Gamma Group: good progress has been made in integrating the European businesses into Gamma's Group Operating Model which includes the operational, technical and product environment.
- Execute the product road map: this has been focused on the core UK businesses and building a platform to launch products across the Gamma Group. Notable achievements included the development and go to market execution of MSTDR, Collaborate 2.0, UCaaS, CCaaS and the launch of Gamma's MVNO.
- Successfully launch our reformulated mobile offering: this was fully achieved.
- Train and develop the Senior Leadership Team: progress was made with the development and strengthening of the SLT. A replacement CPO was recruited, a full contribution was seen from the CMPO recruited in 2020 and a deputy CEO was appointed through internal promotion.

CFO:

- Continue to improve Group and business level reporting: this has evolved well and investment is underway in a new finance consolidation system.
- Prepare a roadmap for evolution of our governance structures to premium list standards: progress has been made and recruitment is underway to further improve governance.
- Continue to develop the finance team to support the UK and European businesses: significant progress was made with the recruitment of the new CFO who starts in May 2022.

The deferred bonus award is calculated as 25% of bonuses earned in 2021. 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 2021 £000s	Cash-settled £000s	Value of 2021 deferred bonus award £000s
Andrew Taylor	95%	496	372	124
Andrew Belshaw	95%	256	192	64

Deferred bonus awards will be granted under the Deferred Bonus Plan in April 2022. 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 2021 in respect of the deferred bonus for 2020 are below:

Director	Type of scheme interest	Number of awards	Vesting date	Face value of award[1]	Exercise price
Andrew Taylor	Nil-cost option	7,616	31 March 2024	125	£0.0025
Andrew Belshaw	Nil-cost option	3,789	31 March 2024	62	£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 2021.

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

Long-Term Incentive Plan ("LTIP") – Vesting of 2018 LTIP awards

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

Director	Total number of shares	Face value at grant	% Vesting	Shares Vesting	Share price[1] £	LTIP value
Andrew Taylor	108,381	750,000	100%	108,381	18.16	1,968,199
Andrew Belshaw	34,504	238,769	100%	34,504	18.16	626,593

1 The long-term incentive figure for the year has been valued using the market value of the shares that vested in 2021 at the vesting date of 28 April 2021.

The 2018 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%	38.4%	100%
Annual compound growth in EPS	50%	8%	20%	30.3%	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 2021 under the LTIP (audited)

During the year ended 31 December 2021 the following LTIP awards were granted. The performance conditions are set out below the table.

2021 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	150% of salary	38,253	£16.40	April 2024	627,358	£0.0025
Andrew Belshaw	Nil-cost option	150% of salary	23,789	£16.40	April 2024	390,141	£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, and is when the Remuneration Committee determines the extent to which the performance conditions have been satisfied.

2020 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	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

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

The 2020 and 2021 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 2021	Exercised in 2021	Lapsed in 2021	At 31 Dec 2022	Option price (p)	Date Exercisable	Expiry date	Market price on exercise (p)	Gain on exercise
Andrew Belshaw	1 July 2019	2,173	–	–	–	2,173	828	1 July 2022	31 December 2022	–	–
Andrew Taylor	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		Taxable Expenses		Total	
Director	2021 £000s	2020 £000s	2021 £000s	2020 £000s	2021 £000s	2020 £000s	2021 £000s	2020 £000s
Richard Last	104	102	–	–	–	2	104	104
Alan Gibbins[1]	19	49	3	8	–	–	22	57
Charlotta Ginman[2]	50	16	5	–	–	–	55	16
Martin Lea[3]	50	49	24	21	–	–	74	70
Henrietta Marsh[4]	50	49	8	5	–	–	58	54
Wu Long Peng	50	49	–	–	–	5	50	54
Xavier Robert	50	16	–	–	–	–	50	16
Andrew Stone	19	49	–	–	–	–	19	49

1 The 2021 fee shown is pro-rated as Alan Gibbins and Andrew Stone stood down from the Board at the AGM on 20 May 2021.
2 Charlotta Ginman was appointed Chair of the Audit Committee on 20 May 2021.
3 Martin Lea received a fee for acting as SID. He is also Chair of the ESG Committee and the Risk Committee.
4 Henrietta Marsh is the Chair of the Remuneration Committee.

Statement of Directors' shareholding and share interests (audited)

Directors' share interests at 31 December 2021 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. Both Executive Directors meet this requirement.

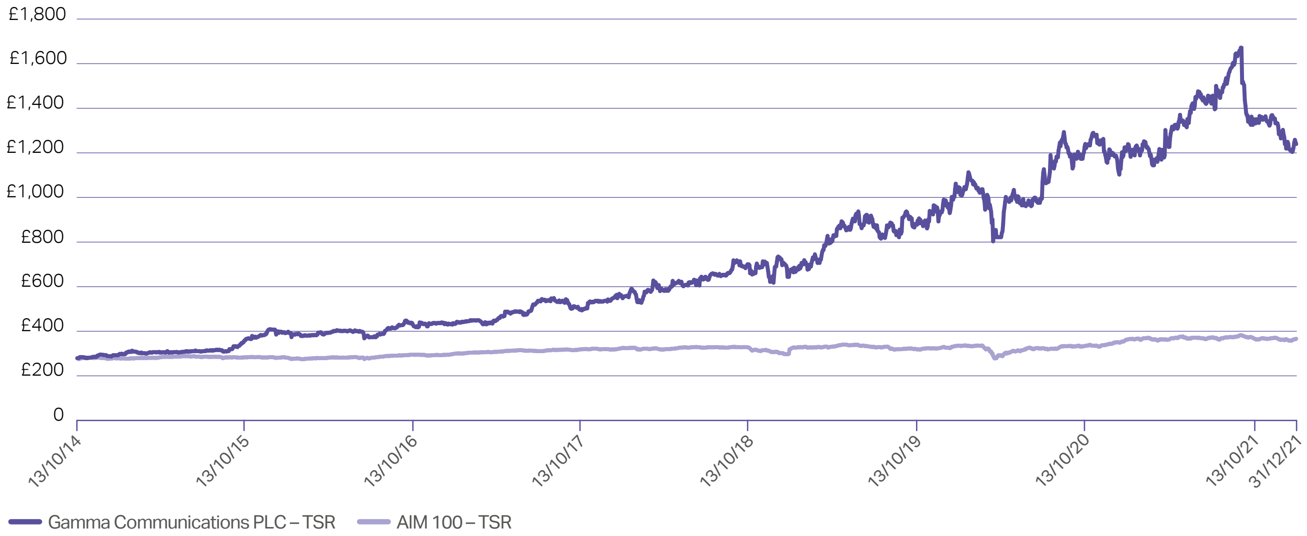
			Options			
2021	Percentage of shareholding requirement	Number of beneficially owned shares	With performance measures	Without performance measures	Vested but unexercised	Exercised during the year
Executive Director						
Andrew Taylor	226%	57,173	140,724	31,135	–	108,381
Andrew Belshaw	611%	99,505	87,513	12,212	–	34,504
Non-Executive Director						
Richard Last		53,475	–	–	–	–
Charlotta Ginman		1,000	–	–	–	–
Martin Lea		13,368	–	–	–	–
Henrietta Marsh		2,015	–	–	–	–
Wu Long Peng		–	–	–	–	–
Xavier Robert		3,000	–	–	–	–

Directors' share interests at 31 December 2020 are set out below:

2020	Percentage of shareholding requirement	Number of beneficially owned shares	Options: With performance measures	Options: Without performance measures	Options: Vested but unexercised	Options: Exercised during the year
Executive Director						
Andrew Taylor	0%	–	210,852	23,519	–	–
Andrew Belshaw	811%	129,505	98,228	8,423	–	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	–	–	–	–

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 eight years valued using the methodology applied to the single total figure remuneration (page 77).

	CEO	Total remuneration	Annual bonus payment level achieved (% of maximum opportunity)	LTIP Vesting level achieved (% of maximum opportunity)
2021	Andrew Taylor	£2,882,813	95%	100%
2020	Andrew Taylor	£911,608	97%	N/A
2019	Andrew Taylor	£884,408	96%	N/A
2018[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 year on year increase in salary, other pay and benefits and annual bonus for the year ended 31 December 2022 for Andrew Taylor in comparison to the wider workforce.

	CEO % increase/(decrease)	Employee % increase
Salary, other pay and benefits	2.5%	6.3%
Annual bonus	(1.0%)	1.5%

The table below sets out the historical changes in CEO annual increase compared to those granted to the wider workforce as previously reported:

	% change in base salary				
	FY17	FY18	FY19	FY20	FY21
CEO	2.0%	39.1%	2.0%	2.5%	2.5%
Employee	2.7%	3.1%	3.1%	5.3%	6.3%

The 2018 CEO change reflects the appointment of Andrew Taylor to the role of CEO replacing Bob Falconer.

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
2021	Option A	96.7	64.2	43.5

Pay data	Base salary	Total pay and benefits
Group CEO	418,239	2,882,813
UK employees 25th percentile	27,591	29,798
UK employees 50th percentile	40,148	44,869
UK employees 75th percentile	58,365	66,303

"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.

The Group Chief Executive remuneration is the total single figure remuneration for the year ended 31 December 2021 contained on page 77.

The workforce comparison is based on actual payroll data for the period 1 January 2021 to 31 December 2021.

The total single figure remuneration calculated for each employee includes full-time equivalent base pay, annual bonuses for the 2021 performance year, overtime, benefits, allowances and employer pension contributions.

Part-time workers have been included by calculating the full-time equivalent value of their pay and benefits.

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 pre-tax profit.

	2021 £m	2020 £m	Change %
Overall spend on pay, including Executive Directors	96.5	83.3	+15.8%
Profit before tax	67.2	75.0	-10.4%
Capital expenditure[1]	16.8	15.4	+9.1%
Dividends	11.7	10.4	+12.5%

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 2022

The changes in the Remuneration Policy in 2022 are explained in the Remuneration Committee Chair's statement on page 66 and set out in the Remuneration Policy table. The principal changes are the introduction of post-cessation shareholding requirements for Executive Directors signing new contracts and the introduction of ESG objectives into the bonus scheme.

Executive Directors

The following table summarises the Executive Director remuneration package for 2022.

Director	Salary £000s	Benefits	Maximum pension contribution (% of salary)	Maximum annual bonus opportunity (% of salary)	Maximum LTIP opportunity (% of salary)
Andrew Taylor	428	–	–	125%	150%
Andrew Belshaw	325	–	5.1%	100%	150%

Salary: With effect from 1 January 2022, the salaries of the CEO was increased by 2.5%, the salary of the CFO was increased by 25%, reflecting his increased responsibilities as Deputy CEO designate and the market rate for the CFO role as evidenced during the recruitment process for the new CFO who joins in May 2022 and as explained in the Remuneration Committee Chair's statement.

Pension and Benefits: There are no changes to these arrangements for the year commencing 1 January 2022.

Annual performance bonus: The maximum annual bonus opportunity remains the same as it was in the prior year. The performance measures and weightings have been amended with 75% of the maximum potential bonus being based on growth in adjusted PBT, 5% on ESG related objectives and 20% based on personal objectives. The specific targets for the annual bonus for 2022 will be disclosed in the 2022 Annual Report on Remuneration.

Long-Term Incentive Plan ("LTIP"): It is anticipated that further performance-based share option awards will be made in April 2022. 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 announcement of the awards and in the 2022 Annual Report.

Non-Executive Directors

With effect from 1 January 2022, the Chair of the Board's fees were increased from £104,000 to £140,000 as described in the Remuneration Chair's statement. The committee chair fees, the SID fee and the Non-Executive Directors' general fees were increased by 2.5% with effect from the 1 January 2022. An expense allowance has been introduced in 2022 for the Chair and the Non-Executive Directors which replaces their entitlements in their appointment letters to claim travel expenses (other than airfares and hotels) to and from the Company's London and Newbury offices as well as incidental expenses. These expenses are shown in the single figure of remuneration table but were not significant in 2020 and 2021 due to the pandemic. They were expected to revert to normal levels in 2022. The expense allowance is subject to tax and national insurance.

The following table summarises the 2022 Non-Executive Director fees.

Director	Directors' Fees £000s	Committee Chair Fees £000s	SID Fee £000s	Expense allowance £000s	Total Fees £000s
Richard Last	140	–	–	4	144
Charlotta Ginman	51	8	–	2	61
Martin Lea	51	17	8	2	78
Henrietta Marsh	51	8	–	2	61
Wu Long Peng	51	–	–	2	53
Xavier Robert	51	–	–	2	53

Advisers to the Remuneration Committee

During the year, h2glenfern Remuneration Advisory advised the Committee on certain aspects of the remuneration of the Executive Directors and the Chair of the Board. Fees of £25,800 exclusive of VAT were paid to h2glenfern Remuneration Advisory. h2glenfern Remuneration Advisory is a member of the Remuneration Consultants Group and, as such, voluntarily adheres to its Code of Conduct. The Committee considers the advice that it receives from h2glenfern to be independent.

Statement of Voting

During the 2021 AGM, a motion was set for the shareholders to approve on an advisory only basis the Remuneration Committee report. 99.92% votes were cast in favour of the motion.

This Directors' Remuneration report will be put to an advisory vote at the forthcoming 2022 AGM. This report was approved by the Board of Directors on 21 March 2022 and signed on its behalf by:

Henrietta Marsh
Remuneration Committee Chair

21 March 2022

Directors' report

The Directors present their Annual Report, together with the Group's audited financial statements for the year ended 31 December 2021.

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 36 to the financial statements. An indication of likely future developments in the business of the Company and details of research and development activities are included in the Strategic Report.

Information about the use of financial instruments by the Company and its subsidiaries is given in note 28 to the financial statements.

Dividends

The Directors recommend a final dividend of 8.8p per ordinary share (2020: 7.8p) to be paid on Thursday 23 June 2022 to ordinary shareholders on the register on Friday 3 June 2023 which, together with the interim dividend of 4.4p (2020: 3.9p), makes a total of 13.2p for the year (2020: 11.7p).

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 31 and 33 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.

In the period the Company has issued equity in connection with settlement of deferred consideration and options in respect of historical acquisitions.

Composition of the Group

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

Directors

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

Directors' interest in share capital

The Directors' interest in share capital is shown within the Annual Report on Remuneration on page 79.

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 prepared on a going concern basis. Further detail can be found in the Financial review on pages 32 to 35.

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 28 sets out the particular risks to which the Group is exposed, and how these are managed.

Interests in contracts

At no time during the year did any of the Directors have a material interest in any significant contract with the Company or any of its subsidiaries.

Health, safety, the environment and the community

The Group has 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.

Energy and carbon emission reporting

Information on energy and carbon emission reporting can be found on pages 36 to 42.

Political contributions
No political contributions were made in the year (2020: £nil).

Employee engagement
Information relating to how the Group engages with its workforce can be found on pages 43 to 44.

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 2022 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

21 March 2022

Statement of Directors' responsibilities

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

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

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

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

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

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

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

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

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

Responsibility statement

We confirm that to the best of our knowledge:

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

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

Andrew Belshaw
Chief Financial Officer

21 March 2022

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 2021 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);
- the 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 statements 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 36; 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 United Kingdom adopted international accounting standards and IFRSs as issued by the IASB. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

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.

2. Summary of our audit approach

Key audit matters	The key audit matter that we identified in the current year was: • *Revenue: accuracy of volume and pricing of indirect usage revenue* Within this report, the key audit matter is identified as follows: ⇔ Similar level of risk
Materiality	The materiality that we used for the group financial statements was £3.4m which was determined on the basis of 5% of profit before tax.
Scoping	The Group engagement team have performed a full scope audit for the entire UK group with the exception of the newly-acquired Mission Labs Limited, Exactive Holdings Limited ("Exactive") and Telsis Communication Services Limited ("Telsis"). The entities we perform full scope audit procedures over represent the principal business units and account for 89% (2020: 91%) of the Group's revenue, 95% (2020: 96%) of the Group's statutory profit before tax and 80% (2020: 90%) of the Group's net assets. The Group engagement team have worked with component auditors to perform specific audit procedures over the German subsidiaries HFO Telecom GmbH and Epsilon Telecommunications GmbH (together "HFO") and analytical review procedures over the remainder of the Group.
Significant changes in our approach	In the prior year, we identified a key audit matter relating to the the valuation of customer contract intangible assets identified as part of the acquisitions of HFO and Voz; this is no longer relevant as the acquisition accounting has been finalised.

3. Conclusions relating to going concern

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

Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included:

- Understanding the Group's process for assessing going concern, and relevant management review controls underpinning this assessment;
- Assessing the liquidity position of the Group and evaluating cash forecasts which were prepared for the period up to June 2023;
- Evaluating the historical accuracy of the Group's forecasts;
- Understanding the relevant assumptions used in the going concern models, including the Strategic Plan, and challenging them by comparison to our understanding of the business, external information and evidence gathered from other audit procedures; and
- Evaluating management's stress tests and break-even analyses, and performing our own independent analysis, in order to assess the sensitivity of the model to the assumptions used.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and 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.

4. 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.

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

Key audit matter description	Revenue from the Group's indirect usage customer base, which wholly relates to the UK, is calculated based on the volume of call traffic and associated call rates. We identified a key audit matter relating to the accuracy of traffic volumes as well as the accuracy of the pricing within this segment, due to the volume of transactions. Inaccuracies in call rates, whether due to fraud or error, could result in a material misstatement in revenue. In 2021 the group's revenues were £447.7m (2020: £393.8m) of which UK indirect usage revenue represents £78.5m (2020: £76.4m), as disclosed in note 5 to the financial statements. The group's revenue recognition principles are disclosed in note 1.
How the scope of our audit responded to the key audit matter	Working with our specialist IT auditors we tested, and placed reliance on, IT controls relevant to revenue, the most critical of which was the matching of the call rates input and call data records within the system to calculate the billing for each transaction. We have also tested and relied upon a number of other controls relevant to revenue, specifically in relation to rate-change reviews, the revenue reconciliations performed thereof, and the analysis of monthly revenue trends. 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 call minutes. In addition we performed substantive analytical procedures of total indirect usage revenues for the year based on the month-on-month trends, movements in minutes, as well as call rate fluctuations. We also traced a sample of credit notes raised post year end to supporting documentation to test for possible overstatement of revenue.
Key observations	We are satisfied that the UK indirect usage revenue is materially accurate.

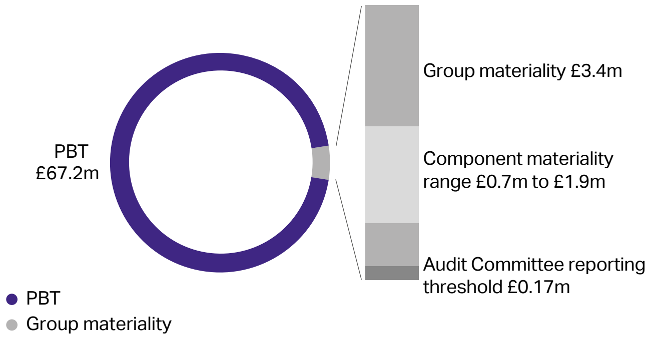
5. Our application of materiality

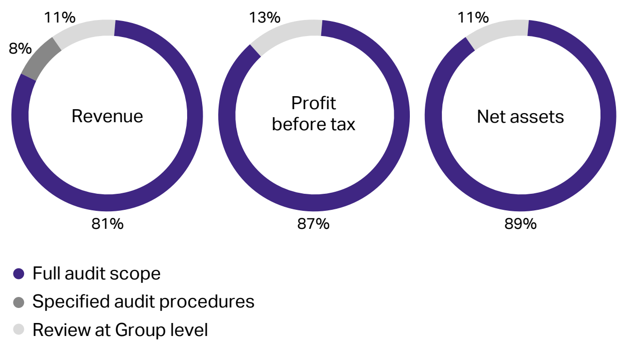
5.1. Materiality

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	£3.4m (2020: £2.8m)	£1.2m (2020: £1.4m)
Basis for determining materiality	5% of profit before tax (2020: 5% of profit before tax excluding gain on disposal of The Loop)	2% (2020: 2%) of net assets
Rationale for the benchmark applied	We chose this measure as it is the primary statutory measurement used by the users of the accounts and key stakeholders to measure the performance of the group.	Net assets has been chosen as the benchmark as it is considered the most relevant benchmark for an investment holding company.





5.2. Performance materiality
We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Parent company financial statements
Performance materiality	70% (2020: 70%) of group materiality	70% (2020: 70%) of parent company materiality
Basis and rationale for determining performance materiality	In determining performance materiality, we considered the following factors: • our historical knowledge of the group's business and our ability to forecast misstatements; • the quality of the control environment and the fact that we were able to rely on controls for revenue; • the nature of, and low volume and small size of, corrected and uncorrected misstatements identified in the previous audits; • management's willingness to investigate and correct misstatements; and • low turnover of management or key accounting personnel.	

5.3. Error reporting threshold
We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.17m (2020: £0.14m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

6. An overview of the scope of our audit

6.1. Identification and scoping of components
Our Group audit was scoped by obtaining an understanding of the Group and its environment, including controls, and assessing the risks of material misstatement at the Group level. Based on that assessment, the Group audit team have performed full scope audits at 4 components (2020: 4), being the four largest trading entities in the UK. These 4 components represent the principal business units within the Group and account for 81% (2020: 85%) of the Group's revenue, 87% (2020: 96%) of the Group's statutory profit before tax and 89% (2020: 90%) of the Group's net assets.

Specified audit procedures around revenue, cash and trade receivables have also been performed for HFO by our component auditors, which has given us a further 8% 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.

6.2. Our consideration of the control environment
We have taken a controls reliance in relation to revenue. Please see section 5.1 for a description of our approach. We also performed design and implementation procedures around controls relating to the risk of Management override. We took a fully substantive approach for all other areas of the audit.

6.3. Working with other auditors
The Group audit team engaged component audit team to perform the audit procedures as set out in section 7.1. The Group audit team held regular communication with the component auditors in planning for, and throughout, the audit process. Oversight of the component auditors included attending internal planning and status meetings, attending close meetings held with local management, reviewing relevant audit documentation, and discussing the results with both management and the component auditors.

7. 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.

8. 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.

9. 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.

10. 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.

10.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, internal audit and the audit committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team including component audit 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 relation to the accuracy of UK indirect revenue. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act and AIM Listing Rules.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty. These included Ofcom regulations, Health and Safety regulations, the Telecoms Act and GDPR compliance.

10.2. Audit response to risks identified

As a result of performing the above, we identified UK indirect revenue accuracy related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit 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 significant component audit teams, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

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

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

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

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

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

12.1. Adequacy of explanations received and accounting records

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

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

We have nothing to report in respect of these matters.

12.2. Directors' remuneration

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

We have nothing to report in respect of this matter.

13. Use of our report

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

Mark Tolley FCA
(Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Reading, United Kingdom
21 March 2022

Consolidated statement of profit or loss
For the year ended 31 December 2021

	Notes	2021 £m	2020 £m
Revenue	5	**447.7**	393.8
Cost of sales		**(219.2)**	(193.0)
Gross profit		**228.5**	200.8
Operating expenses		**(160.2)**	(125.1)
Earnings before depreciation, amortisation and exceptional items		**95.4**	79.0
Exceptional items	8	**–**	19.6
Earnings before depreciation and amortisation		**95.4**	98.6
Depreciation and amortisation (excluding business combinations)	7	**(17.6)**	(16.9)
Depreciation and amortisation arising due to business combinations	7	**(9.5)**	(6.0)
Profit from operations		**68.3**	75.7
Finance income	10	**0.1**	0.4
Finance expense	10	**(1.2)**	(1.1)
Profit before tax		**67.2**	75.0
Tax expense	11	**(13.2)**	(10.6)
Profit after tax		**54.0**	64.4
Attributable to:			
Equity holders of Gamma Communications plc		**53.6**	64.2
Non-controlling interests		**0.4**	0.2
		54.0	64.4
Earnings per share			
Basic per Ordinary Share (pence)	12	**55.9**	67.5
Diluted per Ordinary Share (pence)	12	**55.2**	66.6

Adjusted earnings per share is shown in note 12.

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

Consolidated statement of comprehensive income
For the year ended 31 December 2021

	2021 £m	2020 £m
Profit after tax	**54.0**	64.4
Other comprehensive expense		
Items that may be reclassified subsequently to the income statement (net of tax effect)		
Exchange differences on translation of foreign operations	**(3.5)**	(0.1)
Total comprehensive income	**50.5**	64.3
Attributable to:		
Equity holders of Gamma Communications plc	**50.1**	64.1
Non-controlling interests	**0.4**	0.2
	50.5	64.3

The notes on pages 95 to 126 form part of these financial statements.

Consolidated statement of financial position
As at 31 December 2021

	Notes	2021 £m	2020 £m
ASSETS			
Non-current assets			
Property, plant and equipment	14	**36.8**	36.3
Right of use assets	15	**10.2**	11.5
Intangible assets	16	**129.3**	95.3
Deferred tax assets	30	**7.0**	5.7
Trade and other receivables	20	**14.3**	14.8
		197.6	163.6
Current assets			
Inventories	19	**7.9**	8.1
Trade and other receivables	20	**98.4**	93.7
Cash and cash equivalents	21	**52.8**	53.9
Current tax asset		**5.1**	2.6
		164.2	158.3
Total assets		**361.8**	321.9
LIABILITIES			
Non-current liabilities			
Other payables	22	**2.0**	1.5
Borrowings	24	**2.5**	4.6
Lease liabilities	25	**9.8**	10.8
Provisions	29	**1.1**	1.9
Contract liabilities	23	**10.0**	8.3
Contingent consideration	27	**3.7**	1.2
Put option liability	26	**2.3**	5.6
Deferred tax	30	**10.0**	9.0
		41.4	42.9
Current liabilities			
Trade and other payables	22	**48.1**	54.9
Borrowings	24	**0.8**	1.3
Lease liabilities	25	**2.1**	2.3
Provisions	29	**0.9**	0.6
Contract liabilities	23	**7.4**	7.6
Contingent consideration	27	**2.6**	1.8
Put option liability	26	**3.4**	5.6
Current tax liability		**0.9**	0.5
		66.2	74.6
Total liabilities		**107.6**	117.5
Net assets		**254.2**	204.4
EQUITY			
Share capital	31	**0.2**	0.2
Share premium reserve	32	**14.9**	9.0
Other reserves	32	**4.5**	6.1
Retained earnings	32	**239.1**	197.5
Equity attributable to owners of Gamma Communications plc		**258.7**	212.8
Non-controlling interests	32	**2.2**	3.0
Written put options over non-controlling interests	32	**(6.7)**	(11.4)
Total equity		**254.2**	204.4

The financial statements on pages 91 to 126 were approved and authorised for issue by the Board of Directors on 21 March 2022 and were signed on its behalf by:

Andrew Belshaw
Chief Financial Officer

The notes on pages 95 to 126 form part of these financial statements.

Consolidated statement of cash flows
For the year ended 31 December 2021

	Notes	2021 £m	2020 £m
Cash flows from operating activities			
Profit for the year before tax		**67.2**	75.0
Adjustments for:			
Depreciation of property, plant and equipment	14	**8.3**	9.7
Depreciation of right of use assets	15	**2.7**	2.2
Amortisation and reduction in value of intangible assets	16	**16.1**	11.0
Change in fair value of contingent consideration	8	**–**	(0.1)
Share-based payment expense		**4.8**	3.5
Interest income	10	**(0.1)**	(0.4)
Finance expense	10	**1.2**	1.1
Gain on disposal of subsidiary undertaking	8	**–**	(19.5)
		100.2	82.5
Increase in trade and other receivables		**(5.4)**	(6.1)
Decrease in inventories		**0.2**	0.3
Decrease in trade and other payables		**(6.2)**	(6.1)
Increase/(decrease) in contract liabilities		**1.5**	(1.2)
(Decrease)/increase in provisions		**(0.5)**	0.9
Cash generated by operations		**89.8**	70.3
Taxes paid		**(13.3)**	(14.1)
Net cash flows from operating activities		**76.5**	56.2
Investing activities			
Gain on disposal of property, plant and equipment	14	**0.1**	–
Purchase of property, plant and equipment	14	**(9.1)**	(9.5)
Purchase of intangible assets	16	**(7.7)**	(5.9)
Interest received		**0.1**	0.4
Acquisition of subsidiaries net of cash acquired	18	**(49.3)**	(47.7)
Disposal of subsidiary net of disposed cash		**–**	19.4
Net cash used in investing activities		**(65.9)**	(43.3)
Financing activities			
Lease liability repayments	25	**(3.1)**	(2.1)
Repayment of borrowings	24	**(2.3)**	(1.6)
Interest paid		**(0.5)**	(0.3)
Share issues		**5.9**	1.5
Dividends	13	**(11.7)**	(10.4)
Net cash used in financing activities		**(11.7)**	(12.9)
Net decrease in cash and cash equivalents		**(1.1)**	–
Cash and cash equivalents at beginning of year		**53.9**	53.9
Cash and cash equivalents at end of year		**52.8**	53.9

The notes on pages 95 to 126 form part of these financial statements.

Consolidated statement of changes in equity
For the year ended 31 December 2021

	Share capital £m	Share premium reserve £m	Other reserves[2] £m	Retained earnings £m	Total £m	Non-controlling interests £m	Written put options over non-controlling interests £m	Total equity £m
1 January 2020	0.2	6.6	4.8	140.9	152.5	–	–	152.5
Issue of shares	–	2.4	(1.4)	1.3	2.3	–	–	2.3
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 expense	–	–	(0.1)	–	(0.1)	–	–	(0.1)
Total comprehensive (expense)/income	–	–	(0.1)	64.2	64.1	0.2	–	64.3
31 December 2020	0.2	9.0	6.1	197.5	212.8	3.0	(11.4)	204.4
1 January 2021	0.2	9.0	6.1	197.5	212.8	3.0	(11.4)	204.4
Issue of shares	–	5.9	(2.2)	2.2	5.9	–	–	5.9
Share-based payment expense	–	–	4.1	–	4.1	–	–	4.1
Tax on share-based payment expense:								
Current tax	–	–	–	1.7	1.7	–	–	1.7
Deferred tax	–	–	–	(0.7)	(0.7)	–	–	(0.7)
Non-controlling interests on acquisition of subsidiary	–	–	–	1.2	1.2	(1.2)	–	–
Equity put rights	–	–	–	(4.7)	(4.7)	–	4.7	–
Dividend paid[1]	–	–	–	(11.7)	(11.7)	–	–	(11.7)
Transaction with owners	–	5.9	1.9	(12.0)	(4.2)	(1.2)	4.7	(0.7)
Profit for the year	–	–	–	53.6	53.6	0.4	–	54.0
Other comprehensive expense	–	–	(3.5)	–	(3.5)	–	–	(3.5)
Total comprehensive (expense)/income	–	–	(3.5)	53.6	50.1	0.4	–	50.5
31 December 2021	**0.2**	**14.9**	**4.5**	**239.1**	**258.7**	**2.2**	**(6.7)**	**254.2**

1 Refer to note 13.
2 Refer to note 32.

The notes on pages 95 to 126 form part of these financial statements.

Notes to the financial statements
For the year ended 31 December 2021

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 United Kingdom ("UK"). 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 32 to 35.

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 17.

Exemption from audit
For the year ending 31 December 2021 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
Mission Labs Limited	10040088
Telsis Communication Services Limited	09235326
Telsis Direct Limited	02977905
Telsis Services Limited	02304971

For the year ending 31 December 2021, Gamma Communications Europe B.V. and Gamma Communications Benelux 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).

Dormant companies
For the year ending 31 December 2021 the following dormant UK subsidiaries will prepare and file individual accounts under s394A and s448A of the Companies Act 2006.

Subsidiary name	Company registration number
CircleLoop Limited	11056242
Exactive Online Limited	SC377506
Uniworld Bureau Services Limited	07136383

Notes to the financial statements continued
For the year ended 31 December 2021

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 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 annual impairment tests undertaken at 30 September each year 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.

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; carries the inventory risk; is free to establish its own prices either with or without bundling in other goods or services which are not supplied by the Group; and bears the credit risk for the amount receivable from the end user. The Group therefore recognises revenue based on the transactions with the channel partner and not the end user.

The Group also has other channel partners that do not meet the criteria above and hence are not recognised as the principal in the transaction. For sales relating to these channel partners the Group recognises revenue based on transactions with the end user and recognises commission paid to the channel partner as an expense.

Voice and data traffic

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

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

Subscriptions and rentals
Revenue from the rental of analogue and digital lines is recognised evenly over the period to which the charges relate. Subscription fees, consisting primarily of monthly charges for access to ethernet, broadband, UCaaS services 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 is activated by the mobile network operators. Annual commission is recognised on an accruals basis once the performance obligations can be measured reliably.

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

Incentive deals
Where the Group enters into incentive deals the costs are spread over the period of the deal and 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.

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.

Notes to the financial statements continued
For the year ended 31 December 2021

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.

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.

Equity instruments
Equity instruments are recorded as the proceeds received, net of direct issue costs. Gamma Communications plc Ordinary Shares held by the Group are classified in equity as Own Shares. 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.

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 13.

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 profit 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 statement of profit or loss 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 statement of profit or loss. The gain or loss on the hedged item that is attributable to the hedged risk is recognised in the statement of profit or loss. 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 statement of profit or loss, 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 statement of profit or loss 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 Consolidated statement of profit or loss.

Where the Group has a contract to use part of a fibre or copper pathway and does not have substantially all of the capacity of the asset this is not classified as a lease and payments are expensed. In some instances, a pathway may have a small incidental linkage where the Group is using substantially all of the capacity of a very minor part of the pathway. In this instance the whole contract is not treated as a lease.

Taxation

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the Consolidated statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other years, it includes items that are tax deductible but do not affect net profit and it further excludes items that are never taxable or deductible.

Deferred tax

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the Consolidated statement of financial position differs from its tax base, except for differences arising on:

- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit; and
- investments in subsidiaries and jointly controlled entities where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the statement of financial position date. Deferred tax is charged or credited in the 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 comprise 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.

Notes to the financial statements continued
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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 29.

Employee Benefit Trust ("EBT")
As the Company is deemed to have control of its EBT, it is treated as a subsidiary and consolidated for the purposes of the consolidated financial statements. The EBT's assets (other than investments in the Company's shares), liabilities, income and expenses are included on a line-by-line basis in the consolidated financial statements.

2. Critical accounting estimates and judgements

Preparation of the consolidated financial statements requires the Group to make certain estimations, assumptions and judgements regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including best estimates of future events. In the future, actual experience may differ from these estimates and assumptions. The 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

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

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, also represents the underlying performance of the Group. These are also used by the Board and management as key KPIs and one reason for this is to understand how the business is performing. Moreover, they provide information on the performance of the business that management is more directly able to influence and on a basis comparable from year to year.

The measures are adjusted for the following items:

(a) Depreciation and amortisation

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

(b) Depreciation and amortisation arising due to business combinations

This adjustment is made to improve the comparability between acquired and organically grown operations, as the latter cannot recognise 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.

Notes to the financial statements continued
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The impact of these adjustments is shown in the table below:

2021

Measure	Statutory Basis	Depreciation and amortisation on business combinations	Change in fair value of acquisitions	Adjusting tax items	Exceptional items**	Adjusted basis
PBT (£m)	67.2	9.5	0.5		–	77.2
PAT* (£m)	53.6	9.5	0.5	(1.5)	–	62.1
EPS (FD) (p)	55.2	9.8	0.5	(1.5)	–	64.0

2020

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

* Profit after tax (PAT) is the amount attributable to the ordinary equity holders of the Company.
** See note 8 for further details.

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

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

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

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 have not yet been adopted by the UK:

- IFRS 17 (including the June 2020 Amendments to IFRS 17) – Insurance Contracts
- Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to IAS 1 – Classification of Liabilities as Current or Non-current
- 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 – Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture
- Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies
- Amendments to IAS 8 – Definition of Accounting Estimates
- Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The Directors do not expect that adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods.

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 60% (2020: 63%) of the Group's external revenue.

UK Direct – This division sells Gamma's products to end users in the SME, Enterprise and Public Sector together with an associated service wrap. It contributed 24% (2020: 25%) of the Group's external revenues.

European – This division consists of sales made in Europe by Gamma Communications Benelux B.V. and its subsidiaries in the Netherlands, by VozTelecom Oigaa360 S.A.U. and its subsidiaries in Spain and by HFO Holding GmbH and its subsidiaries in Germany contributing 16% (2020: 12%) of the Group's external revenues.

Central functions – This is not a revenue-generating segment but is made up of the central management team and wider Group costs.

Factors that Management used to identify the Group's 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. Management are in the process of reviewing the go to market segments.

Measurement of operating segment profit or loss, assets and liabilities

The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies.

The Group evaluates performance on the basis of profit or loss from operations but excluding non-recurring losses, such as goodwill impairment and exceptional items.

Inter-segment sales are priced in line with sales to external customers, with an appropriate discount being applied to encourage use of Group resources at a rate acceptable to local tax authorities. This policy was applied consistently throughout the current and prior year.

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

External 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	13.3	2.4	2.7	–	18.4
Reportable segment assets	241.7	18.9	101.2	–	361.8
Reportable segment liabilities	56.1	17.0	34.5	–	107.6

Notes to the financial statements continued
For the year ended 31 December 2021

2020	UK Indirect £m	UK Direct £m	European £m	Central functions £m	Total £m
Segment revenue	268.5	98.1	48.5	–	415.1
Inter-segment revenue	(21.3)	–	–	–	(21.3)
Revenue from external customers	247.2	98.1	48.5	–	393.8
Timing of revenue recognition					
At a point in time	14.7	4.0	15.8	–	34.5
Over time (recurring)	232.5	94.1	32.7	–	359.3
	247.2	98.1	48.5	–	393.8
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 combinations	(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

6. Contract costs

Capitalised contract costs consist of commissions from the UK Direct division which are directly associated with specific customer contracts and installation costs.

	2021 £m	2020 £m
Commissions		
Capitalised	**1.3**	1.1
Amortised	**2.2**	1.6
Installation costs		
Capitalised	**1.6**	2.6
Amortised	**1.7**	2.3

There was no impairment loss in relation to the costs capitalised (2020: £nil).

7. Profit on ordinary activities

Profit on ordinary activities is stated after charging/(crediting) the following amounts:

	2021 £m	2020 £m
Net foreign exchange	**0.7**	0.1
Research costs	**14.8**	10.2
Employee costs (note 9)	**96.5**	83.3
Depreciation of property, plant and equipment	**8.3**	9.7
Depreciation on right of use assets	**2.7**	2.2
Amortisation of intangible assets (excluding business combinations)	**6.6**	5.0
Amortisation arising due to business combinations	**9.5**	6.0
Cost of inventories recognised as an expense	**11.9**	11.7
Fees payable to the Group's auditor	**0.4**	0.4

Fees payable to the Group's auditor for the audit of the Company and the consolidated financial statements totalled £380k (2020: £386k), which includes £51k (2020: £48k) in respect of the half-year review which is considered a non-audit service.

8. Exceptional items

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

1 Contingent consideration due in respect of Nimsys was decreased by £0.1m, this was credited to the statement of comprehensive income.
2 Relates to the sale of The Loop Manchester on 31 December 2020.

9. Employee costs

	2021 £m	2020 £m
Employee costs (including Directors) comprise:		
Wages and salaries	**76.9**	67.3
Defined contribution pension cost	**5.4**	4.6
Social security contributions and similar taxes	**9.4**	7.9
	91.7	79.8
Share-based payment expense (note 33)	**4.8**	3.5
	96.5	83.3

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:

	2021 Number	2020 Number
Operational	**934**	786
Selling, administration and distribution	**737**	621
	1,671	1,407

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Key management personnel compensation

Key management personnel comprise the Executive Directors and the Senior Leadership Team (listed on pages 52–53).

	2021 £m	2020 £m
Salary	**4.5**	4.0
Defined contribution pension cost	**0.1**	0.1
Social security contributions and similar taxes	**1.0**	0.9
	5.6	5.0
Share-based payment expense (note 33)	**2.8**	1.8
	8.4	6.8

Remuneration in respect of the Board of Directors is summarised below:

	2021 £m	2020 £m
Salaries and fees	**1.9**	1.8
Social security contributions and similar taxes	**0.3**	0.3
	2.2	2.1
Share-based payment expense (note 33)	**1.3**	0.8
	3.5	2.9

During the year, the aggregate amount of gains made by the Executive Directors on the exercise of share options was £2.6m (2020: £0.4m).

The average number of employees in Gamma Communications plc during the financial year was three (2020: none).

During the year, one Executive Director (2020: one) participated in a private money purchase defined contribution pension scheme.

10. Finance income and expense

	2021 £m	2020 £m
Finance income		
Interest received on bank deposits	**0.1**	0.4
Total finance income	**0.1**	0.4
Finance expense		
Lease liability interest costs	**(0.5)**	(0.5)
Movements of fair value	**(0.5)**	(0.3)
Interest on borrowings	**(0.2)**	(0.3)
Total finance expense	**(1.2)**	(1.1)
Net finance expense	**(1.1)**	(0.7)

11. Tax expense

	2021 £m	2020 £m
Current tax expense		
Current tax on profits for the year	**13.4**	12.1
Adjustment in respect of prior year	**0.6**	0.1
Overseas tax	**1.0**	0.5
Total current tax	**15.0**	12.7
Deferred tax expense		
Origination and reversal of temporary differences	**(1.7)**	(2.3)
Adjustment in respect of prior years	**(0.5)**	0.1
Tax rate change	**0.4**	0.1
Total deferred tax (note 30)	**(1.8)**	(2.1)
Total tax expense	**13.2**	10.6

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

	2021 £m	2020 £m
Profit before income taxes	**67.2**	75.0
Expected tax charge based on the standard rate of United Kingdom corporation tax at the domestic rate of 19% (2020: 19%)	**12.8**	14.3
Effects of:		
Tax-exempt income[1]	**–**	(3.7)
Tax effect of expenses that are not deductible in determining taxable profit	**0.2**	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(0.1)**	(0.2)
Tax rate change	**0.4**	–
Adjusting tax items	**(0.2)**	–
Adjustment in respect of prior year	**0.1**	0.2
Total tax expense	**13.2**	10.6

1 Includes the gain on the disposal of The Loop Manchester Limited in December 2020.

Deferred tax was calculated based on the tax laws and rates that were enacted or substantively enacted at the balance sheet date.

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12. Earnings per share

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

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

	2021 £m	2020 £m
Profit attributable to the ordinary equity holders of the Company	**53.6**	64.2
Shares	**No.**	No.
Weighted average number of Ordinary Shares for basic earnings per share	**95,894,913**	95,058,880
Effect of dilution resulting from share options	**1,166,725**	1,273,867
Diluted weighted average number of Ordinary Shares	**97,061,638**	96,332,747

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

Adjusted earnings per share is detailed below:

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

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

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

13. Dividends

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

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

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

14. Property, plant and equipment

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

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 in the year.

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15. Right of use assets

	Land and buildings £m	Other £m	Total £m
Cost			
At 1 January 2021	13.3	2.6	15.9
Reclassification[1]	1.8	(1.8)	–
Acquisition of subsidiary	–	0.1	0.1
Additions	1.0	0.6	1.6
Disposals	(1.0)	–	(1.0)
At 31 December 2021	**15.1**	**1.5**	**16.6**
Depreciation			
At 1 January 2021	3.7	0.7	4.4
Reclassification[1]	0.4	(0.4)	–
Charge for the year	2.3	0.4	2.7
Disposals	(0.7)	–	(0.7)
At 31 December 2021	**5.7**	**0.7**	**6.4**
Net book value			
At 1 January 2021	9.6	1.9	11.5
At 31 December 2021	**9.4**	**0.8**	**10.2**

1 Management have performed a review of the classification of assets which has resulted in a reclassification of £1.8m.

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 2021 (2020: none).

16. Intangible assets

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

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

16. Intangible assets continued

The carrying amount of goodwill is allocated to the groups of cash generating units ("CGUs") as follows:

	2021 £m	2020* £m
UK Direct	**13.3**	13.3
UK Indirect	**40.0**	1.3
The Netherlands	**7.3**	7.3
Spain	**14.0**	15.2
Germany	**8.5**	9.1
Total	**83.1**	46.2

* In the current period, the Group revised the approach to impairment testing of goodwill to reflect a change in the level at which goodwill is monitored. This reflects the ongoing structural changes resulting in the integration of the acquisitions made between 2018-2021 with the monitoring of goodwill performed at a level representing an aggregation of CGUs, rather than at the individual CGU level.

The carrying value of the Group's goodwill was tested for impairment at 30 September 2021 and 31 December 2020.

The recoverable amount has been determined on a value-in-use basis on each CGU group, using the Board approved budgets, where gross margin percentage is assumed to be held principally constant and budgeted revenue and overheads are forecasted to grow. These budgets are built on the entity's past experience and are over a five-year period plus terminal value. The long-term growth rates used were 2% (2020: 2%).

We have estimated the pre-tax discount rate using the Group's WACC. The pre-tax discount is 9.1% (2020: 9.5%). We risk-adjusted the discount rate for risks specific to each market, adding up to 3% to the WACC as appropriate. The rate used for The Netherlands was 9.4% (2020: 9.5%), 11.75% for Spain (2020: 11.5%) and 10.0% (2020: 9.5%) for Germany.

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

(1) The Group's value in use cash flows assumes a double-digit revenue CAGR over the five-year period. A decrease in the forecast revenue CAGR by 4% (2020: 3%) over this period, would see the headroom reduced to nil.

(2) To break even, the EBITDA margin percentage achieved in year 5 and terminal years would need to reduce by 9% (2020: 5%).

Customer contracts include the following material balances at 31 December 2021:

- Gamma Communications Benelux B.V. and its subsidiaries, £7.0m (2020: £8.6m) carrying value with seven years of amortisation remaining.
- VozTelecom Oigaa360 S.A.U. and its subsidiaries, £4.3m (2020: £6.0m) carrying value with four years of amortisation remaining.
- HFO Holding GmbH and its subsidiaries, £7.2m (2020: £10.2m) carrying value with four years of amortisation remaining.

Development cost includes technology acquired on acquisition of Mission Labs, £4.2m (2020: n/a) carrying value with seven years of amortisation remaining.

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17. Subsidiaries
The Company's subsidiaries at 31 December 2021 are detailed below.

Name	Registered Address	Country	Ownership %	Class
CircleLoop Limited	5 Fleet Place, London, EC4M 7RD	United Kingdom	100%	Ordinary shares
ComyMedia Proyectos y Servicios SL	Parque Empresarial Zuatzu, Edificio Zurriola, local 2, planta baja, 20018 San Sebastián, Guipúzcoa, Spain	Spain	100%	Ordinary shares
Epsilon Telecommunications GmbH	Ziegeleistraße 2, 95145, Oberkotzau, Germany	Germany	88.15%	Ordinary shares
Exactive Holdings Limited	30 & 34 Reform Street, Dundee, Scotland, DD1 1RJ	United Kingdom	100%	Ordinary shares
Exactive Limited	30 & 34 Reform Street, Dundee, Scotland, DD1 1RJ	United Kingdom	100%	Ordinary shares
Exactive Online Limited	30 & 34 Reform Street, Dundee, Scotland, DD1 1RJ	United Kingdom	100%	Ordinary shares
Exactive Poland sp. zoo.	ul. Abrahama 1A, 80-307 Gdańsk, Poland	Poland	100%	Ordinary shares
Gamma Business Communications Limited	5 Fleet Place, London, EC4M 7RD	United Kingdom	100%	Ordinary shares
Gamma Business Services BV (Formerly Schiphol Connect, merged with Nimsys BV 8 July)	Evert van de Beekstraat 1-63, 1118CL Schiphol, the Netherlands	Netherlands	100%	Ordinary shares
Gamma Communications Benelux BV	Krijgsman 12 1186DM Amstelveen, the Netherlands	Netherlands	100%	Ordinary shares
Gamma Communications Europe BV	Office address: 5 Fleet Place, London, EC4M 7RD	Netherlands	100%	Ordinary shares
Gamma Communications Germany GmbH	c/o Bird & Bird, Maximiliansplatz 22, 80333 München, Germany	Germany	100%	Ordinary shares
Gamma Communications Ireland Limited	6th Floor, 2 Grand Canal Square, Dublin, Republic of Ireland	Ireland	100%	Ordinary shares
Gamma Communications Nederlands BV (Formerly, Dean One BV, merged with gnTel BV 1 December)	Krijgsman 12 1186DM Amstelveen, the Netherlands	Netherlands	100%	Ordinary shares
Gamma Communications US Inc	1313 N. Market Street, Suite 5100, Wilmington, Delaware, 198001	United States	100%	Common stock
Gamma Development KfT	Széchenyi rakpart 8, 1054 Budapest, Hungary	Hungary	100%	Ordinary shares
Gamma Europe Holdco Limited	5 Fleet Place, London, EC4M 7RD	United Kingdom	100%	Ordinary shares
Gamma Group Holdings Limited	5 Fleet Place, London, EC4M 7RD	United Kingdom	100%[1]	Ordinary shares
Gamma Network Solutions Limited	5 Fleet Place, London, EC4M 7RD	United Kingdom	100%	Ordinary shares
Gamma Telecom Holdings Limited	5 Fleet Place, London, EC4M 7RD	United Kingdom	100%[2]	Ordinary and B1 shares
Gamma Telecom Limited	5 Fleet Place, London, EC4M 7RD	United Kingdom	100%	Ordinary shares
Gamma Telecomunicaciones Spain Holdings SL	Calle Artesans 10, Parc Tecnologic del Vallés, 08290 Cerdanyola del Vallés, Barcelona, Spain	Spain	100%	Ordinary shares
gnTel GmbH	Stadttor 1, 40219 Dusseldorf, Germany	Germany	100%	Ordinary shares
HFO Holding GmbH	Ziegeleistraße 2, 95145, Oberkotzau, Germany	Germany	88.15%	Ordinary shares
HFO Technology GmbH	Ziegeleistraße 2, 95145, Oberkotzau, Germany	Germany	88.15%	Ordinary shares
HFO Telecom GmbH	Ziegeleistraße 2, 95145, Oberkotzau, Germany	Germany	88.15%	Ordinary shares
Mission Labs Limited	5 Fleet Place, London, EC4M 7RD	United Kingdom	100%	A, B, C, D ordinary shares
Mission Labs Limited (New Zealand)	C/o TMF Corporate Services Limited, 41 Shortland Street, Auckland Central, 1010, New Zealand	New Zealand	100%	Ordinary shares
Telsis Communications Services Limited	5 Fleet Place, London, EC4M 7RD	United Kingdom	100%	Ordinary shares
Telsis Direct Limited	5 Fleet Place, London, EC4M 7RD	United Kingdom	100%	Ordinary shares
Telsis GmbH	Robert-Bosch-Straße 7, 64293 Darmstadt, Germany	Germany	100%	Ordinary shares
Telsis Services Limited	5 Fleet Place, London, EC4M 7RD	United Kingdom	100%	Ordinary shares
Uniworld Bureau Services Limited	5 Fleet Place, London, EC4M 7RD	United Kingdom	100%	Ordinary shares
VozTelecom Andalucía SL	Calle Isaac Newton 3, Edificio Bluenet PCT Cartuja, 41092 Sevilla, Spain	Spain	100%	Ordinary shares
VozTelecom Comunicación Inteligente SLU	Calle Artesans 10, Parc Tecnologic del Vallés, 08290 Cerdanyola del Vallés, Barcelona, Spain	Spain	100%	Ordinary shares
VozTelecom Maroc, SARL AU	Park Tetouanshore route de Cabo Negro Shore 3 Local 004, Comune de Martil – Tétouan CP 93150, Morocco	Morocco	100%	Ordinary shares
VozTelecom Oigaa360 S.A.U.	Calle Artesans 10, Parc Tecnologic del Vallés, 08290 Cerdanyola del Vallés, Barcelona, Spain	Spain	100%	Ordinary shares
VozTelecom Puntos de Servicio SLU	Calle Ortega y Gasset 63, 1ºB, 28006 Madrid, Spain	Spain	100%	Ordinary shares

1 Directly held by the Company.
2 In December 2021, the ownership of Gamma Telecom Holdings Limited was transferred from Gamma Communications plc to Gamma Group Holdings Limited.

Gamma Telecom Limited is also a member of NP4UK Limited which is a dormant company (limited by guarantee) incorporated in the United Kingdom.

The Group also consolidates the Gamma Communications plc SIP Trust.

Through the acquisition of the Voz Telecom Group, the Group acquired a 40.87% stake in VozTelecom Latinoamerica Sa de CV, registered in Mexico. The investment value is £0.025m and is accounted for under the equity method. The Group holds no other interests in unconsolidated structured entities.

18. Business combinations

Summary of acquisitions

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

The identifiable acquired assets and liabilities assumed are as follows:

	Mission Labs £m
Tangible fixed assets	0.1
Right of use assets	0.1
Intangible – development costs	5.2
Intangible – customer contracts	1.5
Intangible – brand	0.9
Cash	2.4
Trade receivables	1.0
Other receivables	0.3
Trade payables	(0.3)
Other payables	(0.5)
Borrowings	(0.2)
Deferred tax liability	(1.3)
Total identifiable assets	9.2
Add: Goodwill	38.7
Net assets acquired	**47.9**

	Mission Labs £m
Satisfied by:	
Cash paid	43.2
Contingent consideration[1]	4.7
Total	**47.9**

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

Net cash outflow on acquisitions:

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

Valuations of intangible assets

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

Goodwill

The goodwill encapsulates the ability to grow through new technology and attracting new customers as well as the synergies gained through bringing Mission Labs into the Group and is not deductible for tax purposes. The goodwill has been allocated to the UK Indirect segment which is the level at which the goodwill is monitored for impairment purposes.

Acquired receivables

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

Revenue and profit contribution

From the date of acquisition, Mission Labs has contributed £5.4m of revenue and £2.2m of loss after taxation attributable to the equity holders of Gamma Communications plc. If the acquisition occurred on 1 January 2021, Mission Labs would have contributed £7.1m revenue and £2.3m loss after taxation attributable to the equity holders of Gamma Communications plc. These amounts are unaudited.

19. Inventories

	2021 £m	2020 £m
Raw materials and consumables	**7.9**	8.1

The replacement cost of inventories equals the statement of financial position amount.

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20. Trade and other receivables

	2021 £m	2020 £m
Trade receivables	**46.1**	44.2
Less: provision for impairment of trade receivables	**(7.1)**	(6.4)
Trade receivables – net	**39.0**	37.8
Contract assets	**41.4**	43.9
Prepayments	**25.8**	22.4
Other receivables	**6.5**	4.4
Total trade and other receivables	**112.7**	108.5
Of which:		
Due within one year	**98.4**	93.7
Due after more than one year	**14.3**	14.8

The carrying value of the trade and other receivables is considered to be approximately equal to their fair value.

Movements on the provision for impairment of trade receivables are as follows:

	2021 £m	2020 £m
At 1 January	**6.4**	4.4
Acquisition of subsidiaries	**–**	0.5
Provided during the year	**0.9**	1.5
Receivable written off during the year as uncollectible	**(0.2)**	–
	7.1	6.4

The movement on the provision for impaired receivables has been included in revenue or operating expenses as appropriate in the Consolidated statement of profit or loss.

The main factors considered by the finance function in determining that 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:

	2021 £m	2020 £m
Not due	**0.7**	1.0
Up to 3 months	**1.8**	2.8
3 to 6 months	**1.9**	0.2
6 to 12 months	**0.3**	0.5
Older than 1 year	**2.4**	1.9
	7.1	6.4

The Group does not have any concentration of credit risk. No customers represent more than 10% of trade receivables.

The ageing analysis of trade receivables that were past due but not impaired are detailed below. They relate to customers with no default history or where we have an offset arrangement.

	2021 £m	2020 £m
Up to 3 months	**7.9**	2.7
3 to 6 months	**0.5**	0.8
6 to 12 months	**0.1**	0.8
Older than 1 year	**–**	0.1
	8.5	4.4

21. Cash and cash equivalents

	2021 £m	2020 £m
Cash at bank	**38.3**	50.4
Short-term deposits	**14.5**	3.5
Total cash and cash equivalents	**52.8**	53.9

22. Trade and other payables

	2021 £m	2020 £m
Current and non-current		
Trade payables	**5.7**	9.4
Other payables	**5.6**	8.6
Accruals – Cost of sales	**10.3**	16.0
Accruals – Operating expenses (excluding payroll)	**8.9**	6.4
Accruals – Payroll (excluding tax and social security)	**11.6**	10.2
Tax and social security	**4.5**	3.2
Deferred income	**3.5**	2.6
Total trade and other payables	**50.1**	56.4
Book values approximate to fair value at 31 December		
Of which:		
Due within one year	**48.1**	54.9
Due after more than one year	**2.0**	1.5

23. Contract liabilities

	2021 £m	2020 £m
Contract liabilities	**17.4**	15.9

Contract liabilities are deferred income arising from installations and Horizon upfront subscriptions, which are released to the statement of profit or loss over the life of the contract.

The movement on contract liabilities can be explained as below:

	2021 £m
At 1 January 2021	**15.9**
Additions	**10.2**
Amortisation	**(8.7)**
At 31 December 2021	**17.4**

The amount of revenue recognised in 2021 for performance obligations satisfied (or partially satisfied) in previous periods is £nil (2020: £nil).

24. Borrowings

	2021 £m	2020 £m
Secured		
Bank loans	**1.8**	2.4
Total secured borrowings	**1.8**	2.4
Unsecured		
Bank loans	**1.0**	2.5
Other borrowings	**0.5**	1.0
Total unsecured borrowings	**1.5**	3.5
Total borrowings	**3.3**	5.9
Of which:		
Current	**0.8**	1.3
Non-current	**2.5**	4.6

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	2021 £m	2020 £m
At 1 January	**5.9**	–
Acquisition of subsidiaries	**–**	7.6
Repayments of borrowings	**(2.3)**	(1.6)
Exchange difference	**(0.3)**	(0.1)
At 31 December	**3.3**	5.9

All loans are held by trading subsidiaries outside of the UK and pre-date acquisition by Gamma. The Group has complied with the financial covenants of its borrowing facilities during the year.

Of the bank loans, £1.8m 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.

Maturity analysis of borrowings is shown in note 28.

25. Lease liabilities

	2021 £m
At 1 January 2021	**13.1**
Acquisition of subsidiary	**0.2**
Additions	**1.7**
Disposals	**(0.3)**
Repayments	**(3.1)**
Finance expense	**0.3**
At 31 December 2021	**11.9**

	2021 £m	2020 £m
Lease liabilities included in the statement of financial position at 31 December		
Current	**2.1**	2.3
Non-current	**9.8**	10.8
	11.9	13.1
Amounts recognised in the statement of comprehensive income		
Interest expense on lease liabilities	**0.3**	0.6
Expenses relating to short-term leases	**–**	–
Expenses relating to leases of low value assets, excluding short-term leases of low value assets	**–**	–

The amounts recognised in the consolidated statement of cash flows is £3.1m (2020: £2.1m).

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 2021 (2020: £nil).

For maturity analysis of leases, see note 28.

26. Put option liability

	2021 £m	2020 £m
Current	**3.4**	5.6
Non-current	**2.3**	5.6
	5.7	11.2

The Group has an option to acquire the remaining 11.85% of the shares in HFO Holdings (which are held by management) in two tranches. In 2022, c8% (where the consideration will be based on the results of 2021) and in 2023 a final tranche of c4% (based on net additions to cloud seats in 2022). This additional consideration will in aggregate be between €4.5m and €11.0m 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.

27. Contingent consideration

	2021 £m	2020 £m
Current	**2.6**	1.8
Non-current	**3.7**	1.2
	6.3	3.0

The reconciliation of the carrying amounts of contingent consideration is as follows:

	Exactive £m	Voz Telecom £m	Mission Labs £m	Total £m
1 January 2021	2.3	0.7	–	3.0
Acquisition of subsidiary	–	–	4.7	4.7
Contingent consideration paid	(1.2)	(0.3)	–	(1.5)
Adjustment to contingent consideration	(0.2)	(0.2)	0.5	0.1
31 December 2021	**0.9**	**0.2**	**5.2**	**6.3**

Contingent consideration for Exactive is based on the EBITDA performance for 2021. Management has recalculated the fair value at the end of the accounting period and there have been adjustments to Exactive contingent consideration.

Contingent consideration for the Voz subsidiary relates to acquisitions made by Voz Telecom prior to the acquisition by the Group.

Contingent consideration relating to Mission Labs is based on milestones being achieved in 2021, 2022 and 2023. Consideration of up to £6.0m may be payable. The fair value of £5.2m at 31 December 2021 is based on a payout of £5.7m which takes into account the weighted probability of success.

28. 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

	2021 £m	2020 £m
Cash and cash equivalents	**52.8**	53.9
Trade receivables – net	**39.0**	37.8
Contract assets	**41.4**	43.9
Other receivables	**6.5**	4.4
Financial assets at amortised cost	**139.7**	140.0

	2021 £m	2020 £m
Trade payables	**5.7**	9.4
Other payables	**5.6**	8.6
Accruals – Cost of sales	**10.3**	16.0
Accruals – Operating expenses (excluding payroll)	**8.9**	6.4
Accruals – Payroll (excluding tax and social security)	**11.6**	10.2
Lease liabilities	**11.9**	13.1
Borrowings	**3.3**	5.9
Financial liabilities at amortised cost	**57.3**	69.6

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:

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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 20.

Due to the Group's procedures for managing credit risk, expected credit losses on all non-trade receivable financial assets are expected to be negligible. Expected impairment for trade receivables is calculated based on historical default rates. Details of this provision are shown in note 20.

Financial assets – maximum exposure

	2021 £m	2020 £m
Cash and cash equivalents	**52.8**	53.9
Trade receivables – net	**39.0**	37.8
Contract assets	**41.4**	43.9
Other receivables	**6.5**	4.4
Total financial assets	**139.7**	140.0

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., Voz Telecom Oigaa360 S.A.U. 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 Pounds 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.

As of 31 December 2020 and 31 December 2021 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 £3.3m in borrowings and therefore the exposure to interest rate risk is limited. A sensitivity analysis for interest rate risk has not been prepared as the risk is immaterial.

Liquidity risk
Liquidity risk arises from the Group's management of working capital. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. It is the Group's aim to settle balances as they become due.

The Group generates positive cash flows from operating activities and these fund short-term working capital requirements. Annually, the Board receives five-year projections. At the end of the financial year, these projections indicated that the Group expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances.

28. Financial instruments – risk management continued

The following table sets out the contractual maturities (representing undiscounted contractual cash flows) of financial liabilities at amortised cost:

	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m
2021	40.9	2.7	1.8	–
2020	50.4	3.9	1.9	0.3

	Less than 1 year £m	Between 1 and 5 years £m	Over 5 years £m
Lease liabilities			
2021	2.4	8.2	2.7
2020	2.7	8.0	4.1

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.

	2021 £m	2020 £m
Borrowings (note 24)	**(3.3)**	(5.9)
Lease liabilities (note 25)	**(11.9)**	(13.1)
Cash and cash equivalents	**52.8**	53.9
Total equity	**254.2**	204.4
Capital	**291.8**	252.4

Fair value of financial instruments

Set out below is the fair values of financial liabilities. All liabilities are classified as level 3.

Financial liabilities	2021 £m	2020 £m
Contingent consideration (note 27)	**6.3**	3.0
Put option liability (note 26)	**5.7**	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 (£0.9m), Voz subsidiary (£0.2m) and Mission Labs (£5.2m).

Notes to the financial statements continued
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Contingent consideration for Exactive is based on the EBITDA performance for 2021.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. Management has recalculated the fair value at the end of the accounting period and there have been adjustments to Exactive contingent consideration.

Contingent consideration for the Voz subsidiary relates to acquisitions made by Voz prior to the acquisition by the Group.

Contingent consideration relating to Mission Labs is based on milestones being achieved in 2021, 2022 and 2023. Consideration of up to £6.0m may be payable. The fair value of £5.2m at 31 December 2021 is based on a payout of £5.7m which takes into account the weighted probability of success.

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.

29. Provisions

	Leasehold dilapidation provision £m	Onerous contracts £m	Other provisions £m	Total £m
At 1 January 2021	1.2	0.1	1.2	2.5
Additional provision in the year	–	0.3	–	0.3
Utilisation of provision	(0.1)	(0.1)	(0.6)	(0.8)
At 31 December 2021	**1.1**	**0.3**	**0.6**	**2.0**
Of which:				
Due within one year				0.9
Due after more than one year				1.1

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.

30. Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using the tax rate at which it is expected to unwind, being 25% (2020: 19%) for UK companies.

The movement on the deferred tax account is as shown below:

	2021 £m	2020 £m
Net liability at 1 January	**(3.3)**	(0.9)
Tax charge recognised in profit or loss	**1.8**	2.1
Recognised directly in equity	**(0.7)**	0.5
Tax arising on acquisition	**(1.4)**	(5.0)
Exchange difference	**0.6**	–
Net liability at 31 December	**(3.0)**	(3.3)

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 against which deferred tax can be utilised.

The deferred tax asset/(liability) consists of the tax effect of temporary differences as follows:

2021	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	0.2	(1.7)	(1.5)	(1.6)	–
Other temporary and deductible differences	4.3	(0.1)	4.2	1.5	–
Deferred tax on share options	2.5	–	2.5	0.3	(0.7)
Deferred tax on acquisition of subsidiaries	–	(8.2)	(8.2)	1.6	–
Deferred tax asset/(liability)	7.0	(10.0)	(3.0)	1.8	(0.7)

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

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31. Share capital
At 31 December the share capital was as follows:

	2021 Number	2021 £m	2020 Number	2020 £m
Authorised, allotted and fully paid				
Ordinary Shares of £0.0025 each	**96,323,054**	**0.2**	95,402,437	0.2

Ordinary Share movement in the year is as follows:

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

(a) Ordinary shares were issued to satisfy options which had been exercised.
(b) Ordinary shares were issued to certain vendors of Mission Labs as a result of reinvestment in Gamma.
(c) Ordinary shares were issued to a certain vendor of HFO Holding GmbH as a result of reinvestment in Gamma.
(d) Ordinary shares were issued as consideration to the shareholders of Exactive Holdings Limited.

32. 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 subsidiaries which are not 100% owned.
Written put options over non-controlling interest	Represents debit to equity in relation to the put option liability.

A breakdown of other reserves is shown below:

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

33. Share-based payment expense

Share options granted

On 1 April 2021, the Board approved awards under the Deferred Bonus Plan for the senior management team. 11,405 options were granted over £0.0025 Ordinary Shares at an exercise price of £0.0025 per share which will vest on 31 March 2024. 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 2021.

On 1 April 2021, the Board approved awards under the long-term incentive plan for the Executive Directors. 178,320 options were granted over £0.0025 Ordinary Shares at an exercise price of £0.0025 per share which will vest on 1 April 2024 subject to performance conditions. The awards granted will have a performance period of three years starting from the vesting commencement date, being 31 March 2021.

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 (TSR) over the performance period equals 8% and 50% of the shares are subject to an award if the annual compound TSR 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 (EPS) 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 EPS exceeds or equals 20% with pro rata straight-line vesting in between.

On 6 May 2021 the Board approved an issue of options under the Company Share Option Plan which granted 183,643 options over

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£0.0025 Ordinary Shares at an exercise price of £17.9600. These will vest in May 2024.

On 7 May 2021 the Board approved an issue of options under a Save As You Earn scheme which granted 155,514 options over £0.0025 Ordinary Shares at an exercise price of £14.1120. These options will vest in July 2024.

The weighted average fair value of awards granted during the year was £6.93 (2020: £8.42).

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 £19.27, and weighted average exercise price of £3.10, and the weighted average exercise price of share options exercisable at 31 December 2021 was £5.68.

2021 Date of grant	Start of year	Granted	Forfeited/ Cancelled	Exercised	End of year	Exercise price	Class of share	Notes
8 May 2015	34,810	–	–	(24,501)	10,309	£2.7000	Ordinary	(a)
15 April 2016	11,470	–	–	(9,176)	2,294	£4.3575	Ordinary	(a)
5 April 2017	61,758	–	–	(38,319)	23,439	£4.9325	Ordinary	(a)
3 April 2018	307,334	–	(1,742)	(305,592)	–	£0.0025	Ordinary	(a)
8 May 2018	192,718	–	(2,066)	(189,195)	1,457	£5.5520	Ordinary	(a)(m)
23 May 2018	169,755	–	(4,540)	(87,922)	77,293	£7.3400	Ordinary	(a)(m)
8 May 2019	329,333	–	(27,542)	(3,358)	298,433	£8.2800	Ordinary	(b)(m)
13 May 2019	147,335	–	(12,987)	(5,694)	128,654	£10.9000	Ordinary	(c)(m)
3 June 2019	220,276	–	(2,686)	–	217,590	£0.2500	Ordinary	(d)
20 September 2019	3,422	–	–	–	3,422	£0.2500	Ordinary	(d)
1 October 2019	4,183	–	(1,194)	(2,989)	–	£0.2500	Ordinary	(d)
22 November 2019	9,209	–	–	–	9,209	£0.2500	Ordinary	(d)
28 April 2020	335,536	–	(42,706)	(344)	292,486	£8.000	Ordinary	(e)
7 May 2020	200,839	–	(17,690)	(1,961)	181,188	£12.6500	Ordinary	(f)
14 September 2020	264,936	–	(27,635)	–	237,301	£0.2500	Ordinary	(g)
14 September 2020	18,310	–	–	–	18,310	£0.2500	Ordinary	(h)
1 April 2021	–	178,320	(9,830)	–	168,490	£0.2500	Ordinary	(i)
1 April 2021	–	11,405	–	–	11,405	£0.2500	Ordinary	(j)
6 May 2021	–	183,643	(9,457)	–	174,186	£17.9600	Ordinary	(k)
7 May 2021	–	155,514	(9,658)	–	145,856	£14.1120	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 1 July 2019.
(c) The awards granted will have a performance period of three years starting from the grant date, being 13 May 2019.
(d) The awards granted will have a performance period of three years starting from the vesting commencement date, being 1 April 2019.
(e) The awards granted will have a performance period of three years starting from the vesting commencement date, being 1 July 2020.
(f) The awards granted will have a performance period of three years starting from the grant date, being 7 May 2020.
(g) The awards granted will have a performance period of three years starting from the vesting commencement date, being 31 March 2020.
(h) The awards granted will vest in full on the third anniversary of the vesting commencement date, being 31 March 2020.
(i) The awards granted will have a performance period of three years starting from the vesting commencement date, being 31 March 2021.
(j) The awards granted will vest in full on the third anniversary of the vesting commencement date, being 1 April 2021.
(k) The awards granted will vest in full on the third anniversary of the vesting commencement date, being 6 May 2021.
(l) The awards granted will vest in full on the third anniversary of the vesting commencement date, being 1 July 2021.
(m) Options for good leavers vested early on a time pro rata basis and hence exercised before the rest of the scheme becomes exercisable in accordance with the terms of the scheme rules at the time of the award. The unvested shares were cancelled.

There were no lapsed share options during the year (2020: none).

Apart from the options noted as exercisable, all other options above are outstanding. The share options outstanding at 31 December 2021 represented 2% of the issued share capital as at that date (2020: 2%) and would generate additional funds of £12.3m (2020: £12.3m) if fully exercised. The weighted average remaining life of the share options was 15 months (2020: 16 months), with a weighted average remaining exercise price of £7.21 (2020: £5.33).

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 £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 vested early on a time pro rata basis and hence exercised before the rest of the scheme becomes exercisable in accordance with the terms of the scheme rules at the time of the award. The unvested shares were cancelled.

Share-based payment expense

Equity-settled share-based payments are measured at fair value (excluding the effect of market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed over the vesting period, based on the Company's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

Application of the fair value measurement results in a charge to operating expenses within the subsidiary company Gamma Telecom Limited. The charge has been made to the profit or loss account of the subsidiary as the employees' services are provided to the subsidiary company. The charge for each year is as listed below:

	2021 £m	2020 £m
Share options issued to key management	**2.8**	1.8
Share options issued to other employees	**2.0**	1.7
Total share-based payment expense	**4.8**	3.5

Included within the total share-based payment expense of £4.8m (2020: £3.5m) is National Insurance of £0.7m (2020: £0.7m).

Notes to the financial statements continued
For the year ended 31 December 2021

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.

	2021 £m	2020 £m
Share price at grant date (pence)	**1700 – 1798**	1245 – 1565
Exercise price (pence)	**0.25 – 1796**	0.25 – 1090
Expected volatility	**28%**	28%
Risk-free rate	**0.1357 – 0.1730%**	-0.086 – 0.704%
Expected dividend yield	**0.0 – 0.6%**	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 2021 and 2020.

34. Capital commitments
As at 31 December 2021, amounts contracted for but not provided in the financial statements amounted to £nil for the Group (2020: £6.3m).

35. Related party transactions
Details of key management's remuneration are given in note 9.

Dividends of £0.04m (2020: £0.07m) were paid to Directors during the year and no dividends were payable to Directors at the year end.

During the year, £5.0m was paid to a member of key management personnel who holds a non-controlling interest in HFO Holding GmbH. There are future commitments with this party, details of which can be found in note 26.

There were no other transactions with related parties outside of the wholly owned Group during the year.

36. Subsequent events
There have been no subsequent events that the Directors of the Group are aware of at the date of signing.

Company statement of financial position
As at 31 December 2021

	Notes	2021 £m	2020 £m
Non-current assets			
Investments	3	**19.9**	15.9
Other receivables	4	**19.3**	–
		39.2	15.9
Current assets			
Other receivables	4	**0.3**	76.9
Cash and cash equivalents		**27.2**	34.4
		27.5	111.3
Creditors: amounts falling due within one year	5	**(1.4)**	(56.1)
Net current assets		**26.1**	55.2
Total assets less current liabilities		**65.3**	71.1
Capital and reserves			
Called up share capital	6	**0.2**	0.2
Share premium account		**14.9**	9.0
Share option reserve		**19.9**	15.6
Profit and loss account		**30.3**	46.3
Shareholders' funds		**65.3**	71.1

As a consolidated statement of comprehensive income is published, a separate profit or loss account for Gamma Communications plc is omitted from the Group financial statements by virtue of section 408 of the Companies Act 2006. The loss in respect of the Company for the year was (£4.48m) (2020: £1.17m).

The financial statements of Gamma Communications plc (registered number 08943488) on pages 127 to 130 were approved and authorised for issue by the Board of Directors on 21 March 2022 and were signed on its behalf by:

Andrew Belshaw
Chief Financial Officer

The notes on pages 129 to 130 form part of these financial statements.

Company statement of changes in equity
For the year ended 31 December 2021

	Notes	Share capital £m	Share premium reserve[1] £m	Share option reserve[1] £m	Profit and loss account £m	Total equity £m
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)
Loss for the year		–	–	–	(1.1)	(1.1)
Total comprehensive expense		–	–	–	(1.1)	(1.1)
31 December 2020		0.2	9.0	15.6	46.3	71.1
1 January 2021		0.2	9.0	15.6	46.3	71.1
Dividends paid	7	–	–	–	(11.7)	(11.7)
Share-based payments		–	–	4.3	–	4.3
Issue of shares		–	5.9	–	–	5.9
Transaction with owners		–	5.9	4.3	(11.7)	(1.5)
Loss for the year		–	–	–	(4.3)	(4.3)
Total comprehensive expense		–	–	–	(4.3)	(4.3)
31 December 2021		**0.2**	**14.9**	**19.9**	**30.3**	**65.3**

1 These reserves are not distributable.

The notes on pages 129 to 130 form part of these financial statements.

Notes to the Company financial statements
For the year ended 31 December 2021

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 for Group subsidiaries and includes the day-to-day running costs of the plc.

Basis of preparation
The Company financial statements have been prepared in accordance with Financial Reporting Standard 101, "Reduced Disclosure Framework" (FRS101).

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been 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.

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 in respect of the Company for the year was £4.3m (2020: £1.1m).

Disclosure exemptions adopted
In preparing these financial statements the Company has taken advantage of all disclosure exemptions conferred by FRS 101. Therefore these financial statements do not include:

(a) certain disclosures regarding the Company's capital;

(b) a statement of cash flows;

(c) the effect of future accounting standards not yet adopted;

(d) the disclosure of the remuneration of key management personnel;

(e) disclosure of related party transactions with other wholly owned members of the Group headed by Gamma Communications plc;

(f) disclosures in respect of financial instruments; and

(g) disclosures in respect of IFRS 2 share-based payments.

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 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 directly to equity.

Notes to the Company financial statements continued
For the year ended 31 December 2021

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

	2021 £m	2020 £m
At 1 January	**15.9**	13.0
Transfer of ownership of subsidiary[1]	**(0.2)**	–
Capital contributions arising from share-based payments	**4.2**	2.9
At 31 December	**19.9**	15.9

1 In December 2021 the ownership of Gamma Telecom Holdings Limited was transferred to another member within the Gamma Group.

Details of the subsidiaries held directly or indirectly by Gamma Communications plc are given in note 17 to the consolidated financial statements.

4. Other receivables

	2021 £m	2020 £m
Amounts due from Group undertakings	**19.3**	76.7
Prepayments	**0.3**	0.2
	19.6	76.9

Amounts due from Group undertakings are payable on demand. The expected credit loss on amounts due from Group undertakings is negligible.

5. Creditors: amounts falling due within one year

	2021 £m	2020 £m
Amounts due to Group undertakings	**–**	55.7
Accruals	**1.4**	0.4
	1.4	56.1

6. Called up share capital
Details of the share capital and movement during the year are given in note 31 to the consolidated financial statements.

7. Dividends paid
Details of the dividends paid during the year are given in note 13 to the consolidated financial statements.

8. Contingent liabilities
The Company had no contingent liabilities at 31 December 2021 or 31 December 2020.

9. Capital commitments
The Company had no capital commitments at 31 December 2021 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 35 to the consolidated financial statements for details of the disclosed related party transactions.

11. Subsequent events
There have been no subsequent events that the Directors of the Company are aware of at the date of signing.

Company information

Registered Office
5 Fleet Place
London
EC4M 7RD

Head Office
Kings House
Kings Road West
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Berkshire
RG14 5BY

Nominated Adviser and Broker
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30 Gresham Street
London
EC2V 7QP

Company auditor
Deloitte LLP
Abbots House
Abbey Street
Reading
RG1 3BD

Legal Advisers to the Company
Bird & Bird LLP
15 Fetter Lane
London
EC4A 1JP

Registrar
Link Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Company website
www.gammacommunicationsplc.com

Company number
08943488

Glossary

Carbon net-zero	Net zero is all about 'balancing' or cancelling out any carbon we produce. We reach net zero when the amount of greenhouse gas we produce is no more than the amount taken away.
Carbon neutral	Counteracting carbon emissions through investment in carbon offset.
CircleLoop	A cloud-based telephony product which is fully serviced through web, desktop and mobile applications and aimed at the micro-business market.
Cloud PBX	A virtual PBX system rooted on the internet, which automatically answers all calls and routes them to the right department or user extension.
CloudUCX™	CloudUCX™ is a collection of leading cloud solutions delivered as a service and designed to enhance the standard Microsoft Teams offering.
Contact Centre as a Service (CCaaS)	Software platform that allows contact centres to operate over the internet. Increasing these are moving beyond telephone calls to allowing conversations to occur and be actively manged through multiple media (email, social media, etc).
Horizon	Gamma's complete business phone system – a hosted communications service that provides businesses with extensive fixed and mobile telephony capabilities.
Horizon Collaborate	Built on the Horizon business phone system, Horizon Collaborate satisfies internal and external communication needs including voice and video calls, instant messaging, video conferencing, desktop sharing and document sharing.
Horizon Contact	Horizon Contact is a cloud-based contact centre solution that is designed specifically to work in conjunction with Horizon and Horizon Collaborate.
Internet of Things (IoT)	Technologies that connect and exchange data between machines (devices and systems) over the Internet or other communications networks.
Operator Connect	A service which is designed to enable seamless and integrated calling between Teams and the local telephony infrastructure (known as the PSTN).
PhoneLine+	Simple phone line replacement service using VoIP technology to deliver voice calls over the broadband network.
Public Switched Telephone Network (PSTN)	The world's collection of interconnected voice-oriented public telephone networks.
Session Initiation Protocol (SIP Trunking)	SIP is a signalling protocol, widely used for voice and video calls over the Internet. One SIP trunk allows for one channel of voice. This can be an alternative to ISDN or Analogue channels.
Single Order Generic Ethernet Access (SoGea)	A standalone broadband line, without any associated voice service.
SIP Trunk Call Manager	All the benefits of Gamma SIP Trunks together with a centralised inbound call management service.
Software as a Service (SaaS)	Software which is delivered through the internet and which is consumed on a subscription basis.
Software-defined wide area network (SDWAN)	Enhanced connectivity between an organisation's locations which using improved software to more effectively control, route and distribute traffic across the network and improve the overall experience.
Unified Communications as a Service (UCaaS)	Software platform that allow communication using multiple different media and which run over the internet.

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