**21 March 2017**

**Gamma Communications plc**
**Audited Results for year ended 31 December 2016**

**Strong growth in strategic products and well positioned for future growth**

Gamma Communications plc ("Gamma"), a leading, technology based provider of communications services to the UK business market, is pleased to announce its audited results for the year ended 31 December 2016.

**Financial highlights**

| | Years ended 31 December | | |
|---|---|---|---|
| | **2016** | **2015** | **Change (%)** |
| Revenue | £213.5m | £191.8m | +11.3% |
| Gross profit | £98.8m | £82.3m | +20.0% |
| *Gross margin* | *46.3%* | *42.9%* | |
| EBITDA* | £31.3m | £29.9m | +4.7% |
| Adjusted EBITDA | £34.2m | £28.3m | +20.8% |
| PBT* | £21.6m | £22.6m | -4.4% |
| Adjusted PBT | £24.5m | £21.0m | +16.7% |
| Fully Diluted EPS* | 18.8p | 19.6p | -4.1% |
| Adjusted EPS | 21.1p | 17.9p | +17.9% |
| Dividend per share | 7.50p | 6.60p | 13.6% |
| Adjusted net operating cash inflow before tax | £31.3m | £25.3m | +23.7% |
| *Adjusted net operating cash inflow before tax / Adj EBITDA* | *91.5%* | *89.4%* | |

* Unadjusted figures for 2015 include an exceptional gain of £5.7m

*All adjusted measures set out above and throughout this document are described as "adjusted" 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.*

**Operational highlights**

- The Cloud PBX and SIP Trunking connections continue to grow ahead of the market
  - The number of installed SIP Trunks increased from 360,000 at 31 December 2015 to 511,000 at 31 December 2016 (a gain of +42%)
  - The number of Cloud PBX users increased from 142,000 to 230,000 (+62%)
- Strong growth in the indirect business
  - Gross profit from indirect business increased from £64.1m to £78.2m (+22%)
  - The number of Channel Partners grew from 834 to 970 (+16%)
- Significant wins in the direct business drive growth
  - Gross profit up from £18.2m to £20.6m (+13%)
  - New customers include a large financial institution, Reed, OCS, City Electrical Factors, Nandos, and St John Ambulance
  - Good progress in the public sector, key wins include Your Housing Group, AQA and a number of NHS Trusts
- Continued investment in further product development
- Gamma's new mobile service launched in both the indirect and direct channel

Bob Falconer, Chief Executive Officer, commented

*"2016 has been a year of significant progress at Gamma. We have seen no let up in the demand for our strategic products of SIP Trunking and Cloud PBX, whilst being particularly encouraged by the growing contribution from our data services following the investments we made to extend our network reach. Bringing a Full MVNO into service in 2016 was a major engineering achievement, and, whilst it is still early days for our new mobile service, it positions the business well for the future as we develop more converged fixed and mobile services. We are pleased with the growth in the number of channel partners choosing to use our services and we continue to make significant marketing and other investments to help our partners grow their business with us.*

*The Gamma direct business remains focussed on the larger, more complex opportunities, and we were successful in agreeing a significant SIP Trunking contract with a large financial institution and to provide full voice, data and mobile services to companies such as Strutt & Parker and CEF. The public sector has also grown significantly, with particular success with NHS Trusts, educational establishments and government departments such as the Department of Communities and Local Government for whom we are providing mobile services."*

**Enquiries:**

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|---|---|
| **Gamma Communications plc**<br>Bob Falconer, Chief Executive Officer<br>Andrew Belshaw, Chief Financial Officer | Tel: +44 (0)333 006 5972 |
| **Investec Bank plc (NOMAD & Broker)**<br>Dominic Emery / Sebastian Lawrence<br>Patrick Robb / Matt Lewis | Tel: +44 (0)207 597 5970 |
| **Tulchan Communications LLP (PR Adviser)**<br>James Macey White / Matt Low | Tel: +44 (0)207 353 4200 |

### *Notes to Editors*

Gamma is a rapidly growing, technology based, provider of communications services to the UK business market. Gamma's services, such as Cloud PBX, Inbound Call Control Services and SIP Trunking, are designed to meet the increasingly complex voice, data and mobility requirements of businesses, through the exploitation of its know-how and own intellectual property.

Gamma also provides business-grade mobile and data services and, as a consequence of its history, has a substantial voice service capability. These services enable Gamma to provide a comprehensive range of communications services.

Gamma has enjoyed strong organic revenue and EBITDA growth driven by a high percentage of repeat revenues. The business had 753 employees at 31 December 2016. It operates across six main locations – headquartered in Newbury - with offices in London, Manchester, Glasgow, Portsmouth and Budapest.

**A full set of the audited statutory accounts will be available at www.gamma.co.uk/investors/financial-results-and-shareholder-communications**

## Chairman's statement

### Introduction

I am very pleased to present the audited results of Gamma Communications plc for the year ended 31 December 2016.

Gamma is well positioned in the UK communications market with a strong portfolio of voice, data and mobile services to meet the growing communications needs of a modern business. With a strong core technical capability, the Group is able to bring innovative, and often disruptive, products to the market.

### Overview of results

Revenue for the Group headed by Gamma ("Group") for the year ended 31 December 2016 increased by £21.7m to £213.5m (2015: £191.8m), an increase of 11.3% on the prior year. Of this increase £17.0m came from the indirect business where revenue increased to £169.0m (2015: £152.0m), while £4.7m came from the direct business which saw revenue increase to £44.5m (2015: £39.8m). Gross profit for the year to 31 December 2016 rose to £98.8m, an increase of 20.0% compared to the £82.3m achieved in 2015, whilst the overall gross margin increased to 46.3% (2015: 42.9%).

Adjusted EBITDA for the Group increased by 20.8% to £34.2m (2015: £28.3m).

Adjusted EPS for the year ended 31 December 2016 increased by 17.9% to 21.1p (2015: 17.9p). EPS is not comparable owing to the exceptional gain of £5.7m in 2015.

The adjusted net operating cash inflow before tax for the year was £31.3m compared to £25.3m in 2015. This represents a conversion ratio of adjusted net operating cash inflow before tax to adjusted EBITDA of 92%, compared to 89% for 2015. Net Cash as at 31 December 2016 amounted to £28.2m compared to £24.8m as at 31 December 2015.

### Dividend

The Board is pleased to propose a final dividend, in respect of the year ended 31 December 2016, of 5.0p per share (2015: 4.4p) which, subject to the necessary shareholder approval at the forthcoming AGM, will be payable on 22 June 2017 to shareholders on the register on Friday 2 June 2017. When added to the 2.5p interim dividend this makes a total dividend of 7.5p for the year as a whole (2015: 6.6p).

### Business review

The business has demonstrated healthy growth from its channel, growing its partner base from 834 to 970, whilst at the same time winning some significant customers with its direct business arm, such as Strutt & Parker, City Electrical Factors and a substantial SIP Trunking contract with a large financial institution. I was particularly pleased that the investments we made to better position the business to bid for public sector business - where we are still significantly under-represented - are starting to bear fruit, and we have been pleased to agree new contracts with organisations such as Your Housing Group, AQA, East and North Herts NHS Trust and the Department for Communities and Local Government.

For many larger organisations the preference is to work with a Systems Integrator (SI) or BPO (Business Process Outsourcing) provider, such as CGI Group Inc, to provide much of their IT and communications needs. Following some early success, Gamma views such organisations as natural partners, and is strengthening the business to be able to work more closely with providers in this sector for business in what are usually complex bid driven processes.

In December 2014, Gamma purchased the control equipment that provides the core of a mobile network. The Board is very pleased to report that we have successfully built this core into a "Full MVNO" (a Mobile Virtual Network Operator which owns its core infrastructure); this has been no small undertaking both commercially and technically. The radio access agreement in the UK is with Three and we look forward to building further on this partnership. As one of a very small number of Full MVNOs, and the only Group with in-depth capability in both fixed and mobile services, the business is well positioned for converged services which blur the boundary between the fixed and mobile worlds. This is an area of active further product development for us.

Strong growth in our strategic SIP Trunking and Cloud PBX products has been complemented by encouraging growth in our data services, which are often sold as part of an overall bundle. Strategic and enabling products are areas where we believe we can increase market share, which we anticipate will more than offset the structural decline in sales of traditional products. Capital investments in the core of the data network will both support growth and further simplify new product introduction.

Gamma continues to invest in new product development with the current pipeline focused on enhancements of existing products to stay ahead of the market, the release in 2017 of a fixed/mobile converged product, and some early client trials of computing as a service using AWS ("Amazon Web Services") as the core supplier.

**Board and employees**

We are privileged to have an active and experienced Board and a strong senior team, with real strength in depth of management. A policy of developing and growing talent from within has proved highly successful in maintaining both a clear culture and a high level of staff loyalty and tenure. The senior executives, managers and employees remain the bedrock of Gamma and they have significantly contributed to the creation of the successful Group we have today. I should like to thank them for their consistent hard work and continued support. On 1 February 2017, Richard Bligh's role changed and he became Gamma's Director of Business Development. Going forward, Richard will focus on identifying and assessing growth opportunities for the business.

Gamma is fully supportive of apprenticeship schemes and employee volunteering within the local community and has a policy of matched funding for charitable activities by staff. Employee motivation and personal development are fundamental tenets of Gamma, leading to a stronger and more successful business.

**Outlook**

The Board is enthusiastic about Gamma's prospects for 2017 and beyond and remains open to suitable M&A opportunities and areas for strategic capital investment. With a comprehensive product portfolio of next generation voice, data and mobile services, strong routes to market, positive  management and an excellent reputation for service the opportunities ahead are significant.

**Richard Last**
**Chairman**

## Chief Executive Review

### Introduction

2016 was a year of both strong organic growth and significant investment for the future. Our product innovation, skills and capital investments give us confidence in our ability to continue to develop long term sustainable value for our stakeholders.

Overall, revenue grew from £191.8m in 2015 to £213.5m (+11.3%) with gross profit improving from £82.3m to £98.8m (+20.0%). Adjusted EBITDA grew by 20.8% from £28.3m to £34.2m, while adjusted PBT increased to £24.5m, up 16.7% from £21.0m in 2015.

Gamma pursues a strategy of identifying new product opportunities, rapidly bringing them to market in a robust and scalable way, and finally using our Channel Partners to generate high volume sales. This is an approach that has been consistently successful for several years. In 2016, 79% of Gamma's sales came through its extensive network of channel partners (2015: 79%). Direct sales have also continued to grow strongly, with a conscious shift to larger customers, particularly in the enterprise and public sector markets.

### Indirect business

The channel route to market grew its revenues by £17.0m to £169.0m in 2016 (2015: £152.0m). The channel represents 79% of our total revenues and we remain the only carrier of scale that has such a strong and consistent focus on this highly dynamic market.

Over the course of 2016 the number of channel partners actively trading with Gamma expanded from 834 to 970. A notable, and growing, trend has been for businesses to seek to buy all their communications services, and in some cases communications and IT services, from a single supplier. The channel has been quick to respond to this and we have seen operators move rapidly to expand their portfolio from what was often a narrow specialism, such as mobile, PBX or IT services. Consequently, many of our new partners are also new to both the telecoms industry and our products, and we have significantly geared up our training and support programmes accordingly. Ensuring we are 'straightforward' to do business with is a major management focus.

Our SIP Trunking and Cloud PBX products have remained the prime contributor to growth in the channel. However, as we've invested further in our data products the growth here has also been encouraging and a number of channel partners have actively moved their business customers away from competitors to Gamma's data services. Growth in strategic and enabling products has more than offset any decline in the traditional business.

Over 2016, through our channel partners, we have successfully supplied services to thousands of businesses. We were particularly pleased to be able to help Alternative Networks secure a large SIP Trunking order from Homeserve. Our products are well suited to retail outlets and, by way of example, Opus Telecom, a long standing channel partner, worked closely with us to win a multi-site data network for the Côte Restaurant chain.

### Direct business

Our direct business grew strongly with revenues rising to £44.5m (2015: £39.8m). The enterprise market now recognises Gamma as a leading provider of cloud communication services, enabling us to secure £33m of contracts in this market; Strutt & Parker, the UK property company, and City Electrical Factors, the leading electrical wholesaler, are both migrating their entire data, voice and mobile estates to Gamma under three year managed service agreements.

In the public sector, our investment to gain a strong position on the Crown Commercial Service Network Services framework agreement (RM1045) has proved worthwhile, with Gamma securing c. £5m of awards on this framework alone - including a significant central government contract for our new mobile service with the Department for Communities and Local Government. 2016 has also seen a significant increase in the number of public health organisations contracting with us, including some large NHS trusts.

In the SME and mid markets, our customer service, combined with our leading products, have created a compelling service with SME customers consuming our Cloud PBX and mid-market customers consuming SIP Trunking services - and both achieving significant growth. A testament to our focus on customer service is our Net Promoter Score that has again risen from 40 in 2015 to 45; this high level of satisfaction is why Virgin Wines, Just-Eat and Cotswold Outdoor have all extended their contracts with Gamma.

**Strategic products**

Our core strategic products of SIP Trunking and Horizon (our Cloud PBX service) have continued to grow very strongly in the past 12 months.

Our SIP Trunking product – which is a more flexible and cost effective alternative to traditional ISDN – grew by 42%; from 360,000 to 511,000 channels during 2016. We have continued to invest in product functionality, including additional call control services. These allow customers to control inbound call routing and provide business continuity capability via an easy to use App in the event of failure of the access network. We have also extended the geographic reach of the service by partnering with providers in Europe to provide SIP Trunking services in a number of European countries. Gamma remains the current UK market leader in SIP Trunking, and has significantly exceeded the general 24% market growth of SIP Trunking channels in the UK (Cavell Report June 2016).

The market for cloud-based telephony services, as an alternative to a traditional PBX, is now well established. Indeed in the sub 25 user market, hosted services are starting to play a dominant role compared to on-site PBXs. In 2016 the number of users on Gamma's Cloud telephony product, Horizon, grew by 62% from 142,000 to 230,000, helped by a significant increase in the number of accredited partners that are selling our Horizon solution. The product is being continuously enhanced and the underlying platform has recently been scaled up to cater for both growth and the high level of resilience demanded by business customers. Developments have included integration of the product into leading CRM (Customer Relationship Management) systems enabling customers to benefit from increased operational efficiency through more joined up business processes.

For both SIP Trunking and Horizon, we are now seeing a growth in competition, from both UK based and overseas operators, however the market remains very buoyant, and in the past 12 months Gamma has significantly outpaced the general market growth.

**Enabling products**

Gamma's ethernet and business-grade broadband services (which underpin our strategic products) both grew healthily during 2016. Business broadband connections expanded from 40,000 to 54,000, whilst higher speed ethernet connections increased from 2,400 connections to 3,520. This is a highly price sensitive segment of the market, and to remain in a competitive position Gamma has invested in extending its network into BT Openreach exchanges in high density business areas and, where appropriate, is using other carriers such as Virgin Media and TalkTalk as well as BT Wholesale. Currently, the majority of broadband and ethernet services are sold as part of a service bundle including Cloud PBX or SIP Trunking. As a relatively late entrant to the data market, there remains significant scope to increase market share.

**Mobile services**

Much of 2016 was focused on bringing our Full MVNO service into active use in the second half of the year. This has been a demanding and technically challenging project, requiring some parallel running, with our expiring "thin" MVNO agreement with Vodafone and the concomitant extra costs resulting from that. We have chosen to work with Three as the primary radio network provider in the UK on the basis of their excellent network capability, complementary market strategy and substantial data capability. The new Gamma mobile service, which offers a full 4G service, not only provides Gamma with a much improved cost base but also full control over its technical infrastructure, enabling product innovation and differentiation. In the latter half of 2016 and into 2017 effort has been focussed on tuning the service, the market proposition and managing the logistically difficult task of swapping the sim cards of those customers prepared to transfer from the "thin" MVNO. The new service was launched to new customers In October, with some early successes in the direct business; the indirect market will inevitably take more time to build momentum. We recognise that mobile growth now is fundamentally driven by data volumes, be they from person or machine, and we will use this metric to track our progress going forward. In the second half of 2016 our average monthly data volume was a modest 7.4Tbytes, which we plan to grow significantly.

Gamma is one of only a very small number of companies in the UK (and by far the smallest) that owns the necessary technical infrastructure to develop a deep fixed and mobile converged service and, with work already underway, it is anticipated that we will bring a first release converged product to market in late 2017.

**Operational performance**

The business market is, quite rightly, highly intolerant of any service disruption and this is an area where Gamma seeks to differentiate itself from its competitors. Emphasis on continuous improvement, good capacity planning, rigorous change control and robust design - whilst never guaranteeing freedom from problems - does in the long term drive up service levels.

Our major platforms supporting SIP Trunking, Horizon and Mobile services all exceeded their service level availability targets for the year. With the levels of growth and change that have been driven through the platforms we see this as a major achievement and a strong testimony to our quality based approach. The business has retained its certification to ISO27001, Cyber Essentials (mandatory for relevant government contracts) and ISO22301, and extended these to cover the new mobile service.

**Security**

The Board regularly reviews the health of our security governance, to ensure appropriate resource and a high priority is placed on mitigating risk in this area. The Group subscribes to a number of sources of security intelligence, as well as participating in relevant national working groups. It regularly employs expert third parties to carry out penetration testing against its network, product platforms and online interfaces to ensure any vulnerabilities are understood and addressed.

**Customer service**

With a growing product portfolio, and many of our channel partners being new to the sector, we wanted to ensure that our products were well understood and easier to use than those of our competitors. We therefore developed and launched the “Gamma Academy”. This is an online training environment that is used by new channel partners, new staff within existing channel partners, and as a refresh for current users. It is intended to ensure our partners have all the material they need to make best use of our online tools and interfaces so they are equipped to deliver the best service to their own customers. Successful use of the Academy contributes to the accreditation ratings of our key partners.

As a part of our initiative to “make Gamma straightforward to do business with” we invested further in our portal user interface enabling customers to tailor the functionality around their specific requirements, ensuring a more straightforward experience, whilst also reducing our support overhead.

**Network**

Traffic volumes on the Gamma network have continued to grow; the network now carries over 1 billion minutes of voice traffic per month which is up from 800 million at the end of 2015, whilst data traffic has increased by 40% over the same period. This is a consequence of both an increase in the number of customers and the volume generated per customer.

To cater for this growth, and meet the growing demand for data services, coupled with the increasing requirement for access speeds of up to 10Gbit/s from larger enterprises and the public sector, Gamma is making a £5m investment in its national network. In the Company’s Admission Document in 2014, the Directors indicated their expectation that parts of the underpinning fibre network would be retired and replaced. Therefore, as part of this investment, the Group is also taking the opportunity to replace much of the fibre on its national network with a new arrangement with CityFibre which runs through to 2042. The new fibre network will interconnect various datacentres, Gamma locations and BT nodes in a resilient ring through London, Manchester and other major cities. This will also reduce Gamma’s cost of delivery of data services in a highly competitive market. The core network is readily scalable to 8Tbit/s and is expected to go into service during 2018. This will complement other investments made in recent years to reduce cost and increase capacity which the business will begin to benefit from in the coming year.

Overall during 2017/18 Gamma will undertake a series of engineering projects and traffic migrations which will:

- bring this new core network into active service;
- enable direct data access to an increased number of BT Openreach exchanges, thereby reducing the cost of ethernet data services;
- enable full IP interconnection into the BT voice network – eliminating the legacy multiple voice interconnects into BT exchanges; and
- allow the removal of significant legacy equipment, associated support costs, and a reduction in national fibre rate charges.

The completion of this major programme of work will position the business with a lower cost base, increased capacity and greater flexibility for introducing new services.

**People**

The average number of people in the Gamma Group increased over the year from 626 to 732, primarily to support the growth in product volumes, channel partners and new product development.

Once again, Gamma was recognised as one of “The Sunday Times Top 100 Best Companies To Work For 2016” and retained its 2-star accreditation by Best Companies as an “Outstanding Company”. The staff engagement criteria used to assess Best Companies are highly correlated with successful business performance and we have consistently found it to be a valuable tool.

To complement our successful graduate programme, we have stepped up our recruitment of apprentices to help attract nascent talent from a wider pool of candidates.

**Outlook**

Looking forward to 2017, our core strategy is to continue to work closely in support of the channel and to remain both market leader and disruptor in the high growth or displacement sectors of the business communications market. With a full capability in both mobile and fixed communications services, the business is in an excellent position to bring exciting new products to the business market during 2017. Quality of service and ‘ease of doing business’ continue to remain core underpinning enablers of growth.

Our direct business has grown significantly in recent years and the focus there is on larger opportunities and the public sector, both of which we believe have been poorly served in the past.

We expect volumes to continue to grow in SIP Trunking and Cloud PBX, with the expected continued decline in traditional services (phone calls and lines). We hope to build on the accelerated growth we have seen in our data services, whilst mobile generally and fixed/mobile integration presents a big opportunity for the business with our converged product being launched later in 2017. In support of the strategy the Board remains open to suitable acquisitions which the business is in a strong position to consider.

**Bob Falconer**
**Chief Executive Officer**

## Financial review

### Revenue and gross profit

*Indirect business*

Revenue from the indirect business grew from £152.0m to £169.0m (+11.2%) and gross profit grew from £64.1m to £78.2m – an increase of £14.1m in the year.

That increase in gross profit is our biggest year on year growth in absolute terms.  This growth is particularly pleasing despite the fact that the traditional business (which includes calls and lines and trade with other carriers) has started showing its first signs of decline; in 2016 it declined by £2.0m to £16.5m (2015: £18.5m). However, the increase from our growth products has more than offset that decline (“growth products” are together SIP Trunking, Cloud PBX, Inbound, Data and Mobile products and services).

Revenue from growth product sales increased from £93.8 m to £113.2m (+20.7%) and gross profit grew from £45.6m to £61.7m (+35.3%).  The gross margin grew from 48.6% to 54.5% which reflects the fact that the main contributor to this growth was SIP Trunking, which has a higher margin than other products.  We have also seen margins improve significantly on our Inbound product as customers have moved from using 08 numbers to 03 numbers.

The key drivers of growth in our gross profit line continue to be SIP Trunking and Cloud PBX.  However, in addition, throughout 2016 we saw our data products grow at levels above previous years due to our ability to offer lower overall pricing for customers.  We had forecast previously that our investment in the network would result in a lower cost base which would drive sales and this has proved to be the case.

We continue to see growth in both the number of Channel Partners and also the cross-selling of products into those Partners - the percentage of gross profit coming from Channel Partners who buy four or more products (excluding traditional calls and lines) from Gamma remains high at 74% (2015: 73%).

*Direct business*

The direct business has also had a good year.  Revenue increased from £39.8m in 2015 to £44.5m (+11.8%) and gross profit from £18.2m to £20.6m (+13.2%). Margin increased slightly from 45.7% to 46.3%.

The growth was attributable to sales of growth products and gross profit on these products grew from £14.0m to £16.8m. This business continues to move from selling to smaller customers to larger businesses on multi-year deals.  The order book at the year end was strong with some significant wins in 2016 (including a large financial institution) which will only start to contribute significantly to revenues and gross profit in 2017.

### Operating expenses before share based payment expense

Operating expenses (before share based payment expense) grew from £61.4m to £74.5m.  This was due to a number of factors:

- Ongoing growth in the number of customers switching to new products for the first time continues to be a driver of overhead.
- New mobile platform operating costs of £4.2m in 2016.  This was a combination of operational costs required to make it ready for service and also the ongoing maintenance of the platform.  (2015: £1.8m).
- Increased investment in product R&D that doesn’t meet capitalisation criteria.
- Continued investment in systems to ensure that as sales increase, the number of customer service personnel required does not increase at the same rate.

**Adjusted EBITDA**

The combination of increasing sales of new products and operational improvements means that adjusted EBITDA grew from £28.3m to £34.2m or 20.8% – adjusted EBITDA has almost doubled in the three year period since Gamma floated (having been £17.2m in 2013).

The reconciliation of EBITDA to adjusted EBITDA is shown below:

| | **2016 £m** | **2015 £m** |
|---|---|---|
| **EBITDA** | **31.3** | **29.9** |
| Exceptional gain | - | (5.7) |
| Share based payment expense | 2.9 | 4.1 |
| **Adjusted EBITDA** | **34.2** | **28.3** |

The adjusted EBITDA excludes Share Based Payment expense (as well as exceptional items) because these have fluctuated significantly year on year.

Adjustments to EBITDA, PBT, EPS and net operating cash inflow have been presented to ensure underlying performance year on year is understood. The Group believes that adjusted measures provide valuable additional information for users of the financial statements in assessing the Group's performance since they provide information on the performance of the business that management is more directly able to influence and on a basis consistent across the Group.

**Exceptional items and share based payment expense**

Exceptional items are those which are considered significant by virtue of their nature, size or incidence, and are presented separately in the income statement to enable a full understanding of the Group's financial performance. In the year ended 31 December 2016 there were no exceptional items. In the previous year there was an exceptional gain of £5.7m relating to "ladder pricing". The absence of an exceptional gain in 2016 explains why the PBT and EPS figures show a slight decline.

Share based payment expense for the year was £2.9m in 2016 (2015: £4.1m). The charge includes options being issued to senior management, an SAYE and a SIP scheme offered to all staff, and the costs of Employers' National Insurance on share option gains. The reduction in the charge in the year reflects the fact that a special LTIP offered on float in 2014 has now largely unwound.

Adjusted PBT for the year of £24.5m (2015: £21.0m) excludes share based payment expense of £2.9m (2015: £4.1m), as well as an exceptional gain of £5.7m in 2015, against PBT of £21.6m (2015: £22.6m).

**Taxation**

The effective tax rate for the year was 18.1% (2015: 19.0%). The tax rate is lower than the statutory rate for the year (20.0%) because the Group receives research and development tax credits.

**Cash flows**

Good cash generation meant we had cash balances at the end of the year of £28.2m, up from £24.8m at the end of the previous year. The adjusted net operating cash inflow before tax for the year was £31.3m which represents 92% of adjusted EBITDA for the year; in line with our historical rates of cash conversion (2015: 89%). We continue to turn our trading profit into cash. (Adjusted net operating cash inflow before tax is defined as "Net cashflows from operating activities" £26.5m (2015: £28.2m) plus "Taxes paid" £4.8m (2015: £2.2m) before exceptional cashflows; in 2015 there was an exceptional cash inflow of £5.1m whereas in 2016 there were no exceptional cashflows.)

Capital spend for the year was £19.6m, which is an increase from £11.5m in the previous year. This is discussed in detail below.

The Group continues to be debt free and a number of lenders have indicated that they would be willing to support the Group with debt were it to be required for capital expenditure programmes or M&A activity.

**Capital expenditure**

The Group spent £19.6m (2015: £11.5m) on capital which was split as follows:

- £4.0m was on enhancement, replacement, increasing capacity and development of the core network (as well as minor network related IT items and fixtures and fittings) (2015: £3.4m).
- An additional £2.8m was spent on augmenting the mobile platform purchased in 2014 in preparation for the launch of our live service (2015: £1.0m).
- £1.8m was spent on building out our data network into a number of local exchanges which will, going forwards, reduce our cost base for our ethernet product (2015: £0.4m). This has given us the ability to reduce prices and we have already seen a marked upturn in sales.
- £0.9m was the capitalisation of development costs incurred during the year, this is in line with previous years (2015: £0.9m).
- £8.3m was on customer premises equipment ("CPE"); this is "success based" expenditure (because each new sale requires the provision of equipment) and is expected to increase in line with new sales of our data and Cloud PBX products (2015: £4.4m).
- £1.8m of other assets which are predominantly related to IT and fixtures and fittings (2015: £1.4m).

In addition, we expect to spend £5m on our new national network which will replace our existing fibre ring. This will provide Gamma with a core infrastructure for the next twenty-five years.

**Adjusted EPS**

EPS is adjusted for exceptional items and share based payment expense. Adjusted EPS increased from 17.9p to 21.1p (18%). The growth in adjusted EPS is slightly behind that of adjusted EBITDA due to depreciation and amortisation in the year increasing from £7.4m in 2015 to £9.9m. This is driven by the investment programme and success based capital spend described above.

The reconciliation of EPS to adjusted EPS is shown below (both are shown on a Fully Diluted basis):

| | **2016 pence** | **2015 pence** |
|---|---|---|
| **EPS** | **18.8** | **19.6** |
| Exceptional gain | - | (6.1) |
| Share based payment expense | 3.1 | 4.4 |
| Tax effect associated with share based payment expense and exceptional gain | (0.6) | - |
| Additional effect of dilution | (0.2) | - |
| **Adjusted EPS** | **21.1** | **17.9** |

See also note 4 to the abbreviated financial statements.

**Dividends**

The Board has proposed a final dividend of 5.0p representing a full year dividend of 7.5p per share. This is an increase of 13.6% against our dividend for 2015 of 6.6p and is in line with our progressive dividend policy.

Subject to shareholder approval, the final dividend is payable on Thursday 22 June to shareholders on the register as at Friday 2 June.

**Andrew Belshaw**
**Chief Financial Officer**

## Consolidated statement of comprehensive income

**For the year ended 31 December 2016**

| | Notes | 2016 £m | 2015 £m |
|---|---|---|---|
| **Revenue** | 1 | **213.5** | 191.8 |
| Cost of sales | | **(114.7)** | (109.5) |
| **Gross profit** | | **98.8** | 82.3 |
| Other operating income | | **-** | 5.7 |
| Operating expenses | | **(77.4)** | (65.5) |
| **Operating profit before share based payment expense, exceptional items, depreciation and amortisation** | | **34.2** | 28.3 |
| Share based payment expense | | **(2.9)** | (4.1) |
| Exceptional items | 2 | **-** | 5.7 |
| **Operating profit before depreciation and amortisation** | | **31.3** | 29.9 |
| Depreciation and amortisation | | **(9.9)** | (7.4) |
| **Profit from operations** | | **21.4** | 22.5 |
| Finance income | | **0.2** | 0.1 |
| **Profit before tax** | | **21.6** | 22.6 |
| Tax expense | 3 | **(3.9)** | (4.3) |
| **Profit after tax** | | **17.7** | 18.3 |
| **Total comprehensive income attributable to the owner of the parent** | | **17.7** | 18.3 |
| **Earnings per share** | | | |
| Basic per ordinary share (pence) | | **19.4** | 20.4 |
| Diluted per ordinary share (pence) | | **18.8** | 19.6 |

Adjusted EPS is shown in note 4.

## Consolidated statement of financial position

**At 31 December 2016**

| | Notes | 2016 £m | 2015 £m |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 5 | **33.5** | **23.4** |
| Intangible assets | 6 | **10.0** | **10.4** |
| Deferred tax asset | | **1.8** | **2.0** |
| | | **45.3** | **35.8** |
| **Current assets** | | | |
| Inventories | | **3.0** | **2.3** |
| Trade and other receivables | 7 | **39.9** | **35.2** |
| Cash and cash equivalents | | **28.2** | **24.8** |
| | | **71.1** | **62.3** |
| **Total assets** | | **116.4** | **98.1** |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Provisions | | **1.9** | **1.4** |
| Deferred tax | | **0.2** | **0.4** |
| | | **2.1** | **1.8** |
| **Current liabilities** | | | |
| Trade and other payables | 8 | **32.5** | **27.3** |
| Current tax | | **1.6** | **2.3** |
| | | **34.1** | **29.6** |
| **Total liabilities** | | **36.2** | **31.4** |
| **Issued capital and reserves attributable to owners of the parent** | | | |
| Share capital | | **0.2** | **0.2** |
| Share premium reserve | | **3.8** | **3.7** |
| Merger reserve | | **2.3** | **2.3** |
| Share option reserve | | **3.5** | **3.8** |
| Own shares | | **(0.8)** | **(0.8)** |
| Retained earnings | | **71.2** | **57.5** |
| **Total equity** | | **80.2** | **66.7** |
| **TOTAL EQUITY AND LIABILITIES** | | **116.4** | **98.1** |

## Consolidated statement of cash flows

**For the year ended 31 December 2016**

| | Notes | 2016 £m | 2015 £m |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit for the year before tax | | **21.6** | **22.6** |
| Adjustments for: | | | |
| Depreciation of property, plant and equipment | 5 | **8.6** | **6.1** |
| Amortisation of intangible assets | 6 | **1.3** | **1.3** |
| Share based payment expense | | **2.9** | **4.1** |
| Net interest income | | **(0.2)** | **(0.1)** |
| | | **34.2** | **34.0** |
| Increase in trade and other receivables | | **(7.3)** | **(3.3)** |
| Increase in inventories | | **(0.7)** | **(1.2)** |
| Increase in trade and other payables | | **4.6** | **0.4** |
| Increase in provisions and employee benefits | | **0.5** | **0.5** |
| Taxes paid | | **(4.8)** | **(2.2)** |
| **Net cash flows from operating activities** | | **26.5** | **28.2** |
| **Investing activities** | | | |
| Purchases of property, plant and equipment | 5 | **(18.7)** | **(10.6)** |
| Expenditure on development costs | 6 | **(0.9)** | **(0.9)** |
| Payment of deferred consideration | | **-** | **(0.1)** |
| Repayment of loans made to individuals to subscribe for shares | | **2.6** | **0.5** |
| Interest received | | **0.2** | **0.1** |
| **Net cash used in investing activities** | | **(16.8)** | **(11.0)** |
| **Financing activities** | | | |
| Share issues | | **0.1** | **0.5** |
| Investment in own shares | | **-** | **(0.8)** |
| Dividends | 4 | **(6.4)** | **(5.5)** |
| **Net cash used in financing activities** | | **(6.3)** | **(5.8)** |
| Net increase in cash and cash equivalents | | **3.4** | **11.4** |
| **Cash and cash equivalents at beginning of year** | | **24.8** | **13.4** |
| **Cash and cash equivalents at end of year** | | **28.2** | **24.8** |

The operating cashflow in 2015 included £5.1m of cash received relating to the laddering settlement which management considers to be non-recurring in nature.

## Consolidated statement of changes in equity

**For the year ended 31 December 2016**

| | Share capital £m | Share premium reserve £m | Merger reserve £m | Share option reserve £m | Own shares £m | Retained earnings £m | Total equity £m |
|---|---|---|---|---|---|---|---|
| **1 January 2015** | 0.2 | 3.2 | 2.3 | 2.4 | – | 43.1 | 51.2 |
| Issue of shares | – | 0.5 | – | (1.6) | – | 1.6 | 0.5 |
| Current tax on share based payment expense | – | – | – | – | – | 0.7 | 0.7 |
| Deferred tax on share based payment expense | – | – | – | – | – | (0.7) | (0.7) |
| Recognition of share based payment expense | – | – | – | 3.0 | – | – | 3.0 |
| Dividend paid | – | – | – | – | – | (5.5) | (5.5) |
| Investment in own shares | – | – | – | – | (0.8) | – | (0.8) |
| Transaction with owners | – | 0.5 | – | 1.4 | (0.8) | (3.9) | (2.8) |
| Profit for the year | – | – | – | – | – | 18.3 | 18.3 |
| Total comprehensive income | – | – | – | – | – | 18.3 | 18.3 |
| **31 December 2015** | **0.2** | **3.7** | **2.3** | **3.8** | **(0.8)** | **57.5** | **66.7** |
| **1 January 2016** | 0.2 | 3.7 | 2.3 | 3.8 | (0.8) | 57.5 | 66.7 |
| Issue of shares | – | 0.1 | – | (2.5) | – | 2.5 | 0.1 |
| Deferred tax on share based payment expense | – | – | – | – | – | (0.1) | (0.1) |
| Recognition of share based payment expense | – | – | – | 2.2 | – | – | 2.2 |
| Dividend paid | – | – | – | – | – | (6.4) | (6.4) |
| Transaction with owners | – | 0.1 | – | (0.3) | – | (4.0) | (4.2) |
| Profit for the year | – | – | – | – | – | 17.7 | 17.7 |
| Total comprehensive income | – | – | – | – | – | 17.7 | 17.7 |
| **31 December 2016** | **0.2** | **3.8** | **2.3** | **3.5** | **(0.8)** | **71.2** | **80.2** |

**Basis of preparation**

These financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRS) issued by the International Accounting Standards Board (IASB) as adopted by European Union ("adopted IFRSs"), and are in accordance with IFRS as issued by the IASB, and are presented in Sterling and, unless otherwise stated, have been rounded to the nearest 0.1m (£m).

**Publication of non-statutory accounts**

This summary does not constitute statutory accounts within the meaning of the Companies Act 2006. It is an extract from the full accounts for the year ended 31 December 2016 on which the auditor has expressed an unqualified opinion and does not include any statement under section 498 of the Companies Act 2006. The full accounts contain a detailed statement of the accounting policies which have been used to prepare this summary and remained unchanged from the prior year. The accounts will be posted to shareholders on or before 28 April 2017 and subsequently filed at Companies House.

A full set of the audited statutory accounts will be available at www.gamma.co.uk/investors/financial-results-and-shareholder-communications

## 1. Segment information

The Group has two main operating segments:

- Indirect – This division sells Gamma's traditional and growth products and services to channel partners and contributed 79% (2015: 79%) of the Group's external revenue.

- Direct – This division sells Gamma's traditional and growth products and services to end users in the SME, Enterprise and public sectors together with an associated service wrap. They contributed 21% (2015: 21%) of the Group's external revenues.

| **2016** | **Indirect £m** | **Direct £m** | **Total £m** |
|---|---|---|---|
| Traditional products and services | 55.8 | 10.2 | 66.0 |
| Growth (being strategic and enabling) products and services | 113.2 | 34.3 | 147.5 |
| **Total revenue from external customers** | **169.0** | **44.5** | **213.5** |
| *Inter-segment revenue* | *38.8* | - | *38.8* |
| | | | |
| Traditional products and services | 16.5 | 3.8 | 20.3 |
| Growth (being strategic and enabling) products and services | 61.7 | 16.8 | 78.5 |
| **Total gross profit** | **78.2** | **20.6** | **98.8** |
| | | | |
| **Segment operating profit before share based payment expense, exceptional items depreciation and amortisation** | **24.8** | **9.4** | **34.2** |
| Share based payment expense | (2.9) | - | (2.9) |
| Exceptional items | - | - | - |
| **Segment operating profit before depreciation and amortisation** | **21.9** | **9.4** | **31.3** |
| Depreciation and amortisation | (9.0) | (0.9) | (9.9) |
| | | | |
| **Profit from operations** | **12.9** | **8.5** | **21.4** |
| Finance income | 0.2 | – | 0.2 |
| Tax | (2.3) | (1.6) | (3.9) |
| **Group profit after tax** | **10.8** | **6.9** | **17.7** |

External revenue of customers has been derived principally from the United Kingdom and no single customer is over 10% of revenue.

| | **Indirect £m** | **Direct £m** | **Total £m** |
|---|---|---|---|
| Additions to non-current assets | 19.0 | 0.6 | 19.6 |
| Reportable segment assets | 100.8 | 15.6 | 116.4 |
| Reportable segment liabilities | 31.5 | 4.7 | 36.2 |

| 2015 | Indirect £m | Direct £m | Total £m |
|---|---|---|---|
| Traditional products and services | 58.2 | 11.5 | 69.7 |
| Growth (being strategic and enabling) products and services | 93.8 | 28.3 | 122.1 |
| **Total revenue from external customers** | **152.0** | **39.8** | **191.8** |
| *Inter-segment revenue* | *29.2* | – | *29.2* |
| | | | |
| Traditional products and services | 18.5 | 4.2 | 22.7 |
| Growth (being strategic and enabling) products and services | 45.6 | 14.0 | 59.6 |
| **Total gross profit** | **64.1** | **18.2** | **82.3** |
| | | | |
| **Segment operating profit before share based payment expense, exceptional items depreciation and amortisation** | **20.6** | **7.7** | **28.3** |
| Share based payment expense | (4.1) | – | (4.1) |
| Exceptional Items | 5.7 | – | 5.7 |
| **Segment operating profit before depreciation and amortisation** | **22.2** | **7.7** | **29.9** |
| Depreciation and amortisation | (6.6) | (0.8) | (7.4) |
| | | | |
| **Profit from operations** | **15.6** | **6.9** | **22.5** |
| Finance income | 0.1 | – | 0.1 |
| Tax | (1.9) | (2.4) | (4.3) |
| **Group profit after tax** | **13.8** | **4.5** | **18.3** |

External revenue of customers has been derived principally from the United Kingdom and no single customer is over 10% of revenue.

| | Indirect £m | Direct £m | Total £m |
|---|---|---|---|
| Additions to non-current assets | 11.0 | 0.5 | 11.5 |
| Reportable segment assets | 67.6 | 30.5 | 98.1 |
| Reportable segment liabilities | 9.0 | 22.4 | 31.4 |

## 2. Exceptional items

| | 2016<br>£m | 2015<br>£m |
|---|---|---|
| Gain from ladder pricing | - | 5.7 |

Ladder Pricing was a mechanism which was used by fixed line operators to bill other operators for calls to certain 08 numbers. In 2015, Gamma reached a commercial settlement in regard to its ladder pricing policy with the affected operators resulting in an exceptional gain of £5.7m. There was a non-recurring cash inflow of £5.1m, £0.6m was received previously but not recognised as income as the invoices had been disputed.

The gain in the prior year was taxable income and taxed at the prevailing rate.

## 3. Tax expense

| | 2016<br>£m | 2015<br>£m |
|---|---|---|
| **Current tax expense** | | |
| Current tax on profits for the year | **3.9** | **4.9** |
| Adjustment in respect of prior year | **0.1** | **(0.4)** |
| **Total current tax** | **4.0** | **4.5** |
| **Deferred tax expense** | | |
| Origination and reversal of temporary differences | **(0.1)** | **(0.4)** |
| Adjustment in respect of prior year | **-** | **0.2** |
| **Total deferred tax** | **(0.1)** | **(0.2)** |
| **Total tax expense** | **3.9** | **4.3** |

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:

| | 2016<br>£m | 2015<br>£m |
|---|---|---|
| Profit before income taxes | **21.6** | **22.6** |
| Expected tax charge based on the standard rate of United Kingdom corporation tax at the domestic rate of 20.00% (2015: 20.25%) | **4.3** | **4.6** |
| Expenses not deductible for tax purposes | **0.1** | **–** |
| Change in tax rates | **-** | **0.1** |
| Additional deduction for R&D expenditure | **(0.4)** | **(0.2)** |
| Adjustment in respect of prior year | **(0.1)** | **(0.2)** |
| **Total tax expense** | **3.9** | **4.3** |

The Finance Act 2015 included provision for the main rate of corporation tax to reduce to 19% for the year beginning 1 April 2017. The Finance Act 2016 includes provision for the main rate of corporation tax to reduce to 17% for the year beginning 1 April 2020.

## 4. Earnings per share and dividends

**Earnings per share**

The calculation of basic earnings per Ordinary Share is based on a profit after tax of £17.7m (2015: profit of £18.3m) and 91,235,007 (2015: 89,488,163) Ordinary Shares, being the weighted average number of Ordinary Shares in issue during the period.

The diluted earnings per Ordinary Share is calculated by including in the weighted average number of shares the dilutive effect of potential Ordinary Shares related to committed share options. For 2016 the diluted Ordinary Shares were based on 93,787,248 Ordinary Shares (2015: 93,226,438) that included 2,552,241 potential Ordinary Shares (2015: 3,738,275).

The following reflects the income and share data used in the calculation of adjusted EPS.

| | Total 2016 £m | Total 2015 £m |
|---|---|---|
| Profit after tax for the year | 17.7 | 18.3 |
| Exceptional gain | - | (5.7) |
| Share based payment expense | 2.9 | 4.1 |
| (Less)/Add tax effect associated with share based payment expense and one-off costs | (0.6) | 0.1 |
| **Adjusted profit after tax for the year** | **20.0** | **16.8** |

| | Total 2016 No. | Total 2015 No. |
|---|---|---|
| Weighted average number of Ordinary Shares for basic earnings per share | 91,235,007 | 89,488,163 |
| Effect of dilution resulting from share options | 3,497,603 | 4,591,931 |
| **Weighted average number of Ordinary Shares adjusted for the effect of dilution** | **94,732,610** | **94,080,094** |

| | 2016 | 2015 |
|---|---|---|
| Adjusted earnings per Ordinary Share – basic (pence) | 21.9 | 18.8 |
| Adjusted earnings per Ordinary Share – diluted (pence) | 21.1 | 17.9 |

For EPS, the number of shares used for the fully diluted calculation is prescribed by IFRS 2. For adjusted EPS, the Company produce a calculation formulated on management's judgement of the number of options which will vest based on full management forecasts and budgets.

There have been no material transactions involving ordinary shares or potential shares between the reporting date and the date of completion of the financial statements.

**Dividends**

An interim dividend of 2.5p was paid on 20 October 2016 (2015: 2.2p). This represents a total paid of £2.3m (2015:£2.0m).

A final dividend of 5.0p will be proposed at the Annual General Meeting but has not been recognised as it requires approval (2015: 4.4p). This represents a total to be paid of £4.6m (2015:£4.0m)

## 5. Property, plant and equipment

| | Network assets £m | Customer Premises equipment £m | Computer equipment £m | Fixtures and fittings £m | Total £m |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| At 1 January 2015 | 41.8 | 1.9 | 12.5 | 1.5 | 57.7 |
| Additions | 4.8 | 4.4 | 1.4 | - | 10.6 |
| Disposals | (1.6) | (0.5) | (8.4) | (1.0) | (11.5) |
| Reclassification | 0.9 | - | (0.9) | - | - |
| **At 31 December 2015** | **45.9** | **5.8** | **4.6** | **0.5** | **56.8** |
| **Depreciation** | | | | | |
| At 1 January 2015 | 27.0 | 0.8 | 10.0 | 1.0 | 38.8 |
| Charge for the year | 3.7 | 1.4 | 0.9 | 0.1 | 6.1 |
| Disposals | (1.6) | (0.5) | (8.4) | (1.0) | (11.5) |
| Reclassification | 0.3 | - | (0.3) | - | - |
| **At 31 December 2015** | **29.4** | **1.7** | **2.2** | **0.1** | **33.4** |
| **Net book value** | | | | | |
| At 1 January 2015 | 14.8 | 1.1 | 2.5 | 0.5 | 18.9 |
| **At 31 December 2015** | **16.5** | **4.1** | **2.4** | **0.4** | **23.4** |
| | | | | | |
| **Cost** | | | | | |
| At 1 January 2016 | 45.9 | 5.8 | 4.6 | 0.5 | 56.8 |
| Additions | 8.6 | 8.3 | 1.6 | 0.2 | 18.7 |
| Disposals | - | (0.8) | - | - | (0.8) |
| **At 31 December 2016** | **54.5** | **13.3** | **6.2** | **0.7** | **74.7** |
| **Depreciation** | | | | | |
| At 1 January 2016 | 29.4 | 1.7 | 2.2 | 0.1 | 33.4 |
| Charge for the year | 4.2 | 3.1 | 1.2 | 0.1 | 8.6 |
| Disposals | - | (0.8) | - | - | (0.8) |
| **At 31 December 2016** | **33.6** | **4.0** | **3.4** | **0.2** | **41.2** |
| **Net book value** | | | | | |
| At 1 January 2016 | 16.5 | 4.1 | 2.4 | 0.4 | 23.4 |
| **At 31 December 2016** | **20.9** | **9.3** | **2.8** | **0.5** | **33.5** |

There was no property, plant or equipment held under finance leases at the end of either year.

There was no property, plant or equipment held as security at the end of either year.

## 6. Intangible assets

| | Goodwill on Consolidation £m | Development costs £m | Customer Contracts £m | Total £m |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 January 2015 | 12.5 | 4.3 | 2.1 | 18.9 |
| Additions | – | 0.9 | – | 0.9 |
| **At 31 December 2015** | **12.5** | **5.2** | **2.1** | **19.8** |
| **Amortisation** | | | | |
| At 1 January 2015 | 4.5 | 2.4 | 1.2 | 8.1 |
| Charge for the year | – | 0.9 | 0.4 | 1.3 |
| **At 31 December 2015** | **4.5** | **3.3** | **1.6** | **9.4** |
| **Carrying value** | | | | |
| At 1 January 2015 | 8.0 | 1.9 | 0.9 | 10.8 |
| **At 31 December 2015** | **8.0** | **1.9** | **0.5** | **10.4** |
| | | | | |
| **Cost** | | | | |
| At 1 January 2016 | 12.5 | 5.2 | 2.1 | 19.8 |
| Additions | – | 0.9 | – | 0.9 |
| **At 31 December 2016** | **12.5** | **6.1** | **2.1** | **20.7** |
| **Amortisation** | | | | |
| At 1 January 2016 | 4.5 | 3.3 | 1.6 | 9.4 |
| Charge for the year | – | 0.9 | 0.4 | 1.3 |
| **At 31 December 2016** | **4.5** | **4.2** | **2.0** | **10.7** |
| **Carrying value** | | | | |
| At 1 January 2016 | 8.0 | 1.9 | 0.5 | 10.4 |
| **At 31 December 2016** | **8.0** | **1.9** | **0.1** | **10.0** |

The estimates of the useful economic lives of the intangible assets are as follows:

- Customer contracts – five years
- Development costs – over anticipated UEL of asset developed but no more than four years
- Goodwill on consolidation – indefinite (subject to impairment)

## 7. Trade and other receivables

| | 2016 £m | 2015 £m |
|---|---|---|
| Trade receivables | **22.4** | **19.4** |
| Less: provision for impairment of trade receivables | **(2.0)** | **(1.2)** |
| Trade receivables – net | **20.4** | **18.2** |
| Accrued income | **10.0** | **8.1** |
| Prepayments | **8.1** | **5.0** |
| Other receivables | **1.4** | **3.9** |
| **Total trade and other receivables** | **39.9** | **35.2** |

## 8. Trade and other payables

| | 2016 £m | 2015 £m |
|---|---|---|
| **Current** | | |
| Trade payables | **8.3** | **4.4** |
| Other payables | **1.3** | **0.8** |
| Accruals | **19.8** | **18.7** |
| Tax and social security | **1.2** | **1.9** |
| Deferred income | **1.9** | **1.5** |
| **Total trade and other payables** | **32.5** | **27.3** |