6 September 2022

Gamma Communications plc
Unaudited results for the six months ended 30 June 2022

Strong first half performance, continued cash generation and positive business momentum
Expectations for the full year unchanged

Gamma Communications plc ("Gamma" or "the Group"), a leading provider of Unified Communications as a Service ("UCaaS") into the UK and European business markets, is pleased to announce its unaudited results for the six months ended 30 June 2022.

	Six months ended 30 June		
	2022	**2021**	**Change (%)**
Revenue	£234.7m	£217.4m	*+8%*
Gross profit	£120.4m	£111.7m	*+8%*
Gross margin	*51%*	*51%*	
Profit from operations	£38.7m	*£32.9m*	*+18%*
Adjusted EBITDA*	£51.9m	£46.0m	*+13%*
Profit before tax ("PBT")	£38.4m	£32.4m	*+19%*
Adjusted PBT*	£43.1m	£37.0m	*+16%*
EPS (Fully Diluted, "FD")	31.9p	27.0p	*+18%*
Adjusted EPS (FD)*	35.6p	30.6p	*+16%*
Interim dividend per share	5.0p	4.4p	*+14%*
Cash generated by operations	£49.5m	£43.1m	*+15%*
Cash generated by operations / Adjusted EBITDA	*95%*	*94%*	
Cash and cash equivalents less borrowings ("Net Cash")	£72.6m	£25.6m	*+184%*

** All adjusted measures set out above and throughout this document which are described as "adjusted" represent Alternative Performance Measures ("APMs") and are separately presented within the statement of profit or loss or reconciled in the Financial Review section or segment note and are applied consistently. Where reference is made to adjusted EPS this is stated on a fully diluted basis. Definitions of APMs are included in the Financial Review. Our policy on the use of APMs is included in note 2. Constant currency movements for the income statement are calculated by restating the results for the period ended 30 June 2022 at the prior period average exchange rates.*

Key Highlights

The Group continued to perform strongly in the first six months of the year with good gross profit growth flowing through to Adjusted EBITDA and significant cash generation.

Financial highlights

The UK business units continued to perform well. In Europe, Germany's strong growth out performed the more subdued performance in the smaller Spanish and Dutch businesses:

- Revenue and gross profit grew by 8% to £234.7m and £120.4m respectively (H1 2021: £217.4m and £111.7m), with gross margin being maintained and Adjusted EBITDA growing by 13% to £51.9m (H1 2021: £46.0m).
- Recurring revenue (being revenue which is recognised "over time" as per note 3) in the year grew to £208.7m (H1 2021: £194.3m) being maintained at 89% of total revenue.
- UK Indirect Business continued to grow strongly with a focus on the existing partner base. Gross profit increased by 10% to £76.3m (H1 2021: £69.2m) with a stable gross margin.
- UK Direct Business returned to growth, with gross profit increasing 6% to £27.9m (H1 2021: £26.4m). A strong contracted pipeline, significantly ahead when compared to this time last year, supports the growth we anticipate for the full year. As expected gross margin decreased slightly as a result of higher installations and hardware sales which are lower margin.

- European Business, in local currency, delivered gross profit growth of 4%, seeing strong growth in UCaaS users and a good performance from our German business being tempered by some headwinds in our smaller Spanish business. After foreign exchange ("FX") translation, the European business gross profit was stable at £16.2m (H1 2021 £16.1m).

Product highlights

There continues to be strong volume growth across the major product groups:

- The number of installed SIP Trunks increased, driven by voice enablement of the Microsoft ("MS") Teams via Direct Routing and Operator Connect.
- The number of Horizon (Cloud PBX) users increased by 6% to 716,000 from 676,000 as at 31 December 2021; sales of the Collaborate module grew faster than the core module, increasing by 10% to 69,000 from 63,000.
- The number of Cloud PBX seats in our European business increased by 7% to 137,000 from 128,000 at 31 December 2021 – a slightly higher rate of growth than we are experiencing in the UK and in line with the growth in the European market.

Andrew Belshaw, Interim Chief Executive Officer, commented:

"I am pleased to be presenting the first set of results since I took on my new role. Gamma has had a strong first half. Our Direct business in the UK has returned to growth as we had indicated it would once the effects of COVID had worked through. The UK Indirect business continues to be strong with good growth in the new variants of SIP which support MS Teams users. Our European business has increased the number of Cloud seats by 7% despite a challenging economic environment."

"We are seeing some effects of inflation in connectivity and hardware costs which we are generally able to pass on to customers. We expect this to continue to increase in the second half and into 2023. We are also seeing salary inflation, which we continue to actively manage whilst focussing on retention and ensuring that we support our lower paid staff seeing unprecedented rises in the cost of living. Gamma is well placed to navigate the publicised macro-economic headwinds. We are a leader in a market with long-term structural growth, have a high degree of recurring revenue and have been and will continue to be strongly cash generative. We have a robust balance sheet that will allow us to continue to invest in the business as well as support organic growth with selected acquisitions."

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Chair's statement

I am pleased to present the unaudited results for the six months ended 30 June 2022.

Overview of results

Group revenue for the six months ended 30 June 2022 increased by £17.3m to £234.7m (H1 2021: £217.4m) an increase of 8% on the prior year. Profit before tax for the period was £38.4m, an increase of 19% (H1 2021: £32.4m). Adjusted EBITDA for the Group increased by £5.9m or 13% to £51.9m (H1 2021: £46.0m). Adjusted items are explained and reconciled in the Financial Review and note 2. Fully diluted earnings per share for the half increased by 18% to 31.9p (H1 2021: 27.0p). Adjusted earnings per share (fully diluted) for the year increased by 16% to 35.6p (H1 2021: 30.6p).

The cash generated by operations for the half year was £49.5m compared to £43.1m in H1 2021. The closing net cash balance for the period was £72.6m compared to £49.5m at the end of December 2021. The cash balance has increased despite investing £7.8m on capital expenditure, £1.6m of contingent consideration for acquisitions and paying £8.5m in dividends.

The first half of 2022 saw the positive impact from the lifting of COVID restrictions offset by the increasing global macroeconomic headwinds we all face going into 2023. Although not totally immune to these headwinds, Gamma's commercial model with its high recurring revenue stream and cash conversion leaves us well placed to both navigate those challenges ourselves and continue to support our customers through the challenging times ahead.

Our markets

As we approach the UK PSTN switch off in 2025 many businesses still need to migrate their ISDN lines to SIP meaning there is still growth in the SIP market. Cloud Communications is a growing market across Europe, with short, medium and long-term opportunities. The European market is under-penetrated with these technologies which presents us with an opportunity to grow our European revenues and profits as those markets evolve.

Board and governance

On 3 May 2022, Andrew Belshaw was promoted from Chief Financial Officer to Deputy Chief Executive Officer as part of a structured plan to strengthen and broaden the scope and capacity of Gamma's management team. To fill the role of Chief Financial Officer, Bill Castell joined the Company and the Board on 1 May 2022 having previously been Chief Financial Officer at Ovo Energy. Prior to this Bill has held senior finance roles at Virgin Media, Barclays Corporate Bank and Barclaycard Europe, and he also serves as a Non-Executive Director for the Financial Ombudsman Service.

On 4 July 2022, Andrew Belshaw took on the role of Interim Chief Executive Officer after Andrew Taylor notified the Board of his intention to retire from his role as Chief Executive Officer and the Board. I would like to take the opportunity to thank Andrew Taylor formally for his leadership over the past four years. He has played a key role in shaping Gamma's strategy and he leaves the business in an excellent position to further develop and grow.

At the AGM on 19 May 2022, Wu Long Peng retired from the Board as a Non-Independent Non-Executive Director. I am grateful to Wu Long Peng for his substantial input and support, particularly since the IPO almost eight years ago.

I was delighted to welcome Shaun Gregory to the Board on 1 July 2022 as an Independent Non-Executive Director. Shaun has had an extensive career across media and advertising spanning over

30 years. More recently, he has been the Chief Executive Officer of Exterion Media and IYUNO Media Group and is currently the Chief Executive Officer of EMG Group.

Employees

At 30 June 2022, we had 1,783 employees in the Group based in seven countries (30 June 2021: 1,686). We encourage all employees to own shares in the Company. For our UK based employees, we offered a Sharesave scheme for the sixth year in a row. Once again, it was pleasing to see the high take-up, with 360 staff choosing to participate in the scheme (2021: 402). This brought the total number of employees in the SAYE scheme to 711. We also have 174 employees who are buying shares monthly through our Share Incentive Plan and 703 in total who hold shares through the Share Incentive Plan Trust.

Environmental

Gamma remains committed to developing from a Carbon Neutral business to a Carbon Net-Zero business by 2042. Gamma expects to reduce Scope 1 and 2 emissions (those made directly and indirectly) by 90% by 2030 from a baseline year of 2021. In H1 2022 we committed to set near and long-term Company-wide emission reductions in line with the Science-Based Target initiative (SBTi) and we will seek validation of our target within the 24-month SBTi timeframe.

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 declare an interim dividend, in respect of the six months ended 30 June 2022, of 5.0 pence per share (2021: 4.4 pence). This is an increase of 14%. It will be payable on Thursday 20 October 2022 to shareholders on the register on Friday 23 September 2022.

Current Trading and Outlook

The Board remains positive about the prospects for Gamma. Having successfully navigated and continued to grow through the COVID pandemic, we now face increasing global economic and geopolitical headwinds. The Group continues to deliver against its long-term growth strategy. Gamma will continue to concentrate its efforts and investment to develop a product and solution set which facilitates flexible working for businesses of all sizes, building on an already strong reputation for operational excellence and service quality. The business is in a strong financial position, which enables it to continue to invest in its product portfolio across its European footprint.

As we said in our trading update on 2 August 2022, the Board expects Adjusted EBITDA and Adjusted EPS for the year ending 31 December 2022 to be in the upper half of the range of market forecasts at that time. Company compiled analyst market expectations based on known sell side analyst estimates have not changed since 2 August with an Adjusted EBITDA range of £102.3m - £106.8m and Adjusted range of EPS of 67.1p - 74.6p.

Richard Last
Chair

Interim Chief Executive Review

I am pleased to have taken on the role of Gamma's Interim CEO. I must start by thanking Andrew Taylor for the platform he has established that will enable us to continue to grow.

As the Chair has already explained, the first half of 2022 was strong and Gamma is in a good position to maximise the opportunities which exist in our market. Our new CFO, Bill Castell, will explain the drivers for the first half's growth in his report.

The evolution of communications presents many opportunities for Gamma and we have the strength to be able to take on each of these opportunities. I set out below the changing market characteristics which we expect to help continue to drive our growth over the coming years.

Areas of historical strength remain healthy and growing; outlook for long term growth exciting

- *Cloud Communications remains a growing market in the UK.*

  The majority of businesses in the UK still have a physical hardware PBX rather than a Cloud based software PBX solution. Therefore, the UK market for our products will continue to expand and we are well positioned to capture this significant opportunity. We believe that we not only have a product set which can satisfy that market today but we also have the technology development capabilities and resources to continue to build new software modules which will meet customer requirements in the future.

- *The European market is under-penetrated which presents us with an opportunity to grow our European revenues and profits as the market evolves.*

  Through our targeted European acquisition strategy, we have developed a network capability and channel relationships in Spain, the Netherlands and Germany. Between them, these countries have more than twice as many UCaaS business users as the UK. The average penetration rate for Cloud PBX across those three countries is much lower than the UK which means there is scope for higher growth in future.

  Despite the low market penetration, the growth rate of Cloud PBX adoption in our European markets is stubbornly lower than we would like but we are pleased to report that we continue to grow our UCaaS products in line with those markets, with 7% growth in this period.

  Over the coming periods, Gamma's strategy is to take our product developed for the UK market into those European territories where we have a competitive advantage in a fuller feature set than any local competition.

  We have already begun to assemble cross-border teams who are working together to successfully launch products developed in the UK overseas (for example MS Operator Connect in the Netherlands) and I am confident we will be able to launch additional products across Europe in the second half of this year.

  We continue to evaluate opportunities to grow by acquisition either into new geographies or to augment the sales channels and scale we have in the countries in which we already operate. In late August we agreed to acquire NeoTel, another UCaaS / CCaaS business, in Spain for a maximum of €5.5m in cash with potentially a further €3.5m of contingent cash consideration depending on the performance of NeoTel in 2023; the growth targets required for the vendor to receive the additional consideration are challenging. Completion of the acquisition is still subject to regulatory approval and closing conditions being met which we expect to follow shortly. We believe that our existing Spanish business will be in a much better position to focus on the growing UCaaS and CCaaS markets in Spain following this acquisition.

  The growth of our Spanish business had historically been held back by the performance of ComyMedia, its subsidiary which specialised in IT solutions and had little fit with the rest of our European business. ComyMedia had been contributing around £1.6m in yearly revenues but generated a negligible Adjusted EBITDA contribution. We disposed of ComyMedia in August 2022.

- *Favourable customer trends and behaviours present us with an opportunity to improve Average Revenue Per User ("ARPU").*

  Since 2006, Gamma has sold a core Cloud PBX solution called Horizon – a product which now has 716,000 users in the UK. Over the course of the last three years our in-house team has developed a number of additional modules that are fully integrated with that core Cloud PBX. These are –

  - Call recording – launched in 2019 using our own technology, it now has 83,000 users.
  - Horizon Collaborate – was originally launched in 2020 but has now been re-architected using software which we have developed ourselves – it has 69,000 users.
  - MS Teams integration – some users prefer to use MS Teams as a Collaboration product (as opposed to Horizon Collaborate) and hence we launched an option to integrate our Cloud PBX (Horizon) with Teams (for an additional charge) in July 2021. We now have 5,000 users who take this option.
  - Multi-Channel Communications (Contact Centre functionality) – was launched in April 2021 (using technology obtained through our Telsis acquisition). It now has 8,000 users.

  Each of the above modules were built by our own in-house development team; each is sold on a "per month / per seat" basis and provides us with a recurring revenue stream.

  When we are able to sell these additional modules alongside the core Horizon product, it increases the ARPU of a Horizon seat.

- *Technology changes also present an opportunity for growth. For example, SIP continues to evolve and improve as a product and that gives us an opportunity to improve our ARPUs as customers move to higher value solutions or new variants.*

  SIP is a substitution product for ISDN that Gamma has been selling in the UK and Germany for over fifteen years; in both markets we are a market leader.

  As we approach the UK PSTN switch off in 2025 there is still growth in the UK SIP market. There are still ISDN users who will convert to SIP over the next three years and we are well placed to win our share of that business. As we have not been a provider of ISDN historically this migration generates new revenue for Gamma.

  The SIP market has evolved and we now sell different variants of SIP.

  We had a UK base of 1.60m of SIP trunks as at 30 June 2022 (31 December 2021: 1.43m). We are seeing users beginning to change how they use SIP as a product. Because we have been planning for this evolution of the market for some time, Gamma already has a strong product set to meet the changing demand.

  - 1.01m trunks are being used by owners of traditional hardware PBX products (31 December 2021: 1.01m). Our units of traditional SIP are static. We continue to win new business but long time SIP customers are now moving to other solutions such as Cloud PBX. As customers move from a combination of SIP (which we sell) plus a hardware PBX (which we don't sell) to Gamma's own Cloud PBX solution we have an opportunity to take the share of spend which was originally taken by the hardware provider. This can see our ARPUs increase by up to five-fold.
  - 0.32m trunks are being used by users of a Cloud PBX product other than Gamma's Horizon product (31 December 2021: 0.30m). Some end users move to other providers of Cloud PBX and many of these (unlike Gamma) do not have their own carrier capability. Because Gamma is a traditional telecoms carrier in each country in which we operate we are able to support other providers of Cloud PBX who provide only an "over the top" software service. Our preference is clearly always for our customers to buy our own Horizon Cloud PBX product but where they choose not to and prefer to buy from a competitor who does not have their own carrier capability then Gamma can provide that service. In this instance, the alternative provider buys SIP capability from Gamma.
  - 0.27m are being used to support users of Microsoft Teams (31 December 2021: 0.12m). Some customers are migrating from a hardware PBX to a solution which includes MS Teams and this is our fastest growing driver of SIP sales. Microsoft does not have any

carrier capability but Gamma is able to provide connectivity into the servers that run MS Teams – this is explained in more detail below. This additional technical capability typically allows us to double ARPU compared to the SIP product which is being replaced. We therefore see the rise of Teams as a generator of additional revenue for Gamma.

Collectively, this variety of offer means that Gamma continues to have a revenue opportunity on whatever route businesses take on their forced migration from ISDN.

- *MS Teams adoption is growing in the Enterprise space, as more organisations "voice enable" their solution, we have the opportunity to gain revenue.*

  MS Teams is a software tool which facilitates collaborative working. It allows users to contact others in their own network and to schedule video calls but without support from a carrier such as Gamma it does not allow users to make and receive external calls from the PSTN and nor does it have normal PBX functionality (for example, voicemail, hunt groups, call forwarding etc).

  The growth of deployment of MS Teams provides Gamma with a number of opportunities to grow revenue.

  Currently we believe that fewer than 5% of MS Teams users have their Teams instance "voice enabled" but that percentage will increase and Teams voice usage is predicted to rise by more than 3.5m users in the UK by 2026. Gamma can provide a range of services to support and benefit from this opportunity to sell a number of complementary services –
    - As mentioned above, we are able to provide a SIP service to Teams users to enable them to make and receive calls to and from the PSTN. We call this service Microsoft Teams Direct Routing or "Operator Connect" when it is sold through Microsoft's accredited portal. We include sales of these products within our SIP volumes as explained above.
    - Through our acquisition of Exactive we are able to perform complex integrations of Teams with other platforms.
    - Where customers want Teams with a fully integrated PBX capability we are able to integrate our Horizon Cloud PBX product with Teams. At present we find relatively few customers taking this capability as we find that Teams appeals more to Enterprise customers and our Horizon product is primarily aimed at the SME market.

Outlook

I look forward to working with our customers, partners and staff as we continue to grow the business through both our existing portfolio of products and the development of more products and solutions in the future. Our products are designed to meet the communications challenges which businesses are facing today and in the future.

Most commentators expect a tightening of the UK and European economies in the remainder of this year and into 2023 but we have a robust business model based on recurring revenue from products and solutions that are critical to the businesses which use them. Whilst economic headwinds may slow the rate of our revenue growth if the markets in which operate enter a recession, we would still expect to deliver growth (but perhaps more slowly) and revenues from our existing business to remain robust due to our monthly recurring revenue model. We have seen that historically businesses do not cut back on communication spend in a recession. Our continued profitability, strength in cash generation and healthy net cash balance leave us competitively placed to maximise the opportunity even in challenging macro-economic times.

Like every other business we have challenges around salary inflation which we do not expect to materially impact 2022 but these may slow the growth in our Adjusted EBITDA for a short time.

Irrespective of these short-term challenges we continue to invest in organic growth, new product development and acquisitions to further build scale and capability. I believe that the business is in a good position to continue to grow.

Andrew Belshaw
Interim Chief Executive Officer

Financial review

Revenue and gross profit

Gamma has performed well during the six months ended 30 June 2022, increasing revenue by 8% to £234.7m (H1 2021: £217.4m) and gross profit by 8% to £120.4m (H1 2021: £111.7m). The UK businesses have seen growth in revenue of £17.1m (+9%) and gross profit of £8.6m (+9%). Adjusted EBITDA increased by 13% to £51.9m (H1 2021: £46.0m). Adjusted EPS (FD) increased by 16% to 35.6p (H1 2021: 30.6p).

UK Indirect

	H1 2022 £m	H1 2021 £m	Change
Revenue	**143.7**	130.1	+10%
Gross Profit	**76.3**	69.2	+10%
Gross Margin	**53.1%**	53.2%	

Overall, the growth in the UK Indirect Business unit has been strong. The growth has been driven by UCaaS and data product growth. ARPU has been supported through the successful up-sell of additional modules to UCaaS customers. Gross Margin has been broadly consistent with previous periods, which is in line with expectations, as the mix of UCaaS and connectivity products is now reasonably constant.

UK Direct

	H1 2022 £m	H1 2021 £m	Change
Revenue	**55.4**	51.9	+7%
Gross Profit	**27.9**	26.4	+6%
Gross Margin	**50.4%**	50.9%	

The significant levels of sales activity in late 2021 has started to flow through in H1 2022 leading to a 7% growth in revenue and 6% growth in gross profit. The UK Direct business has seen a number of significant MS Teams user contract wins, including the Home Office and the Department for Work and Pensions in the public sector. The strong contracted pipeline, significantly ahead when compared to this time last year, across the Direct channel gives comfort on the growth we expect for the full year. Minimal impact from the well-publicised supply chain shortage has been seen in H1 2022 but we are seeing supply squeezes for some items of hardware begin to increase in H2. The gross margin decrease is due to mix as a result of higher installations and hardware sales which are lower margin as previously expected.

Europe

	H1 2022 £m	H1 2021 £m	Change
Revenue	**35.6**	35.4	+1%
Gross Profit	**16.2**	16.1	+1%
Gross Margin	**45.5%**	45.5%	

The revenue and gross profit growth have been negatively impacted by exchange rates (£1.3m and £0.6m respectively). In local currency, the growth was 4% on both revenue and gross profit. Growth in UCaaS supported a good first half financial performance from our German business which counterbalanced some headwinds in our smaller Spanish business. The growth of our Spanish business has historically been impacted by a small subsidiary, ComyMedia, which generated a negligible Adjusted EBITDA contribution. We disposed of ComyMedia in August 2022.

Europe gross margins have remained consistent with the prior year. The gross margin is lower than for the UK business as a result of “high revenue/low margin” business within the Epsilon business which offers mobile connections in Germany.

Operating expenses

Operating expenses grew from £78.8m in H1 2021 to £81.7m. We break these down as follows:

	H1 2022 £m	H1 2021 £m	Change
Expenses included within cash generated from operations	**68.5**	65.7	+4%
Depreciation and amortisation	**13.2**	13.1	+1%
Total Operating Expenses	**81.7**	78.8	+4%

Movements in expenses were driven by:

- The UK Businesses’ operating expenses grew by 5% (compared to gross profit growth of 9%). This growth has been tightly managed whilst inflationary pressures have been monitored.
- Drivers of the increase in the overhead include increased staff costs offset in part by lower share-based payments costs driven by the lower share price which has made the costs of employers NI for share grants lower than in previous years.
- The decrease in European costs is as a result of exchange rate movements giving a £0.4m benefit. In local currency the cost growth was 2%, reflecting tight cost control.
- Central costs have increased from the prior period which is due to continued growth in the Group function required to support the businesses we have acquired around Europe as well as an increase in governance costs.

Depreciation and amortisation on tangible and intangible assets remained constant at £7.2m. This level has been maintained as the increase in capitalised labour has not resulted in current period amortisation. The annual depreciation and amortisation charge is below the annual capital expenditure spend but is expected to increase in future.

Exceptional Items

There were no exceptional items in the period or in H1 2021.

Alternative performance measures

Our policy for alternative performance measures is set out in note 2. The tables below reconcile the alternative performance measures used in this document:

Measure	**Statutory basis**	**Depreciation and amortisation on business combinations**	**Adjusting tax items**	**Adjusted basis**
2022				
PBT (£m)	38.4	4.7	-	43.1
PAT* (£m)	31.0	4.7	(1.1)	34.6
EPS (FD) (p)	31.9	4.8	(1.1)	35.6
2021				
PBT (£m)	32.4	4.6	-	37.0
PAT (£m)	26.2	4.6	(1.1)	29.7
EPS (FD) (p)	27.0	4.7	(1.1)	30.6

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

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

In addition to the above we add back the depreciation and amortisation charged in the period to Profit from Operations (H1 2022: £38.7m; 2021: £32.9m) to calculate a figure for Adjusted EBITDA (H1 2022: £51.9m; 2021: £46.0m) which is commonly quoted by our peer group internationally and allows users of the accounts to compare our performance with those of our peers.

EBITDA (being also "Adjusted EBITDA")

Adjusted EBITDA grew from £46.0m to £51.9m (13%).

Taxation

The effective tax rate for the first half of 2022 was 19% (2021: 19%). The rate in the current year is consistent with the statutory UK rate of 19%. The tax rate in future years will increase as a result of the UK tax rate increasing to 25% and the higher rates in the main European countries that we operate.

Net cash and cash flows

The Group has net cash of £72.6m. The gross cash balance at the end of the period was £75.6m and the Group had borrowings of £3.0m which are held by trading subsidiaries outside of the UK and pre-date their acquisition by Gamma.

In addition, we estimate that we will have to pay an additional £10.0m in the future in relation to acquisitions made (this is a mix of contingent consideration and the exercise of options over shares not yet acquired); these payments will be between 2022 and 2024. We do not class contingent consideration as debt for the purposes 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 95% (2021: 94%).

Items which are not directly related to trading were:

- Capital spend (including intangible assets) was £7.8m (H1 2021: £6.1m). The increase was driven by capitalised development costs, as the Group continues to invest in its product set, but in part offset by lower tangible asset purchases and software licence purchases.
- £1.6m was paid in contingent consideration relating to Mission Labs. In H1 2021 £6.5m was paid in deferred consideration and option exercises of which £1.5m was for Exactive and £5.0m was for Gamma Holding GmbH (formerly HFO Holding AG).
- There were no acquisitions in H1 2022 (2021: £40.8m - Mission Labs).
- £0.3m was received from the issue of shares (2021: £4.6m). The high prior year number was as a result of reinvestment in Gamma by former shareholders of Missions Labs (£2.8m) and Gamma Holding GmbH (£0.7m) as well as part payment of deferred consideration for Exactive in shares (£0.3m). The other shares issues relate to exercise of options held by employees.
- £8.5m was paid as dividends (2021: £7.5m).

Adjusted EPS (FD) and Statutory EPS (FD)

Adjusted EPS (FD) increased from 30.6p to 35.6p (16%). Adjusted EPS is EPS as adjusted for exceptional items (if any, there are none in the current and prior period) and other items as defined in note 2 and a reconciliation to the statutory measure is shown in the table above.

EPS (FD) grew from 27.0p to 31.9p (18%). The growth is higher than the adjusted metric because, in the current period, the amortisation relating to business combinations has grown at a slower rate.

Going Concern

The Group's business activities, together with the factors likely to affect its future development, performance and position, are consistent with those set out in the Annual Report for the year ended 31 December 2021. In assessing going concern management and the Board has considered:

- The principal risks faced by the Group are set out in note 1 to the interim financial statements and are consistent with those found in the Annual Report for the year ended 31 December 2021.
- The macroeconomic environment.
- The financial position of the Group including budgets and financial plans.
- The strong cash position - at 30 June 2022 the Group had cash and cash equivalents of £75.6m. Net cash (being cash and cash equivalents less borrowings) was £72.6m. All borrowings were acquired with acquisitions made in previous years.
- Future cashflows including committed M&A cash outflows, liquidity and borrowings.
- Sensitivity analysis, which has shown that Adjusted EBITDA would need to be nil for the Group to need additional borrowing (assuming no mitigating actions had been taken). Possible mitigating actions would include a review of capital expenditure, variable and semi-fixed overheads. We consider this to be highly unlikely.

The Directors are satisfied that the Group has adequate financial resources to continue in operational existence for the foreseeable future, a period of at least twelve months from the date of this report. Accordingly, the going concern basis of accounting continues to be used in the preparation of the condensed consolidated financial statements.

Dividends

The Board has declared an interim dividend of 5.0p (2021: 4.4p). This is an increase of 14% and is in line with our progressive dividend policy. The interim dividend is payable on Thursday 20 October 2022 to shareholders on the register as at Friday 23 September 2022.

Bill Castell
Chief Financial Officer

MANAGEMENT STATEMENT

This Interim Management Report (IMR) has been prepared solely to provide additional information to shareholders to assess the Group's strategies and the potential for those strategies to succeed. The IMR should not be relied on by any other party or for any other purpose.

The IMR contains certain forward-looking statements. These statements are made by the Directors in good faith based on the information available to them up to the time of their approval of this report but such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

- the condensed set of interim financial statements has been prepared in accordance with IAS 34 "Interim Financial Reporting";
- the Interim Management Report includes a fair review of the information required by DTR 4.27R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
- the Interim Management Report includes a fair review of the information required by DTR 4.28R (disclosure of related party transactions and changes therein).

By the order of the board
5 September 2022

INDEPENDENT REVIEW REPORT TO GAMMA COMMUNICATIONS PLC

Conclusion

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2022 which comprises the condensed consolidated statement of profit or loss, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of financial position, the condensed consolidated statement of cash flows, the condensed consolidated statement of changes in equity and related notes 1 to 11.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2022 is not prepared, in all material respects, in accordance with United Kingdom adopted International Accounting Standard 34 and the AIM Rules of the London Stock Exchange.

Basis for Conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council for use in the United Kingdom (ISRE (UK) 2410). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with United Kingdom adopted international accounting standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with United Kingdom adopted International Accounting Standard 34, "Interim Financial Reporting".

Conclusion Relating to Going Concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for Conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed.

This Conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410; however future events or conditions may cause the entity to cease to continue as a going concern.

Responsibilities of the directors

The directors are responsible for preparing the half-yearly financial report in accordance with the AIM rules of the London Stock Exchange.

In preparing the half-yearly financial report, the directors are responsible for assessing the group'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 company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the review of the financial information

In reviewing the half-yearly financial report, we are responsible for expressing to the group a conclusion on the condensed set of financial statement in the half-yearly financial report. Our Conclusion, including our Conclusion Relating to Going Concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

Use of our report

This report is made solely to the company in accordance with ISRE (UK) 2410. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review 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, for our review work, for this report, or for the conclusions we have formed.

Deloitte LLP
Statutory Auditor
Reading, United Kingdom
5 September 2022

Condensed consolidated statement of profit or loss

For the six months ended 30 June 2022

	Note	**Six months ended 30 June 2022 £m Unaudited**	Six months ended 30 June 2021 £m Unaudited	Year ended 31 December 2021 £m Audited
Revenue	3	**234.7**	217.4	447.7
Cost of sales		**(114.3)**	(105.7)	(219.2)
Gross profit		**120.4**	111.7	228.5
Operating expenses		**(81.7)**	(78.8)	(160.2)
Earnings before depreciation and amortisation (Adjusted EBITDA)		**51.9**	46.0	95.4
Depreciation and amortisation (excluding business combinations)		**(8.5)**	(8.5)	(17.6)
Depreciation and amortisation arising due to business combinations		**(4.7)**	(4.6)	(9.5)
Profit from operations		**38.7**	32.9	68.3
Finance income		**0.2**	-	0.1
Finance expense		**(0.5)**	(0.5)	(1.2)
Profit before tax		**38.4**	32.4	67.2
Tax expense	4	**(7.3)**	(6.0)	(13.2)
Profit after tax		**31.1**	26.4	54.0
Profit is attributable to:				
Equity holders of Gamma Communications plc		**31.0**	26.2	53.6
Non-controlling interests		**0.1**	0.2	0.4
		31.1	26.4	54.0
Earnings per share attributable to the ordinary equity holders of the Company:				
Basic per ordinary share (pence)	5	**32.2**	27.4	55.9
Diluted per ordinary share (pence)	5	**31.9**	27.0	55.2

Adjusted earnings per share is shown in note 5

Condensed consolidated statement of comprehensive income

For the six months ended 30 June 2022

	Six months ended 30 June 2022 £m Unaudited	Six months ended 30 June 2021 £m Unaudited	Year ended 31 December 2021 £m Audited
Profit for the period after tax	**31.1**	26.4	54.0
Other comprehensive income			
Items that may be reclassified subsequently to the income statement (net of tax effect)			
Exchange difference on translation of foreign operations	**1.3**	(2.2)	(3.5)
Total comprehensive income	**32.4**	24.2	50.5
Total comprehensive income for the period attributable to:			
Equity holders of Gamma Communications plc	**32.3**	24.0	50.1
Non-controlling interests	**0.1**	0.2	0.4
	32.4	24.2	50.5

Condensed consolidated statement of financial position

As at 30 June 2022

	Note	**30 June 2022 £m Unaudited**	30 June 2021 £m Unaudited	31 December 2021 £m Audited
Assets				
Non-current assets				
Property, plant and equipment	7	**34.4**	35.7	36.8
Right of use assets		**9.9**	11.4	10.2
Intangible assets	8	**129.0**	133.5	129.3
Deferred tax asset		**5.6**	5.9	7.0
Trade and other receivables		**12.8**	18.6	14.3
		191.7	205.1	197.6
Current assets				
Inventories		**8.5**	7.2	7.9
Trade and other receivables		**110.8**	99.7	98.4
Cash and cash equivalents		**75.6**	30.8	52.8
Current tax asset		**3.5**	2.7	5.1
		198.4	140.4	164.2
Total assets		**390.1**	345.5	361.8
Liabilities				
Non-current liabilities				
Other payables		**2.2**	1.7	2.0
Borrowings		**2.2**	3.9	2.5
Lease Liabilities		**9.5**	10.6	9.8
Provisions		**1.0**	1.0	1.1
Contract Liabilities		**7.9**	7.9	10.0
Contingent consideration		**1.6**	3.6	3.7
Put option liability		**-**	1.0	2.3
Deferred tax		**7.5**	9.2	10.0
		31.9	38.9	41.4
Current liabilities				
Trade and other payables		**56.2**	59.0	48.1
Borrowings		**0.8**	1.3	0.8
Lease Liabilities		**2.2**	2.4	2.1
Provisions		**0.7**	1.1	0.9
Contract Liabilities		**9.0**	7.4	7.4
Contingent consideration		**3.0**	2.5	2.6
Put option liability		**5.4**	4.8	3.4
Current tax liability		**0.3**	0.2	0.9
		77.6	78.7	66.2
Total liabilities		**109.5**	117.6	107.6
Net assets		**280.6**	227.9	254.2
Equity				
Share capital	9	**0.2**	0.2	0.2
Share premium reserve		**15.2**	13.6	14.9
Other reserves	10	**7.8**	4.5	4.5
Retained earnings		**261.8**	214.3	239.1
Equity attributable to owners of Gamma Communications plc		**285.0**	232.6	258.7
Non-controlling interests		**2.3**	2.0	2.2
Written put options over non-controlling interests		**(6.7)**	(6.7)	(6.7)
Total equity		**280.6**	227.9	254.2

Condensed consolidated statement of cash flows
For the six months ended 30 June 2022

	Note	**Six months ended 30 June 2022 £m Unaudited**	Six months ended 30 June 2021 £m Unaudited	Year ended 31 December 2021 £m Audited
Cash flows from operating activities				
Profit for the period before tax		**38.4**	32.4	67.2
Adjustments for:				
Depreciation of property, plant and equipment	7	**4.5**	4.0	8.3
Depreciation of right of use assets		**1.3**	1.3	2.7
Amortisation and reduction in value of intangible assets	8	**7.4**	7.8	16.1
Share based payment expense		**1.8**	2.6	4.8
Interest income		**(0.2)**	-	(0.1)
Finance cost		**0.5**	0.5	1.2
		53.7	48.6	100.2
Increase in trade and other receivables		**(12.7)**	(8.2)	(5.4)
(Increase)/decrease in inventories		**(0.6)**	0.9	0.2
Increase/(decrease) in trade and other payables		**8.2**	2.8	(6.2)
Increase/(decrease) in contract liabilities		**1.2**	(0.6)	1.5
Decrease in provisions and employee benefits		**(0.3)**	(0.4)	(0.5)
Cash generated by operations		**49.5**	43.1	89.8
Taxes paid		**(7.4)**	(7.6)	(13.3)
Net cash flows from operating activities		**42.1**	35.5	76.5
Investing activities				
Proceeds on disposal of property, plant and equipment	7	**0.1**	-	0.1
Purchase of property, plant and equipment	7	**(2.2)**	(3.6)	(9.1)
Purchase of intangible assets	8	**(5.6)**	(2.5)	(7.7)
Interest received		**0.2**	-	0.1
Acquisition of subsidiaries net of cash acquired (inc. contingent consideration)		**(1.6)**	(47.3)	(49.3)
Net cash used in investing activities		**(9.1)**	(53.4)	(65.9)
Financing activities				
Lease liability repayments		**(1.3)**	(1.7)	(3.1)
Repayment of borrowings		**(0.4)**	(0.5)	(2.3)
Interest paid		**(0.3)**	(0.1)	(0.5)
Share issues		**0.3**	4.6	5.9
Dividends		**(8.5)**	(7.5)	(11.7)
Net cash used in financing activities		**(10.2)**	(5.2)	(11.7)
Net increase/(decrease) in cash and cash equivalents		**22.8**	(23.1)	(1.1)
Cash and cash equivalents at beginning of period		**52.8**	53.9	53.9
Cash and cash equivalents at end of period		**75.6**	30.8	52.8

Condensed consolidated statement of changes in equity

For the six months ended 30 June 2022

	Share capital	Share premium reserve	Other reserves	Retained earnings	**Total**	Non-controlling interests	Written put options over non-controlling interests	**Total equity**
	£m	£m	£m	£m	**£m**	£m	£m	**£m**
1 January 2021	0.2	9.0	6.1	197.5	212.8	3.0	(11.4)	204.4
Issue of shares	-	4.6	(1.7)	1.6	4.5	-	-	4.5
Share-based payment expense	-	-	2.3	-	2.3	-	-	2.3
Non-controlling interest	-	-	-	1.2	1.2	(1.2)	-	-
Equity put rights	-	-	-	(4.7)	(4.7)	-	4.7	-
Dividends paid	-	-	-	(7.5)	(7.5)	-	-	(7.5)
Transactions with owners	-	4.6	0.6	(9.4)	(4.2)	(1.2)	4.7	(0.7)
Profit for the half year	-	-	-	26.2	26.2	0.2	-	26.4
Other comprehensive income	-	-	(2.2)	-	(2.2)	-	-	(2.2)
Total comprehensive income	-	-	(2.2)	26.2	24.0	0.2	-	24.2
30 June 2021	**0.2**	**13.6**	**4.5**	**214.3**	**232.6**	**2.0**	**(6.7)**	**227.9**
1 January 2022	0.2	14.9	4.5	239.1	258.7	2.2	(6.7)	254.2
Issue of shares	-	0.3	(0.2)	0.2	0.3	-	-	0.3
Share-based payment expense	-	-	2.2	-	2.2	-	-	2.2
Dividends paid	-	-	-	(8.5)	(8.5)	-	-	(8.5)
Transactions with owners	-	0.3	2.0	(8.3)	(6.0)	-	-	(6.0)
Profit for the half year	-	-	-	31.0	31.0	0.1	-	31.1
Other comprehensive income	-	-	1.3	-	1.3	-	-	1.3
Total comprehensive income	-	-	1.3	31.0	32.3	0.1	-	32.4
30 June 2022	**0.2**	**15.2**	**7.8**	**261.8**	**285.0**	**2.3**	**(6.7)**	**280.6**

Notes to the interim financial information

For the six months ended 30 June 2022

1. Basis of preparation

The condensed consolidated interim financial information (interim financial information) included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting', as adopted by the United Kingdom. The interim financial statements do not constitute statutory accounts within the meaning of the Companies Act 2006 and should be read in conjunction with the Group's Annual Report and Accounts for the year ended 31 December 2021, which was prepared in accordance with IFRS as adopted by the United Kingdom.

There are no additional standards or interpretations requiring adoption that are applicable to the Group for the accounting period commencing 1 January 2022.

Principal risks and uncertainties

The principal risks faced by the Group continue to be unplanned service disruption, data loss and cyber-attacks, over-reliance on key suppliers, inability to attract and retain top talent, uncertain competitive landscape, price erosion, legal and regulatory non-compliance and unsuccessful M&A strategies. Further details can be found in the Annual Report for the year ended 31 December 2021. There were emerging risks identified in the prior year of the macroeconomic impacts of the Russian/Ukraine conflict and climate change that the Company continues to monitor.

2. Accounting policies, judgements and estimates

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

Preparation of the interim financial information 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 key judgements and sources of estimation uncertainty reported in the financial statements for the year ended 31 December 2021 are still relevant.

Alternative Performance Measures

Adjustments to the income statement have been presented because the Group believes that adjusted performance measures (APMs) provide valuable additional information for users of the financial statements in assessing the Group's performance. These are one of the metrics used by the Board and management as KPIs 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 comparable basis 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) Adjusting tax items

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

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

Measure	**Statutory basis**	**Depreciation and amortisation on business combinations**	**Adjusting tax items**	**Adjusted basis**
2022				
PBT (£m)	38.4	4.7	-	43.1
PAT* (£m)	31.0	4.7	(1.1)	34.6
EPS (FD) (p)	31.9	4.8	(1.1)	35.6
2021				
PBT (£m)	32.4	4.6	-	37.0
PAT* (£m)	26.2	4.6	(1.1)	29.7
EPS (FD) (p)	27.0	4.7	(1.1)	30.6

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

In addition to the above we add back the depreciation and amortisation charged in the period to Profit from Operations (H1 2022: £38.7m; H1 2021: £32.9m) to calculate a figure for Adjusted EBITDA (H1 2022: £51.9m; H1 2021: £46.0m) which is commonly quoted by our peer group internationally and allows users of the accounts to compare our performance with those of our peers.

3. Segment information

The Group's main operating segments are outlined below:

- → UK Indirect – This division sells Gamma's products and services to channel partners and contributed 61% (2021: 60%) of the Group's external revenue.
- → UK Direct – This division combines Gamma's products with those of third parties to provide communications solutions directly to end users (who tend to be Enterprise size). It contributed 24% (2021: 24%) of the Group's external revenue.
- → European - This division consists of sales made in Europe by local subsidiaries in the Netherlands, Spain and Germany, contributing 15% (2021: 16%) of the Group's external revenue.
- → Central functions – This is not a revenue generating segment but is made up of the central management team and wider Group costs.

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

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

Measurement of operating segment profit or loss, assets and liabilities

The accounting policies of the reporting 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 excludes non-recurring losses, such as goodwill impairment. 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 period.

Period to 30 June 2022	UK Indirect £m	UK Direct £m	European £m	Central functions £m	Total £m
Segment revenue	156.8	56.1	35.6	-	248.5
Inter-segment revenue	(13.1)	(0.7)	-	-	(13.8)
Revenue from external customers	**143.7**	**55.4**	**35.6**	**-**	**234.7**
Timing of revenue recognition					
At a point in time	7.9	2.9	15.2	-	26.0
Over time	135.8	52.5	20.4	-	208.7
	143.7	55.4	35.6	-	234.7
Total gross profit	**76.3**	**27.9**	**16.2**	**-**	**120.4**
Operating expenses	(45.4)	(14.9)	(17.2)	(4.2)	(81.7)
Adjusted Earnings before depreciation and amortisation	**37.3**	**14.5**	**4.3**	**(4.2)**	**51.9**
Depreciation and amortisation (excluding business combinations)	(5.9)	(0.7)	(1.9)	-	(8.5)
Depreciation and amortisation arising due to business combinations	(0.5)	(0.8)	(3.4)	-	(4.7)
Profit/(loss) from operations	**30.9**	**13.0**	**(1.0)**	**(4.2)**	**38.7**

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

Period to 30 June 2022	UK Indirect £m	UK Direct £m	European £m	Central functions £m	Total £m
Additions to non-current assets	7.0	0.6	1.1	-	8.7
Reportable segment assets	265.6	43.1	81.4	-	390.1
Reportable segment liabilities	58.0	20.9	30.6	-	109.5

Period to 30 June 2021	UK Indirect £m	UK Direct £m	European £m	Central functions £m	Total £m
Segment revenue	141.8	51.9	35.4	-	229.1
Inter-segment revenue	(11.7)	-	-	-	(11.7)
Revenue from external customers	**130.1**	**51.9**	**35.4**	**-**	**217.4**
Timing of revenue recognition					
At a point in time	7.6	2.1	13.4	-	23.1
Over time	122.5	49.8	22.0	-	194.3
	130.1	51.9	35.4	-	217.4
Total gross profit	**69.2**	**26.4**	**16.1**	**-**	**111.7**
Operating expenses	(43.7)	(13.7)	(17.4)	(4.0)	(78.8)
Adjusted Earnings before depreciation and amortisation	**32.2**	**13.7**	**4.1**	**(4.0)**	**46.0**
Depreciation and amortisation (excluding business combinations)	(6.1)	(0.4)	(2.0)	-	(8.5)
Depreciation and amortisation arising due to business combinations	(0.6)	(0.6)	(3.4)	-	(4.6)
Profit/(loss) from operations	**25.5**	**12.7**	**(1.3)**	**(4.0)**	**32.9**

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

Period to 30 June 2021	UK Indirect £m	UK Direct £m	European £m	Central functions £m	Total £m
Additions to non-current assets	5.4	0.8	1.1	-	7.3
Reportable segment assets	217.0	44.4	84.1	-	345.5
Reportable segment liabilities	60.9	22.2	34.5	-	117.6

4. Taxation on profit on ordinary activities

Tax expense is recognised based on management's best estimate of the weighted average effective annual tax rate expected for the full financial year. The estimated average annual tax rate used for the period to 30 June 2022 is 19%, compared to 19% for the six months ended 30 June 2021.

5. Earnings per share

	Six months ended 30 June 22	Six months ended 30 June 21
Earnings per Ordinary Share – basic (pence)	**32.2**	27.4
Earnings per Ordinary Share – diluted (pence)	**31.9**	27.0

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

	Six months ended 30 June 22	Six months ended 30 June 21
	£m	£m
Earnings		
Profit after tax attributable to equity holders of the Company	**31.0**	26.2
Shares	**Number**	Number
Basic weighted average number of Ordinary Shares	**96,341,184**	95,522,758
Effect of dilution resulting from share options	**836,273**	1,406,872
Diluted weighted average number of Ordinary Shares	**97,177,457**	96,929,630

Adjusted earnings per share is detailed below:

	Six months ended 30 June 22	Six months ended 30 June 21
Adjusted earnings per Ordinary Share – basic (pence)	**35.9**	31.1
Adjusted earnings per Ordinary Share – diluted (pence)	**35.6**	30.6

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

	Six months ended 30 June 22	Six months ended 30 June 21
Earnings	**£m**	£m
Profit for the period attributable to equity holders of the Company	**31.0**	26.2
Amortisation arising on business combinations	**4.7**	4.6
Adjusting tax items	**(1.1)**	(1.1)
Adjusted profit after tax for the period	**34.6**	29.7

6. Dividends

A final dividend of 8.8p was paid on the 23 June 2022 (2021: 7.8p). The Board has declared an interim dividend of 5.0p per share payable on Thursday 20 October 2022 to shareholders on the register as at Friday 23 September 2022. In the prior year an interim dividend of 4.4p was paid.

7. Property, plant and equipment

	Land and building £m	Network assets £m	Computer equipment £m	Fixtures and fittings £m	Total £m
2022					
Cost					
At 1 January 2022	4.5	78.7	12.3	2.4	97.9
Additions	-	1.2	1.0	-	2.2
Disposals	-	(6.4)	-	-	(6.4)
Exchange differences	0.1	(0.1)	(0.1)	0.5	0.4
At 30 June 2022	**4.6**	**73.4**	**13.2**	**2.9**	**94.1**
Depreciation					
At 1 January 2022	0.3	50.3	9.0	1.5	61.1
Charge for the period	-	3.5	0.8	0.2	4.5
Disposals	-	(6.3)	-	-	(6.3)
Exchange differences	-	0.4	0.2	(0.2)	0.4
At 30 June 2022	**0.3**	**47.9**	**10.0**	**1.5**	**59.7**
Net book value					
At 1 January 2022	4.2	28.4	3.3	0.9	36.8
At 30 June 2022	**4.3**	**25.5**	**3.2**	**1.4**	**34.4**

	Land and building £m	Network assets £m	Computer equipment £m	Fixtures and fittings £m	Total £m
2021					
Cost					
At 1 January 2021	4.8	71.9	11.6	2.0	90.3
Additions	-	3.0	0.5	0.1	3.6
Acquisition of subsidiary	-	-	0.1	-	0.1
Disposals	-	(0.1)	-	-	(0.1)
Exchange differences	(0.2)	-	(0.1)	(0.1)	(0.4)
At 30 June 2021	4.6	74.8	12.1	2.0	93.5
Depreciation					
At 1 January 2021	0.1	44.7	7.9	1.3	54.0
Charge for the period	0.1	3.1	0.5	0.3	4.0
Exchange differences	-	(0.2)	-	-	(0.2)
At 30 June 2021	0.2	47.6	8.4	1.6	57.8
Net book value					
At 1 January 2021	4.7	27.2	3.7	0.7	36.3
At 30 June 2021	**4.4**	**27.2**	**3.7**	**0.4**	**35.7**

8. Intangible assets

	Goodwill £m	Customer contracts £m	Brand £m	Development costs £m	Software £m	Total £m
2022						
Cost						
At 1 January 2022	91.8	47.6	2.2	28.1	18.5	188.2
Additions	-	-	-	5.6	-	5.6
Disposals	-	-	-	(0.1)	-	(0.1)
Exchange differences	0.6	0.9	-	0.2	-	1.7
At 30 June 2022	**92.4**	**48.5**	**2.2**	**33.8**	**18.5**	**195.4**
Amortisation						
At 1 January 2022	8.7	20.2	0.9	14.8	14.3	58.9
Charge for the period	-	3.7	0.5	2.2	1.0	7.4
Disposals	-	-	-	(0.1)	-	(0.1)
Exchange Differences	(0.1)	0.4	-	(0.1)	-	0.2
At 30 June 2022	**8.6**	**24.3**	**1.4**	**16.8**	**15.3**	**66.4**
Net book value						
At 1 January 2022	83.1	27.4	1.3	13.3	4.2	129.3
At 30 June 2022	**83.8**	**24.2**	**0.8**	**17.0**	**3.2**	**129.0**

	Goodwill £m	Customer contracts £m	Brand £m	Development costs £m	Software £m	Total £m
2021						
Cost						
At 1 January 2021	55.0	48.6	2.4	17.6	16.6	140.2
Additions	-	-	-	0.9	1.6	2.5
Acquisition of subsidiary	38.7	1.5	0.9	5.2	-	46.3
Exchange differences	(1.5)	(1.8)	-	(0.2)	-	(3.5)
Reclassifications	-	-	-	0.8	(0.8)	-
At 30 June 2021	92.2	48.3	3.3	24.3	17.4	185.5
Amortisation						
At 1 January 2021	8.8	13.5	0.7	10.1	11.8	44.9
Charge for the period	-	3.9	0.6	1.9	1.4	7.8
Exchange Differences	(0.1)	(0.6)	-	-	-	(0.7)
Reclassifications	-	-	-	0.4	(0.4)	-
At 30 June 2021	8.7	16.8	1.3	12.4	12.8	52.0
Net book value						
At 1 January 2021	46.2	35.1	1.7	7.5	4.8	95.3
At 30 June 2021	**83.5**	**31.5**	**2.0**	**11.9**	**4.6**	**133.5**

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

Our annual goodwill impairment test of our Spanish business performed in September 2021 showed that the headroom between the recoverable amount (determined based on a value in use model) and the carrying value of the Spain cash generating unit ("CGU") was modest at £12m at the measurement date. As part of our 2021 goodwill impairment test, we considered reasonably possible changes in key assumptions that could cause an impairment, and 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% (H1 2021: 4%) over this period, would see the headroom reduced to nil.
2. To breakeven, the Adjusted EBITDA margin percentage achieved in year 5 and terminal years would need to reduce by 9% (H1 2021: 6%).

9. Share capital

	Number	£m
1 January 2022		
Ordinary Shares of £0.0025 each	96,323,054	0.2

	Number	
At 1 January 2022	96,323,054	
Movement:		
January	5,291	(a)
March	10,516	(a)
April	14,401	(a)
June	13,591	(a)
At 30 June 2022	96,366,853	

(a) Ordinary shares were issued to satisfy options which have been exercised.

	Number	£m
30 June 2022		
Ordinary Shares of £0.0025 each	**96,366,853**	0.2

10. Other reserves

	Merger reserve £m	Share option reserve £m	Foreign exchange reserve £m	Own shares £m	Total other reserves £m
1 January 2021	2.3	5.2	(0.7)	(0.7)	6.1
Issue of shares	-	(1.7)	-	-	(1.7)
Share-based payment expense	-	2.3	-	-	2.3
Other comprehensive income	-	-	(2.2)	-	(2.2)
30 June 2021	**2.3**	**5.8**	**(2.9)**	**(0.7)**	**4.5**
1 January 2022	2.3	7.1	(4.2)	(0.7)	4.5
Issue of shares	-	(0.2)	-	-	(0.2)
Share-based payment expense	-	2.2	-	-	2.2
Other comprehensive income	-	-	1.3	-	1.3
30 June 2022	**2.3**	**9.1**	**(2.9)**	**(0.7)**	**7.8**

11. Events after the reporting date

On 5 August 2022 the Group disposed of a small Spanish subsidiary ComyMedia Proyectos Y Sevicios S.L.U. The business contributed around £1.6m of yearly revenue but was negligible at Adjusted EBITDA level.

On the 12 August 2022 the Group signed an agreement to acquire 100% of the share capital of NeoTel 2000 S.L.U. ("NeoTel"). The agreement is subject to regulatory approval and closing conditions being met which is expected to follow shortly. NeoTel provides a cloud PBX and call centre solution focused on the Spanish SME market. The initial consideration is a maximum of €5.5m with potentially a further €3.5m of contingent consideration depending on performance to June 2023.