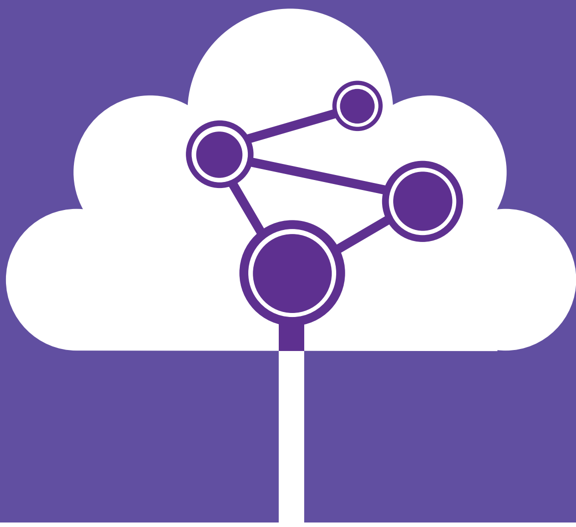

Placing and Admission to AIM

Gamma Communications plc

Investec
Specialist Bank

Nominated Adviser, Broker & Sole Bookrunner

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to the contents of this document or as to what action you should take you should consult your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 ("**FSMA**") who specialises in advising on the acquisition of shares and other securities.

This document comprises an admission document prepared in accordance with the AIM Rules. Application will be made for the Ordinary Shares to be admitted to trading on AIM. It is expected that Admission will become effective and that trading in the Ordinary Shares on AIM will commence at 8.00 a.m. on 10 October 2014. **The Ordinary Shares are not dealt on any other recognised investment exchange and it is emphasised that no application has been, or is being, made for the Ordinary Shares to be admitted to any such exchange.**

This document is not an approved prospectus for the purposes of section 85 of FSMA, has not been prepared in accordance with the Prospectus Rules published by the Financial Conduct Authority ("**FCA**") and a copy of it has not been, and will not be, delivered to the UK Listing Authority in accordance with the Prospectus Rules or delivered to or approved by any other authority which could be a competent authority for the purposes of the Prospectus Directive.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the UK Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required pursuant to the AIM Rules to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. The London Stock Exchange has not itself examined or approved the contents of this document.

You should be aware that an investment in the Company involves a high degree of risk. While the whole of this document should be read, the attention of the prospective investors is also drawn in particular to Part II (Risk Factors) of this document which sets out certain risk factors relating to any investment in the Ordinary Shares. All statements regarding the Group's business, financial position and prospects should be viewed in light of these risk factors.

GAMMA COMMUNICATIONS PLC

(Incorporated and registered in England and Wales under the Companies Act 2006 with registered number 08943488)

Placing of 44,163,374 Ordinary Shares at 187 pence per Ordinary Share and Admission to trading on AIM

NOMINATED ADVISER, BROKER AND SOLE BOOKRUNNER

Investec Bank plc

Investec
Specialist Bank

The Company and the Directors, whose names appear on page 4 of this document, accept responsibility both individually and collectively for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. All of the Directors accept individual and collective responsibility for compliance with the AIM Rules.

Upon Admission the Placing Shares will, following allotment, rank *pari passu* in all respects with the Ordinary Shares including the right to receive all dividends and other distributions declared, made or paid on the Ordinary Shares after Admission.

This document does not constitute an offer to sell or a solicitation or offer to buy or subscribe for Ordinary Shares unless permitted by applicable law and regulation. This document is not for distribution in the Prohibited Territories. The Ordinary Shares have not been and will not be registered under the United States Securities Act of 1933 (as amended) or under the securities legislation of the Prohibited Territories or in any country, territory or possession where to do so would contravene local securities laws or regulations and the Ordinary Shares may not be offered or sold directly or indirectly within the Prohibited Territories or to, or for the account of, or benefit of, any person within the Prohibited Territories. The distribution of this document in jurisdictions other than the United Kingdom may be restricted by law and therefore any person into whose possession this document comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws in any such jurisdictions.

Investec Bank plc ("**Investec**"), which is authorised by the Prudential Regulation Authority and regulated in the United Kingdom by the Prudential Regulation Authority and the Financial Conduct Authority, is acting as nominated adviser, broker and sole bookrunner to the Company in connection with the Placing and Admission and will not be providing advice to any other person in relation to the Placing and Admission or any other transaction or arrangement referred to in this document. Its responsibilities as the Company's nominated adviser under the AIM Rules for Nominated Advisers are owed solely to the London Stock Exchange and not under the AIM Rules for Nominated Advisers owed to the Company or to any Director or to any other person in respect of his or her decision to acquire Ordinary Shares in reliance on any part of this document. No representation or warranty, express or implied, is made by Investec as to any of the contents of this document (without limiting the statutory rights of any person to whom this document is issued). Investec will not be offering advice and will not otherwise be responsible to anyone other than the Company for providing the protections afforded to customers of Investec or for providing advice in relation to the contents of this document or any other matter. No liability is accepted by Investec for the accuracy of any information or opinions contained in, or for the omission of any material information from, this document, for which the Company and the Directors are solely responsible.

Copies of this document are available free of charge to the public during normal business hours on any week day (excluding Saturdays, Sundays and public holidays) at the offices of the Company, Kings House, Kings Road West, Newbury, Berkshire BG14 5RY and shall remain available for at least one month after Admission. Copies of this document will also be available for download at the Company's website at www.gamma.co.uk.

CONTENTS

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication of this document	7 October 2014
Admission and dealings in the Ordinary Shares to commence on AIM	10 October 2014
Expected date for CREST accounts to be credited	10 October 2014
Despatch of definitive share certificates in respect of the Placing Shares to be held in certificated form	17 October 2014

Notes:

Each of the dates in the above timetable is subject to change without further notice.
References to all times are to London time.

PLACING STATISTICS

Placing price per Placing Share	187p
Number of Placing Shares	44,163,374
Number of Ordinary Shares in issue on Admission	88,326,746
Estimated gross proceeds of the Placing receivable by the Selling Shareholders	£82.6 million
Estimated net proceeds of the Placing receivable by the Selling Shareholders	£79.9 million
Market capitalisation, upon Admission, of the Company at the Placing Price	£165.2 million
ISIN	GB00BQS10J50
SEDOL	BQS10J5
AIM ticker	AIM:GAMA

DIRECTORS, SECRETARY AND ADVISERS

Directors:	Richard Last (*Independent Non-Executive Chairman*) Robert ("Bob") McKenzie Falconer (*Chief Executive Officer*) Andrew Scott James Belshaw (*Finance Director*) Alan Bertram Gibbins (*Independent Non-Executive Director*) Martin Robert Edward Lea (*Independent Non-Executive Director*) Andrew Jonathan Stone (*Non-Independent Non-Executive Director*) Wu Long Peng (*Non-Independent Non-Executive Director*)
Company Secretary:	Malcolm Charles Goddard
Registered Office:	5 Fleet Place London EC4M 7RD
Head Office:	Kings House Kings Road West Newbury Berkshire RG14 5BY
Nominated Adviser, Broker and: Sole Bookrunner	Investec Bank plc 2 Gresham Street London EC2V 7QP
Reporting Accountants and Auditors to the Company:	Grant Thornton UK LLP 30 Finsbury Square London EC2P 7YU
Legal Advisers to the Company:	Bird & Bird LLP 15 Fetter Lane London EC4A 1JP
Legal Advisers to the Nominated Adviser, Broker and Sole Bookrunner:	Eversheds LLP One Wood Street London EC2V 7WS
Registrar:	Capita Registrars Limited The Registry 34 Beckenham Road Beckenham Kent BR3 4TU
Company website:	www.gamma.co.uk

KEY INFORMATION

The following summary information does not purport to be complete and should be read in conjunction with the more detailed information appearing elsewhere in this document. Financial information has been extracted without material adjustment from the Accountants' Report set out in Part III of this document. This summary may not contain all of the information that is important to investors or that investors should consider before purchasing Ordinary Shares. See Part II entitled "Risk Factors" for a discussion of certain factors which should be taken into account when considering whether to purchase Ordinary Shares. Investors should read the whole of this document and not just rely on the key or summarised information.

Introduction

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 services such as business-grade broadband, Ethernet and mobile and data services and, as a consequence of its history, has a substantial voice service capability.

In excess of 80 per cent. of Gamma's revenues are generated by an extensive network of more than 650 Channel Partners, which Gamma has grown and developed over the last 12 years. This gives Gamma access to a substantial indirect salesforce enabling it to continue expanding rapidly in the UK business market. The remainder of Gamma's revenues are generated through direct sales into specific market sectors. Gamma has enjoyed strong organic growth since 2006, driven in part by the repeating nature of its revenues.

The Directors believe the principal growth opportunities for Gamma are driven by the changing way businesses operate, seeking anywhere and anytime access to their critical communications services. Gamma's services address these opportunities by replacing both the equipment on a customer's premises and the traditional telecoms services that connect to it. In addition, the Directors believe that Gamma's growth opportunities are being further enhanced by the national roll-out of fibre by BT Openreach coupled with the Ofcom-regulated rights of access to BT's network; the growth in smartphones as the device of choice for accessing applications; the convergence of communications and IT and the mass adoption of VoIP for business use.

Key Strengths

The Directors believe that Gamma's key strengths include:

- having its operations underpinned by a single set of systems, known internally as the "Policy of One". Gamma's Directors believe this policy allows the Group to be both faster to market with higher quality products and to develop new products more quickly and at a lower cost of development. The Directors believe that this single set of systems provides it with a competitive advantage versus those vendors who operate multiple sets of systems across different product lines and business units;

- a strong financial and commercial model, driven by strong margins and a high level of repeating revenues which provides Gamma with good visibility over its forecasts;

- maintaining a significant development resource and intellectual property-rich services which allows Gamma, in some instances, to have been either market leading or to be amongst the first to market with its services;

- offering an easy-to-use portal for Gamma's Channel Partners so that they can more easily resell its services;

- a large Channel Partner route to market which, collectively, has significant sales resources that can be mobilised to sell Gamma's products;

- a proven ability to provide services and support to its Channel Partners such that Channel Partners increasingly cross-sell Gamma's services to end-customers;
- an ability to bundle services and to create converged services so that Gamma's customers do not need to run separate procurement processes for each service required and can benefit from more appropriate solutions for their needs;
- a strong, devolved work culture with strength in depth in its management and a senior management focus on delegation and trust coupled with a focus on "getting it right" first time; and
- a substantial national core infrastructure which is a differentiator for larger customers who want to contract with network owning operators.

Financial Information

The Group's financial record for the three financial years ended 31 December and six months ended 30 June has been extracted, without material adjustment, from the historical financial information and unaudited interim financial information contained in Part III of this document. Investors should read the whole of this document and not just rely on summarised information.

Income Statement for	*Years ended 31 December (£m)*				*Six months ended 30 June*		
Note	*2011 Audited*	*2012 Audited*	*2013 Audited*	*2011 – 2013 CAGR*	*2013 Unaudited*	*2014 Unaudited*	*Growth*
Revenue	131.4	137.2	148.7	*6.4%*	71.8	83.6	*16.4%*
Revenue excl. indirect Traditional business	45.6	58.6	80.9	*33.2%*	35.6	52.7	*48.0%*
Gross profit	38.0	44.9	53.9	*19.1%*	25.3	32.0	*26.5%*
Gross profit margin	*28.9%*	*32.7%*	*36.2%*		*35.2%*	*38.3%*	
Adjusted EBITDA*	10.9	14.4	17.2	*25.6%*	7.7	10.9	*41.6%*
Adjusted EBITDA margin	*8.3%*	*10.5%*	*11.6%*		*10.7%*	*13.0%*	
Profit after tax	5.3	7.7	9.3	*32.5%*	4.4	5.8	*31.8%*

Balance Sheets as at	*31 December*			*30 June*	
	2011	*2012*	*2013*	*2013*	*2014*
Cash	12.1	7.2	14.6	11.0	17.5

* Adjusted EBITDA before share-based payments and IPO costs

Current trading and prospects

In the six months ended 30 June 2014, Gamma performed strongly with good growth in revenues and profitability. Revenues grew 16.4 per cent. to £83.6 million. Adjusted EBITDA grew 41.6 per cent. to £10.9 million and profit after tax grew 31.8 per cent. to £5.8 million.

Gamma continues to invest significantly in its product development and the end-market dynamics remain positive. The Group is trading in line with the Board's current expectations and the Board is confident about the prospects for the Group.

Reasons for the Placing

- the Directors believe that Admission will raise the corporate profile of the Group, particularly within the large enterprise and public sector market, and further enhance its credibility and reputation.
- admission is also expected to facilitate access to further capital to support the Group's strategic organic and acquisition objectives as suitable opportunities arise.

- the Directors believe that Admission will also provide opportunities for the Group to attract, retain and incentivise high-calibre employees through the Group's option schemes.

- the Existing Shareholders will also have the opportunity to realise a portion of their long-term investment in the Group through their participation in the Placing and the Placing will secure a more diverse shareholder base.

Principal placing details

Pursuant to the Placing, Investec has conditionally placed, as agent for the Selling Shareholders, 44,163,374 Placing Shares at the Placing Price with institutional and other investors. The Placing Shares represent 50 per cent of the issued share capital of the Group at Admission. The gross proceeds of the Placing receivable by the Selling Shareholders are expected to be approximately £82.6 million and the net cash proceeds of the Placing (after deduction of expenses estimated in total at approximately £2.7 million (excluding VAT)) are expected to be approximately £79.9 million.

The attention of prospective investors is drawn to the information contained in the rest of this document and, in particular, to the risk factors in Part II.

DEFINITIONS

The following words and expressions shall have the following meanings in this document unless the context otherwise requires:

"Admission"	the admission of the Ordinary Shares to trading on AIM and such admission becoming effective in accordance with Rule 6 of the AIM Rules;
"AIM"	a market operated by the London Stock Exchange;
"AIM Rules"	the AIM Rules for Companies published by the London Stock Exchange and those other rules of the London Stock Exchange which govern the admission of securities to trading on, and the regulation of, AIM, as amended from time to time;
"AIM Rules for Nominated Advisers"	the AIM Rules for Nominated Advisers setting out the eligibility, ongoing obligations and certain disciplinary matters in relation to nominated advisers published by the London Stock Exchange, as amended from time to time;
"Articles"	the articles of association of the Company to be adopted on Admission;
"Audit Committee"	the audit committee of the Board;
"Board" or **"Directors"**	the board of directors of the Company, whose names are set out on page 4 of this document;
"Business Day"	a day other than a Saturday, Sunday or other day when banks in the City of London, England are not generally open for business;
"certificated" or **"certificated form"**	is the description of a share or other security which is not in uncertificated form (that is not in CREST);
"Companies Act"	the Companies Act 2006, as amended;
"Company"	Gamma Communications plc, a public limited company incorporated in England and Wales with registered number 08943488;
"CREST"	the relevant system (as defined in the Uncertificated Securities Regulation) in respect of which Euroclear UK & Ireland is the operator (as defined in the Uncertificated Securities Regulations) in accordance with which securities may be held or transferred in uncertificated form;
"CSOP"	the Gamma Company Share Option Plan, adopted on 16 September 2014;
"Deferred Shares"	deferred shares of £0.0025 each in the capital of the Company;
"EBT"	the Gamma Telecom Employee Benefit Trust;
"EU" or **"European Union"**	has the meaning given to it in Article 299(1) of the Establishing the European Economic Community Treaty as amended by, among others, the Treaty on European Unity (the Maastricht Treaty), the Treaty of Amsterdam and the Treaty of Lisbon;
"Euroclear UK & Ireland"	Euroclear UK & Ireland Limited;
"FCA"	the Financial Conduct Authority of the United Kingdom;
"Free Shares"	the free shares awarded to eligible employees under the terms of the GSIP as more particularly described in paragraph 5.3.4 of Part IV;

"FSMA"	the Financial Services and Markets Act 2000, as amended;
"GBC"	Gamma Business Communications Limited;
"GNS"	Gamma Network Solutions Limited;
"Group" or **"Gamma"**	the Company and its subsidiaries;
"GSIP"	the Gamma Share Incentive Plan, adopted on 16 September 2014;
"HMRC"	Her Majesty's Revenue & Customs;
"Holdings Group"	Gamma Telecom Holdings Limited and its subsidiary undertakings;
"IFRS"	International Financial Reporting Standards, as adopted for use in the European Union;
"Investec"	Investec Bank plc, nominated adviser and broker to the Company;
"Issued Share Capital"	the issued ordinary share capital of the Company immediately following Admission;
"Lock-In Agreement"	the lock-in agreement entered into between the Locked-in Shareholders, Investec and the Company, further details of which can be found in paragraph 16.4 of Part IV of this document;
"Locked-in Shareholders"	Bob Falconer, Andrew Belshaw, Andrew Stone, Hoxton Assets Limited, Michael John Christopher Stone and Key Asset Investments Limited;
"London Stock Exchange"	London Stock Exchange plc;
"LTIP"	the Gamma Long Term Incentive Plan, adopted on 2 September 2014;
"Major Selling Shareholders"	Hoxton Assets Limited, Michael John Christopher Stone, Cranworth Enterprises Limited, Key Asset Investments Limited and Andrew Stone;
"Network Partner"	one of the UK's largest mobile network operators;
"Nomination Committee"	the nomination committee of the Board;
"Ordinary Shares"	ordinary shares of £0.0025 each in the capital of the Company;
"Other Selling Shareholders"	the Selling Shareholders other than the Major Selling Shareholders;
"Placees"	subscribers for the Placing Shares, as procured by Investec on behalf of the Selling Shareholders pursuant to the Placing Agreement and the Selling Shareholder Agreement, as applicable;
"Placing"	the conditional placing of the Placing Shares at the Placing Price pursuant to the Placing Agreement and the Selling Shareholders Agreement, as applicable;
"Placing Agreement"	the placing agreement entered into with the Company, the Directors, the Major Selling Shareholders and Investec relating to the Placing, further details of which can be found in paragraph 15 of Part IV of this document;
"Placing Price"	187p per Placing Share;
"Placing Shares"	44,163,374 Ordinary Shares to be sold by the Selling Shareholders pursuant to the Placing;
"PRA"	the Prudential Regulation Authority;

"Prohibited Territories"	United States, Canada, Australia, South Africa, the Republic of Ireland, Japan and any other jurisdiction where the distribution of this document or the offer of Ordinary Shares (or any transaction contemplated thereby and any activity carried out in connection therewith) would breach applicable law;
"Prospectus Directive"	the Prospectus Directive (2003/71/EC), as amended from time to time;
"Prospectus Rules"	the prospectus rules of the UK Listing Authority made in accordance with section 73A of FSMA as amended from time to time brought into effect on 1 July 2005 pursuant to Commission Regulation (EC) No. 809/2004 and the Prospectus Regulations 2005 (SI 2005/1433);
"Relationship Agreements"	the relationship agreements entered into between Investec, the Company, Hoxton Assets Limited, Key Asset Investments Limited and Andrew Stone respectively, further details of which can be found in paragraph 16.5 of Part IV of this document;
"Remuneration Committee"	the remuneration committee of the Board;
"Selling Shareholders"	Hoxton Assets Limited, Michael John Christopher Stone, Cranworth Enterprises Limited, Key Asset Investments Limited, Charles Robert Henry Stone, Nicola J Farquhar, Barnett Waddingham Trustees (1984) Limited, Michael Stone, John Charles Haw, Richard Bligh, Andy Morris, Paul Peel and Andrew Stone, being those Shareholders who have agreed to sell certain Ordinary Shares pursuant to the Placing;
"Selling Shareholder Agreements"	the agreements entered into between each of the Other Selling Shareholders, the Company and Investec relating to the Placing, further details of which can be found in paragraph 15 of Part IV of this document;
"Shareholders"	holders of Ordinary Shares;
"Share Plans"	the CSOP, the GSIP and the LTIP;
"Significant Shareholders"	Hoxton Assets Limited, Key Asset Investments Limited and Andrew Stone;
"Takeover Code"	the City Code on Takeovers and Mergers (as amended from time to time);
"UK Corporate Governance Code"	the UK Corporate Governance Code on the principles of good corporate governance and code of best practice published by the Financial Reporting Council in September 2012, as amended from time to time;
"UK Listing Authority"	the FCA acting in its capacity as the competent authority for the purposes of Part VI of FSMA;
"uncertificated" or **"in uncertificated form"**	a share or shares recorded on the Company's register of members as being held in uncertificated form in CREST, entitlement to which, by virtue of the Uncertificated Securities Regulations, may be transferred by means of CREST;
"Uncertified Securities Regulations"	the Uncertificated Securities Regulations 2001 (SI/2001/3755);
"United Kingdom" or **"UK"**	the United Kingdom of Great Britain and Northern Ireland;
"Varidion"	Varidion Limited, a private limited company incorporated in England and Wales with the registered number 06783485, which was renamed "Gamma Network Solutions Limited" on 13 April 2012; and
"£", "pounds", "p" or **"pence"**	pounds sterling, the legal currency of the United Kingdom.

GLOSSARY OF TECHNICAL TERMS

Access Services	means those Ethernet access services that connect a business premise to a carrier network for the purpose of accessing business communication services such as the internet and IP telephony;
ADSL 2+	means Asynchronous Digital Subscriber Line broadband internet access ("**ADSL**") that extends the capacity of standard ADSL;
BT	means British Telecommunications Plc or one of its subsidiaries;
BT Openreach	means the business area within BT that provides local access and backhaul services to communications providers (including to BT);
Bundled Service	means a service for which pricing is not normally quoted separately for each element of the service;
Call Control	means the ability to control a voice call by applying extra functions to the voice call (such as redirection to a different end number or device or call recording);
Call Whisper	means the call screening functionality by which messages are played to the called and calling parties while the called party decides whether to accept the call;
Carrier-Pre-Select or CPS	means the mechanism that allows the advanced selection of alternative communications providers to carry calls (where the local access connection is provided by BT using TDM);
Carriers	means providers of public electronic communications services;
CDR	means Call Data Records or Call Detail Records which are the data records relating to voice calls;
Cloud-based	means a product and/or service that is accessed through the internet or a Data Link;
CPE	means Customer Premises Equipment;
CRM	means Customer Relationship Management;
Channel Partner	means a customer who buys Gamma service products and in turn sells services to end-customers which are wholly or partly based on those Gamma products;
Cloud PBX	means a Cloud-based PBX offering services to multiple customers;
Core Switching Infrastructure	means the set of switching, routing and application servers that are used at the core of the network;
Data Link	means a connection carrying data traffic;
Data Services	means broadband and Ethernet services;
DDI	means Direct Dialing In;
Direct	means where a member of the Group contracts with end-customers to supply services directly;
DSL	means Digital Subscriber Line which is a range of technologies that provides digital data transmission to subscribers using their local telephone network;
Enabling Services	means Gamma's Ethernet, business-grade broadband and mobile applications and services;

Ethernet	is a widely used networking protocol;
Fibre	means fibre optic cable;
Fixed Line	means the provision of electronic communications services to premises using wired (as opposed to wireless) technology;
Fixed Telephony Service	means the provision of telephony services via a Fixed Line;
Geographic Number	means a Public Communications Network Number: (i) that is used for the routing of calls to the location of a network termination point; or (ii) that includes the initial digits of a geographic area code in the UK National Numbering Plan;
GUI	means Graphical User Interface;
Hosted	means a service provided to an end-customer over a Data Link from servers located in one or more central data centres;
Inbound Call Control Services	means the functionality for managing and routing inbound calls;
Indirect	means where a member of the Group contracts with a Channel Partner who in-turn contracts with an end-customer;
IP	means Internet Protocol;
IP Network	means a network which transports traffic (which may be voice or data) using internet protocol technology;
IP Services	means services provided by way of internet protocols;
IRU	means Indefeasible Right to Use which is typically a contractual right of use granted over telecommunications infrastructure such as dark fibre;
ISDN	means an integrated service digital network and, in this document, BT's telephony product of that name which is generally sold and/or resold to businesses;
ISP	means an Internet Service Provider;
ITIL	means the information technology service management approach, formerly known as Information Technology Infrastructure Library;
IVR	means Interactive Voice Response;
Local Loop	means the local network of an operator containing the physical links and/or circuits that connect the premises of subscribers to the network providers' local exchange or street cabinet;
MNO	means Mobile Network Operator;
MPLS	means Multi-Protocol Label Switching;
MTRs	means Mobile Termination Rates, being the wholesale charges that MNOs make to other operators to connect calls to their networks;
MVNA	means Mobile Virtual Network Aggregator;
MVNO	means Mobile Virtual Network Operator;
New Generation Network or NGN	means a network based on Internet Protocol rather than TDM;
Non-Geographic Numbers	means any Public Communications Network Number other than a Geographic Number;
PBX	means a Private Branch eXchange;

Peering	means the interconnection and/or arrangement of traffic exchanges between ISPs;
POP Node	means a Point of Presence node, being an interface point between two or more communications networks;
Portal	means the web-based interface through which customers can interact with Gamma's systems (for instance to trigger changes to product behaviour or to initiate provisioning);
Portability or Porting	means the facility provided by one communications provider to another to enable end users to continue to receive services to the same telephone number irrespective of the communications provider providing the service;
PSTN	means Public Switched Telephony Network;
Public Communications Number	means an electronic communications network used wholly for the provision of publicly available communications services;
Public Communications Network Number	means a telephone number that is adopted or used on a Public Communications Network;
QoS	means quality of service;
SaaS	means Software-as-a-Service;
SIP	means Session Initiation Protocol which is used to describe a particular protocol and related architecture for handling VoIP;
SIP Trunking	means the provision of VoIP and media services using the Session Initiation Protocol;
SLA	means Service Level Agreement;
Strategic Services	means Gamma's SIP Trunking, Cloud PBX and Inbound Call Control Services;
TDM	means Time Division Multiplex an architecture used for transmitting and receiving signals over a common signal path;
Traditional Services	means calls and lines where call origination uses TDM;
Unified Communication	means the integration of a range of real-time communications services with non real-time communications services; and
VoIP	means Voice over Internet Protocol, a generic term for voice calls transported over a Data Link which do not use TDM but may use SIP.

IMPORTANT INFORMATION

FORWARD-LOOKING STATEMENTS

All statements, other than statements of historical facts, included in this document, including, without limitation, those regarding the Group's financial position, business strategy, plans and objectives of management for future operations or statements relating to expectations in relation to dividends or any statements preceded by, followed by or that include the words "targets", "believes", "expects", "aims", "intends", "plans", "will", "may", "anticipates", "would", "could" or similar expressions or the negative thereof, are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors beyond the Group's control that could cause the actual results, performance, achievements of or dividends paid by the Group to be materially different from actual results, performance or achievements, or dividend payments expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Group's net asset value, present and future business strategies and income flows and the environment in which the Group will operate in the future.

These forward-looking statements speak only as of the date of this document. The Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained herein to reflect any change in the Group's expectations with regard thereto, any new information or any change in events, conditions or circumstances on which any such statements are based, unless required to do so by law or any appropriate regulatory authority.

MARKET AND FINANCIAL INFORMATION

The data, statistics and information and other statements in this document regarding the markets in which the Group operates, or the Group's position therein, are based on the Group's records or are taken or derived from statistical data and information derived from the sources described in this document.

In relation to these sources, such information has been accurately reproduced from the published information, and, so far as the Directors are aware and are able to ascertain from the information provided by the suppliers of these sources, no facts have been omitted which would render such information inaccurate or misleading.

Unless otherwise indicated, financial information in this document, including the Holdings Group's unaudited consolidated financial information for the period ended 30 June 2014 and the notes to that financial information, has been prepared in accordance with International Financial Reporting Standards and audited historical financial information for three years ended 31 December 2013, and the notes to that financial information, has been prepared in accordance with International Financial Reporting Standards.

Various figures and percentages in tables in this document and certain financial data in this document have been rounded. As a result of this rounding, the totals of data presented in this document may vary slightly from the actual arithmetical totals of such data.

All times referred to in this document are, unless otherwise stated, references to London time.

PART I

INFORMATION ON THE GROUP

1. OVERVIEW

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 services such as business-grade broadband, Ethernet and mobile and data services and, as a consequence of its history, has a substantial voice service capability.

In excess of 80 per cent. of Gamma's revenues are generated by an extensive network of more than 650 Channel Partners, which Gamma has grown and developed over the last 12 years. This gives Gamma access to a substantial indirect salesforce enabling it to continue expanding rapidly in the UK business market. The remainder of Gamma's revenues are generated through direct sales into specific market sectors. Gamma has enjoyed strong organic growth since 2006, driven in part by the repeating nature of its revenues.

Gamma's services are described in more detail in paragraph 3 of this Part I.

The Directors believe the principal growth opportunities for Gamma are driven by the changing way businesses operate, seeking anywhere and anytime access to their critical communications services. Gamma's services address these opportunities by replacing both the equipment on a customer's premises and the traditional telecoms services that connect to it. In addition, the Directors believe that Gamma's growth opportunities are being further enhanced by the national roll-out of fibre by BT Openreach coupled with the Ofcom-regulated rights of access to BT's network; the growth in smartphones as the device of choice for accessing applications; the convergence of communications and IT and the mass adoption of VoIP for business use.

As a result of its predominantly Channel Partner route to market, Gamma largely contracts indirectly with the end-customers of its services. Gamma typically enters into framework agreements with Channel Partners on multi-service agreements for one to three year terms. The Channel Partners place orders with Gamma once they win orders from their own customers. The Channel Partners continue to own the end-customer relationship and it is the Channel Partner, rather than the end-customer, which is billed by Gamma. The largest Channel Partner contributed less than four per cent. of Gamma's revenue in the year ended 31 December 2013 and the top ten Channel Partners contributed less than 20 per cent. of Gamma's revenue in the year ended 31 December 2013.

The Directors believe that they typically have visibility over the Group's revenues for between six to twelve months. Most services are sold on a rental basis with cancellation notice periods and services such as Inbound Call Control Services and Cloud PBX are difficult to migrate to competing suppliers. In addition, the Directors believe that Gamma's services and customer support make Gamma an easy company with which to do business, which can help to engender long-term Channel Partner relationships. As such, Gamma's Directors believe that approximately 90 per cent. of the Group's revenues are repeating, with the balance of revenues generated predominantly by connection and installation charges for services which can then be used to generate future repeat revenues. Gamma has a strong history of consistent cash generation and the cash conversion of the Group has been close to 90 per cent. of Adjusted EBITDA in recent years.

Gamma's operations are underpinned by a policy of having a single set of systems (the "**Policy of One**"). Gamma's Directors believe this allows the Group to be both faster to market with higher quality products and to develop new products more quickly and at a lower cost of development. The Directors believe that a single set of systems provides it with a competitive advantage against vendors who operate multiple sets of systems across different product lines and business units.

As at 30 June 2014, Gamma had 511 employees, with approximately 20 per cent. in Gamma's development teams.

For the year ended 31 December 2013, Gamma generated revenues of £148.7 million (£137.2 million for the year ended 31 December 2012), Adjusted EBITDA of £17.2 million (before share-based payments) (£14.4 million for the year ended 31 December 2012 (before share-based payments)).

For the six months ended 30 June 2014, Gamma generated revenues of £83.6 million (£71.8 million for the six months ended 30 June 2013) and Adjusted EBITDA of £10.9 million (before IPO costs and share-based payments) (£7.7 million for the six months ended 30 June 2013 (before share-based payments)).

2. HISTORY AND DEVELOPMENT

Gamma invested in its national network in 2001, before overlaying this with Gamma's intellectual property-based services, increasing the network capacity and developing the Group's efficient Channel Partner route to market. The Directors believe Gamma is now ideally placed to take advantage of its market position as a rapidly-growing provider of technology-based business communications services.

Gamma's development since 2001 can be explained through three distinct phases:

Establishment (2001 – 2006)

Gamma was established in 2001 through the acquisition of selected national telecommunications network assets of Atlantic Telecommunications Limited ("**Atlantic**") for £1.8 million from its administrators. These network assets included Nortel switching equipment, a 20 year IRU on a national fibre pair core network and fibre cable and ducting around Manchester which now forms part of Gamma's business in Manchester, branded "The Loop – Manchester's Fibre Network" ("**The Loop**"). The Loop now totals 108 kilometres of fibre cable and 63 kilometres of ducting. Over the following years, Gamma supplemented these network assets with additional assets in order to connect deeper into BT's digital local exchange infrastructure. This has allowed Gamma to keep the cost of accepting and completing calls onto, and off, BT's infrastructure at close to the lowest regulated pricing level and enabled the Group's competitive pricing strategy for wholesale voice business communications.

In January 2003, Gamma entered into an agreement with Telia International Carrier UK Limited ("**Telia**") to ease Telia's withdrawal from the UK reseller market by offering the opportunity for resellers to transfer their telephony customer base onto the Gamma network. This agreement helped increase Gamma's revenues from £2.8 million for the year ended 31 December 2002 to £36.8 million for the year ended 31 December 2003. The agreement also gave the Group access to the distribution network of over 90 Channel Partners which enabled Gamma to have an extensive indirect sales force and thus avoid the cost and time of establishing its own direct sales force.

Having successfully consolidated its position as a new entrant to the wholesale voice market by exploiting its low cost assets with a competitive pricing model, Gamma's management shifted its focus from trying to differentiate on price to differentiating on quality. Gamma started to use the quality of its services, enabled by a single set of support systems, to offer attractive SLAs backed by service credits. These included, for example, commitments on next day billing, which competitors with more complex, or multiple, internal systems may have found difficult to match. The Group won major contracts between 2002 and 2005 with a number of suppliers to the high volume residential market such as Tiscali, AOL and Pipex.

In March 2004, Gamma diversified its revenue model when it acquired a direct sales channel through its £10.4 million acquisition of Uniworld Communications Limited ("**Uniworld**"), a business telecoms reseller. The acquisition also provided Gamma with direct feedback from customers which helped to further inform its services development and make its services more strategically relevant for all end-customers.

By 31 December 2005, Gamma had received total equity investment of £26.6 million and had grown annual revenues to over £100.0 million.

During the subsequent period to February 2006, Gamma supplemented the acquisition of Uniworld with five small acquisitions with a total value of £2.7 million.

Network Transformation (2006 – 2010)

Having grown rapidly in the traditional wholesale voice market, Gamma's management identified an opportunity to reposition the business away from the large but declining wholesale residential voice market and into the growing business communications market.

During this period, many large network carriers were embarking on substantial network change programmes (such as BT's 21st Century Network) and alternative operators were pursuing local loop unbundling strategies (such as Carphone Warehouse). Gamma's management believed that they could quickly and cost effectively achieve a competitive advantage by exploiting Gamma's agility, the relative simplicity of Gamma's infrastructure and its Policy of One.

Gamma's management chose to focus on:

(i) transforming its network infrastructure by investing £10.0 million into a softswitch core, thereby increasing its network capacity and supporting the introduction of more advanced, intellectual property-rich services; and

(ii) acquiring the software skills to develop new intellectual property-rich services:

   a) December 2006: Gamma acquired Peach Amber IP Mérnöki Korlátolt Felelösség Társasag (**"Peach Amber IP Kft"**), a Hungarian software development company for £8,000, to enhance Gamma's business-grade VoIP software development capability (Budapest remains a key location for the development of the Group's IP-based services); and

   b) January 2007: Gamma acquired development skills (including intellectual property) and various assets, including a portal and billing system, from Lifecycle Software Limited for £0.5 million, in order to bring Gamma's key operating and billing systems in-house (pursuant to the Policy of One). The Directors believe this was critical to retaining the quality and continued development of its operating systems which underpin the Group's strategy.

The Directors believe these investments enabled Gamma to develop new services focused on the business market, including both its Cloud-based Inbound Call Control Services and SIP Trunking as a flexible, business-grade VoIP alternative to ISDN for business customers. These investments were supplemented by third party services in order to broaden Gamma's service offering and avoid diluting Gamma's development resources.

Gamma had, by the end of this transformation phase, repositioned itself as:

(i) a significant supplier of communications services to the channel with over 350 Channel Partners;

(ii) a provider of a broad portfolio of business communications services;

(iii) an operator of a New Generation Network with strong software development capabilities; and

(iv) a quality service provider.

Broadening Portfolio of Services (2010 – 2014)

Gamma's "Network Transformation" phase had already seen the development of the following two services, which would be launched during this latter phase:

(i) SIP Trunking: a business grade VoIP service providing a financially attractive and flexible alternative to ISDN for business customers. Gamma's SIP Trunking enables its end-customers to have a more flexible solution, with the ability to rapidly increase or decrease the number of phone numbers they operate on demand. SIP Trunking also enables the number of connection channels to be varied to suit fluctuating demands, unlike ISDN, where the number of channels, and hence capacity, are typically fixed for a pre-determined time period; and

(ii) Cloud-based Inbound Call Control Services: enables call queuing, IVR and call recording on any number, not just those beginning with 08~ or 09~ (which had usually been the case). The Directors believe that this service had features not then generally available in the market, therefore opening up a new market for Gamma's Channel Partners.

Having enhanced its market position and gained further valuable operational experience and good growth in the sale of its services via the indirect and direct routes to market, Gamma continued to develop and broaden its own service offering. The following additional development initiatives were subsequently undertaken as Gamma launched a broader portfolio of services:

(i) Cloud PBX, branded *Horizon*: Gamma's management anticipated that the market for Cloud PBX was set to expand rapidly as a consequence of both the increasing availability of fibre in the local loop as fibre enables higher data transmission speeds and more reliable access to Gamma's core network, and an increasing market acceptance of Cloud services. In order to capitalise on this market trend, Gamma developed *Horizon*, Gamma's platform for unified communications, which was built on elements of Gamma's Inbound Call Control Services platform and focused specifically on creating a service designed to be easily sold and supported by Gamma's Channel Partners;

(ii) Broadband: to improve control over the quality of internet services received by its customers, add a further level of differentiation and improve margins, Gamma decided to become an ISP in its own right and utilise its own network for data services;

(iii) Ethernet: Gamma's data service for medium to large businesses requiring high-quality bandwidth, beyond that which can be satisfied by broadband. Ethernet offers data transmission speeds of up to 1Gbit/s and is often used as the underlying carrier for Gamma's SIP Trunking and other services. The Directors believe that it is strategically important to control this aspect of service delivery and the development of Gamma's own Ethernet service was primarily to ensure the quality of the end-to-end service experience for its customers; and

(iv) Mobile: Gamma established an MVNA and designed and built its own mobile portal which interfaced with its Network Partner's systems for provisioning, support and billing. As an MVNA, Gamma can create MVNOs by offering its Channel Partners the option to have their own branded SIM cards, own-handset network branding and create their own tariffs rather than resell pre-determined price plans from the mobile networks. Gamma has also produced its own business packages and tariff bundles for the business market.

The introduction of these services allowed Gamma to:

(i) accelerate growth through a broadening product portfolio (underpinned by the Group's own intellectual property and a quality of service);

(ii) generate higher levels of repeating revenues at higher profit margins; and

(iii) expand its range of Channel Partners, particularly amongst IT resellers and systems integrators (at the end of 2013 Gamma supplied products to 36 of the top 100 UK systems integrators).

In March 2012, Gamma made the strategic acquisition of Varidion Limited ("**Varidion**"), for approximately £3.0 million (including an estimate of consideration which is contingent on future performance), a wide area data specialist and systems integrator subsequently renamed Gamma Network Solutions. Varidion was acquired to strengthen Gamma's capability with large enterprise and public sector customers, where Gamma's indirect sales network is largely under-represented. This acquisition expanded Gamma's addressable market by allowing the Group to target directly those potential end-customers which would be less likely to contract with a Channel Partner. The Directors believe that the strength of Gamma's reputation, balance sheet and the ability to leverage its infrastructure and technical capabilities means it is very well positioned to take advantage of this market.

As part of its overall capital investment programme, Gamma has invested over £1.75 million since mid-2013 in equipment for a new MPLS network, suitable for providing new data services to larger enterprises, public sector and multi-sited companies which Gamma is increasingly targeting. This is at an advanced stage of development and is planned for release into the market during 2015.

As part of the acquisition of Atlantic in 2001, the Group acquired a fibre network around the Manchester area subsequently branded "The Loop-Manchester's Fibre Network", now totaling 108 kilometres of fibre cable and 63 kilometres of ducting. The original fibre was laid in preparation for the Commonwealth Games in Manchester in 2002 and the Directors estimate that replacing the fibre cabling would today cost between £12.0 million and £15.0 million. The fibre network remained largely dormant until 2012, when the Group reassessed the market potential in light of Manchester's re-development and, in particular, the city's strategy to become a global "top 20 digital city by 2020". Some previously derelict areas that the fibre is close to or passes through are being redeveloped and are attracting technology and media companies to developments, such as Media City in Salford Quays. The Directors believe that The Loop is capable of being sold to customers with high bandwidth requirements and presents an opportunity to sell Gamma's portfolio of Strategic Services to such customers.

3. SERVICES

Gamma's current service portfolio comprises: Strategic Services (Inbound Call Control Services, Cloud PBX and SIP Trunking), Enabling Services (Ethernet, Broadband and Mobile) and Traditional Services (Calls and Lines).

The combination of network investment and in-house development skills has enabled Gamma to develop a comprehensive portfolio of communications services designed to meet the needs of UK businesses and Gamma's Channel Partners. Approximately 20 per cent. of Gamma's staff are engaged in the continuing development of Strategic and Enabling Services.

Gamma's services incorporate a significant amount of in-house developed intellectual property. The Directors believe these services have been, in some instances, either market leading or among the first to market. The Directors believe that when provided in combination, its services are able to transform the way a business communicates, both internally and externally.

Gamma's services may be sold in isolation or in bundles of multiple services, which could include non-Gamma services provided by a Channel Partner.

Strategic Services

Inbound Call Control Services

Gamma's Cloud-based Inbound Call Control Services is an inbound call handling service which enables businesses to receive any inbound telephone call on any number, on any communications device, anywhere in the UK and to manage that call from a user portal or Gamma's proprietary software application.

Gamma's Inbound Call Control Services enable business customers to offer their callers any type of fixed-line number to call (including a local number (to the caller), a London-area number, a free phone number or a revenue-generating number where the caller is charged). The flexibility in the use of numbers, coupled with Gamma's sophisticated call management tools, is in contrast to traditional communications providers that required customers to adopt a Non-Geographic Number (e.g. numbers beginning with 08~ or 09~) which is used to direct the call out of the network to a distinct platform that can perform the intelligent services similar to those which Gamma is able to simply carry out on its intelligent network. These intelligent services include the ability to:

(i) automatically redirect a call to any other fixed or mobile number whether in the UK or overseas, as pre-set by the customer;

(ii) queue multiple calls;

(iii) divert a call according to the time of day, for example to a voicemail (which then generates an email containing the message) or be preceded by a call whisper (with details of the call's origination, thereby enabling the right salutation);

(iv) record the call automatically; and

(v) provide IVR-type services.

The Directors believe that when Inbound Call Control Services was first launched, Gamma was among the first to introduce some of the above features to the market. The Directors believe that many businesses continue to value the ability to provide a local number to their customers, particularly those national businesses delivering services locally.

The Directors believe the principal competitive advantages of Gamma's Inbound Call Control Services are that:

(i) it does not require any on-site equipment nor any up-front payment as all its software is based "in the Cloud" (this reduces both the end-customer's capital expenditure requirement and Gamma's sales cycle lead time);

(ii) the lower price point than traditional call centre technology enables smaller businesses to have a more sophisticated way of handling inbound calls than was previously available;

(iii) it is easily controlled via a portal or mobile application, and requires little technical expertise, thereby broadening the size of the potential end-customer market by increasing the flexibility of the feature set; and

(iv) Gamma's New Generation Network allows Inbound Call Control Services to be provided on any telephone number (and not just numbers beginning with, for example, 08~).

Cloud PBX (Horizon)

Gamma offers a Cloud-based alternative to the traditional "on-site" fixed telephony PBX (branded *Horizon*). Gamma has invested over 41 man-years in the development of this platform. Gamma's Cloud PBX solution is purchased and delivered on a SaaS model, with all its features and functions being provided from Gamma's network on a single per-seat per-month charge. The design and delivery model of the service is focused on making it as easy to use as possible and taking advantage of Gamma's core network capability built for other services (such as call recording) as well as using Broadsoft application capabilities for some of its standard core features.

A Cloud PBX allows Gamma and its Channel Partners to have services up-and-running more easily and more quickly than a traditional PBX installation, and with no large capital outlay for their customers. In addition, Cloud delivery allows customers to tailor the service to their own needs, using the service with any number they own (both Geographic and Non-Geographic), anywhere, and from any communications device through a secure website. The cost is based only on the number of provisioned users and is independent of their location, allowing customers to expand, move location and enable home-working without incurring increased costs or a change of telephone number. Unlike a traditional PBX, *Horizon* includes UK and mobile calls bundled as part of a monthly fee, with a fair usage policy and is offered with a network access service, thereby providing an additional data service (broadband or Ethernet). The Directors believe that this solution is well-aligned with the shift in telecommunications solutions towards Cloud-based delivery on IP network platforms and increasing flexibility sought by businesses to cater for trends such as working from home.

Horizon, when delivered over Gamma's Converged Ethernet or broadband services, provides voice services with high speed internet access managed as an end-to-end service with service availability and "time-to-fix" SLAs with service credit penalties.

In addition to providing PBX functionality, *Horizon* provides contact centre functionality such as call queuing and call recording, and integrates into CRM systems such as Salesforce and Microsoft Dynamics. *Horizon* supports physical phone connectivity and also caters for users accessing the service via a desktop or mobile application. The service provides support for instant messaging within an organisation allowing business users to utilise the most appropriate means of communicating.

The Directors believe the principal competitive advantages of Gamma's Cloud PBX include:

(i) the ability to integrate mobile and data services thereby making it easy for customers to order, install and manage;

(ii) it can be a competitively priced alternative to a traditional PBX, with pricing options that include handsets for a term commitment;

(iii) an easy-to-use web interface for both IT staff and employees – a common criticism of hosted phone systems; and

(iv) fixed pricing options that include all UK termination calls – across both fixed-line and mobile.

SIP Trunking

SIP Trunking is a business-grade VoIP service that connects customer sites or PBXs over a data network to support incoming and outgoing call routing. Gamma's SIP Trunking service increases business flexibility by enabling a business to relocate its workforce whilst maintaining existing phone numbers, automatically forward calls in a disaster recovery scenario or to support the rationalisation of traditional fixed lines as business demands change. Additionally, Gamma's SIP Trunking service uses a data connection for both voice and data services therefore removing the need for separate voice and data connections to a business premises and thus reducing the associated costs. Gamma's customers are using its SIP Trunking service as a higher capacity, more flexible and lower cost replacement for ISDN. Gamma is one of the UK market leaders in SIP Trunking.

The Directors believe the principal competitive advantages of Gamma's SIP Trunking service include:

(i) the ability to use geographic numbers outside their designated geographies (e.g. London codes in Glasgow locations);

(ii) support of multi-site operations (allowing ISDN line rationalisation and cost savings);

(iii) free calls between connected sites and lower cost calls to other destinations (as it uses a data network, thereby avoiding certain BT regulated voice-related charges);

(iv) full business continuity (without BT remote call forwarding charges);

(v) capacity and cost can be easily flexed to match demand (for example in call centres subject to seasonal peaks or for sporting or ticketing events);

(vi) utilisation of existing customer premises equipment;

(vii) offering full emergency services support; and

(viii) allowing business grade voice and internet services to be provided via one managed access connection when delivered over Ethernet.

Enabling Services

Ethernet

Gamma introduced Ethernet connectivity with access speeds of up to 1Gbit/s to its data services portfolio in 2012. Gamma's Ethernet service offering includes a range of solutions providing internet access, converged internet and voice services carried over a range of "last mile" technologies and which support a range of Gamma's other communications services.

Gamma's Ethernet services include:

(i) Fibre Ethernet: high availability, high bandwidth access supporting customers' connections up to 1Gbit/s;

(ii) Fibre to the Cabinet ("**FTTC**") Ethernet: Gamma's entry-level Fibre Ethernet solution delivered using FTTC technology, aimed at bridging the gap between high-speed broadband and high-availability Fibre Ethernet services (typically providing up to 20 Mbit/s);

(iii) Ethernet First Mile ("**EFM**"): EFM delivers up to 35Mbit/s dedicated bandwidth over copper cabling, an option when fibre capacity is not available and quality and service levels are important enough to require dedicated bandwidth.

The Directors believe the principal competitive advantages of Gamma's Ethernet service include:

(i) being fully integrated with Gamma's SIP Trunking (thereby providing a fully converged access solution for businesses);

(ii) a simple and automated ordering and checking process from the Gamma portal to determine the price and availability of service;

(iii) competitive pricing, using Gamma's core network coupled with third party local last mile providers (whose pricing is regulated); and

(iv) a support desk that Gamma offers to its Channel Partners.

Business-Grade Broadband

Gamma's Business-Grade Broadband offers a high-quality broadband service aimed at business users, with 24/7 support and a wide range of speeds.

Gamma entered the business segment of the broadband market with its own service in 2011 which helped it retain control over the quality of internet services received by its customers and thereby helped control overall levels of customer satisfaction.

Gamma's Business-Grade Broadband offers a suite of broadband services based on the latest ADSL and fibre technologies, delivering speeds of up to 80 Mbit/s. As well as providing high bandwidth internet access, Gamma also provides broadband solutions specifically tailored to supporting VoIP, including:

(i) *Assured*: an IP connection specifically designed for voice traffic. The service is managed end-to-end from pre-connection line testing to in-life support and provides fix-time guarantees and service availability ensuring a high quality of connectivity across Gamma's UK-wide broadband infrastructure; and

(ii) *Converged Broadband*: high quality internet and IP telephony access provided on a single line by Gamma with UK-based 24/7 support. The service supports up to 10 voice channels and provides full internet access from the same broadband connection. The Directors believe the service provides a cost effective connectivity solution for small businesses.

The Directors believe the principal competitive advantages of Gamma's Business-Grade Broadband services include that:

(i) it has been specifically designed to carry VoIP and data services with control over the quality of service provided;

(ii) Channel Partners are provided with checking tools to support their customer queries;

(iii) the service is business-only and is not degraded by sharing with volatile residential traffic;

(iv) Gamma provides attractive SLAs and QoS commitments and provides a service which is managed end-to-end; and

(v) the service is integrated to the Gamma Hosted Voice and SIP Trunking service providing a single provisioning and support model for small business internet and voice services.

Mobile

Gamma offers mobile services through its MVNA agreement with its Network Partner. This allows Gamma to provide a mobile service for its Channel Partners over its Network Partner's UK network. The Directors believe that this is one of only three MVNAs established by its Network Partner operating in the UK business market.

Gamma enables its partners to provide mobile services either under the Gamma brand or, for an additional charge, their own brand, thereby allowing resellers and service providers to set up own-brand mobile voice and data services, and to operate effectively as MVNOs. The service allows Gamma's Channel Partners to have the benefits of full customer ownership as well as pricing and bundling freedom to suit their end-markets. Additionally, Gamma's Channel Partners have the ability to manage their own end-customer contracts and provide a direct level of service control via Gamma's Portal directly into the mobile network. This allows Channel Partners to add and manage end-customers themselves thereby providing a more flexible and customised service.

Gamma has also developed a series of smartphone and tablet applications to complement its Portal capabilities, giving the business end-customer the capability to manage aspects of the telephony service at any time from any device. The applications support Gamma's Strategic Services and are aimed at providing easy to use additional features and instant access for end-customers to control these services.

Traditional Services

Calls and Lines

Gamma offers calls and lines and the Directors estimate that Gamma carried approximately eight per cent. of the UK's fixed line call traffic across its network in 2013. Gamma also provides calls and lines services to other carriers (e.g. termination of calls from overseas carriers into the UK).

Gamma's traditional calls and lines services include:

(i) Carrier Pre-Selection
Traditional voice telephony where the user can pre-determine to whose network voice traffic is sent (e.g. Gamma). Gamma's services include additional software-enabled features such as call barring, DDI billing and fraud protection services.

(ii) Call Origination and Termination
Designed principally for carriers, this service provides call termination or call origination for other carriers. The call termination service can be provided via Traditional TDM technology or via SIP Trunking interconnects.

(iii) Wholesale Line Rental
Gamma acts as a reseller of the BT Openreach Wholesale Line Rental service.

Whilst non-strategic, traditional calls and lines are an established component of Gamma's services. The Directors believe that many businesses seek simple and reliable services and that their supplier can demonstrate a clear migration path to more up-to-date-technology-based services (such as Gamma's Strategic Services), in order to support their own growth and developments. Gamma's ability to assist its end-customers' growth and development is typically event-driven and includes a move of premises, PBX obsolescence or a requirement for additional data connectivity to support their business needs. Gamma's Portal, which ensures it is easy to buy and manage Gamma's products and services, as well as the high levels of support and service wraps (such as billing and operational customer service, fraud protection and reporting services) are an additional competitive advantage of Gamma's calls and lines.

4. THE COMMUNICATIONS MARKET

Gamma's services compete across a number of different sections of the communications markets which can be broadly split between (i) Strategic and Enabling Services; and (ii) Traditional Services. The major trends that are impacting the different levels of growth in each market include:

(i) the shift of hardware from customers' premises to Cloud-based services;

(ii) the national roll-out of fibre by BT Openreach coupled with the Ofcom-regulated right of access (available to providers of public electronic communications, networks or services to BT's network);

(iii) the growth in smartphones as the network access device of choice; and

(iv) the convergence of communications and IT and the adoption of VoIP for business use.

Strategic and Enabling Services markets

(i) *SIP Trunking*

The Directors believe that SIP Trunking is increasingly being used by business customers to replace traditional ISDN lines. There are approximately 1.0 million SIP Trunking channels deployed in the UK[2], of which Gamma has a 15 per cent. share and is a market leader. The broader directly relevant market, however, is the 3.2 million business ISDN channels[1] for which SIP Trunking offers a modern, more cost-effective alternative. Gamma's recent annual growth rate of sales in SIP Trunking services has been approximately 50 per cent.

SIP Trunking is one of Gamma's Strategic Services which are increasingly being bundled with Gamma's Ethernet service to provide integrated voice and data connectivity.

The market for SIP Trunking services is growing annually at approximately 20 per cent. in the UK[2] and recently exceeded 1.0 million SIP trunks[2]. The Directors believe that the SIP Trunking market will be worth £819 million annually by 2018[2] and that this is being driven by three factors:

(a) the falling costs and increasing quality of IP connectivity and local fibre access;

(b) the pressure on businesses to reduce costs, increase flexibility and rationalise traditional voice infrastructure; and

(c) the price and flexibility advantages of SIP Trunking over ISDN.

(ii) *Cloud PBX*

The total UK business PBX market (including on-premise and hosted) is approximately 17.6 million seats of which there are approximately 1.4 million Cloud PBX seats in the UK[3]. Cloud PBX services are increasingly replacing traditional, on-premise PBX infrastructure with seat volumes growing at approximately 22 per cent. per annum including private Cloud PBXs (where the infrastructure is dedicated to the customer) and multi-tenanted services (where the infrastructure is shared between a number of customers). As at 31 December 2013, Gamma's Cloud PBX seats stood at approximately 43,000, which represented approximately 3.3 per cent. of the total UK Cloud PBX market. As at 30 June 2014 Gamma's Cloud PBX seats stood at approximately 66,000 seats, representing approximately five per cent. of the total UK Cloud PBX market.

Illume Research estimates there will be 4.3 million hosted PBX seats by the end of 2018 and that the market will be worth approximately £600 million annually[3]. The Directors believe that growth in the Cloud PBX market will be generated by;

(a) businesses moving offices and choosing Cloud PBX due to problems over number portability when retaining legacy PBX systems;

(b) PBX systems are typically refreshed every five to seven years with Cloud PBX increasingly being used to replace end-of-life on-premise PBXs;

(c) disaster recovery and business continuity is increasingly in demand with Cloud PBX enabling more flexibility in these situations; and

(d) BT's fibre rollout enabling faster connections.

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1 *Ofcom: the Communications Market Report, August 2014.*

2 *Illume Consulting: SIP and IP Trunking Market Report and Forecast (2014-2018).*

3 *Illume Consulting Hosted VoIP Report and Forecast (2014-2018).*

(iii) *Inbound Call Control Services*

The market for Inbound Call Control Services ranges from large enterprises to small organisations for whom professionally managing inbound calls (such as for sales and customer services) is important: it enables them to queue, record and route calls. The market has historically been constrained by the need to use Non-Geographic Numbers such as 08, however, there has been increasing demand for geographic numbers with inbound call management services. The Directors believe that Gamma's Inbound Call Control Services was an early entrant in the market for Geographic Numbers. As at 31 December 2013, Gamma handled approximately 793,000 numbers, a compounded annual growth of 10 per cent. since 31 December 2010.

(iv) *Ethernet*

Ethernet is becoming the dominant Wide Area Network transmission technology because it can transport large amounts of any type of data in a fast, assured and highly cost-effective manner: LAN to LAN ethernet[4] connectivity over a single fibre enables multiple services and applications to move seamlessly between different geographical locations (between towns and cities, regions and even countries).

Ethernet replaces traditional leased lines for inter-connecting customers' sites or to data centres and the internet and the market has evolved over time to successfully support traffic such as voice, data and, more recently, storage.

The UK market, which totaled 63,000 Access Services as at the end of 2013, has been growing at a compound annual growth rate of 11 per cent[4]. Ovum forecasts market growth of 15 per cent. per annum[5] for Ethernet[4]. Market growth is being driven by the growth in videoconferencing, media and data centre bandwidth requirements, corporate bandwidth requirements, as well as mobile internet backhaul. These drivers play to Gamma's business-market focus and, since entering this market, Gamma has experienced continuous growth in its numbers of Access Services with volumes currently growing at 10 per cent. per month.

(v) *Broadband*

The market consisted of 1.7 million UK business connections in 2012 growing at two per cent per annum[5]. Gamma only offers high quality, business grade broadband and its market share was just under one per cent. in 2012; although Gamma's volume of sales is growing significantly above the market growth rate, at approximately 60 per cent. per annum.

(vi) *Mobile Services*

The UK market for business connections is 11.3 million and growing annually at 5.6 per cent[5].

Gamma contracted with a new Network Partner in 2011 and its market share is currently 0.4 per cent. having grown by 114 per cent in 2013.

Traditional Services markets

(i) *Calls and Lines (ISDN)*

The majority of businesses still use calls and lines and it remains a very large market, worth approximately £8.5 billion *per annum*[5], although it has been in slow decline for many years.

There were a total of 3.2 million business ISDN channels at the end of 2013[5]. Traditional ISDN channels are declining at six per cent. *per annum* (in part being replaced by SIP Trunking). Despite this market backdrop, Gamma's call volumes have only marginally declined. By contrast, BT has seen its market share decline from 52 per cent. in 2005[6] to 39 per cent. in 2012[5].

4 *Ovum's Enterprise Ethernet Service Forecast Spreadsheet 2011-2018.*

5 *Ofcom: The Communications Market Report 2014 (August 2014).*

6 Ofcom: The Communications Market Report 2007 (August 2007).

(ii) *PBX*

The PBX market targets business users who require a telephone system that can switch calls between business users on local lines, while allowing all users to share a certain number of external phone lines for making and receiving external calls.

This is predominantly a replacement market, as PBX equipment typically lasts five to seven years and has been declining in recent years: the market for PBX/Call Control extensions and licenses fell by nine per cent.[7] in the year to 31 March 2014.

(iii) *Leased Lines*

Typically, leased lines are used by businesses to connect geographically distant offices using connections which are always active. Because the connection does not carry any third party communications, the carrier can assure a given level of quality and it is therefore attractive to the business end-market. The Directors believe that this market is forecast to decline at approximately 8 per cent. a year as it is increasingly being replaced by Ethernet connections.

The Directors believe that the key driver for future market growth is the convergence of different business communications services as well as convergence between business communications and broader IT products and services. Gamma's vision is for all modes of communications (including voice, data and mobile) to be converged into a fully-joined set of services, accessed from any smartphone, tablet or other device and wirelessly linked to fibre infrastructure that connects terminal devices to powerful integrated Cloud-based services.

5. COMPETITION

As Gamma's services have shifted from Traditional Services to Enabling and Strategic Services, the nature of its competitors has also changed.

Gamma has benefited as competitors for Traditional Services have reduced in number in recent years with industry consolidation and overseas operators withdrawing from the UK market (e.g. Your Communications, Thus, Energis and Cable & Wireless Worldwide were all consolidated through acquisition, and Verizon is no longer perceived by the Directors to be an active participant selling to UK Channel Partners).

The current major competitors for Traditional Services in sales to Channel Partners are BT Wholesale, TalkTalk Business and Vodafone (following its acquisition of Cable & Wireless Worldwide).

Gamma aims to differentiate itself against these larger telecoms operators on the basis of its underpinning quality of service, ease of doing business, responsiveness to the business market and breadth of relevant services. Features such as fraud alerting add further competitive differentiation.

Gamma's proposition to a Channel Partner is that the channel is Gamma's primary route to market and that Gamma seeks to provide services and support that give the Channel Partner a competitive edge in the business communications market. This is in contrast to those vendors who may use the channel as a secondary route to market for services that have already been launched and for which the channel is being used, at least for a time, to absorb spare capacity. Building and supporting a large indirect channel to market is a substantial undertaking and many competitors primarily (or only) focus on the direct market.

For its more software based Strategic Services, such as Cloud PBX and Inbound Call Control Services, Gamma also faces competition from companies from the UK and overseas (e.g. 8x8, RingCentral and KCom), and indirectly through their own channels from the more traditional PBX equipment vendors (e.g. Mitel, Avaya and Panasonic).

Against these competitors, Gamma differentiates itself on its ability to provide a broader portfolio of services. For example, Gamma offers *Horizon* as a complete package (subject to a fair use policy) inclusive of data access (either broadband or Ethernet), calls and handsets, together with integrated support and

7 http://commsbusiness.co.uk/mzo-release-latest-market-figures/

the management of number porting (which Gamma can do as an "Operator with Code powers") all for a fixed monthly price and ordered via a single portal. Additionally, Gamma does not have traditional PBX maintenance revenues to consider protecting when offering a Cloud alternative to traditional PBX hardware.

For its connectivity-based Enabling services (such as Ethernet and broadband), Gamma competes in the channel with niche players such Exponential-e and Entanet, in addition to BT Wholesale, TalkTalk and Virgin Media. These competitors may also be suppliers to Gamma in certain areas of the country and this dynamic is an inherent characteristic of the industry. Gamma's strength is its converged voice and data transport capability and therefore Gamma's sales of infrastructure services are generally coupled with sales of higher value-add services such as Gamma's SIP Trunking and Cloud PBX. In the SIP market, Gamma competes with companies such as Colt, Level 3, Voiceflex and BT. For mobile services in the channel, Gamma competes with the mobile operators and certain larger resellers who offer an intermediated service. Gamma competes on the basis of its MVNA capability, its broad service portfolio and easy to use systems.

In the direct enterprise and public sector market Gamma's GNS division competes primarily against other infrastructure or network operators for more complex, often tailored services for customers that want to contract directly with the infrastructure owning entity. These competitors are typically, amongst others, BT Global Services, Virgin Media, TalkTalk Business and Vodafone (following its acquisition of Cable & Wireless Worldwide).

In the SME market, GBC operates at arm's length and competes against BT Retail, TalkTalk Business and a multiplicity of resellers.

6. ROUTES TO MARKET

Gamma operates both indirect and direct routes to market.

Indirect sales

Gamma's services are primarily sold via a network of more than 650 Channel Partners who are responsible for approximately 80 per cent. of revenue for the year ending 31 December 2013 and for whom Gamma provides either Gamma branded or white label services, which enables the Channel Partner to sell under their own brand.

Gamma's Channel Partners include large and small systems integrators (such as Capita, Fujitsu and Modern Communications), hardware and software vendors, mobile operators (such as EE, O2 and Vodafone), resellers of IT (such as Azzurri), Voice and Mobile services (such as Highnet and Welcome), carriers (such as Telstra), ISPs, Data Centre Operators (such as Telecity) and other specialist business service providers (such as Hibu).

Gamma has established a significant network of Channel Partners, growing from over 90 in 2003, to over 350 in 2009 and over 650 as at 30 June 2014. The Directors believe this is an advantage for Gamma as it provides access to a significant sales force selling Gamma's services, which would be difficult and costly to replicate internally.

As Gamma's services moved from traditional markets, Gamma's relationship with its Channel Partners adapted in recognition of the increasing breadth of Gamma's services to become an increasingly "sell with" model, where Gamma is actively engaged in helping the Channel Partner with its sales engagement with the end-customer. The Directors believe this is important for blue chip end-customers who wish to have visibility and understanding of the supply chain.

Gamma has an extensive Channel Partner accreditation and training programme. This pass/fail programme is designed to ensure that Channel Partners are adequately skilled, both technically and operationally, to sell and deliver Gamma's services. Sales training is also provided to ensure Channel Partners are positioned to exploit the market opportunities (for instance, Gamma has trained over 200 Channel Partners on *Horizon* alone).

Gamma's Channel Partners can be broadly categorised as follows:

(i) hardware and software vendors: these organisations, which typically supply customer premises equipment such as PBXs, data equipment, software, have strong technical and installation skills and long-term relationships with their clients;

(ii) systems integrators ("**SIs**"); provide consultancy, services, and support and solutions to the customer's communication and/or IT needs, ranging from large SIs such as Capita and Fujitsu through to smaller niche providers. Gamma provides services to 36 of the largest 100 UK SIs;

(iii) mobile operators: Gamma provides services to three of the UK's mobile operators;

(iv) telecoms resellers: often focused on a geography or vertical offering, a superior customer service and/or product advantage;

(v) carriers, ISPs and data centre operators: Gamma supplies services to calling card operators, overseas operators who need a UK presence, and provides carrier services such as porting, capacity and number management to smaller operators;

(vi) IT resellers: companies that specialise in providing off- or on-site IT products and services and integrate Gamma's services, such as Horizon and SIP, with services such as Microsoft Lync; and

(vii) specialised markets: on a selected basis, Gamma enters into arrangements with businesses, such as online classified information services and mobile operators to provide tailored software services that integrate deeply into the customer's systems.

Gamma focuses on each category of Channel Partner in a different way, adapting its services and partnership approach. Gamma's Directors believe that this approach has allowed it to generate a niche position as a provider of business communication services to a broad channel network.

Direct sales

Gamma's direct route to market, which accounted for *circa* 20 per cent. of revenue for the year ending 31 December 2013, is focused on larger enterprises, the public sector and customers who may wish to deal directly with the asset-owning entity or require a more consultative or customised solution. Gamma's acquisition of Varidion in March 2012, brought with it skills around managed, network-centric applications and services and was a key part of the development of Gamma's direct sales strategy.

Gamma's direct customers include enterprise customers such as Dignity, Knight Frank, Pret a Manger, Care UK, Antalis UK, The Salvation Army, The Open University, East Thames Group, Department for Climate Change and Oxfordshire NHS Trust. Gamma is also active in pursuing the new opportunities that are likely to arise in UK Central Government as the procurement process increasingly opens up that market. In addition, Gamma also sells directly to the SME market on an arm's length basis through GBC which has several thousand direct customers.

Gamma also decided to directly market its Manchester fibre network, which was acquired through the acquisition of Atlantic, through a separate brand known as the "The Loop – Manchester's Fibre Network", with the aim of selling its capabilities as a high capacity bandwidth network for heavy traffic users. The Loop has already secured long-term contracts for access to its underlying capacity and represents a further opportunity to exploit an existing asset and cross-sell Gamma's Strategic Services.

7. KEY STRENGTHS

The Directors believe Gamma has a number of key strengths that have enabled the business to consistently grow its EBITDA for over six years. These include:

Policy of One

Since 2006, Gamma's growth has been predominantly organic enabling it to build its services and support on a single set of largely proprietary internal systems. The Directors believe that some of Gamma's competitors may still have more complex, or multiple, internal systems compared to Gamma (e.g. billing or provisioning) that have been accumulated through serial acquisitions or autonomous, often stand-alone divisional, product or service developments. Once a multiplicity of systems has been established, it can be difficult to rationalise and therefore highly inefficient and costly to maintain. The Directors believe that this can be an inhibitor for such competitors on both their pace of growth and their ability to create joined-up services. The Directors believe that the Policy of One enables Gamma to develop its services quickly whilst ensuring the quality of development and deployment as well as minimising the costs of ongoing development and support.

A strong financial and commercial model

Gamma's financial model has shown six years of continuous Adjusted EBITDA growth including strong organic growth. The Directors believe that Gamma's commercial model, where its Channel Partners engage in multi-service term agreements of one to three years, means it has over 90 per cent. repeat revenue with the remaining ten per cent. of revenues being largely connection and install charges for services which generate future repeat revenue. This enables Gamma to have good visibility over its revenues for six to 12 months.

Gamma's largest Channel Partner contributes less than four per cent. of revenue, with the top ten Channel Partners contribution approximately 20 per cent. of revenue. Gamma therefore has a broad range of customers and is not overly reliant on any single Channel Partner or end-customer.

A significant development resource and intellectual property-rich Services

Approximately 20 per cent. of Gamma's employees are focused on development. This development and in-house intellectual property focus enables Gamma to create intellectual property-rich services with additional capabilities (such as fraud protection where Gamma has invested in the development of algorithmic techniques to identify calling patterns which appear fraudulent). By focusing on development and IP-rich services, Gamma has been, in some instances, either market leading or amongst the first to market with its services.

Ease of use

Gamma's Policy of One has meant that it has been able to build its portal capability in order to pass control of its services down the channel to its partners. The Directors believe an ease of use portal is a key strength as it allows Gamma's Channel Partners to easily resell its services without having to provide additional training to its staff in fault monitoring or end-customer training.

A substantial infrastructure network

Gamma has a substantial national infrastructure upon which it has developed much of its own intellectual property. The scale of Gamma's infrastructure network remains a key strength. The Directors believe Gamma's infrastructure is a differentiator for larger customers who want to contract with network owning operators and acts as a competitive advantage over smaller competitors who do not own their own infrastructure.

A large Channel Partner route to market

Building a substantial network of Channel Partners is a long-term endeavour and Gamma has pursued this consistently for over 12 years. Gamma's Channel Partners, collectively, have significant sales resources that can be mobilised to sell Gamma's services. The Directors believe these strengths will, now and in the future, enable Gamma to develop services in new, growth, or replacement, markets and be an early and high quality entrant with the ability to sell in volume.

A proven cross-sell capability with Channel Partners

Gamma has a proven track record of selling multiple Strategic and Enabling Services to its Channel Partners. For the six months ended 30 June 2014, approximately 45 per cent. of Gamma's gross profit was generated by Channel Partners reselling four or more of these services. This compares to 2010 when none of Gamma's gross profit was generated by Channel Partners reselling more than three of these services.

An ability to bundle services

Gamma is able to bundle its services for its Channel Partners and direct end-customers as a result of its Policy of One and the software development and intellectual property embedded within its services. The Directors believe bundled services are attractive to Gamma's customers as they do not need to run separate procurement processes for each required service and can be further customised to suit individual end-customer needs.

A strong devolved work culture

The Directors believe that Gamma has strength in depth in its management and was recognised as a "Sunday Times Best 100 Company to Work For" (ranked 29th in 2014 and 47th in 2013). Gamma's senior management focus on delegation and trust, coupled with a focus on "getting it right" first time.

8. NETWORK AND INFRASTRUCTURE

Network

Gamma runs a carrier grade national network infrastructure. The architecture has evolved, and continues to evolve, to support the continuing transition from Traditional Services to Strategic and Enabling Services, whilst maintaining the core objective of directly underpinning the Group's strategy of low operating costs, high service quality and agile service development.

An important part of Gamma's network infrastructure is the intelligent network routing platform that Gamma developed. This platform is scalable and resilient and has been designed for open-standard interworking with switching equipment produced by a range of vendors. By developing this platform, Gamma is simplifying and reducing the cost of its operations by providing a central point whereby all voice-routing decisions will be made. This has also enabled Gamma to develop and integrate a wide range of services. As such, Gamma can provide call routing services with more direct control than comes with the purchase of traditional switching solutions which are expensive and inherently less flexible.

Gamma partners with Ericsson, Juniper and Genband for the ongoing support and development of its network. Nevertheless, Gamma has become increasingly self-reliant for the development of its core network capabilities, increasingly using suppliers for the provision of commoditised hardware components.

Gamma's national network and infrastructure:

(i) supports the automation of customer transactions between Gamma's Portal and network components, enabling Gamma's customers to place orders, configure services and access the range of service functions through a direct, non-technical interface with the network;

(ii) facilitates the rapid development and deployment of new service functionality;

(iii) provides Gamma with close to the lowest regulated cost for delivering telephone calls into the general UK telephony infrastructure, the PSTN;

(iv) ensures high levels of system availability through multiple layers of technical and geographic resilience;

(v) provides high levels of billing accuracy; and

(vi) enables Gamma to manage converged voice and data services from the customer's site to its core platforms.

Gamma's network architecture can be broadly split into three main areas:

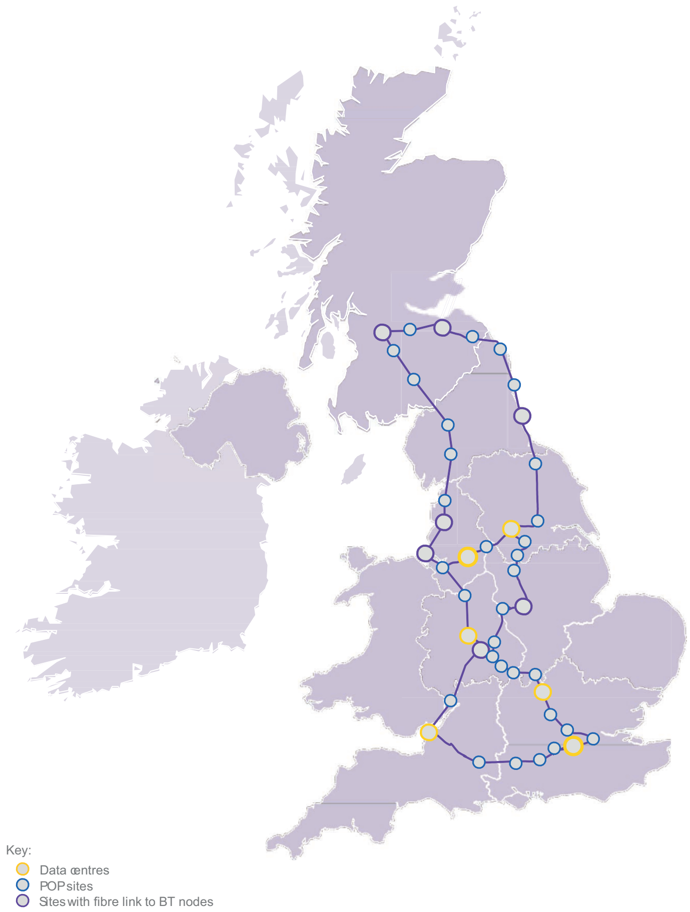
(i) its national fibre network supporting voice and data interconnects: these interconnects collect and aggregate voice and data traffic from other UK voice operators, international carriers and internet transit providers;

(ii) an IP based core switching network: this connects voice and data interconnects with Gamma's service applications as well as providing operational support and billing platforms; and

(iii) application environments: supporting Gamma's Strategic Services and their associated support systems, including Channel Partner portals for the automated provisioning, support, billing and management of services.

Gamma's national network comprises eight main switching centres and over 2,000 kilometres of fibre pairs built in a way that provides both automated and manual contingency options in the event of component failure. These switching centres house the majority of Gamma's equipment with carrier interconnects into a number of operators including BT, Vodafone, Virgin Media, TalkTalk and Sky. It also has peering relationships with a number of IP transit providers including Zayo, TiNet, Cogent and Level3, and an established presence in a number of the main communications hubs with providers such as Telecity and Telehouse.

Gamma's Network Infrastructure



Over time, Gamma's switching sites have become strategically more important than its fibre network. The fibre network has provided Gamma with its deep interconnect into BT for traditional voice services, enabling Gamma to reduce its costs. BT now offers national carrier IP interconnect directly into Gamma's main switching sites. This reduces the significance of Gamma's fibre network for call conveyance. The Directors believe that this, along with the ready availability of fibre to interconnect these core switching sites, means that they will be able to retire significant parts of Gamma's network ahead of the expiry of the fibre IRU in 2020.

In Manchester, Gamma owns 108 kilometres of fibre cable and 63 kilometres of ducting. This is utilised by "The Loop – Manchester's Fibre Network".

Service Assurance

Gamma's service platforms and billing systems are housed in a replicated server environment with multiple layers of backup systems and process.

Gamma's network operations centre is manned 24x7 and its engineers can access support systems and monitoring tools from any of Gamma's locations. Gamma employs standard industry practices for assuring the availability and reliability of its services.

Risk management is one of Gamma's key business processes. This includes identifying and assessing risks and taking appropriate preventative and mitigating action. Judgments over what action is taken (such as duplicating equipment, increasing spares holdings, use of third parties, and decisions over personnel and training) are based on risk, impact and cost. Whilst Gamma's risk management activities are designed to reduce its exposure to service disruption, the choices made cannot eliminate that possibility completely.

Carbon Neutral

Gamma's commitment to reducing carbon emissions began with the early adoption of IP based soft-switching in its core network, marking the first major initiative of its kind in the UK and reducing its energy consumption per minute carried by approximately 30 per cent within the first year. Soft-switching has allowed Gamma to move from a power-intensive hardware infrastructure to a more software driven environment which uses far less power. Gamma uses the TheCarbonNeutral Company to help reduce carbon footprint and to offset the remaining carbon output. This covers all business activities including Gamma's network use, all utility usage, business travel and waste across each site.

Security

Gamma holds ISO certifications 27001 and 22301 covering security and business continuity. It is also certified to the security standard ND1643, which is an Ofcom requirement.

Gamma's security policy includes all aspects of security from staff vetting through to physical and logical security.

9. SUMMARY FINANCIAL INFORMATION

Income Statements for	*Years ended 31 December (£m)*				*Six months ended 30 June*		
	2011	*2012*	*2013*	*CAGR*	*2013*	*2014*	*Growth*
Revenue	131.4	137.2	148.7	*6.4%*	71.8	83.6	*16.4%*
Revenue excl. indirect Traditional business	45.6	58.6	80.9	*33.2%*	35.6	52.7	*48.0%*
Gross profit	38.0	44.9	53.9	*19.1%*	25.3	32.0	*26.5%*
Gross profit margin	*28.9%*	*32.7%*	*36.2%*		*35.2%*	*38.3%*	
Adjusted EBITDA*	10.9	14.4	17.2	*25.6%*	7.7	10.9	*41.6%*
Adjusted EBITDA margin	*8.3%*	*10.5%*	*11.6%*		*10.7%*	*13.0%*	
Operating profit	7.3	9.7	11.4	*25.0%*	5.4	7.2	*33.3%*
Operating profit margin	*5.6%*	*7.1%*	*7.7%*		*7.5%*	*8.6%*	
Profit before tax	7.3	9.6	11.5	*25.5%*	5.4	7.2	*33.3%*
Profit after tax	5.3	7.7	9.3	*32.5%*	4.4	5.8	*31.8%*

* Adjusted EBITDA before share-based payments and IPO costs

Balance Sheets as at	*31 December (£m)*			*Six months ended 30 June*	
	2011	*2012*	*2013*	*2013*	*2014*
Cash	12.1	7.2	14.6	11.0	17.5
Total assets	54.6	53.1	66.1	58.6	72.5

Cash Flow Statements for	*Years ended 31 December (£m)*			*Six months ended 30 June*	
	2011	*2012*	*2013*	*2013*	*2014*
Net Cash inflow from Operations (pre-taxation)	10.4	10.4	16.3	6.8	8.4
Taxation	(0.6)	(1.2)	(2.3)	(1.1)	(1.3)
Capital Expenditure	(4.4)	(2.6)	(5.9)	(1.2)	(3.6)
Cash inflow before Acquisitions and Financing	5.4	6.6	8.1	4.5	3.5

Revenue model and operating trends

(i) Introduction

Gamma has enjoyed strong levels of organic growth in recent years, including six years' Adjusted EBITDA growth from £2.7 million in the year ended 31 December 2007 to an Adjusted EBITDA of £17.2 million in the year ended 31 December 2013.

Gross profit and margins have increased from £38.0 million in the year ended 31 December 2011 (28.9 per cent. of revenues) to £53.9 million in the year ended 31 December 2013 (36.2 per cent. of revenues).

The Directors generally have visibility over Gamma's revenues for six to twelve months, with 90 per cent. repeating revenues and good cash conversion: in the year ended 31 December 2013 cashflows from operating activities (before tax) was £16.3 million – a conversion ratio of 95 per cent.

(ii) Revenue model

Gamma's indirect business model typically involves Channel Partners signing a framework agreement and drawing down services within that agreement. Although many Channel Partners choose to sign commitment contracts in return for more favourable rates. Gamma's Strategic and Enabling Services are typically bought on contracted terms of between one and three years. Direct customers typically sign term agreements which range from one year to five years depending on the services taken. Irrespective of the sales channel and services taken, very little of Gamma's revenue is derived from one-off sales.

The Group's services typically generate repeating monthly revenues. Increasingly, Gamma's Strategic and Enabling Services generate revenues on a contracted monthly revenue basis which are independent of the level of minutes or data which transit the network and therefore provide the Directors with greater visibility of future revenues.

The Directors believe that end-customers who take multiple services develop stronger and longer-term relationships with Gamma. For the six months ended 30 June 2014, approximately 45 per cent. of Gamma's gross profit was generated by Channel Partners reselling four or more Strategic and Enabling Services, which has grown from 2010, when no Channel Partner resold more than three of these services. Gamma enjoys long-term relationships with its Channel Partners and seven of the ten largest have been customers of Gamma for over five years.

(iii) Revenue trends

The Group's revenue has grown consistently in spite of regulatory-driven price decreases in its Traditional Services. These revenues are being more than offset by the increase in sales of Strategic and Enabling Services where Gamma's end-markets continue to forecast growth. Revenue growth from Strategic and Enabling Services have experienced a compounded annual growth rate of 33 per cent. for the three years ended 31 December 2013 and 48 per cent. from 30 June 2013 to 30 June 2014.

Gamma's revenue growth has been almost entirely organic since 2006, with the exception of its acquisition of Varidion which generated approximately £1.0 million of revenues in the year before it was acquired by Gamma.

The Group is not overly reliant on any single customer or group of customers and its largest Channel Partner contributed less than four per cent. of revenue with the top 10 Channel Partners contributing approximately 20 per cent. of revenue for the year ended 31 December 2013.

(iv) Margin trends

Despite the decline in revenue from Traditional Services, the gross profit contribution of these services has been maintained. This is largely because the fall in revenues has been caused by changes in the regulated prices of certain calls which has similarly impacted the Group's cost base and therefore margin has not eroded significantly (gross profit from indirect sales of Traditional Services was £18.4 million in 2011 and £17.9 million in 2013).

Growth in the Group's profits have been driven by sales of Strategic and Enabling Services as well as the direct business (the latter having been enhanced by the acquisition of Varidion) which have a higher gross margin profile and which contributed 56 per cent. of gross profit in the year ended 31 December 2013.

The gross profit has been bolstered by the changing mix of services which the Group has sold. The gross profit from Traditional Services has been largely constant (£24.3 million for the year ended 31 December 2011; £23.5 million for the year ended 31 December 2013) but the gross profit from Strategic and Enabling Services has grown significantly from £13.7 million in 2011 to £30.4 million in the year ended 31 December 2013. The gross margins are strong, continue to improve and in the six months ended 30 June 2014 increased to 38.3 per cent.

These factors have combined to increase the Group's gross profit by a compound annual growth rate of 19 per cent. for the three years ended 31 December 2013 and 27 per cent. from 30 June 2013 to 30 June 2014.

(v) Overheads

The Group's overheads have increased by an average of 18 per cent per annum for the two years ending 31 December 2013 and 24 per cent. from 30 June 2013 to 30 June 2014. This has largely been driven by increases in staff numbers which has been caused by two factors:

(a) an increased number of end-customers and Channel Partners and Gamma's broader range of services which has meant that the Group has increased headcount in its Service and Operations as it continues to seek to differentiate itself on its quality of customer services; and

(b) heavy investment in the development and support of its new service portfolio as, following the launch of any service, there is ongoing development of new features.

Gamma has typically spent approximately £3.0 million to £4.0 million per annum in network-related capital expenditure which the Directors anticipate increasing over the next few years as the delivery of certain Strategic Services entail success-based capital expenditure (e.g. routers for broadband and Ethernet). The Directors also committed at the beginning of FY14 to spending £8.0 million in total in strengthening Gamma's core network assets to put the Group in a better position to deliver multi-service offerings in the future. Approximately £2.0 million of this had been spent at 30 June 2014.

(vi) Cash generation

Gamma has a strong history of consistent cash generation and the cash conversion of the Group has been close to 90 per cent of Adjusted EBITDA. Net cash inflow from operations (before tax) was 95 per cent of Adjusted EBITDA in the year ended 31 December 2013 (72 per cent. of Adjusted EBITDA in the year ended 31 December 2012 and 95 per cent. of Adjusted EBITDA for the year ended 31 December 2011) and 77 per cent. of Adjusted EBITDA for six months ended 30 June 2014 (88 per cent. of Adjusted EBITDA for the six months ended 30 June 2013). Cash conversion is typically lower in the first half of the year due to the timing of the annual bonus payments.

The total net cash inflow from operations (after tax) has been £32.8 million for the three year period ended 31 December 2013 and £7.1 million for the six months ended 30 June 2014.

The group is debt free and as at 30 June 2014 had a cash balance of £17.5 million.

10. CURRENT TRADING AND PROSPECTS

In the six months ended 30 June 2014, Gamma performed strongly with very good growth in revenues and profitability. Revenues grew 16.4 per cent. to £83.6 million), Adjusted EBITDA grew 41.6 per cent. to £10.9 million and profit after tax grew 31.8 per cent. to £5.8 million.

Gamma continues to invest in its service development and the end-market dynamics remain positive. The Group is trading in line with the Board's current expectations and the Board is confident about the prospects for the Group.

11. STRATEGY AND OUTLOOK

Gamma's strategy is to grow its revenue and margins by:

Exploiting its existing services by:

(i) maintaining its focus on the high-growth market opportunities for services such as SIP Trunking and Cloud PBX;

(ii) continuing to minimise the erosion of Traditional Services in spite of anticipated market size reductions by offering customers additional features and a migration path to Strategic and Enabling Services; and

(iii) becoming increasingly flexible in its approach to increasing Gamma's share of its end-customer's wallet over time as multiple services increasingly procured from the same supplier and individual incumbent contracts expire.

Continuing to invest in its infrastructure including:

(i) completing the infrastructure investment programme currently underway in order to better position the business to supply more converged services and multi-site data services;

(ii) reducing cost by expanding the data network deeper into the regulated BT Openreach exchanges; and

(iii) seeking commercial opportunities to expand and deepen its technical capability in mobile services.

Introducing new services by:

(i) launching an MPLS data service in 2015 to address the needs of larger multi-site organisations; and

(ii) developing more converged services, and commercial bundles of services, to meet the perceived demand for such services in the UK business market.

Developing the market for Gamma's Services by:

(i) growing the number of Channel Partners and deepening the relationship with existing Channel Partners by providing attractive services and support;

(ii) growing its operations in the public sector and gaining access to further public sector framework agreements; and

(iii) growing Gamma's brand awareness in the UK business market in support of the above.

Continuing to focus on execution:

(i) Continuing to focus on the Policy of One remaining a core facet of this strategic approach.

This strategy will be principally pursued organically, but Gamma is also well placed to consider strategically relevant acquisitions as the opportunities arise.

12. BOARD OF DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Board of Directors

On Admission, the Board will consist of two Executive Directors, three Independent Non-Executive Directors and two Non-Independent Non-Executive Directors. Brief biographies of the Directors are set out below. Paragraph 8 of Part IV of this document contains details of current and past directorships and certain other information relating to the Directors. The Directors believe that Gamma benefits from a strong, stable and proven Executive and Senior Management team.

Richard Last, Independent Non-Executive Chairman (57)

Richard is currently Chairman and Non-Executive Director of Servelec Group plc, a UK based technology group and of British Smaller Companies VCT 2 plc, a venture capital trust, both listed on the London Stock Exchange. Richard is also Chairman and Non-Executive Director of AIM listed Arcontech Group plc, a financial services software company and of Lighthouse Group plc, an AIM quoted financial services group. He is also a Non-Executive Director of Corero Network Security plc, an AIM quoted IT security solutions provider and a number of private companies.

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

Robert ("Bob") McKenzie Falconer, Chief Executive Officer (63)

Bob began his career at BT's Research Laboratories before joining ICI in 1987, rising to become the global telecoms manager for the group. In 1994 Bob took a directorship at Racal Network Services (later Racal Telecom and Global Crossing UK) where he stayed until 2002, during which time he was responsible for group operations. Bob joined Gamma in 2003 as COO before being appointed CEO in 2004.

Bob has a BSc in Electrical and Electronic Engineering from Heriot-Watt University, Edinburgh and is a Fellow of the Institution of Engineering and Technology.

Andrew Scott James Belshaw, Finance Director (40)

Andrew has been Finance Director of Gamma since 2007 and was appointed as a Director in September 2014, following the departure of Gerard Sreeves as Chief Financial Officer (further details of which are set out in paragraph 20.12 of Part IV). A Chartered Accountant by background, he has worked in both audit and corporate finance at Deloitte and Ernst & Young specialising in providing advice to a wide range of clients in the technology sector. After leaving private practice, Andrew worked alongside the Commercial Director in a new business development role at Xansa plc before joining Gamma.

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

Alan Bertram Gibbins, Independent Non-Executive Director (64)

Alan has extensive experience of public company reporting and financial services spanning 30 years with Price Waterhouse and PricewaterhouseCoopers LLP, having been a Partner from 1985 until 2006. His responsibilities included one of the main London audit groups and he was an Audit and Business Assurance Partner. Alan has been a Non-Executive Director and Audit Committee Chairman for BlueBay Asset Management as well as being a Non-Executive Director for a number of private companies. Alan joined Gamma in June 2014 and is Chairman of the Audit Committee.

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

Martin Robert Edward Lea, Independent Non-Executive Director (57)

Martin has over 20 years' experience leading businesses within the support services, telecommunications and network, integration and service sectors. Most recently, he served as interim CEO at Multicom Security Group, Sweden's leading provider of monitored alarm transmission services and was President and CEO of Invitel from 2004 to 2011, during which time it grew to become Hungary's second largest fixed line operator. Prior to Invitel, Martin was Executive Vice President of Intertek Group plc and Managing Director of Racal Telecom, a national UK alternative telecom operator and managed service provider. Martin joined Gamma in June 2014 and is Chairman of the Remuneration Committee.

Martin has a BA 1st class (hons) degree in business studies, and is a fellow of the Institute of Directors.

Andrew Jonathan Stone, Non-Independent Non-Executive Director (43)

Andrew is a founding Director of Greenstone+ Ltd (formerly Greenstone Carbon Management Ltd) and was previously a Non-Executive Director of Armajaro Trading Ltd, a global soft commodity trading house, from 2011 until 2012 when he was appointed Global Head of Commodities and CEO from January 2013 to July 2013. Andrew has also acted as Non-Executive Director at Openfield plc, one of the UK's largest grain marketing organisations. From 1993 to 2006, Andrew was employed at ED&F Man in a variety of senior positions including Managing Director of ED&F Man Asia, and a Director of both SIS 88 Pte Ltd and Asian Blending Pte Ltd. He is also a Director of Epsilon Global Communications Pte Ltd.

Wu Long Peng, Non-Independent Non-Executive Director (61)

Long Peng has more than 30 years' experience in finance and corporate affairs. He is an Executive Director of Kuok (Singapore) Limited, Pacific Carriers Limited and Malaysian Bulk Carriers Berhad (a company listed on Bursa Malaysia). He is also a Non-Executive Director of Pacc Offshore Services Holdings Limited (a company listed on the Singapore Exchange) and a Director of Epsilon Global Communications Pte Ltd. Long Peng joined the Board of Gamma in 2011.

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

Senior Management

Richard Bligh, Group Marketing Director & Managing Director of GBC (53)

Richard joined Gamma in 2004 and has 20 years telecoms experience in a variety of marketing and business development senior level roles. These include UK and international experience in ECI Conferencing, Intertek plc, Global Crossing and Racal Telecom. Richard has extensive experience of a wide variety of business end-markets having previously served both multinational businesses and Channel Partners.

Richard has a BSc from Cardiff University in Management and Economics and is a member of the Chartered Institute of Marketing.

Malcolm Goddard, Group Commercial Director (58)

Malcolm joined Gamma in 2005 bringing over 15 years' experience in M&A, multi-national procurement, business management and IT outsourcing. He also has experience as a finance director and in managing sales and marketing for a software business. Malcolm's early career was with ICI and Astrazeneca.

Malcolm has a MA (Cantab) in Engineering from Cambridge University; is a member of the Institution of Engineering and Technology; and is an affiliate member of the Institute of Chartered Secretaries and Administrators.

Andy Morris, Services and Operations Director (43)

Andy joined Gamma in 2006. He has over 20 years' experience of building and running high quality, customer orientated operations, supporting next-generation technologies. This experience has come from a variety of senior roles and organisations including start-ups and established telcos including Global Crossing and Cable & Wireless. Andy spent the early part of his career with GEC Marconi Aerospace.

Andy has a BEng (Hons) in Engineering from Nottingham Trent University.

John Haw, Sales Director (38)

John was promoted to Sales Director after developing the system integrator and value added reseller channel for Gamma. John has had a successful career in telecoms sales, including positions with MCI and Vodafone. He has over 10 years' experience in channel sales and development.

John has a BA in Business Studies from the University of Derby.

Paul Peel, Programme Director (49)

Paul joined Gamma's leadership team as its Programme Director having spent over 20 years managing programmes and projects in technology intensive industries. A graduate of the Royal Military Academy Sandhurst, he spent his early years in telecoms as an Army Officer with the Royal Signals completing a degree in electronic systems engineering en route. Paul joined Gamma from General Dynamics in 2003 since when he has been involved in delivering many of Gamma's significant business transformation projects.

Paul has post graduate degrees in Defence Studies, Business Administration and the Design of Information Systems. He is currently completing a part time MSc in major programme management at Oxford University and is also a Member of the British Computer Society.

Alan Mackie, Product Director (48)

Alan has over 20 years' experience in the telecoms and data managed services industry, in senior product management, marketing and project management roles. He has been Head of Voice Services at Gamma, having previously undertaken product / project management roles at businesses such as Application Hosting Company, Aspective and Global Crossing respectively.

Alan has a degree in Communication Engineering from Napier University.

Dave Macfarlane, Managing Director of GNS (46)

Dave joined Gamma in 2012 following the acquisition of Varidion and is now Managing Director of Gamma Network Solutions Limited. Prior to this, he was Chief Technology Officer at Sirocom and latterly Group Chief Technology Officer at Azzurri Communications.

David has a degree in Electronics Engineering from Brunel University.

13. EMPLOYEES

Gamma is headquartered in Newbury, Berkshire, and provides support services through offices in Glasgow, Manchester and Fareham, Hampshire, and billing services from London. It has sales representatives throughout the UK. Gamma's software and services development team is split between Newbury and Budapest, Hungary.

As at 30 June 2014, the Group employed 511 people and as at 31 December 2013, the Group employed 467 people, of whom 454 were employed in the UK and 13 were employed in Hungary.

The Group's employees by business division and support function as at 31 December 2013 are set out in the table below:

	Development	*Finance*	*Marketing and Services*	*Operations*	*Sales*	*Direct Business*	***Total***
Employees at 31 December 2013	85	48	21	188	47	78	**467**

14. RESEARCH & DEVELOPMENT, REGULATION AND CERTIFICATIONS

Research & Development

The Group maintains an in-house service development team to create new, service-based products for sale and to continually provide new enhancement to existing services. This team retains appropriate software development expertise in the technologies which underpin the Group's core services and its portal, billing and other operational systems and has development staff based primarily in Newbury, Berkshire and in Budapest, Hungary.

Service development projects are selected, initiated and monitored by senior management through a regular and structured process.

Regulation

Gamma operates in a regulated environment in the UK. The regulatory regime emanates mainly from the Communications Act 2003 which in part implements the EU regulatory package of electronic communications directives.

Regulation has implications for Gamma from two main perspectives;

(i) The Group is a provider of electronic communications networks and services and thus falls within the regulatory regime set under the Communications Act 2003. Although Gamma does not require a licence to operate its fixed-line network or provide services, its activities are nonetheless regulated under the 'General Conditions of Entitlement' applied to all electronic communications providers, as administered and enforced by Ofcom ("**General Conditions**"). These conditions, whilst not being unduly onerous, include obligations on matters such as: interconnection with other operators, emergency call access, operator assistance and director information, metering and billing, use of phone numbers and number portability, service migration, sales and marketing practices; and

(ii) Gamma also has statutory powers, known as Code Powers, to carry out works on private land and carry out street works for the purposes of installing and maintaining its cables and other apparatus.

Certifications

Gamma holds the following security and business continuity standards certifications:

- Network Interoperability Security: ND 1643;
- Information Security Management: ISO/IEC 27001:2005; and
- Business Continuity Management: ISO22301.

15. CORPORATE GOVERNANCE

The Directors intend to apply the principles set out in the UK Corporate Governance Code from Admission. Although adherence to the UK Corporate Governance Code is not compulsory, the Directors will aim for the Group to apply the UK Corporate Governance Code to the extent appropriate to its size, resources and stage of development.

Following Admission, the Board will comprise seven Directors, two of whom shall be executive directors and five of whom shall be Non-Executive Directors, reflecting a blend of different experience and backgrounds. Of the Non-Executive Directors, the Group regards Richard Last, Alan Gibbins and Martin Lea as Independent Non-Executive Directors within the meaning of the UK Corporate Governance Code.

The Board intends to meet regularly to consider strategy, performance and the framework of internal controls. To enable the Board to discharge its duties, all Directors will receive appropriate and timely information. Briefing papers will be distributed to all Directors in advance of Board meetings.

The Company has established audit, nomination and remuneration committees of the Board with formally delegated duties and responsibilities.

The Audit Committee

The Audit Committee assists the Board in discharging its responsibilities with regard to financial reporting, external and internal audits and controls, including reviewing and monitoring the integrity of the Group's annual and interim financial statements, reviewing and monitoring the extent of the non-audit work undertaken by external auditors, advising on the appointment of external auditors, overseeing the Group's relationship with its external auditors, reviewing the effectiveness of the external audit process, and reviewing the effectiveness of the Group's internal control review function. The ultimate responsibility for reviewing and approving the annual report and accounts and the half-yearly reports remains with the Board.

The Audit Committee will be chaired by Alan Gibbins, and its other members will be Richard Last and Martin Lea. The Audit Committee will meet not less than three times a year.

The Nomination Committee

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

The Nomination Committee will be chaired by Richard Last and its other members will be Martin Lea, Alan Gibbins, Wu Long Peng and Andrew Stone. The Nomination Committee will meet not less than twice a year.

The Remuneration Committee

The Remuneration Committee will assist the Board in determining its responsibilities in relation to remuneration, including making recommendations to the Board on the Group's policy on executive remuneration, including setting the over-arching principles, parameters and governance framework of the Group's remuneration policy and determining the individual remuneration and benefits package of each of the Executive Directors and the Group secretary. The Remuneration Committee will also ensure compliance with the UK Corporate Governance Code in relation to remuneration wherever possible.

The Remuneration Committee will be chaired by Martin Lea, and its other members will be Richard Last and Alan Gibbins. The Remuneration Committee will meet not less than twice a year.

Relationship Agreements

Hoxton Assets Limited, Key Asset Investments Limited, Andrew Stone, Investec and the Company have entered into the Relationship Agreements to regulate the ongoing relationship between the Group and its major shareholders. The Directors believe that the terms of the Relationship Agreements, as described in paragraph 16.5 of Part IV will enable the Group to carry on its business independently of the Significant Shareholders and their respective associates (including family members) and ensure that all transactions and relationships between the Group and the Significant Shareholders and their respective associates (including family members) are, and will be, on an arm's length and on a normal commercial basis.

16. PLACING DETAILS

Pursuant to the Placing, Investec has conditionally placed, as agent for the Selling Shareholders, 44,163,374 Placing Shares at the Placing Price with institutional and other investors. The Placing Shares represent 50 per cent of the issued share capital of the Group at Admission. The gross proceeds of the Placing receivable by the Selling Shareholders are expected to be approximately £82.6 million and the net cash proceeds of the Placing (after deduction of expenses estimated in total at approximately £2.7 million (excluding VAT)) are expected to be approximately £79.9 million.

The Placing Shares are fully paid and rank in full for all dividends or other distributions hereafter declared, made or paid on the ordinary share capital of the Group and rank *pari passu* in all other respects with all other Ordinary Shares in issue on Admission. The rights attaching to such Ordinary Shares are set out in paragraph 4 of Part IV of this document.

The Placing is conditional, *inter alia*, on Admission. The Placing and Admission are subject to certain conditions obtained in the Placing Agreement. Pursuant to the Placing Agreement and the Selling Shareholder Agreements, Investec has agreed to use its reasonable endeavours to procure purchasers for the Placing Shares at the Placing Price, failing which Investec will itself purchase as principal any Placing Shares for which purchasers cannot be found.

The Placing Agreement contains provisions entitling Investec to terminate the Placing Agreement at any time prior to the Admission in certain circumstances. If this right is exercised the Placing will lapse. The Selling Shareholder Agreements terminate immediately upon termination of the Placing Agreement in accordance with its terms. Further details of the Placing Agreement and the Selling Shareholder Agreements are set out in paragraph 15 of Part IV of this document.

17. REASONS FOR THE PLACING

The Directors believe that Admission will raise the corporate profile of the Group, particularly within the large enterprise and public sector market, and further enhance its credibility and reputation.

Admission is also expected to facilitate access to further capital to support the Group's strategic organic and acquisition objectives as suitable opportunities arise.

The Directors believe that Admission will also provide opportunities for the Group to attract, retain and incentivise high-calibre employees through the Group's option schemes.

The Existing Shareholders will also have the opportunity to realise a portion of their long-term investment in the Group through their participation in the Placing and the Placing will secure a more diverse shareholder base.

18. ADMISSION, SETTLEMENT AND DEALINGS

Application has been made to the London Stock Exchange for the Ordinary Shares to be admitted to trading on AIM. It is expected that Admission will become effective and dealings in the Ordinary Shares on AIM will commence on 10 October 2014.

It is expected that CREST accounts will be credited with Ordinary Shares on 10 October 2014 and, if applicable, definitive share certificates for the Ordinary Shares will be dispatched no later than five working days after the date of Admission.

No temporary documents of title will be issued. Pending the dispatch by post of definitive share certificates, where applicable, transfers will be certified against the register held by the Group's registrar.

All existing Shareholders will receive their shares in certificated form. If those Shareholders would like these Ordinary Shares to be uncertificated, they will need to contact a broker who will arrange this on their behalf via CREST.

Unless they otherwise elect, new investors' Ordinary Shares will be delivered in uncertificated form and settlement will take place through CREST on Admission. Dealings in the Ordinary Shares in advance of the crediting of the relevant CREST stock account or the dispatch of the relevant share certificates shall be at the risk of the person concerned.

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and to be transferred otherwise than by a written instrument. The Articles will permit the holding of Ordinary Shares under the CREST system. The Company will apply for the Ordinary Shares to be admitted to CREST with effect from Admission. Accordingly, settlement of transactions in the Ordinary Shares following Admission may take place within the CREST system if any Shareholder so wishes.

CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will be able to do so. Investors may, however, elect to receive Ordinary Shares in uncertificated form if they are a system member, as defined in the Uncertificated Securities Regulations. Legal title to the Ordinary Shares will only be evidenced by an entry on the Group's register of members.

19. EMPLOYEE SHARE PLANS

The Directors recognise the importance of ensuring that employees of the Group are effectively and appropriately incentivised and their interests are aligned with those of the Group. To that end, the Group has adopted the Share Plans, to align the interests of senior management, and the broader employee workforce alike, with those of the Shareholders.

The Share Plans adopted by the Group are made up of three incentive arrangements;

(i) the LTIP;

(ii) the CSOP; and

(iii) the GSIP.

A summary of each of the Share Plans is set out in paragraph 5 of Part IV of this document.

A number of historic equity awards made originally in respect of shares in Gamma Telecom Holdings Limited and which now subsist in respect of the Ordinary Shares remain outstanding. A summary of these awards is set out in paragraph 5 of Part IV of this document.

20. DIVIDEND POLICY

The Directors intend to adopt a progressive dividend policy which will reflect the long-term earnings and cashflow potential of the Group whilst maintaining an appropriate level of dividend cover.

It is envisaged that the Group will pay an interim dividend in November and a final dividend in May of each year, in the approximate proportions of one third and two thirds respectively, of the total annual dividend. The Directors recognise the cash generative qualities of the business whilst maintaining an appropriate level of dividend cover in view of the financial requirements of the business in the forthcoming financial year.

It is envisaged that the first dividend paid by the Company will be a final dividend paid in May 2015 in respect of the year ending 31 December 2014. This will be a full final dividend equal to the equivalent to two thirds of the anticipated full year dividend.

Had the Company been listed for the whole of the financial year ending 31 December 2014, the Directors would have expected to have declared an interim dividend in respect of the six months ended 30 June 2014 of, in aggregate, £1.75 million.

The Directors will also consider extra dividends in certain special circumstances, taking in to account at all times the organic and inorganic opportunities open to the Group.

21. LOCK-IN AND ORDERLY MARKET ARRANGEMENTS

Directors

On Admission, the Directors will be interested in an aggregate of 8,611,964 Ordinary Shares, representing approximately 9.8 per cent of the issued share capital of the Group. Details of these interests are set out in paragraph 8 of Part IV of this document.

The Directors, in respect of themselves and each of their connected persons, have undertaken to Investec (subject to certain limited exceptions) not to dispose of such interests during the period commencing on Admission and ending twelve months after the date of Admission. The Directors have further undertaken, in respect of themselves and each of their connected persons, that for a further period of twelve months thereafter they will (subject to certain limited exceptions) deal or otherwise dispose of any such interest through Investec, subject to being offered competitive terms as to price and rates of commission.

Locked-in Shareholders

On Admission, the Locked-in Shareholders, in respect of themselves and each of their connected persons, have undertaken to Investec (subject to certain limited exceptions) not to dispose of such interests during the period commencing on Admission and ending twelve months after the date of Admission. The Locked-in Shareholders have further undertaken, in respect of themselves and each of their connected persons, that for a period of twelve months thereafter they will (subject to certain limited exceptions) deal or otherwise dispose of any such interests through Investec, subject to being offered competitive terms as to price and rates of commission.

22. THE TAKEOVER CODE

At Admission, the Takeover Code will apply to the Group. Under Rule 9 of the Takeover Code, where any person who, together with persons acting in concert with him, is interested in shares which in aggregate carry not less than 30 per cent., but does not hold shares carrying more than 50 per cent., of the voting rights of a company and such person, or any persons acting in concert with him, acquires an interest in any other shares in the company which increases the percentage of shares carrying voting rights in which he is interested, such person would normally have to extend a general offer to all shareholders to acquire their shares for cash at not less than the highest price paid by him, or parties acting in concert with him, during the 12 months prior to the announcement.

23. TAXATION

Information regarding taxation is set out in paragraph 11 of Part IV of this document. These details are intended only as a general guide to the current tax position in the UK. **If an investor is in any doubt as to his or her tax position or is subject to tax in a jurisdiction other than the UK, he or she should consult his or her own financial adviser immediately.**

24. FURTHER INFORMATION

Your attention is drawn to the further information set out in Parts II to IV of this document, including the risk factors set out in Part II. You are advised to read the whole of this document.

PART II

RISK FACTORS

In addition to all other information set out in this document, the following specific risk factors should be considered carefully by potential investors in evaluating whether to make an investment in the Company. The investment described in this document may not be suitable for all those who receive it. Before making a final decision, investors who are in any doubt are advised to consult their stockbroker, bank manager, solicitor or accountant or other independent professional adviser authorised under the FSMA who specialises in advising on the acquisition of shares and other securities in the United Kingdom.

You should carefully consider the risks described below and ensure that you have read this document in its entirety before making a decision to invest in the Company.

Investing in Ordinary Shares involves a high degree of risk. Prospective investors should carefully consider all the information in this document, including the following risk factors, before investing in Ordinary Shares. Additional risks and uncertainties not presently known to the Company and the Directors or that the Company and the Directors currently consider to be immaterial may also adversely affect the Group's business, operations and financial condition. If any events or circumstances giving rise to any of the following risks, together with possible additional risks and uncertainties of which the Company and the Directors are currently unaware or which the Company and the Directors consider not to be material in relation to the Group's business, actually occur, the Group's business, financial condition and results of future operations could be materially and adversely affected. In such circumstances, the value of the Ordinary Shares could decline due to any of these risks occurring and investors could lose part or all of their investment. In particular, the Group's performance may be affected by changes in market or economic conditions and in legal, regulatory and tax requirements.

There can be no certainty that the Group will be able to implement successfully the strategy set out in this document. No representation is or can be made as to the future performance of the Group and there can be no assurance that the Group will achieve its objectives.

The risks listed below do not necessarily comprise all those faced by the Group and are not intended to be presented in any order of priority.

1. RISKS RELATING TO THE INDUSTRY IN WHICH THE GROUP OPERATES

1.1. *The pricing environment in the telecoms industry could become more difficult than anticipated*

Prices for many telecoms products have declined consistently in recent years, through a combination of regulatory intervention and market competition. These declining price trends are expected to continue. It is possible that the pricing environment could become more difficult than currently anticipated by the Company, and this could have an adverse impact on the Group's revenues and profit margins.

1.2. *The UK telecoms market is subject to regulation by Ofcom*

The Group's main businesses are principally regulated and supervised by Ofcom as well as by government and other regulatory authorities at both a UK and EU level. There is likely to be further regulatory intervention in the future which may have unforeseen impacts on market pricing and services provided by the Group at that time. This could include the regulation of services purchased by the Group for use in its service offerings, the regulation of services sold by the Group and the regulation of services with which the Group competes.

The Group is also required to comply with various regulatory and legal requirements, for example, in relation to the handling of 999 calls. If the Group fails to comply with such requirements it may face possible sanctions including fines.

Regulatory decisions and determinations, such as those made by Ofcom, may be subject to legal appeal through the courts up to and including the European Court. This may result in the need to pursue legal and regulatory action in the future, as the Group has done in the past, the outcome of which would be inherently uncertain and may take many years to conclude.

Decisions made by regulators and the courts could have an adverse impact on the Group's financial performance and such impact could on occasion be retrospective.

1.3. ***The Group may not be able to maintain the level of revenue and profit it generates from voice telephony services***

The level of usage of fixed line voice telephony services has been in decline. If such trends accelerate due to changes in consumer behaviour or customer preference for using alternative technologies then the financial performance of the Group could be adversely affected.

1.4. ***Any failure, damage or disruption to the network infrastructure and systems used by the Group could disrupt the Group's ability to carry on its business***

Any failure within, or damage or disruption to the network infrastructure and systems which the Group uses to carry on its business, including its fibre network and switching equipment (for example, damage or disruption caused by malicious human acts (whether physical or otherwise), theft, natural disaster, fire, power disruption or power loss), could disrupt the Group's ability to carry on its business.

1.5. ***The Group's network infrastructure and systems are at risk from cyber attacks***

The Group relies on information technology systems to conduct its operations. Because of this reliance, the Group and in particular its network infrastructure and systems are at risk from cyber attacks. Cyber attacks can result from deliberate attacks or unintentional events and may include (but are not limited to) third parties gaining unauthorised access to the Group's network infrastructure and systems for the purpose of misappropriating its financial assets, intellectual property or sensitive information, corrupting data, or causing operational disruption. If the Group suffers from a cyber attack, whether by a third party or insider, it may incur significant costs and suffer other negative consequences, such as remediation costs (including liability for stolen assets or information) and repairing any damage caused to the Group's network infrastructure and systems. The Group may also suffer reputational damage and loss of investor confidence.

1.6. ***The Group's performance could be adversely affected by poor economic conditions***

The Group derives most of its profits from the UK and is therefore sensitive to fluctuations in the UK economy. The Group's performance depends to a certain extent on a number of factors outside of the control of the Group which impact on the UK's corporate spending, including political and economic conditions which may prevent the Group from accessing its funds. Changes in economic conditions in the United Kingdom and elsewhere, including, for example, interest rates, rates of inflation, industry conditions, political and diplomatic events and trends, tax laws, gross domestic product levels, credit conditions, and other factors could have an adverse effect on the financial performance and prospects of the Group.

2. RISKS RELATING TO THE GROUP'S BUSINESS

2.1. ***The planned development and expansion of the Group's business may not be achieved***

Any failure of the Group to ensure that its products remain competitive in the marketplace may have a material impact on the Group's financial performance. The Group plans to continue to develop innovative solutions for its indirect and direct customers but there can be no assurance that the Group will be able successfully to develop new products and expand its business as planned or that the new products will be successful or that the business they generate will be profitable.

2.2. ***The Group is subject to significant competition, which may increase***

The Group competes with a number of competitors, some of which have greater financial, marketing and other resources than the Group. These competitors may seek to develop products which more successfully compete with the Group's current product range and they may also adopt more aggressive pricing policies or undertake more extensive marketing and advertising campaigns. This may have a negative impact on sales volumes or profit margins achieved by the Group in the future. The Group would face an increase in competition if existing competitors further developed their product ranges or if there were new entrants to the market with comparable or competitively superior products.

In addition, changes in technology are altering the nature of how communications services are provided and consumed and reducing the importance of national boundaries. Therefore in future the Group may face increased competition from competitors who are different from those it has competed with historically or who are based outside the UK.

2.3. ***The technology upon which the Group's products and services are based may become obsolete***

The sectors in which the Group competes are subject to rapid and significant changes in technology, and the technology upon which the Group's products and services are based may become obsolete or may not continue to have sufficient market acceptance to create adequate demand for the Group's products and services. In order to compete successfully, the Group will need to continue to improve its products and services and to develop and market new products and services that keep pace with technological change.

The Group may also incur unforeseen costs in the course of such product and service development including in respect of investment in fixed assets. An increase in the level of capital expenditure would adversely affect the Group's free cash flow.

2.4. ***The Group may not be successful in developing new products and appropriately pricing its new and existing products***

The Group's continued success is dependent on the successful development of new products, in particular those which differentiate it from its competitors and which anticipate the evolving needs of its customers. Any failure to develop new products on a timely basis and to price new and existing products appropriately may affect the quality of services delivered to customers and adversely impact the reputation and financial condition of the Group.

2.5. ***The Group's performance is dependent on maintaining competitive customer service levels***

Failure to provide and maintain competitive customer service levels and operational and back-office processes could result in customers moving to other providers, and this could have an adverse effect on the financial position of the Group.

2.6. ***The Group is dependent on the supply of certain products and services***

The Group is dependent on third party suppliers for the provision of network infrastructure, network interconnection, IP traffic transit, equipment and associated services. The performance of equipment and services purchased from third party suppliers is not guaranteed to be error free or to ensure 100 per cent. service availability (and failures have occurred which have triggered service outages affecting the Group's customers), and any such performance failures could adversely affect the level of service the Group delivers to its customers.

Any breakdown or change in the Group's relationships with its suppliers, any supplier declining to sell products or services to the Group for any reason, any material changes in prices, any disruption to the supply of products or services to the Group, any supplier having financial difficulties or going out of business and therefore not satisfying orders, or product liability claims relating to products supplied by third parties could have an adverse effect on the Group's business. Should the Group be required to change a supplier it may be that the particular products or services provided are difficult and/or time consuming to replace or that the Group has to incur additional costs in making the change or is unable to fully replicate the desired functionality.

In certain cases the services provided by third party suppliers are regulated products, such as those supplied by BT in markets where BT has significant market power. In these cases there may be no alternative suppliers available and the Group may have no control over the product specification, pricing and available service level agreements.

Problems with third party suppliers in relation to quality, willingness or ability to supply and pricing may have an adverse impact on the reputation and financial performance of the Group.

BT is a major supplier to the Group and a proportion of the services which it supplies are not subject to regulation. If material price increases or changes to service specification were to be imposed by BT then this could affect the financial position of the Group.

The Group relies on a Mobile Network Operator for services which underpin its mobile services. If the supply of these services were to cease for any reason it may not be possible to replace them with a similar alternative, and any replacement may be subject to increased costs and different specifications. This may have an adverse impact on the reputation and financial performance of the Group.

2.7. *The ownership and use of intellectual property by the Group may be challenged by third parties or otherwise disrupted*

The Group relies and will, in the future, rely on intellectual property laws and third party non-disclosure agreements to protect its intellectual property rights. Despite precautions which may be taken by the Group to protect its products, unauthorised parties may attempt to copy, or obtain and use, its products and the technology incorporated in them. Additionally, intellectual property required by the Group to develop, market and sell its products, or the intellectual property belonging or licensed to the Group may be challenged by third parties and may not be available to it indefinitely. For example, the Group licences in software from Ericsson, Broadsoft, Cisco, Juniper and Genband for use in its core network switching equipment and services. If the software which is the subject of any such licences ceased to be available to the Group, or became subject to any third party claims of infringement, its business would be materially adversely affected.

2.8. *The Group's contracting structure with customers does not provide a source of guaranteed revenue*

The Group's framework contracts with some of its customers do not generally lock customers into using the Group's services at a specified level of payment or for a specified period of time. There is, therefore, a risk that the level of revenue that will be generated by the Group's contracts with each of its customers may fluctuate. It may lose customers or Channel Partners and this would affect the financial performance of the Group.

2.9. *The Group's performance is dependent on the proper functioning of its network infrastructure and systems*

The Group's performance is dependent on the proper functioning of its network infrastructure and systems. The Group operates extensive processes relating to the design, implementation, operation and maintenance of these to ensure that they function effectively and deliver high levels of service availability. However it is not expected that the performance of the Group's network infrastructure and systems will be error free or that it will ensure 100 per cent. service availability. Any failures, shortfall against customer SLAs, service degradation or errors could result in claims for damages and credits from customers and end-users, and could adversely affect the reputation and financial condition of the Group.

2.10. *The loss of key personnel could adversely affect the business of the Group*

The Group depends on the continued contribution of its executive officers and employees, both individually and as a group. The Group may not be able to attract, develop and retain individuals at an appropriate cost or to ensure that the capabilities of the Group's employees meet its business needs. Any failure to attract, develop and retain suitable personnel may impact the Group's performance.

There is a risk that certain senior personnel critical to the running of the Group could leave the Group. This could have a negative impact on the Group's ability to maintain relationships with customers, employees, suppliers and others with whom it has business dealings, with negative consequences for its continued performance and growth.

2.11. ***Certain shareholders will continue to have substantial control over the Group after the Placing***

Upon completion of the Placing, Hoxton Assets Limited and Key Asset Investments Limited (together) and Andrew Stone will beneficially own approximately 26,923,860 and 30.5 per cent. respectively of the Ordinary Shares. As a result, the Significant Shareholders could exercise significant control over all matters requiring shareholder approval, which could delay or prevent a third party from acquiring or merging with the Group.

Subject to the Relationship Agreements, which seek to regulate certain aspects of the continuing relationship between the Group and the Significant Shareholders to ensure that the Group is capable at all times of carrying on its business independently of the Significant Shareholders (whose interests in Ordinary Shares are detailed in paragraph 8.3 of Part IV of this document), and that all transactions and relationships in the future between members of the Group and the Significant Shareholders are at arm's length and on a normal commercial basis, the Significant Shareholders will be in a position to exercise material influence over the Group's operations and business strategy and have the ability to block certain corporate activities which require shareholder approval. The Relationship Agreement in respect of Hoxton Assets Limited provides that Hoxton Assets Limited can appoint one director to the Board for as long as it holds (when its voting rights are aggregated with the voting rights held by Key Asset Investments Limited) more than 10 per cent. and no more than 30 per cent. of the rights to vote at a general meeting of the Company, and can appoint two directors to the Board for as long as it holds (when its voting rights are aggregated with the voting rights held by Key Asset Investments Limited) more than 30 per cent. of the rights to vote at a general meeting of the Company. The Relationship Agreement in respect of Andrew Stone provides that Andrew Stone can appoint one director to the Board for as long as he holds more than 10 per cent. and no more than 30 per cent. of the rights to vote at a general meeting of the Company, and can appoint two directors to the Board for as long as he holds more than 30 per cent. of the rights to vote at a general meeting of the Company. The Significant Shareholders' interests may differ from the majority of other Shareholders and thus an investor may disagree as to whether the action opposed or supported by the Significant Shareholders is in the best interests of Shareholders generally.

Hoxton Assets Limited and Key Asset Investments Limited are each incorporated in the British Virgin Islands so it may be difficult to pursue legal action or enforce judgments against them.

2.12. ***Any acquisitions made by the Group would carry inherent risks***

The Group may make strategic acquisitions to build upon its capabilities. In connection with any such acquisitions, the Group may incur unanticipated expenses, fail to realise anticipated benefits, have difficulty integrating the acquired business, which may disrupt relationships with current and new employees, customers and suppliers. These factors could harm the Group's business and its reputation.

2.13. ***The Group may be unable to raise external funding***

The Group may require external funding to finance, for example, acquisitions, new product development or capital investment and it may be unable to raise such finance from banks, the capital markets or other sources of funds.

2.14. ***The Group is subject to IT systems related project risk***

The Group is subject to IT systems related project risk. The Group undertakes IT upgrades, systems infrastructure development and data migration projects that involve project risk. Any failure to deliver such projects on a timely basis may increase the costs of the Group, affect the quality of services delivered to customers and adversely impact the reputation and financial condition of the Group.

2.15. ***The Group would be affected if the premises which it uses were to become inaccessible or damaged.***

Any event which caused damage to, or prevented access to the premises used by the Group could result in an interrupted or degraded service to customers. This could increase costs and adversely impact the reputation and financial condition of the Group.

3. RISKS RELATING TO THE ORDINARY SHARES

3.1. *Ordinary Shares quoted on AIM may carry a higher risk than an investment in shares quoted on the Official List*

The Ordinary Shares will be admitted to AIM. No application is being made for admission of the Ordinary Shares to the Official List or to any other stock exchange. An investment in shares quoted on AIM may be less liquid and may carry a higher risk than an investment in shares quoted on the Official List. The rules of AIM are less demanding than those of the Official List. Further, the London Stock Exchange has not itself examined or approved the contents of this document. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser.

3.2. *Current legislation, regulation, rules and practices may change*

This document has been prepared on the basis of current legislation, regulation, rules and practices and the Directors' interpretation thereof. Such interpretation may not be correct and it is always possible that legislation, rules and practice may change. Any change in legislation may have an adverse effect on the returns available on an investment in Ordinary Shares.

3.3. *The nature and amount of tax which members of the Group expect to pay may change*

Any change in the Company's or its subsidiaries' tax status or in tax legislation could affect the Company's ability to provide returns to shareholders. Statements in this document in relation to tax and concerning the taxation of investors in Ordinary Shares are based on current tax law and practice which is subject to change. The taxation of an investment in the Company depends on the specific circumstances of the relevant investor.

The nature and amount of tax which members of the Group expect to pay and the reliefs expected to be available to any member of the Group are each dependent upon a number of assumptions, any one of which may change and which would, if so changed, affect the nature and amount of tax payable and reliefs available.

Tax assessments are increasingly based on a system of self-declaration under which tax authorities may open enquires or investigations several years after the period to which the tax charge relates. Tax charges and liabilities may also therefore be subject change retrospectively.

3.4. *The Ordinary Shares may not be a suitable investment for all the recipients of this document*

The Ordinary Shares may not be a suitable investment for all the recipients of this document. Before making a final decision, prospective investors are advised to consult an appropriate independent investment adviser authorised under FSMA who specialises in advising on the acquisition of shares and other securities. The value of the Ordinary Shares and the income received from them can go down as well as up and investors may not be able to sell their Ordinary Share at or above the Placing Price, or at all.

3.5. *There has been no public trading market for the Ordinary Shares and an active trading market for them may not develop and continue*

Prior to the Placing, there has been no public trading market for the Ordinary Shares at any time. The Placing Price may not be indicative of the market price of the Ordinary Shares following Admission.

There is no assurance that an active trading market for the Ordinary Shares will develop or, if developed, will be sustained following the closing of the Placing. If an active trading market is not developed or maintained, the liquidity and trading price of the Ordinary Shares could be adversely affected.

3.6. *The market price of the Ordinary Shares may fluctuate significantly in response to a number of factors, many of which will be outside the Group's control*

Following Admission, the trading price of the Ordinary Shares may be subject to wide fluctuations in response to many factors, including those referred to in this Part 2, as well as stock market fluctuations and general economic conditions or changes in political sentiment, that may adversely affect the market price of the Ordinary Shares regardless of the Group's actual performance or condition in its key markets.

Publicly traded securities from time to time experience significant price and volume fluctuations that may be unrelated to the operating performance of the companies that have issued them. In addition, the market price of the Ordinary Shares may prove to be highly volatile. The market price of the Ordinary Shares may fluctuate significantly in response to a number of factors, many of which are beyond the Group's control. These may, without limitation, include: variations in operating results in the Group's reporting periods; changes in financial estimates by securities analysts; changes in market valuation of similar companies; announcements by the Group of significant contracts, acquisitions, strategic alliances, joint ventures or capital commitments; additions or departures of key personnel; any shortfall in turnover or net profit or any increase in losses from levels expected by securities analysts; and future issues or sales of Ordinary Shares. Any or all of these events could result in a material decline in the price of the Ordinary Shares.

3.7. ***Sale of a substantial number of the Ordinary Shares in the future could adversely affect the price of the Ordinary Shares***

The Company cannot predict what effect, if any, future sales of Ordinary Shares, or the availability of Ordinary Shares for future sale, will have on the market price of Ordinary Shares. Sales of substantial amounts of Ordinary Shares in the public market following the Placing, or the perception that such sales could occur, could adversely affect the market price of Ordinary Shares and may make it more difficult for investors to sell their Ordinary Shares at a time and price which they deem appropriate.

Subject to the Lock-in Agreement, the Locked-in Shareholders might in the future sell substantial numbers of Ordinary Shares, which may significantly reduce the price of the Ordinary Shares. In addition, any perceived view that any such Shareholder might sell substantial numbers of Ordinary Shares in the future could depress the price of the Ordinary Shares for an unknown period of time.

3.8. ***Shareholders outside the United Kingdom may not be able to participate in future equity offerings.***

Shareholders outside the United Kingdom may not be able to participate in future equity offerings. In the case of certain increases in the Company's issued share capital, Shareholders have the benefit of statutory pre-emption rights to subscribe for new shares, unless Shareholders waive such rights by a resolution passed at a Shareholders' meeting, or in certain other circumstances as stated in the Articles. However, securities laws of certain jurisdictions may restrict the Company's ability to allow participation by Shareholders in future offerings.

In particular, Shareholders in the United States are very likely to be excluded from exercising any pre-emption rights they may have, unless a registration statement under the United States Securities Act of 1933, as amended, is effective with respect to those rights, or an exemption from the registration requirements under that Act is available. The Company is unlikely to file any such registration statement, and the Company cannot assure prospective investors that any exemption from those registration requirements would be available to enable United States Shareholders to exercise such pre-emption rights or, if available, that the Company will utilise any such exemption.

3.9. ***Shareholders whose principal currency is not sterling will be exposed to foreign currency exchange rate risk***

The Ordinary Shares are, and any dividends to be paid in respect of them will be, denominated in pounds sterling. An investment in Ordinary Shares by an investor whose principal currency is not sterling exposes the investor to foreign currency exchange rate risk. Any depreciation of pounds sterling in relation to such foreign currency will reduce the value of the investment in the Ordinary Shares or any dividends in foreign currency terms.

3.10. ***The Company may not pay dividends***

The Company may not be able to, or may choose not to, pay dividends in the future. The payment of future dividends will depend on, amongst other things, the Group's future profit, financial position, distributable reserves, working capital requirements, general economic conditions and other factors that the Directors deem significant from time to time. The Company might not pay dividends if the Directors believe this could cause any Group member to be less than adequately capitalised or if for any other reason the Directors conclude it will not be in the best interests of the Group. There can be no assurance that the Company will pay dividends or, if it does pay dividends, as to the amount of such dividends.

3.11. ***Future equity issues by the Company could have an adverse effect on the market price of the Ordinary Shares and dilute ownership of the Shareholders***

Future equity issues by the Company could have an adverse effect on the market price of the Ordinary Shares and may also reduce the percentage ownership and voting interests of Shareholders. Moreover, the Company may issue new shares that have rights, preferences or privileges senior to those of the Ordinary Shares.

PART III

FINANCIAL INFORMATION

Gamma's business has historically operated under the trading company Gamma Telecom Holdings Limited ("**TradingCo**"). A new holding company, Gamma Communications Limited was incorporated and renamed Gamma Communications plc immediately prior to Admission. Gamma Communications plc has been incorporated for the sole purpose of holding 100 per cent. of the issued share capital of Gamma Telecom Holdings Limited.

Whilst this reorganisation has taken place ahead of Gamma's Admission, it was effected after the period of the historical financial information for the three years ended 31 December 2013. Since the date of its incorporation HoldCo has not yet commenced operations. It has no material assets or liabilities other than its investment in TradingCo and no financial statements have been prepared as at the date of the admission document. As such, the financial information presented in this Part III presents the financial information of Gamma Telecom Holdings Limited with the financial information looking through the (Gamma Communications plc) Holding company.

The unaudited financial information for the six months ended 30 June 2014 presented in Section C of this Part III has been prepared on the same basis as that for the three years' ended 31 December 2013 presented in Section B of this Part III.

SECTION A – ACCOUNTANTS' REPORT

Grant Thornton

The Directors
Gamma Communications plc
5 Fleet Place
London
EC4M 7RD

7 October 2014

Dear Sirs

Gamma Telecom Holdings Limited and its subsidiary undertakings (together the "Holdings Group")

We report on the historical financial information for the Holdings Group set out in Section B of this Part III of the Admission Document, for the three years ended 31 December 2013. The historical financial information has been prepared for inclusion in the Admission Document dated 7 October 2014 of Gamma Communications plc on the basis of the accounting policies set out in paragraph 1 of the notes to the historical financial information set out in Section B of this Part III.

This report is required by Paragraph (a) of Schedule Two of the AIM Rules for Companies and is given for the purpose of complying with that paragraph and for no other purpose.

Responsibilities

Save for any responsibility arising under Paragraph (a) of Schedule Two of the AIM Rules for Companies to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Paragraph (a) of Schedule Two of the AIM Rules for Companies, consenting to its inclusion in the Admission Document.

The Directors of Gamma Communications plc are responsible for preparing the historical financial information in accordance with International Financial Reporting Standards as adopted by the European Union It is our responsibility to form an opinion on the historical financial information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the historical financial information. It also included an assessment of the significant estimates and judgements made by those responsible for the preparation of the historical financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the historical financial information is free from material misstatement, whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the historical financial information gives, for the purposes of the Admission Document dated 7 October 2014, a true and fair view of the state of affairs of the Holdings Group as at 31 December 2013 and of its results, cash flows and recognised gains and losses for the three years ended 31 December 2013 in accordance with International Financial Reporting Standards adopted by the European Union and has been prepared in a form that is consistent with the accounting policies to be adopted in the Holdings Group's next annual accounts (31 December 2014).

Declaration

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules for Companies we are responsible for this report as part of the AIM admission document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the AIM admission document in compliance with Schedule Two of the AIM Rules for Companies.

Yours faithfully

GRANT THORNTON UK LLP
Chartered Accountants
London

SECTION B – HISTORICAL FINANCIAL INFORMATION
FOR THE THREE YEARS ENDED 31 DECEMBER 2013

Gamma Telecom Holdings Limited

Consolidated statement of comprehensive income for the years ended 31 December 2013, 2012 and 2011

	Note	*2011* *£'000*	*2012* *£'000*	*2013* *£'000*
Revenue	3	131,441	137,218	148,714
Cost of sales		(93,460)	(92,329)	(94,848)
Gross profit		37,981	44,889	53,866
Operating expenses	5	(30,663)	(35,239)	(42,440)
Operating profit before share-based payment, depreciation and amortisation	5	10,918	14,363	17,177
Share-based payment expense	25	–	(206)	(917)
Operating profit before depreciation and amortisation		10,918	14,157	16,260
Depreciation and amortisation	5	(3,600)	(4,507)	(4,834)
Profit from operations		7,318	9,650	11,426
Finance income	7	11	22	42
Finance expense	7	(62)	(46)	–
Profit before tax		7,267	9,626	11,468
Tax expense	8	(1,957)	(1,954)	(2,135)
Profit after tax		5,310	7,672	9,333
Other comprehensive income, net of tax:				
Items that will be reclassified subsequently to profit and loss when specific conditions are met				
Exchange gains arising on translation of foreign operations		(18)	–	11
Total other comprehensive income, net of tax		(18)	–	11
Total comprehensive income attributable to the owners of the parent		5,292	7,672	9,344
Earnings per share	9			
Basic per ordinary share (pence)		23	35	44
Basic per B1 share (pence)		–	–	44
Diluted per ordinary share (pence)		21	33	42
Diluted per B1 share (pence)		–	–	42

Consolidated statement of financial position at 31 December 2013, 2012, 2011 and 1 January 2011

	Note	1 January 2011 £'000	2011 £'000	2012 £'000	2013 £'000
Assets					
Non-current assets					
Property, plant and equipment	10	13,150	13,161	11,436	12,796
Intangible assets	11	7,343	8,100	11,480	11,193
Deferred tax assets	20	910	132	344	588
		21,403	21,393	23,260	24,577
Current assets					
Inventories	13	511	132	326	541
Trade and other receivables	14	19,249	20,976	22,323	26,381
Cash and cash equivalents	15	10,377	12,119	7,183	14,642
		30,137	33,227	29,832	41,564
Total assets		51,540	54,620	53,092	66,141
Liabilities					
Non-current liabilities					
Borrowings	17	4,000	2,000	–	–
Other payables	16	–	–	1,311	1,439
Provisions	19	574	913	885	939
Deferred tax liabilities	20	–	123	937	952
		4,574	3,036	3,133	3,330
Current liabilities					
Trade and other payables	16	24,297	22,359	21,046	24,749
Borrowings	17	2,000	2,000	–	–
Current tax liability		95	484	1,101	1,103
		26,392	24,843	22,147	25,852
Total liabilities		30,966	27,879	25,280	29,182
Equity attributable to owners of the parent					
Share capital	21	225	234	207	223
Share premium reserve		26,397	2,263	2,263	2,294
Capital redemption reserve		–	–	27	28
Share option reserve		737	737	687	1,053
Foreign exchange reserve		21	3	3	14
Retained earnings		(6,806)	23,504	24,625	33,347
Total equity		20,574	26,741	27,812	36,959
Total equity and liabilities		51,540	54,620	53,092	66,141

Consolidated statement of cash flows for the years ended 31 December 2013, 2012 and 2011

	Note	*2011* £'000	*2012* £'000	*2013* £'000
Cash flows from Operating activities				
Profit for the year before tax		7,267	9,626	11,468
Adjustments for:				
Depreciation of property, plant and equipment	10	3,329	3,634	3,703
Amortisation of intangible assets	11	271	873	1,131
Gain on sale of property, plant and equipment		–	1	–
Share-based payment expense	25	–	–	442
Net interest expense/(income)		51	24	(42)
		10,918	14,158	16,702
(Increase) in trade and other receivables	14	(852)	(1,022)	(3,913)
Decrease/(increase) in inventories	13	379	(121)	(215)
(Decrease)/increase in trade and other payables	16	(385)	(2,537)	3,703
Increase/(decrease) in provisions	19	339	(58)	54
Taxes paid		(654)	(1,177)	(2,363)
Net cash flows from operating activities		9,745	9,243	13,968
Investing activities				
Purchases of property, plant and equipment	10	(3,340)	(1,787)	(5,063)
Purchase of intellectual property	11	(1,028)	(875)	(844)
Sale of property, plant and equipment		–	1	–
Acquisition of subsidiary net of cash acquired	26	–	(893)	–
Interest received		11	22	42
Net cash used in investing activities		(4,357)	(3,532)	(5,865)
Financing activities				
Interest paid		(62)	(46)	–
(Repayment) of borrowings		(2,000)	(4,000)	–
Invoice discounting facility (repaid) in the year		(1,579)	–	–
Payments to finance lease creditors		(5)	–	–
Share Buybacks and cancellations		–	(6,601)	(690)
Share issues		–	–	46
Net cash used in financing activities		(3,646)	(10,647)	(644)
Net increase/(decrease) in cash and cash equivalents		1,742	(4,936)	7,459
Cash and cash equivalents at beginning of year		10,377	12,119	7,183
Cash and cash equivalents at end of year		12,119	7,183	14,642

Consolidated statement of changes in equity for the years ended 31 December 2013, 2012 and 2011

	Share capital £'000	*Share premium £'000*	*Capital redemption reserve £'000*	*Share option reserve £'000*	*Foreign exchange reserve £'000*	*Retained earnings £'000*	*Total Equity £'000*
At 1 January 2011	225	26,397	–	737	21	(6,806)	20,574
Issue of shares	9	866	–	–	–	–	875
Cancellation of share premium	–	(25,000)	–	–	–	25,000	–
Transaction with owners	9	(24,134)	–	–	–	25,000	875
Profit for the year	–	–	–	–	–	5,310	5,310
Other comprehensive income	–	–	–	–	(18)	–	(18)
Total comprehensive income	–	–	–	–	(18)	5,310	5,292
At 31 December 2011	234	2,263	–	737	3	23,504	26,741
Share buy backs and cancellations	(27)	–	27	(50)	–	(6,551)	(6,601)
Transaction with owners	(27)	–	27	(50)	–	(6,551)	(6,601)
Profit for the year	–	–	–	–	–	7,672	7,672
Total comprehensive income	–	–	–	–	–	7,672	7,672
At 31 December 2012	207	2,263	27	687	3	24,625	27,812
Share buy backs and cancellations	(1)	–	1	(80)	–	(610)	(690)
Issue of shares	17	31	–	446	–	(1)	493
Transaction with owners	16	31	1	366	–	(611)	(197)
Profit for the year	–	–	–	–	–	9,333	9,333
Other comprehensive income	–	–	–	–	11	–	11
Total comprehensive income	–	–	–	–	11	9,333	9,344
At 31 December 2013	223	2,294	28	1,053	14	33,347	36,959

Notes forming part of the Historical Financial Information for the years ended 31 December 2013, 2012 and 2011

1. Accounting policies

Basis of preparation

The Historical Financial Information of Gamma Telecom Holdings Limited (the "**Company**") and its subsidiary undertakings (together "**the Holdings Group**") for the periods ended 31 December 2013, 31 December 2012 and 31 December 2011, as set out in this Section B of this Part III, has been prepared by the Directors of Gamma Communications plc.

The Historical Financial Information does not constitute statutory accounts within the meaning of section 434 of Companies Act 2006.

The Directors of Gamma Communications plc are solely responsible for preparation of this Historical Financial Information.

The Historical Financial Information of the Holdings Group has been prepared from 1 January 2011 in accordance with International Financial Reporting Standards ("**IFRS**") as adopted by the European Union (**EU**) and the Companies Act 2006 applicable to companies reporting under IFRS. The Historical Financial Information has been prepared primarily under the historical cost convention. Areas where other bases are applied are identified in the accounting policies below.

The Directors are satisfied that the Company has adequate resources to continue to operate for the foreseeable future and therefore the Historical Financial Information has been prepared on a going concern basis.

First-time adoption of IFRS

The Historical Financial Information is prepared in accordance with International Financial Reporting Standards (IFRS) using the measurement basis specified by IFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies in note 1. The date of transition to IFRS is 1 January 2011.

The Historical Financial Information is presented in sterling, being the currency of the primary economic environment in which the Holdings Group operates. The presentational currency of the Holdings Group is sterling.

The Holdings Group has applied IFRS 1 First-time Adoption of International Financial Reporting Standards (as revised in 2008) in preparing this first IFRS Historical Financial Information. The effects of the transition to IFRS on equity, total comprehensive income and reported cash flows are presented in note 33.

First-time adoption exemptions applied

Upon transition, IFRS 1 permits certain exemptions from full retrospective application. The Holdings Group has applied the mandatory exceptions and certain optional exemptions. The exemptions adopted by the Holdings Group are set out below:

Mandatory exceptions adopted by the Holdings Group:

- Financial assets and liabilities that had been de-recognised before 1 January 2011 under previous GAAP have not been recognised under IFRS.
- The Holdings Group has used estimates under IFRS that are consistent with those applied under previous GAAP (with adjustment for accounting policy differences) unless there is objective evidence those estimates were in error.

Optional exemptions applied by the Holdings Group

The Holdings Group has elected to not apply IFRS3 'Business Combinations' retrospectively to business combinations which occurred before 1 January 2011; consequently goodwill in respect of acquisitions before 1 January 2011 will be frozen at its carrying value at 1 January 2011.

Overall considerations and first time adoption of IFRS

These accounting policies have been used throughout all periods presented in the Historical Financial Information, except where the Holdings Group has applied certain accounting policies and exemptions upon transition to IFRS. The exemptions applied by the Holdings Group and the effects of transition to IFRS are presented in note 33.

Presentation of Historical Financial Information in accordance with IAS 1

The Historical Financial Information statements are presented in accordance with IAS 1 Presentation of Historical Financial Information (Revised 2007). The Holdings Group has elected to present the 'Statement of comprehensive income' in one statement.

Changes in accounting policies

New standards, interpretations and amendments

As this is the first set of IFRS accounts being prepared, all relevant standards have been adopted for the first time. Under SIR 2000, the Holdings Group is required to adopt the relevant standards that would apply to the first set of IFRS accounts following the listing. As a result, certain new standards, interpretations and amendments applicable from accounting periods beginning on or after 1 January 2014 would apply to this Historical Financial Information.

The new standards, amendments and interpretations to existing standards that were published by the IASB and endorsed by the EU that could be applicable for the Holdings Group are as follows:

- *IAS 12 (Amendment) 'Amendment to IAS 12: Deferred tax – Recovery of Underlying Assets'*
- *IFRS 10 'Consolidated Financial Statements' (IFRS 10)*
- *IFRS 11 'Joint Arrangements' (IFRS 11)*
- *IFRS 12 'Disclosure of Interests in Other Entities' (IFRS 12)*
- *IFRS 13 'Fair Value Measurement' (IFRS 13)*
- *IAS 27 (Revised) 'Separate Financial Statements'*
- *IAS 28 (Revised) 'Investments in Associates and Joint Ventures'*
- *IFRS 7 (Amendment) 'Disclosures – Offsetting Financial Assets and Financial Liabilities – Amendments to IFRS 7'*
- *Amendments to IAS 19 'Employee Benefits' (IAS 19)*
- *'Investment Entities – Amendments to IFRS 10, IFRS 12 and IAS 27'*
- *'Transition Guidance – Amendments to IFRS 10, IFRS 11 and IFRS 12'*
- *Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32*
- *Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)*
- *Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39)*

Information on the new key standards that are applicable after review by management is presented below.

IFRS 10 'Consolidated Financial Statements' (IFRS 10)

IFRS 10 supersedes IAS 27 'Consolidated and Separate Financial Statements' (IAS 27) and SIC 12 'Consolidation-Special Purpose Entities'. IFRS 10 revises the definition of control and provides extensive new guidance on its application. These new requirements have the potential to affect which of the Holdings Group's investees are considered to be subsidiaries and therefore to change the scope of consolidation. The requirements on consolidation procedures, accounting for changes in non-controlling interests and accounting for loss of control of a subsidiary are unchanged.

Management has reviewed its control assessments in accordance with IFRS 10 and has concluded that there is no effect on the classification (as subsidiaries or otherwise) of any of the Holdings Group's investees held during the period or comparative periods covered by these financial statements.

IFRS 12 'Disclosure of Interests in Other Entities' (IFRS 12)

IFRS 12 integrates and makes consistent the disclosure requirements for various types of investments, including unconsolidated structured entities. It introduces new disclosure requirements about the risks to which an entity is exposed from its involvement with structured entities.

IFRS 13 'Fair Value Measurement' (IFRS 13)

IFRS 13 clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. It does not affect which items are required to be fair-valued. The scope of IFRS 13 is broad and it applies for both financial and non-financial items for which other IFRSs require or permit fair value measurements or disclosures about fair value measurements except in certain circumstances.

The Holdings Group has applied IFRS 13 in the Historical Financial Information, see note 27.

The remaining standards have no significant impact on the Holdings Group

New standards, interpretations and amendments not yet effective

There are no further standards in issue that have been adopted by the EU which would be applicable for the Holdings Group.

Basis of consolidation

The Holdings Group financial statements consolidate those of the parent company and all of its subsidiaries. The parent controls a subsidiary if it has power over the investee to significantly direct the activities, exposure, or rights, to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect the amount of the investor's returns. All subsidiaries have a reporting date of 31 December.

All transactions and balances between Holdings Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Holdings Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Holdings Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

The Historical Financial Information incorporates the results of business combinations using the purchase method. In the statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

Revenue

Revenue represents the fair value of the consideration received or receivable for communication services and equipment sales, net of discounts and sales taxes.

Revenue is recognised when it is probable that the economic benefits associated with a transaction will flow to the Holdings Group and the amount of revenue and associated costs can be measured reliably.

The Holdings Group sells a number of communications products (both traditional and new) each of which typically consists of all or some of four main types of revenue – voice and data traffic, a subscription or rental, equipment and installation fees. Revenue for each element of the sale of the product is recognised as described below.

To the extent that invoices are raised to a different pattern than the revenue recognition described below, appropriate adjustments are made through deferred and accrued income to account for revenue when the underlying service has been performed or goods have transferred to the customer.

Voice and data traffic

Revenue from traffic is recognised at the time the call is made over the Holdings Group's network.

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

Subscriptions and rentals

Revenue from the rental of analogue and digital lines is recognised evenly over the period to which the charges relate.

Subscription fees, consisting primarily of monthly charges for access to broadband, hosted IP services and other internet access or voice services, are recognised as revenue as the service is provided.

Equipment sales

Revenue from the sale of peripheral and other equipment is recognised when all the significant risks and rewards of ownership are transferred to the buyer, which is normally the date the equipment is delivered and accepted by the customer. Where the buyer has a right of return, the Holdings Group defers recognition of revenue until the right to return has lapsed. However, where the Holdings Group retains only insignificant risks of ownership due to the right of return, revenue is not deferred, but the Holdings Group recognises a provision based on previous experience and other relevant factors. The same policy applies to warranties.

Installations

Revenue arising from separable installation and connection services is recognised when it is earned, upon activation.

Arrangements with multiple deliverables

Where goods and/or services are sold in one bundled transaction, the Holdings Group allocates the total arrangement's consideration to the different individual elements based on their relative fair values. Management determines the fair values of individual components based on actual amounts charged by the Holdings Group on a stand-alone basis, or alternatively based on comparable pricing arrangements observable in the market.

Advances made to channel partners

Advances paid upfront to channel partners are only capitalised where the Holdings Group can demonstrate recovery of the asset through contractual claw back provisions and past evidence of recovery. Where they are capitalised they are written off rateably over the period of the contract to cost of sales. Where this is not possible they are charged directly to the consolidated statement of comprehensive income.

Goodwill

Goodwill represents the future economic benefits arising from a business combination that are individually identifiable and separately recognised.

Goodwill represents the excess of the cost of a business combination over, in the case of business combinations completed prior to 1 January 2011, the Holdings Group's interest in the fair value of identifiable assets, liabilities and contingent liabilities acquired and, in the case of business combinations completed on or after 1 January 2011, the total acquisition date fair value of the identifiable assets, liabilities and contingent liabilities acquired.

For business combinations completed prior to 1 January 2011, cost comprised the fair value of assets acquired, liabilities assumed and equity instruments issued, plus any direct costs of acquisition. Changes in the estimated value of contingent consideration arising on business combinations completed by this date were treated as an adjustment to cost and in consequence, resulted in a change in the carrying value of goodwill.

For business combinations completed on or after 1 January 2011, cost comprises the fair value of assets acquired, liabilities assumed and equity instruments issued, plus the amount of any non-controlling interests in the acquiree plus, if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree.

Contingent consideration

Contingent consideration is included in cost at its acquisition date fair value and is classified as a financial liability, re-measured at fair value subsequently through profit or loss. Contingent consideration classified as equity is not re-measured.

Direct costs

For business combinations completed on or after 1 January 2011, direct costs of acquisition are recognised immediately as an expense.

Impairment

Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to the consolidated statement of comprehensive income. Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is credited in full to the consolidated statement of comprehensive income on the acquisition date.

Intangible assets

An intangible asset, which is an identifiable non-monetary asset without physical substance, is recognised to the extent that it is probable that the expected future economic benefits attributable to the asset will flow to the Holdings Group and that its cost can be measured reliably. The asset is deemed to be identifiable when it is separable or when it arises from contractual or other legal rights.

Intangible assets acquired as part of a business combination, are shown at fair value at the date of the acquisition less accumulated amortisation. Amortisation is charged on a straight line basis through the profit or loss. The rates applicable, which represent the Directors' best estimate of the useful economic life, are:

- Customer contracts – 5 years

Impairment of non-financial assets (excluding inventories and deferred tax assets)

Impairment tests on goodwill and other intangible assets with indefinite useful economic lives are undertaken annually at the financial year end. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the smallest group of assets to which it belongs for which there are separately identifiable cash flows: its cash generating units ('CGUs'). Goodwill is allocated on initial recognition to each of the Holdings Group's CGUs that are expected to benefit from the synergies of the combination giving rise to the goodwill.

Impairment charges are included in profit or loss, except to the extent they reverse gains previously recognised in other comprehensive income. An impairment loss recognised for goodwill is not reversed.

Development costs

Expenditure on the research phase of an internal project is recognised as an expense in the period in which it is incurred. Development costs incurred on specific projects are capitalised when all the following conditions are satisfied:

- Completion of the asset is technically feasible so that it will be available for use or sale
- The Holdings Group intends to complete the asset and use or sell it
- The Holdings Group has the ability to use or sell the asset and the asset will generate probable future economic benefits (over and above cost)
- There are adequate technical, financial and other resources to complete the development and to use or sell the asset, and
- The expenditure attributable to the asset during its development can be measured reliably.

Development costs not meeting the criteria for capitalisation are expensed as incurred. The cost of an internally generated asset comprises all directly attributable costs necessary to create, produce and prepare the asset to be capable of operating in the manner intended by management. Directly attributable costs include employee (other than Directors) costs incurred along with third party costs.

Judgement by the Directors is applied when deciding whether the recognition requirements for development costs have been met. Judgements are based on the information available at each statement of financial position date. In addition, all internal activities related to the research and development of new projects are continuously monitored by the Directors.

Foreign currency

Transactions entered into by group entities in a currency other than the currency of the primary economic environment in which they operate are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in profit or loss, except for foreign currency borrowings qualifying as a hedge of a net investment in a foreign operation, in which case exchange differences are recognised in other comprehensive income and accumulated in the foreign exchange reserve along with the exchange differences arising on the retranslation of the foreign operation.

On consolidation, the results of overseas operations are translated into sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations, including goodwill arising on the acquisition of those operations, are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income and accumulated in the foreign exchange reserve.

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

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are transferred to the consolidated statement of comprehensive income as part of the profit or loss on disposal.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision-makers have been identified as the Chief Executive Officer, Chief Financial Officer and the management committee. For further details please see note 4.

Financial assets

The Holdings Group does not have any financial assets which it would classify as fair value through profit or loss, available for sale or held to maturity. Therefore all financial assets are classed as loans and receivables as defined below.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Holdings Group will be unable to collect all of the amounts due, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

The Holdings Group's loans and receivables comprise trade and other receivables and cash and cash equivalents in the consolidated statement of financial position.

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and – for the purpose of the statement of cash flows – bank overdrafts. Bank overdrafts are shown within loans and borrowings in current liabilities on the consolidated statement of financial position.

Financial liabilities

Apart from contingent consideration the Holdings Group does not have any financial liabilities that would be classified as fair value through the profit or loss. Therefore these financial liabilities are classified as financial liabilities at amortised cost, as defined below.

Other financial liabilities include the following items:

- Borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the consolidated statement of financial position. Interest expense in this context includes initial transaction costs and premia payable on redemption, as well as any interest or coupon payable while the liability is outstanding.
- Trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Share capital

The Holdings Group's ordinary shares are classified as equity instruments.

Retirement benefits: Defined contribution schemes

Contributions to defined contribution pension schemes are charged to the consolidated statement of comprehensive income in the year to which they relate.

Share-based payments

Where equity settled shares or share options are awarded to employees, the fair value of the options at the date of grant is charged to the consolidated statement of comprehensive income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the consolidated statement of comprehensive income over the remaining vesting period.

The fair value of the options is measured by use of the binomial pricing method.

The Holdings Group also operates a shadow share option scheme (a cash settled share-based payment). An option pricing model is used to measure the Holdings Group's liability at each reporting date, taking into account the terms and conditions on which the bonus is awarded and the extent to which employees have rendered service. Movements in the liability (other than cash payments) are recognised in the consolidated statement of comprehensive income.

Leased assets

Where substantially all of the risks and rewards incidental to ownership of a leased asset have been transferred to the Holdings Group (a "finance lease"), the asset is treated as if it had been purchased outright. The amount initially recognised as an asset is the lower of the fair value of the leased property and the present value of the minimum lease payments payable over the term of the lease. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to the consolidated statement of comprehensive income over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

Where substantially all of the risks and rewards incidental to ownership are not transferred to the Holdings Group (an "operating lease"), the total rentals payable under the lease are charged to the consolidated statement of comprehensive income on a straight-line basis over the lease term. The aggregate benefit of lease incentives is recognised as a reduction of the rental expense over the lease term on a straight-line basis.

Dividends

Dividends are recognised when they become legally payable. In the case of interim dividends to equity shareholders, this is when declared by the Directors. In the case of final dividends, this is when approved by the shareholders at the AGM.

Deferred taxation

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

- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit; and
- investments in subsidiaries and jointly controlled entities where the Holdings Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

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

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

Property, plant and equipment

Items of property, plant and equipment are initially recognised at cost. As well as the purchase price, cost includes directly attributable costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognised within provisions.

Depreciation is provided on all other items of property, plant and equipment so as to write off their carrying value over their expected useful economic lives. It is provided at the following rates:

Network assets	–	7%-33% per annum straight line
Fixtures and fittings	–	20%-25% per annum straight line
Computer equipment	–	25%-50% per annum straight line
Motor vehicles	–	25% per annum straight line

Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Weighted average cost is used to determine the cost of ordinarily interchangeable items.

Work in progress is valued at the lower of cost, comprising of direct materials and labour plus attributable overheads less provision for foreseeable losses and progress payments, and net realisable value.

Employee Benefit Trust (EBT)

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

Provisions

The Holdings Group has recognised provisions for liabilities of uncertain timing or amount relating to leasehold dilapidations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date, discounted at a pre-tax rate reflecting current market assessments of the time value of money and risks specific to the liability.

Capital Redemption Reserve

Consideration paid for the purchase of the Company's shares or shares purchases for cancellation is recognised directly in equity. The cost of treasury shares held is presented as a separate reserve (Capital Redemption Reserve).

2. Critical accounting estimates and judgements

The Holdings Group makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) ***Valuation of intangibles***

Acquisitions may result in customer contracts being recognised. These are valued using discounted cash flow methods which require the application of certain key judgements and estimates. In particular management has had to estimate the likely future rate of contract renewals which involves a level of judgement due to the short trading history of the acquisition. If the contract renewals are lower than estimated this may result in an impairment to the asset valuation. The level of renewal experienced to date supports management's estimates.

(b) ***Impairment of goodwill***

The Holdings Group is required to test, on an annual basis, whether goodwill has suffered any impairment. The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the choice of a discount rate in order to calculate the present value of the cash flows. Actual outcomes may vary. Impairment testing has not indicated any impairment in goodwill over the period end dates in this document.

(c) ***Taxation***

Significant judgement is required in determining the provision for income taxes. During the ordinary course of business, there are transactions and calculations for which the ultimate tax determination is uncertain. As a result, the Holdings Group recognises tax liabilities based on estimates of whether additional taxes and interest will be due. These tax liabilities are recognised when, despite the Holdings Group's belief that its tax return positions are supportable, the Holdings Group believes that certain positions are likely to be challenged and may not be fully sustained upon review by tax authorities. The Holdings Group believes that its accruals for tax liabilities are adequate for all open audit years based on its assessment of many factors including past experience and interpretations of tax law. This assessment relies on estimates and assumptions and may involve a series of complex judgments about future events. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will impact income tax expense in the period in which such determination is made.

(d) ***Control Assessment***

IFRS 10 has introduced a new definition of control. Management considers that this does not affect its assessment that the Holdings Group continues to consolidate all entities within this Historical Financial Information that the Company has control over the following:

- power over the investee to significantly direct the activities;
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect the amount of the investor's returns.

In particular management believes that the Holdings Group exercises this level of control over the EBT.

(e) ***Leasehold dilapidations***

Leasehold dilapidations relate to the estimated cost of returning a leasehold property to a defined condition at the end of the lease in accordance with the lease terms. Once the stage of the lease has been reached at which a reliable estimate of the costs can be made, a provision is built up over the remaining length of the lease. The cost is recognised as depreciation of leasehold improvements over the remaining term of the lease. The main uncertainty relates to estimating the cost that will be incurred at the end of the lease.

(f) ***Contingent assets and liabilities***

The Holdings Group exercises judgement in measuring and recognising contingent assets and the exposures to contingent liabilities related to pending litigation or other outstanding claims subject to negotiated settlement, mediation, arbitration or government regulation, as well as other contingent assets or liabilities. Judgement is necessary in assessing the likelihood that a pending claim will succeed, or a asset/liability will arise, and to quantify the possible range of the financial settlement. Because of the inherent uncertainty in this evaluation process, actual gains or losses may be different from the originally estimated provision.

3. Revenue

Revenue in all periods principally arises from the provision of services. There is an immaterial level of sales of goods.

4. Segment information

The Holdings Group has two main operating segments:

- *Indirect* – This division consists of the Gamma Business Unit. It sells the products developed by Gamma to channel partners and contributed 80 per cent. (2011: 82 per cent., 2012: 81 per cent.) of the Holdings Group's external revenue.
- *Direct* – This division consists of Gamma Business Communications and Gamma Network Solutions. These companies sell Gamma's traditional and new products to end users in the private and public sectors together with an associated service wrap. They contributed 20 per cent. (2011: 18 per cent., 2012: 19 per cent.) of the Holdings Groups' external revenues.

There are no material non-UK segments and no material non-current assets outside the UK.

Both operating segments sell a combination of traditional products (which is mainly voice traffic from which revenues are derived from channel partners and other carriers as well as rentals for wholesale lines) and new products which consists of IP voice traffic, rental income derived from SIP trunks, hosted IP voice systems and Gamma's hosted inbound product and data products.

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

The Holdings 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.

Measurement of operating segment profit or loss, assets and liabilities

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies.

The Holdings Group evaluates performance on the basis of profit or loss from operations but excluding non-recurring losses, such as goodwill impairment, and the effects of share-based payments.

Inter-segment sales are priced along the same lines as 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.

Loans and borrowings are allocated to the segments based on relevant factors (e.g. funding requirements). Details are provided in the reconciliation from segment assets and liabilities to the Holdings Group position.

	Indirect £'000	Direct £'000	Total £'000
2011			
Traditional products	85,840	20,223	106,063
New products	22,381	2,997	25,378
Total revenue from external customers	108,221	23,220	131,441
Inter-segment revenue	*6,617*	–	*6,617*
Traditional products	18,370	5,947	24,317
New products	11,961	1,703	13,664
Total gross profit	30,331	7,650	37,981
Segment EBITDA	7,759	3,159	10,918
Depreciation and amortisation	(3,522)	(78)	(3,600)
Segment profit	4,237	3,081	7,318
Interest income	10	1	11
Interest expense	(62)	–	(62)
Tax	(1,133)	(824)	(1,957)
Group profit after tax	3,052	2,258	5,310

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

	Indirect £'000	Direct £'000	Total £'000
Additions to non-current assets	3,265	75	3,340
Reportable segment assets	45,275	9,345	54,620
Reportable segment liabilities	23,411	4,468	27,879

	Indirect £'000	Direct £'000	Total £'000
2012			
Traditional products	78,581	18,974	97,555
New products	32,766	6,897	39,663
Total revenue from external customers	111,347	25,871	137,218
Inter-segment revenue	*5,896*	–	*5,896*
Traditional products	18,883	6,189	25,072
New products	16,547	3,270	19,817
Total gross profit	35,430	9,459	44,889
Segment EBITDA	9,986	4,171	14,157
Depreciation and amortisation	(4,050)	(457)	(4,507)
Segment profit	5,936	3,714	9,650
Interest income	20	2	22
Interest expense	(46)	–	(46)
Tax	(1,202)	(752)	(1,954)
Group profit after tax	4,708	2,964	7,672

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

	Indirect £'000	Direct £'000	Total £'000
Additions to non-current assets	1,636	151	1,787
Reportable segment assets	35,710	17,382	53,092
Reportable segment liabilities	14,632	10,648	25,280

	Indirect £'000	*Direct £'000*	*Total £'000*
2013			
Traditional products	67,825	17,076	84,901
New products	51,190	12,623	63,813
Total revenue from external customers	119,015	29,699	148,714
Inter-segment revenue	*6,497*	–	*6,497*
Traditional products	17,858	5,592	23,450
New products	24,671	5,745	30,416
Total gross profit	42,529	11,337	53,866
Segment EBITDA	12,693	3,567	16,260
Depreciation and amortisation	(4,243)	(591)	(4,834)
Segment profit	8,450	2,976	11,426
Interest income	37	5	42
Tax	(1,649)	(486)	(2,135)
Group profit after tax	6,838	2,495	9,333

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

	Indirect £'000	*Direct £'000*	*Total £'000*
Additions to non-current assets	4,657	406	5,063
Reportable segment assets	45,406	20,735	66,141
Reportable segment liabilities	16,318	12,864	29,182

5. Expenses by nature

	2011 *£'000*	*2012* *£'000*	*2013* *£'000*
Changes in inventories of finished goods and work in progress	(379)	121	215
Staff cost (see note 6)	14,610	19,048	21,941
Depreciation of property, plant and equipment (incl. impairment)	3,329	3,634	3,703
Amortisation of intangible assets	271	873	1,131
Fees payable to the Company's auditor for the audit of the parent company and consolidated financial statements	32	18	18
Fees payable to the Company's auditor for other services:			
– Audit of the Company's subsidiaries pursuant to legislation	48	61	62
– Other services	184	–	–
Operating lease expense:			
– Plant and machinery	54	50	62
– Property	549	976	1,078

6. Staff costs

	2011 *£'000*	*2012* *£'000*	*2013* *£'000*
Staff costs (including Directors) comprise:			
Wages and salaries	12,546	15,848	17,755
Defined contribution pension cost (note 24)	1,479	1,989	2,089
Share-based payment expense (note 25)	–	206	917
Social security contributions and similar taxes	585	1,005	1,180
	14,610	19,048	21,941

Employee numbers

The average number of staff employed by the Holdings Group during the financial year amounted to:

	2011 *£'000*	*2012* *£'000*	*2013* *£'000*
Operational	124	168	214
Selling, administration and distribution	181	201	217
	305	369	431

Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Holdings Group, including the Directors of the Company and the management committee.

	2011	*2012*	*2013*
	£'000	*£'000*	*£'000*
Wages and salaries	1,101	1,191	1,601
Defined contribution pension cost	181	682	434
Share-based payment expense (note 25)	–	–	446
Social security contributions and similar taxes	131	162	224
	1,413	2,035	2,705

Emoluments disclosed on the previous page include the following amounts in respect of the highest paid Director:

	2011	*2012*	*2013*
	£'000	*£'000*	*£'000*
Salary	190	187	243
Total pension and other post-employment benefit costs	20	248	86
Share-based payment expense	–	–	104
	210	435	433

None of the Directors has exercised share options during the period.

During the year, two Directors (2012: two Directors, 2011: two Directors) participated in a private money purchase defined contribution pension scheme.

7. Finance income and expense

	2011	*2012*	*2013*
	£'000	*£'000*	*£'000*
Recognised in profit or loss			
Finance income			
Interest received on bank deposits	11	22	42
Total finance income	11	22	42

	2011	2012	2013
	£'000	£'000	£'000
Finance expense			
Interest payable on invoice discounting facility	(62)	(46)	–
Total finance expense	(62)	(46)	–

8. Tax expense

	2011 £'000	2012 £'000	2013 £'000
Current tax expense			
Current tax on profits for the year	1,138	2,092	2,867
Adjustment in respect of prior year	(89)	(308)	(507)
Taxation payable in respect of foreign subsidiary	7	11	4
Total current tax	1,056	1,795	2,364
Deferred tax expense			
Origination and reversal of temporary differences	901	159	(229)
Total tax expense	1,957	1,954	2,135

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:

	2011 £'000	2012 £'000	2013 £'000
Profit before income taxes	7,267	9,626	11,468
Expected tax charge based on the standard rate of United Kingdom corporation tax at the domestic rate of 22.25 per cent. (2012: 24.5 per cent., 2011: 26.49 per cent.)	1,925	2,358	2,552
Expenses not deductible for tax purposes	159	211	182
Income not chargeable for tax purposes	–	(218)	(6)
Property, plant and equipment differences	–	1	1
Adjustments to brought forward values	–	(38)	2
Additional deduction for R&D expenditure	(344)	(344)	(358)
Difference in capital allowances and depreciation/amortisation	(556)	12	96
Other temporary differences	(39)	47	202
Marginal relief	–	(15)	96
Goodwill amortisation	–	89	104
Adjustment in respect of prior year	(89)	(308)	(507)
Origination and reversal of temporary differences	901	159	(229)
Total tax expense	1,957	1,954	2,135

Changes in the taxation rate

On 22 June 2010 the UK Chancellor of the Exchequer announced a number of corporate tax reforms effective from 1 April 2011. This included the reduction in mainstream rate of UK corporation tax from 28 per cent. to 24 per cent. over a period of 4 years, beginning 1 April 2011 and a proposed reduction in the main and special rate of capital allowances to 18 per cent. and 8 per cent. respectively for accounting periods ending after April 2012. The reduction in the rate of corporation tax to 27 per cent. was substantively enacted on 21 July 2010.

Subsequently, on 23 March 2011 the UK chancellor made an announcement to further reduce the rate of corporation tax to 26 per cent. from April 2011. On 5 July 2011, the reduction in the main rate of corporation tax to 25 per cent. was enacted for the finance year beginning 1 April 2012. Deferred tax has been provided at 26 per cent. at 31 December 2011 and 25 per cent. as at 31 December 2012.

The Finance Act 2012 includes provision for the main rate of corporation tax to reduce from 26 per cent. to 24 per cent. on 1 April 2012, and to 23 per cent. on 1 April 2013. It has also been announced that there will be a 1 per cent. reduction to bring the main rate to 22 per cent. from 1 April 2014. This will reduce the Holdings Group's future tax charge accordingly. The rate of 24 per cent. was substantively enacted on the 26 March 2012 and the rate of 23 per cent. substantively enacted on 6 July 2012. Accordingly, deferred tax balances as at 31 December 2013 have been recognised at 23 per cent., the rate of corporation tax enacted in Finance Act 2012 to apply from 1 April 2013.

The Finance Act 2013 includes provision for the main rate of corporation tax to reduce to 21 per cent. from 1 April 2014 and to 20 per cent. from 1 April 2015.

9. Earnings per share

	2011 £'000	2012 £'000	2013 £'000
Numerator:			
Profit for the year and earnings used in basic EPS and diluted EPS	5,310	7,672	9,333
Denominator:			
Weighted average number of ordinary shares used in basic EPS	23,190,568	21,788,745	20,653,461
Weighted average number of B1 shares used in basic EPS	–	–	753,303
Total weighted average number of shares used in basic EPS	23,190,568	21,788,745	21,406,764
Effects of:			
Employee share options in ordinary shares	1,592,342	1,335,129	762,262
Weighted average number of shares used in diluted EPS	24,782,910	23,123,874	22,169,026

10. Property, plant and equipment

	Network assets £'000	Computer equipment £'000	Fixtures and fittings £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 January 2011	27,680	7,543	918	42	36,183
Additions	1,954	1,306	80	–	3,340
At 31 December 2011	29,634	8,849	998	42	39,523
Depreciation					
At 1 January 2011	17,274	5,083	639	37	23,033
Charge for the year	2,045	1,170	113	1	3,329
At 31 December 2011	19,319	6,253	752	38	26,362
Net book value					
At 1 January 2011	10,406	2,460	279	5	13,150
At 31 December 2011	10,315	2,596	246	4	13,161

	Network assets £'000	Computer equipment £'000	Fixtures and fittings £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 January 2012	29,634	8,849	998	42	39,523
Additions	821	947	19	–	1,787
Acquired on acquisition of subsidiary	67	59	42	–	168
Disposals	–	–	–	(5)	(5)
At 31 December 2012	30,522	9,855	1,059	37	41,473
Depreciation					
At 1 January 2012	19,319	6,253	752	38	26,362
Charge for the year	2,252	1,281	97	4	3,634
Acquired on acquisition of subsidiary	13	12	21	–	46
Disposals	–	–	–	(5)	(5)
At 31 December 2012	21,584	7,546	870	37	30,037
Net book value					
At 31 December 2012	8,938	2,309	189	–	11,436

	Network assets £'000	Computer equipment £'000	Fixtures and fittings £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 January 2013	30,522	9,855	1,059	37	41,473
Additions	3,361	1,683	19	–	5,063
At 31 December 2013	33,883	11,538	1,078	37	46,536
Depreciation					
At 1 January 2013	21,584	7,546	870	37	30,037
Charge for the year	2,441	1,179	83	–	3,703
At 31 December 2013	24,025	8,725	953	37	33,740
Net book value					
At 31 December 2013	9,858	2,813	125	–	12,796

Included in network assets is an amount relating to customer onsite equipment. At 31 December 2013 the net book value of this was £670,000 (2012: £155,000, 2011: £nil). During 2013 there were additions of £698,000 (2012: £121,000, 2011: £nil) and a depreciation charge in the year of £183,000 (2012: £11,000, 2011: £nil). In 2012 the Holdings Group acquired customer onsite equipment assets, on acquisition of a subsidiary, with a cost of £56,000 and accumulated depreciation of £11,000.

None of the assets were held under finance leases at the end of the period.

None of the assets were held as security at the end of the period.

11. Intangible assets

	Customer contracts £'000	*Development costs £'000*	*Goodwill on consolidation £'000*	*Total £'000*
Cost				
At 1 January 2011	–	643	11,294	11,937
Additions	–	1,028	–	1,028
At 31 December 2011	–	1,671	11,294	12,965
Amortisation				
At 1 January 2011	–	52	4,542	4,594
Charge for the year	–	271	–	271
At 31 December 2011	–	323	4,542	4,865
Carrying value				
At 1 January 2011	–	591	6,752	7,343
At 31 December 2011	–	1,348	6,752	8,100

	Customer contracts £'000	*Development costs £'000*	*Goodwill on consolidation £'000*	*Total £'000*
Cost				
At 1 January 2012	–	1,671	11,294	12,965
Additions	2,164	875	1,214	4,253
At 31 December 2012	2,164	2,546	12,508	17,218
Amortisation				
At 1 January 2012	–	323	4,542	4,865
Charge for the year	361	512	–	873
At 31 December 2012	361	835	4,542	5,738
Carrying value				
At 31 December 2012	1,803	1,711	7,966	11,480

	Customer contracts £'000	Development costs £'000	Goodwill on consolidation £'000	Total £'000
Cost				
At 1 January 2013	2,164	2,546	12,508	17,218
Additions	–	844	–	844
At 31 December 2013	2,164	3,390	12,508	18,062
Amortisation				
At 1 January 2013	361	835	4,542	5,738
Charge for the year	432	699	–	1,131
At 31 December 2013	793	1,534	4,542	6,869
Carrying value				
At 31 December 2013	1,371	1,856	7,966	11,193

The goodwill on consolidation at 1 January 2011 relates to the acquisitions of Gamma Business Communications Limited (formerly Uni World Communications Limited), Go Worldwide Communications Limited, Blue Spot Technologies Limited and Peach Amber IP Kft. The Holdings Group has elected to take the exemption under IFRS1 'first time adoption' to not retrospectively apply IFRS3 'Business Combinations' to acquisitions that occurred prior to 1 January 2011. Therefore the carrying value represents the frozen carrying value of the amortised goodwill as at 1 January 2011 and represents the excess of the consideration over the fair value of the assets acquired.

The goodwill on consolidation in 2012 relates to the acquisition of Gamma Network Solutions Limited (formerly Varidion Limited).

The goodwill is deemed to have an indefinite useful life. It is currently carried at cost and is reviewed annually for impairment.

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

- Customer contracts – five years
- Development costs – various but no more than four years
- Goodwill on consolidation – indefinite (subject to impairment)

The carrying amount of goodwill is allocated to the cash generating units (CGUs) as follows:

	1 January 2011 £'000	*2011 £'000*	*2012 £'000*	*2013 £'000*
Gamma Business Communications Limited	6,752	6,752	6,752	6,752
Gamma Network Solutions Limited	–	–	1,214	1,214
	6,752	6,752	7,966	7,966

The carrying value of the Holdings Group's goodwill is not subject to annual amortisation and was tested for impairment at 31 December 2011, 2012 and 2013. The recoverable amount has been determined on a value-in-use basis on each CGU using the management approved 12-month budget for each CGU. The base 12-month projection is amended for years two to five by (a) increasing revenue in line with management's expectations (and in the case of Gamma Network Solutions Limited assuming significant growth typically associated with a business in its start-up phase); (b) gross margin percentage is assumed to be held constant; and (c) overheads are assumed to grow in line with inflation. These cash flows are then discounted at 10 per cent. which management believes reflects the Holdings Group's cost of capital and any risk factors associated with the direct business – both CGUs form the direct part of the Holdings Group and therefore it is appropriate to use a single discount rate across both CGUs.

Based on the results of the impairment reviews carried out for each period, no impairment charges have been recognised by the Holdings Group in any of the years. Management has considered various sensitivity analyses in order to appropriately evaluate the carrying value of goodwill. Having assessed the anticipated future cash flows the Directors do not consider there to be any reasonably possible changes in assumptions that would lead to such an impairment charge in any of the years.

12. Subsidiaries

The principal subsidiaries of Gamma Telecom Holdings Limited, all of which are 100 per cent. owned and have been included in this Historical Financial Information, are as follows:

Name	*Country of incorporation*	*Nature of business*
Gamma Telecom Limited	United Kingdom	Telephony services
Gamma Metronet Limited	United Kingdom	Dormant
Gamma Business Communications Limited	United Kingdom	Retail telephony services
Gamma Network Solutions Limited[1]	United Kingdom	Data and communications networks
Peach Amber IP Kft	Hungary	Software services

Gamma Business Communications Limited held 100 per cent. of the share capital of the following dormant subsidiaries, all incorporated in the United Kingdom, at 1 January 2011, 31 December 2011, 31 December 2012 and 31 December 2013:

Blue Spot Technologies Limited
Go Worldwide Communications Limited
Uniworld Bureau Services Limited

Gamma Telecom Limited is also a member of NP4UK Limited which is a dormant company (limited by guarantee) incorporated in the United Kingdom.

The Holdings Group held no interests in unconsolidated structured entities.

1 Gamma Network Solutions Limited is owned by Gamma Business Communications Limited

13. Inventories

	1 January 2011 £'000	2011 £'000	2012 £'000	2013 £'000
Raw materials and consumables	61	49	280	541
Work-in-progress	450	83	46	–
	511	132	326	541

14. Trade and other receivables

	1 January 2011 £'000	2011 £'000	2012 £'000	2013 £'000
Trade receivables	11,232	12,984	14,718	15,939
Less: provision for impairment of trade receivables	(1,199)	(990)	(1,505)	(932)
Trade receivables – net	10,033	11,994	13,213	15,007
Accrued Income	7,423	6,726	6,637	7,257
Prepayments	937	1,193	1,258	3,254
Other receivables	856	1,063	1,215	863
Total trade and other receivables	19,249	20,976	22,323	26,381

Due to the short term nature of trade and other receivables and as the credit risk has been adjusted for, the book value approximates to fair value.

As at 31 December 2013, 2012 and 2011 trade receivables as shown below were past due but not impaired. They relate to the customers with no default history. The ageing analysis of these receivables is as follows:

	1 January 2011 £'000	2011 £'000	2012 £'000	2013 £'000
Up to 3 months	906	1,444	3,103	1,541
3 to 6 months	14	180	869	1,474
6 to 12 months	8	437	321	429
Older than 1 year	6	45	71	11
	934	2,106	4,364	3,455

As at 31 December 2013 trade receivables of £437,000 (2012: £1,215,000, 2011: £725,000) were past due and impaired. The amount of the provision as at 31 December was £932,000 (2012: £1,505,000, 2011: £990,000). The main factors considered by the Credit Committee in determining that the amounts due are impaired are that the customers are unlikely to be trading or the debts are 3 months and more past due. The ageing of these receivables is as follows:

	1 January 2011 £'000	*2011 £'000*	*2012 £'000*	*2013 £'000*
Not due	483	265	290	495
Up to 3 months	75	97	384	28
3 to 6 months	385	167	48	153
6 to 12 months	99	191	248	86
Older than 1 year	157	270	535	170
	1,199	990	1,505	932

The Holdings Group does not have any concentration of credit risk. None of the customers represents more than 10 per cent. of trade receivables.

Movements on the Holdings Group provision for impairment of trade receivables are as follows:

	2011 £'000	*2012 £'000*	*2013 £'000*
At beginning of the year	1,199	990	1,505
Provided during the year	36	541	–
Receivable written off during the year as uncollectible	(245)	(26)	(471)
Unused amounts reversed	–	–	(102)
	990	1,505	932

The movement on the provision for impaired receivables has been included in the selling and administrative expenses line in the consolidated statement of comprehensive income.

15. Cash and cash equivalents notes

	1 January 2011 £'000	*2011 £'000*	*2012 £'000*	*2013 £'000*
Cash at bank available on demand	10,377	12,119	7,183	14,642

16. Trade and other payables

	1 January 2011 £'000	2011 £'000	2012 £'000	2013 £'000
Current				
Trade payables	5,025	6,344	5,601	6,268
Other payables	1,880	275	321	827
Accruals	14,260	14,221	11,104	13,670
Contingent consideration (note 26)	–	–	1,066	732
	21,165	20,840	18,092	21,497
Tax and social security	656	867	1,523	1,431
Deferred income	2,476	652	1,431	1,821
Total trade and other payables	24,297	22,359	21,046	24,749

	1 January 2011 £'000	2011 £'000	2012 £'000	2013 £'000
Non-current				
Contingent consideration (note 26)	–	–	1,105	1,439
Other payables	–	–	206	–
Total other payables	–	–	1,311	1,439

Book values approximate to fair value at 31 December 2013, 2012 and 2011 and 1 January 2011.

All current trade and other payables are payable within 3 months of the period end date shown above.

17. Borrowings

	1 January 2011 £'000	2011 £'000	2012 £'000	2013 £'000
Non-current				
Asset based lending facilities	4,000	2,000	–	–
	4,000	2,000	–	–
Current				
Asset based lending facilities	2,000	2,000	–	–
	2,000	2,000	–	–
Total borrowings	6,000	4,000	–	–

The loan is secured over the fixed assets held by the Holdings Group.

	1 January 2011 Floating rate £'000	2011 Floating rate £'000	2012 Floating rate £'000	2013 Floating rate £'000
Expiry within 1 year	2,000	2,000	–	–
Expiry within 1 and 2 years	2,000	2,000	–	–
Expiry in more than 2 years	2,000	–	–	–
	6,000	4,000	–	–

18. Financial instruments – risk management

The Holdings Group is exposed through its operations to the following financial risks:

- Credit risk
- Fair value or cash flow interest rate risk
- Liquidity risk

In common with all other businesses, the Holdings Group is exposed to risks that arise from its use of financial instruments. This note describes the Holdings Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout this Historical Financial Information.

Principal financial instruments

The principal financial instruments used by the Holdings Group, from which financial instrument risk arises, are as follows:

- Trade receivables
- Cash and cash equivalents
- Trade and other payables

A summary of the financial instruments held by category is provided below:

Financial assets – loans and receivables

	1 January 2011 £'000	*2011 £'000*	*2012 £'000*	*2013 £'000*
Cash and cash equivalents	10,377	12,119	7,183	14,642
Trade receivables – net	10,033	11,994	13,213	15,007
Accrued income	7,423	6,726	6,637	7,257
Other receivables	856	1,063	1,215	863
Total financial assets	28,689	31,902	28,248	37,769

Financial liabilities – amortised cost

	1 January 2011 £'000	*2011 £'000*	*2012 £'000*	*2013 £'000*
Trade and other payables	21,165	20,840	17,232	20,765
Loans and borrowings	6,000	4,000	–	–
Total financial liabilities – amortised cost	27,165	24,840	17,232	20,765

Financial liabilities – fair value through profit or loss (FVTPL)

	1 January 2011 £'000	*2011 £'000*	*2012 £'000*	*2013 £'000*
Contingent consideration	–	–	2,171	2,171
Total financial liabilities – FVTPL	–	–	2,171	2,171

General objectives, policies and processes

The Board has overall responsibility for the determination of the Holdings Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the management committee. The Board receives quarterly reports from the management committee through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Holdings Group's competitiveness and flexibility. Further details regarding these policies are set out below:

Credit risk

Credit risk is the risk of financial loss to the Holdings Group if a customer or a counterparty to a financial instrument fails to meet its contractual obligations. The Holdings Group is mainly exposed to credit risk from credit sales. It is Holdings Group policy, implemented locally, to assess the credit risk of new customers before entering contracts. Such credit ratings are taken into account by local business practices.

The Credit Committee has established a credit policy under which each new customer is analysed individually for creditworthiness before the Holdings Group's standard payment and delivery terms and conditions are offered. The Holdings Group's review includes external ratings when available. Purchase limits are established for each customer, which represents the maximum open amount without requiring approval from the Credit Committee.

The Credit Committee determines concentrations of credit risk by quarterly monitoring the creditworthiness rating of existing customers and through a monthly review of the trade receivables' ageing analysis.

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. For banks and financial institutions, only independently rated parties with high credit status are accepted.

The Holdings Group does not enter into derivatives to manage credit risk, although in certain isolated cases may take steps to mitigate such risks if they are sufficiently concentrated.

Quantitative disclosures of the credit risk exposure in relation to financial assets are set out below. Further disclosures regarding trade and other receivables, which are neither past due nor impaired, are provided in note 14.

Financial assets – maximum exposure

	1 January 2011 £'000	*2011 £'000*	*2012 £'000*	*2013 £'000*
Cash and cash equivalents	10,377	12,119	7,183	14,642
Trade receivables – net	10,033	11,994	13,213	15,007
Accrued income	7,423	6,726	6,637	7,257
Other receivables	856	1,063	1,215	863
Total financial assets	28,689	31,902	28,248	37,769

The Credit Committee monitors the utilisation of the credit limits regularly and at the reporting date does not expect any losses from non-performance by the counterparties.

Cash in bank

The Holdings Group is continually reviewing the credit risk associated with holding money on deposit in banks and seek to mitigate this risk by holding deposits with banks with high credit status.

Fair value and cash flow interest rate risk

The Holdings Group is exposed to cash flow interest rate risk from short term and long-term borrowings at variable rate. It is Holdings Group policy that all borrowings are approved by the Holdings Group CFO to ensure that it is not taking on significant risk related to possible movements in interest rates. Although the board accepts that this policy neither protects the Holdings Group entirely from the risk of paying rates in excess of current market rates nor eliminates fully cash flow risk associated with variability in interest payments, it considers that it achieves an appropriate balance of exposure to these risks.

During the period, the Holdings Group's borrowings at variable rate were denominated in sterling.

The Holdings Group has minimal exposure to interest rate risk as it has had minimal borrowings and immaterial levels of interest paid and received in the 3 years ended 31 December 2013.

Foreign exchange risk

Foreign exchange risk arises because the Holdings Group has a small operation located in Hungary whose functional currency is not the same as the functional currency in which the Holdings Group companies are operating. Although the fact that its overseas operations are small compared to those in the UK reduces the Holdings Group's operational risk, the Holdings Group's net assets arising from such overseas operations are exposed to currency risk resulting in gains or losses on retranslation into sterling. Given the levels of materiality, the Holdings Group does not hedge its net investments in overseas operations as the cost of doing so is disproportionate to the exposure.

Foreign exchange risk also arises when individual group entities enter into transactions denominated in a currency other than their functional currency; the Holdings Group has very few customers who are invoiced in currency other than sterling and no regular supplier invoice in currency other than sterling. Again, these transactions are not hedged because the cost of doing so is disproportionate to the risk.

As of 31 December 2011, 2012 and 2013 the Holdings Group's exposure to foreign exchange risk was not material.

Liquidity risk

Liquidity risk arises from the Holdings Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Holdings Group will encounter difficulty in meeting its financial obligations as they fall due.

It is the Holdings Group's aim to settle balances as they become due.

The Board receives annual 24-month cash flow projections. At the end of the financial year, these projections indicated that the Holdings Group expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances.

The following table sets out the contractual maturities (representing undiscounted contractual cash-flows) of financial liabilities:

	Up to 3 months £'000	*Between 3 and 12 months £'000*	*Between 1 and 2 year £'000*	*Between 2 and 5 years £'000*	*Over 5 years £'000*
2011					
Trade and other payables	20,840	–	–	–	–
Loans and borrowings	543	1,594	2,046	–	–
Total	21,383	1,594	2,046	–	–

	Up to 3 Months £'000	*Between 3 and 12 months £'000*	*Between 1 and 2 year £'000*	*Between 2 and 5 years £'000*	*Over 5 years £'000*
2012					
Trade and other payables	17,232	–	–	–	–
Contingent consideration	–	1,067	24	1,080	–
Total	17,232	1,067	24	1,080	–

	Up to 3 months £'000	*Between 3 and 12 months £'000*	*Between 1 and 2 year £'000*	*Between 2 and 5 years £'000*	*Over 5 years £'000*
2013					
Trade and other payables	20,765	–	–	–	–
Contingent consideration	732	–	574	865	–
Total	21,497	–	574	865	–

More details in regard to the line items are included in the respective notes:

- Trade and payables – note 16
- Loans and borrowings – note 17

Capital disclosures

The Holdings Group monitors "adjusted capital" which comprises all components of equity (i.e. share capital, share premium, foreign exchange reserve and retained earnings).

The Holdings Group's objectives when maintaining capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Holdings Group has historically maintained very low levels of gearing and is not exposed to externally imposed capital requirements. The Holdings Group will continue to manage the amount of capital it requires in proportion to risk. The Holdings Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets.

19. Provisions

	Leasehold dilapidation provision £'000
Balance at 1 January 2011	574
Additional provision	339
Balance at 31 December 2011 and 1 January 2012	913
Additional provision	88
Utilisation of provision	(116)
Balance as at 31 December 2012 and 1 January 2013	885
Additional provision	67
Utilisation of provision	(13)
Balance at 31 December 2013	939

At each year end date, the leasehold provision is payable in greater than one year.

Leasehold dilapidations relate to the estimated cost of returning a leasehold property to a defined condition at the end of the lease in accordance with the lease terms. Once the stage of the lease has been reached at which a reliable estimate of the costs can be made, a provision is built up over the remaining length of the lease. The cost is recognised as depreciation of leasehold improvements over the remaining term of the lease. The main uncertainties relate to estimating the cost that will be incurred at the end of the lease and also when the lease is likely to end.

20. Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 23 per cent. (2012: 25 per cent., 2011: 26 per cent.).

The movement on the deferred tax account is as shown below:

	2011 £'000	*2012 £'000*	*2013 £'000*
Asset/(liability) at 1 January	910	9	(593)
Tax expense recognised in profit and loss	(901)	(159)	229
Acquisition of subsidiary undertaking	–	(10)	–
Arising on business combination	–	(433)	–
Asset/(liability) at 31 December	9	(593)	(364)

Deferred tax assets have arisen due to short term timing differences and capital allowances with depreciation charged in the accounts. Given the profitability of the Holdings Group, these differences are expected to reverse in the near future and therefore the assets have been recognised.

The deferred taxation asset/(liability) consists of the tax effect of temporary differences as follows:

	Asset £'000	*Liability £'000*	*Net £'000*	*(Charged)/ credited to profit or loss £'000*
2011				
Difference in capital allowances and depreciation/amortisation	54	(123)	(69)	(586)
Other temporary and deductible differences	78	–	78	(315)
Deferred tax asset/(liability)	132	(123)	9	(901)

	Asset £'000	*Liability £'000*	*Net £'000*	*(Charged)/ credited to profit or loss £'000*	*(Charged)/ credited to equity £'000*
2012					
Difference in capital allowances and depreciation/amortisation	62	(576)	(514)	(445)	–
Other temporary and deductible differences	282	–	282	204	–
Business combinations	–	(361)	(361)	82	(433)
Deferred tax asset/(liability)	344	(937)	(593)	(159)	(433)

	Asset £'000	*Liability £'000*	*Net £'000*	*(Charged)/ credited to profit or loss £'000*
2013				
Difference in capital allowances and depreciation/amortisation	129	(683)	(554)	(40)
Other temporary and deductible differences	459	5	464	182
Business combinations	–	(274)	(274)	87
Deferred tax asset/(liability)	588	(952)	(364)	229

21. Share capital

	1 January 2011 Number	2011 Number	2012 Number	2013 Number
Authorised				
Ordinary shares of 1p each	50,000,000	50,000,000	50,000,000	50,000,000
A1 Shares of 0.1p each	–	–	–	1,410,083
B1 Shares of 1p each	–	–	–	1,700,083
	£'000	*£'000*	*£'000*	*£'000*
Ordinary shares of 1p each	500	500	500	500
A1 Shares of 0.1p each	–	–	–	1
B1 Shares of 1p each	–	–	–	17
	Number	*Number*	*Number*	*Number*
Issued and fully paid				
Ordinary shares of 1p each	22,540,910	23,415,910	20,731,862	20,590,196
B1 Shares of 1p each	–	–	–	1,700,083
	£'000	*£'000*	*£'000*	*£'000*
Ordinary shares of 1p each	225	234	207	206
B1 Shares of 1p each	–	–	–	17

Rights Attaching to the shares

The Ordinary Shares and B1 Shares (the "Equity Shares") confer on their holders the right to receive notice of and to attend, speak, and vote at all general meetings of the Company and to sign written resolutions of the Company. The holders of A1 Shares are not entitled to receive notice of or to attend general meetings of the Company and are not entitled to vote thereat nor are they entitled to receive or participate in written resolutions of the Company.

Every dividend to be paid by the Company, other than a dividend payable on or following the occurrence of certain changes of control will be distributed to the holders of the Equity Shares pro rata to their holdings of Equity Shares. The holders of any shares not being Equity Shares are not entitled to participate in or receive any dividend other than a dividend payable on or following the occurrence of an Event.

On or following the occurrence of a change of control the receipts from the acquirer shall be applied as follows:

(a) firstly, to the holders of the Ordinary Shares and A1 Shares, an amount equal to £3.75 for each Ordinary Share or A1 Share held by them on the date of the acquisition or, if the receipts from the acquirer divided by the aggregate number of Ordinary Shares and A1 Shares in issue at the date of the acquisition (on a fully diluted basis) is less than £3.75, the whole of the receipts at such date shall be paid to the holders of the Ordinary Shares and A1 Shares pro rata to the number of Ordinary Shares and A1 Shares held by them;

(b) the balance thereof (if any) shall be paid to the holders of the Equity Shares pro rata to their respective holdings of Equity Shares.

Share transactions and issues

During 2011 the Holdings Group formed the EBT and on 4 April 2011 the Company made an allotment to it of 875,000 ordinary shares of 1p each at a price of £1 per share. The difference between the total consideration of £875,000 and the total nominal value of £9,000, being £866,000 has been credited to the share premium account. As at 31 December 2011 these shares have vested unconditionally and were therefore held on behalf of the relevant employees.

On 6 October 2011, a special resolution was passed whereby share premium to the value of £25,000,000 was cancelled. Therefore a reserve transfer has been made equal to this sum between the share premium account and the profit and loss reserve.

In May 2012 the Company bought back 2,684,048 ordinary shares, 11.5 per cent. of the called up share capital, with a nominal value of £0.01 each. A cash consideration of £6,522,000 was paid with the purpose of returning funds to shareholders.

On 24 June 2013 the Company bought back 141,666 of its own £0.01 Ordinary Shares, (nominal value £1,000), for a value of £3.39 each (being £480,000).

On 24 June 2013 the Company issued 1,410,083 B1 shares for consideration of £0.01 each.

On 27 November 2013 the Company issued 112,000 B1 shares for nil consideration as "Employee Shareholder Status Shares" and a further 178,000 B1 shares, with a nominal value of £0.01 each, for a consideration of £0.18 each with the difference of £31,000 being credited to the share premium account. The Company's distributable reserves were applied in fully paying up the Employee Shareholder Status Shares.

During 2013 share capital with the nominal value of £17,000 was issued being the 1,410,083 B1 shares issued on the 24 June 2013 and the 112,000 and 178,000 B1 shares issued on the 27 November 2013.

22. Reserves

The following describes the nature and purpose of each reserve within equity

Reserve	*Description and purpose*
Share premium	Amount subscribed for share capital in excess of nominal value.
Capital redemption reserve	Arises on the buy back by the Holdings Group of the Ordinary Shares of Gamma Telecom Holding Limited.
Share option reserve	Represents credit to equity relating to share-based payment expense on share options
Foreign exchange reserve	Gains/losses arising on retranslating the net assets of overseas operations into sterling.
Retained earnings	All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.

23. Leases

The Holdings Group had commitments under non-cancellable operating leases as set out below:

	Land and buildings £'000	*Other £'000*
2011		
In one year or less	666	51
Between one and five years	1,759	49
In five years or more	1,580	–
	4,005	100

	Land and Buildings £'000	*Other £'000*
2012		
In one year or less	873	36
Between one and five years	1,959	38
In five years or more	1,295	–
	4,127	74

	Land and buildings £'000	*Other £'000*
2013		
In one year or less	1,106	79
Between one and five years	2,893	96
In five years or more	2,268	–
	6,267	175

24. Retirement benefits

The Holdings Group operates a defined contribution pension scheme for the benefit of its employees. The assets of the scheme are administered by trustees in a fund independent from those of the Holdings Group. The pension costs charged for each year are listed below:

	2011 £'000	*2012 £'000*	*2013 £'000*
Defined contribution pension scheme	1,479	1,989	2,089

25. Share-based payment

Share Options

The Holdings Group has granted the following options as follows:

2011
Date of grant

	Start of year/ Granted in year	*Cancelled/ lapsed*	*End of year*	*Exercise Price*	*Notes*
17 December 2002	25,000	–	25,000	£3.25	(a)
29 August 2003	5,122	–	5,122	£2.50	(b)
6 September 2005	12,000	–	12,000	£2.50	(b)
8 July 2009	1,996,027	(875,000)	1,121,027	£1.00	(b)
2 September 2009	37,500	–	37,500	£1.00	(b)
10 March 2010	141,351	–	141,351	£1.00	(b)
7 July 2010	25,000	–	25,000	£1.00	(b)

2012
Date of grant

	Start of year/ Granted in year	*Cancelled/ lapsed*	*End of year*	*Exercise Price*	*Notes*
17 December 2002	25,000	(25,000)	–	£3.25	(a)
29 August 2003	5,122	–	5,122	£2.50	(b)
6 September 2005	12,000	–	12,000	£2.50	(b)
8 July 2009	1,121,027	(45,000)	1,076,027	£1.00	(b)
2 September 2009	37,500	–	37,500	£1.00	(b)
10 March 2010	141,351	(10,000)	131,351	£1.00	(b)
7 July 2010	25,000	–	25,000	£1.00	(b)

2013
Date of grant

	Start of year/ Granted in year	*Cancelled/ lapsed*	*End of year*	*Exercise Price*	*Notes*
29 August 2003	5,122	(5,122)	–	£2.50	(b)
6 September 2005	12,000	–	12,000	£2.50	(b)
8 July 2009	1,076,027	(972,500)	103,527	£1.00	(b)
2 September 2009	37,500	–	37,500	£1.00	(b)
10 March 2010	131,351	(23,000)	108,351	£1.00	(b)
7 July 2010	25,000	(8,333)	16,667	£1.00	(b)
24 June 2013	910,000	–	910,000	£0.99	(c)
24 June 2013	4,425	–	4,425	£0.001	(c)
24 June 2013	495,658	–	495,658	£0.001	(d)

All options lapse ten years after the date on which they were issued.

Notes:
(a) Options over £0.01 Ordinary shares; vesting period is equally over three years
(b) Options over £0.01 Ordinary shares; vesting period starts on date of issue
(c) Options over £0.001 A1 Shares; vesting period starts on date of issue
(d) Options over £0.001 A1 Shares; vesting period of two years

The share options are subject to equity-settled share-based payments.

The share options outstanding at 31 December 2013 represented 1 per cent. of the issued share capital as at that date (2012: 6 per cent., 2011: 6 per cent.) and would generate additional funds of £1,197,000 (2012: £1,313,000, 2011: £1,499,000) if fully exercised. The weighted average remaining life of the share options was 106 months (2012: 78 months, 2011: 89 months), with a weighted average remaining exercise price of 71 pence (2012: 102 pence, 2011: 106 pence).

Employee Benefit Trust

On 4 April 2011, the Holdings Group formed the EBT which acquired 875,000 £0.01 Ordinary Shares. These shares vested unconditionally and were therefore held on behalf of the relevant employees.

On the same date, Share Options over 875,000 £0.01 Shares were cancelled.

This was treated as a modification to the share incentive scheme for senior management and hence no charge was made to the statement of comprehensive income.

Shadow Share Option Scheme

Under this scheme, the Company may award employees with a shadow share option which will only vest on a change of control in the Company or a listing. Within thirty days of vesting, the employee will receive a payment equal to the number of units multiplied by the difference in market value at the date of vesting and market value of the date of grant.

In 2012, 125,000 options were issued at a notional market value of £2.43. In 2013 10,000 options were issued at a notional market value of £2.43 and a further 10,000 options were issued at a notional value of £3.39.

Employee Shareholder Status Shares

On 27 November 2013 the Company issued 112,000 B1 shares for nil consideration as "Employee Shareholder Status Shares".

Share-based payment expense

Equity-settle share-based payments are measured at fair value (excluding the effect of market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed over the vesting period, based on the Company's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

Application of the fair value measurement results in a charge to operating expenses within the subsidiary company Gamma Telecom Limited. The charge has been made to the profit and loss account of the subsidiary as the employees' services are provided to the subsidiary company. The charge for each year is as listed below:

	2011	*2012*	*2013*
	£'000	*£'000*	*£'000*
Share-based payment expense			
Share options issued	–	–	426
Employee Shareholder Status Shares Issued	–	–	20
Shadow Share Options	–	206	471

Fair value is measured using the binomial pricing model and includes the information set out in the table below. The expected life used in the model assumes that vesting conditions will be met and all options will be exercised at the earliest opportunity.

	2011	*2012*	*2013*
Share price at grant date (pence)	n/a	n/a	243-339
Exercise price (pence)	n/a	n/a	0-100
Expected volatility	n/a	n/a	25%
Risk free rate	n/a	n/a	0.823%
Expected dividend yield	n/a	n/a	0%

The assumptions relating to volatility and the risk free rate are calculated with reference to other comparable companies within the telecommunications sector.

The Holdings Group did not enter into any share-based payment transactions with parties other than employees during any of the periods.

26. Acquisition

As part of the Holdings Group's strategy to grow through acquisition, on 3 March 2012 the Holdings Group acquired 100 per cent. of the share capital of Gamma Network Solutions Limited (formerly Varidion Limited) (see note 11), a UK based business which offers a managed WAN service. The principle reason for this acquisition is that it diversifies the Holdings Group's business model.

The purchase has been accounted for under the acquisition method of accounting.

The Holdings Group has identified the fair values of the assets acquired and liabilities assumed, including the separate identification of intangible assets in accordance with IFRS 3 'Business Combinations'. This formal process involves management's assessment of the assets acquired and liabilities assumed.

Adjustments are made to the assets acquired and liabilities assumed during the assessment period to the extent that further information and knowledge come to light that more accurately reflect conditions at the acquisition date.

The consideration paid or payable in respect of the acquisition comprises the cash and share consideration paid on completion, plus deferred cash and has been allocated against the identified net assets, with the balance recorded as goodwill. Transaction costs and expenses such as professional fees are charged to the Consolidated Statement of Comprehensive Income.

The main factors leading to the recognition of goodwill are:

- the presence of certain intangible assets, such as the assembled workforce of the acquired entity, which do not qualify for separate recognition; and
- cost savings which result in the Holdings Group being prepared to pay a premium.

The goodwill recognised will not be deductible for tax purposes.

A summary of the effect of the acquisition is detailed below.

	Book value £'000	*Fair value adjustments £'000*	*Fair value £'000*
Identifiable intangible asset			
– Customer contracts	–	2,164	2,164
Deferred tax liability	(10)	(433)	(443)
Property, plant and equipment	122	–	122
Inventories	73	–	73
Trade and other receivables	325	–	325
Net cash	(91)	–	(91)
Trade and other payables	(361)	–	(361)
Provisions	(30)	–	(30)
Total net assets	28	1,731	1,759
Cash			802
Deferred cash – contingent consideration			2,171
Estimated total consideration			2,973
Goodwill on acquisition (note 11)			1,214

The net cash outflow in the year in respect of acquisitions comprised:

	Fair value £'000
Cash paid	(802)
Net cash acquired	(91)
Total cash outflow in respect of acquisitions	(893)

27. Fair value measurement of financial instruments

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three Levels of a fair value hierarchy. The three Levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: unobservable inputs for the asset or liability.

The Holdings Group only has a Level 3 financial liability being the contingent consideration.

The Holdings Group's finance team performs valuations of financial items for financial reporting purposes, including Level 3 fair values, in consultation with third party valuation specialists for complex valuations. Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information. The finance team reports directly to the chief financial officer (CFO).

The valuation techniques used for instruments categorised in Level 3 are described below.

The fair value of contingent consideration related to the acquisition of Gamma Network Solutions Limited (see Note 16) is based on the gross margins earned by the business in the five years following acquisition and is estimated using a present value technique.

The discount rate used is 3 per cent., based on the Holdings Group's estimated cost of debt. The effects on the fair value of risk and uncertainty in the future cash flows are dealt with by adjusting the estimated cash flows rather than adjusting the discount rate.

The most significant sensitivity is a change in future gross margin. An increase/(decrease) by 10 per cent. of the future gross margin made by the business will result in an increase/(decrease) of fair value of £297,000. Theoretically the contingent consideration could range from zero through to an unlimited amount however in practice the amount due is bounded by the level of sales made by a finite sales force. The acquisition was constructed in such a way that the gross margin from future sales is at least as large as the contingent consideration.

Management has recalculated the fair value of the contingent consideration at the end of each accounting period and there has been no material difference in the fair value.

Level 3 fair value measurements

The reconciliation of the carrying amounts of financial instruments classified within Level 3 is as follows:

	2011 *£'000*	*2012* *£'000*	*2013* *£'000*
Contingent consideration at 1 January	–	–	2,171
Acquired through business combination	–	2,171	–
Contingent consideration at 31 December	–	2,171	2,171

28. Capital commitments

The Holdings Group had no capital commitments at 1 January 2011, 31 December 2011, 31 December 2012 and 31 December 2013.

29. Contingent liabilities

The Holdings Group had no contingent liabilities at 1 January 2011, 31 December 2011, 31 December 2012 and 31 December 2013.

30. Related parties

Details of key management's remuneration are given in note 6. As at 31 December 2013 an amount of £636,668 (2012: £778,334, 2011: £875,000) was owed to the Holdings Group by key management personnel under the Gamma Telecom Holdings Limited 2011 Deferred Payment Share Plan. There were no other transactions with related parties during the period.

31. Events after the reporting period

On 12 May 2014 Gamma Telecom Holdings Limited was acquired by Gamma Communications Limited by way of a share for share exchange. Gamma Communications Limited subsequently changed its name to Gamma Communications plc on 3 October 2014.

On 2 September 2014 the Board approved a Long Term Incentive Plan for the senior management team which granted 349,833 options over £0.01 Ordinary Shares at an exercise price of £0.01 per share which will vest on 1 April 2017 subject to performance conditions. All of the options issued under the LTIP were subsequently pro-rated by a factor of 4:1 upon the conversion of £0.01 Ordinary Share in Gamma Communications plc (described below) into four £0.0025 Ordinary Shares and the exercise price was reduced to £0.0025.

On 1 October 2014, 949,132 options over £0.001 A1 shares were cancelled and a cash settlement was made.

On 2 October 2014, a loan of £2.6 million was made to Bob Falconer (the "Loan") to fund the purchase of shares in Gamma Communications plc (the "Shares"). The principal terms are that the Loan is interest free and secured by an unregistered charge over the Shares. The Loan is repayable on expiry of Bob Falconer's notice period or three months after termination if no notice period applies; within six months of his death; on the Shares being sold; or on a default event.

On 2 October 2014 the share capital of Gamma Communications plc was altered to create a single class of ordinary share. As a result of this the following changes were made to the share capital structure and certain options:

- A resolution was passed to convert one £0.01 Ordinary Share in Gamma Communications plc into four £0.0025 Ordinary Shares. At the same one £0.01 B1 Share was converted into four £0.0025 B1 shares.
- 3,356,528 £0.0025 B1 shares were converted in to £0.0025 Ordinary shares by virtue of the fact that a shareholder was able to subscribe for one £0.0025 Ordinary Share in return for a payment of £0.09375 plus a £0.0025 B1 Share.
- Shareholders voluntarily agreed to convert 3,443,804 £0.0025 B Shares into 1,726,481 £0.0025 Ordinary Shares based on a conversion rate that was to be calculated by applying a formula based on the Placing Price to reflect the equity value of the B1 ordinary shares of £0.0025.

On 6 October 2014 all existing options were varied as follows:

- Options over 258,045 £0.01 ordinary shares with an exercise price of £1.00 became options over 1,032,180 Ordinary Shares with an exercise price of £0.25. The vesting terms remained unaltered.
- Options over 9,000 £0.01 ordinary shares with an exercise price of £2.50 became options over 36,000 £0.0025 Ordinary Shares with an exercise price of £0.625. The vesting terms remained unaltered.
- Options over 349,833 £0.01 ordinary shares with an exercise price of £0.01 (which had been granted under the LTIP on 2 September) became options over 1,399,332 £0.0025 Ordinary Shares with an exercise price of £0.0025. The vesting terms remained unaltered.
- Options over 60,000 A shares with an exercise price of £0.99 became options over 120,320 £0.0025 Ordinary Shares with an exercise price of £0.494. The vesting terms remained unaltered.
- Options over 396,526 A shares with an exercise price of £0.001 became options over 795,169 £0.0025 Ordinary Shares with an exercise price of £0.000494. The vesting terms remained unaltered.

On 6 October 2014 the Company granted the following options:

- Options over 67,892 £0.0025 Ordinary Shares with an exercise price of £0.0025 per share which will vest on 1 April 2017 subject to performance conditions.
- Options over 2,327,984 £0.0025 Ordinary Shares with an exercise price of £0.0025 per share in satisfaction of the board's agreement on 17 June 2014 to satisfy the grant of awards made by Gamma Telecoms Holdings Limited under the terms of its Deferred Share Scheme. These options will vest as follows (and are not subject to performance conditions):
  - 1,363,532 vest 40% on 1 February 2015; 40% on 1 February 2016; and 20% on February 2017 (the "Standard Vesting" conditions);
  - 548,740 vest subject to the Standard Vesting conditions plus, on Admission, these options will vest in full at the end of any lock-in period.
  - 415,712 vest 38% on 1 February 2015; 38% on 1 February 2016; and 24% on February 2017
- Options over 123,200 £0.0025 Ordinary Shares with an exercise price of 187p per share. These options have been granted to three employees to compensate the holders of options originally granted over A shares for the loss of beneficial tax treatment following the variation of the options and share capital of the Company. The options are fully vested and exercisable but will lapse in part or in whole if the option originally granted over A share to which it relates is exercised in whole or in part, unless the option is exercised at the same time.

On 6 October 2014 the following options were exercised:

- An option over 130,000 £0.0025 Ordinary Shares at an exercise price of £0.25 per share was exercised and 112,771 Ordinary Shares were issued to net settle the option.
- An option over 495,710 £0.0025 Ordinary Shares at an exercise price of £0.0025 per share was exercised. Gamma Telecoms Holdings Limited made a loan of £1,239 to the Employee Benefit Trust ("**EBT**") on the condition that the EBT used the loan to subscribe for the Ordinary Shares to satisfy the exercise of the options. On receipt of the subscription monies the Company issued 495,710 Ordinary Shares to the EBT. The EBT transferred the Ordinary Shares to satisfy the exercise of the options. The EBT repaid £247 of the loan and £992 of the loan remains outstanding.

On 6 October 2014 12,000 £0.0025 Ordinary Shares were issued and allotted to satisfy an exercise of options which had taken place earlier.

On 6 October the Company established a SIP trust and made a contribution of £641 ("**Contribution**") to the SIP Trustee so that the SIP Trustee could subscribe for 256,320 Ordinary Shares, the Contribution was to be held by the Company to the SIP Trustee's order and applied in satisfaction of the subscription monies due from the SIP Trustee. In addition, the Company allotted 256,320 Ordinary Shares to the SIP Trust.

The issue of these new options and changes to the capital structure after the end of the period will alter the number of shares and options over shares in issue which will be used to calculate both earnings per share and diluted earnings per share in future periods.

32. Ultimate controlling party

There is not an ultimate controlling party.

33. Transition to IFRS

In accordance with IFRS 1, a reconciliation is provided here of the Holdings Group's equity and profit reported previously under UK GAAP to the equity and total comprehensive income reported in accordance with IFRS in this Historical Financial Information.

	2011 *£'000*	*2012* *£'000*	*2013* *£'000*
Total equity reported under UK GAAP	26,223	26,936	35,757
Goodwill amortisation	518	1,165	1,836
Amortisation on acquisition intangibles	–	(361)	(793)
Deferred tax on acquisition intangibles	–	72	159
Total equity reported under IFRS	26,741	27,812	36,959

	2011 *£'000*	*2012* *£'000*	*2013* *£'000*
Total profit reported under UK GAAP	4,792	7,314	9,007
Goodwill amortisation	518	647	671
Amortisation on acquisition intangibles	–	(361)	(432)
Deferred tax on acquisition intangibles	–	72	87
Translation of overseas subsidiary	(18)	–	11
Total comprehensive income reported under IFRS	5,292	7,672	9,344

Principal reconciling items

(a) The Holdings Group has a subsidiary Gamma Business Communications Limited under UK GAAP goodwill arising on consolidation was amortised over a period of 20 years; this was frozen as at 1 January 2011.

(b) On the 3 March 2012 the Holdings Group acquired Gamma Network Solutions Limited (formerly Varidion Limited). Under UK GAAP the excess of consideration over the fair value of assets acquired was treated as goodwill and amortised over 20 years. Under IFRS a new intangible asset was separated from the goodwill balance (customer contracts) which is being amortised over 5 years and the remaining goodwill is subject to impairment reviews. In addition a deferred tax liability was recognised on acquisition under IFRS.

(c) The Holdings Group has a contingent asset whose ultimate value cannot be determined. This has not been recognised under IFRS.

Statement of cash flows

Under previous GAAP taxes paid were classified as operating cash flows. Under IFRS tax payments are allocated to investing and financing activities where they can be identified with transactions within those categories. There are no other material adjustments to the cash flow statement. The components of cash and cash equivalents under previous GAAP are similar to those presented under IFRS.

SECTION C – UNAUDITED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2014 AND 30 JUNE 2013

Gamma Telecom Holdings Limited

Condensed consolidated unaudited statement of comprehensive income for the six months ended 30 June 2014

	Note	*Six months ended 30 June 2014 £'000 Unaudited*	*Six months ended 30 June 2013 £'000 Unaudited*	*Year ended 31 December 2013 £'000 Audited*
Revenue		83,602	71,782	148,714
Cost of sales		(51,647)	(46,434)	(94,848)
Gross profit		31,955	25,348	53,866
Operating expenses		(24,744)	(19,946)	(42,440)
Operating profit before IPO costs, share-based payment, depreciation and amortisation		10,887	7,743	17,177
IPO costs		(411)	–	–
Operating profit before share-based payment, depreciation and amortisation		10,476	7,743	17,177
Share-based payment expense		(490)	–	(917)
Operating profit before depreciation and amortisation		9,986	7,743	16,260
Depreciation and amortisation		(2,775)	(2,341)	(4,834)
Profit from operations		7,211	5,402	11,426
Finance income		37	17	42
Profit before tax		7,248	5,419	11,468
Tax expense	3	(1,420)	(997)	(2,135)
Profit after tax		5,828	4,422	9,333
Other comprehensive income, net of tax:				
Items that will be reclassified subsequently to profit and loss when specific conditions are met				
Exchange (loss)/gains arising on translation of foreign operations		(12)	11	11
Total other comprehensive income, net of tax		(12)	11	11
Total comprehensive income attributable to the owners of the parent		5,816	4,433	9,344

Condensed consolidated unaudited statement of financial position at 30 June 2014

	Note	*30 June 2014 £'000 Unaudited*	*30 June 2013 £'000 Unaudited*	*31 December 2013 £'000 Audited*
Assets				
Non-current assets				
Property, plant and equipment	5	13,763	10,568	12,796
Intangible assets	6	11,064	11,248	11,193
Deferred tax assets		811	409	588
		25,638	22,225	24,577
Current assets				
Inventories		231	205	541
Trade and other receivables		29,106	25,143	26,381
Cash and cash equivalents		17,485	11,012	14,642
		46,822	36,360	41,564
Total assets		72,460	58,585	66,141
Liabilities				
Non-current liabilities				
Other payables		865	1,103	1,439
Provisions		963	904	939
Deferred tax liabilities		909	893	952
		2,737	2,900	3,330
Current liabilities				
Trade and other payables		25,090	23,004	24,749
Current tax liability		1,451	1,108	1,103
		26,541	24,112	25,852
Total liabilities		29,278	27,012	29,182
Equity attributable to owners of the parent				
Share capital		223	220	223
Share premium reserve		2,301	2,263	2,294
Capital redemption reserve		28	28	28
Share option reserve		1,453	611	1,053
Foreign exchange reserve		2	14	14
Retained earnings		39,175	28,437	33,347
Total equity		43,182	31,573	36,959
Total equity and liabilities		72,460	58,585	66,141

Condensed consolidated unaudited statement of cash flows for the six months ended 30 June 2014

	Note	*Six months to 30 June 2014 £'000 Unaudited*	*Six months to 30 June 2013 £'000 Unaudited*	*Year ended 31 December 2013 £'000 Audited*
Cash flows from Operating activities				
Profit for the period before tax		7,248	5,419	11,468
Adjustments for:				
Depreciation of property, plant and equipment	5	2,146	1,799	3,703
Amortisation of intangible assets	6	629	542	1,131
Share-based payment expense		400	–	442
Net interest income		(37)	(17)	(42)
		10,386	7,743	16,702
(Increase)/decrease in trade and other receivables		(2,725)	3,185	(3,913)
Decrease/(increase) in inventories		310	121	(215)
Increase/(decrease) in trade and other payables		464	(4,243)	3,703
Increase in provisions		24	19	54
Taxes paid		(1,317)	(1,100)	(2,363)
Net cash flows from operating activities		7,142	5,725	13,968
Investing activities				
Purchases of property, plant and equipment	5	(3,113)	(931)	(5,063)
Purchase of intellectual property	6	(500)	(310)	(844)
Payment of deferred consideration		(730)	–	–
Interest received		37	17	42
Net cash used in investing activities		(4,306)	(1,224)	(5,865)
Financing activities				
Share Buybacks and cancellations		–	(686)	(690)
Share issues		7	14	46
Net cash generated/(used) in financing activities		7	(672)	(644)
Net increase in cash and cash equivalents		2,843	3,829	7,459
Cash and cash equivalents at beginning of period		14,642	7,183	7,183
Cash and cash equivalents at end of period		17,485	11,012	14,642

Condensed consolidated unaudited statement of changes in equity for the six months ended 30 June 2014

	Share capital £'000	*Share premium £'000*	*Capital redemption reserve £'000*	*Share option reserve £'000*	*Foreign exchange reserve £'000*	*Retained earnings £'000*	*Total Equity £'000*
At 1 January 2013	207	2,263	27	687	3	24,625	27,812
Share buy backs and cancellations	(1)	–	1	(76)	–	(610)	(686)
Issue of shares	14	–	–	–	–	–	14
Transaction with owners	13	–	1	(76)	–	(610)	(672)
Profit for the period	–	–	–	–	–	4,422	4,422
Other comprehensive income	–	–	–	–	11	–	11
Total comprehensive income	–	–	–	–	11	4,422	4,433
At 30 June 2013 (unaudited)	220	2,263	28	611	14	28,437	31,573
Share buy backs and cancellations	–	–	–	(4)	–	–	(4)
Issue of shares	3	31	–	446	–	(1)	479
Transaction with owners	3	31	–	442	–	(1)	475
Profit for the period	–	–	–	–	–	4,911	4,911
Other comprehensive income	–	–	–	–	–	–	–
Total comprehensive income	–	–	–	–	–	4,911	4,911
At 31 December 2013 (audited)	223	2,294	28	1,053	14	33,347	36,959
Share buy backs and cancellations	–	–	–	(19)	–	–	(19)
Issue of shares	–	7	–	419	–	–	426
Transaction with owners	–	7	–	400	–	–	407
Profit for the period	–	–	–	–	–	5,828	5,828
Other comprehensive income	–	–	–	–	(12)	–	(12)
Total comprehensive income	–	–	–	–	(12)	5,828	5,816
At 30 June 2014 (unaudited)	223	2,301	28	1,453	2	39,175	43,182

Notes forming part of the condensed consolidated unaudited interim financial information for the six months ended 30 June 2014

1. Basis of preparation

The unaudited interim consolidated financial information for the six months ended 30 June 2014 has been prepared following the recognition and measurement principles of IFRS as adopted by the European Union. The interim consolidated financial information does not include all the information and disclosures required in the annual financial information (nor does it contain all of the disclosure required by IAS34 "Interim Financial Reporting"), and should be read in conjunction with the Holdings Group's historical financial information for the years ended 31 December 2011, 31 December 2012 and 31 December 2013.

The condensed interim financial information contained in this interim statement does not constitute financial statements as defined by section 434(3) of the Companies Act 2006. The condensed interim financial information has not been audited by the Holdings Group's auditors. The financial information for the year ended 31 December 2013 is derived from the HFI of Gamma Telecom Holdings Limited, for that period that has been included as section B of Part III and included an accountants report, which was unqualified and did not contain any statement under section 498(2) or 498(3) of the Companies Act 2006.The comparative financial information for the year ended 31 December 2013 and period ended 30 June 2013 does not constitute statutory accounts for those periods.

There are no additional standards or interpretations applicable to the Holdings Group for the accounting period commencing 1 January 2014 for adoption.

In preparing the condensed interim financial information the Directors have considered the Holdings Group's financial projections, borrowing facilities and other relevant financial matters, and the Board is satisfied that there is a reasonable expectation that the Holdings Group has adequate resources to continue in operational existence for the foreseeable future. For this reason the Directors continue to adopt the going concern basis in preparing the financial information.

2. Accounting policies

The accounting policies adopted are consistent with those followed in the preparation of the Holdings Group's historical financial information for the years ended 31 December 2011, 31 December 2012 and 31 December 2013. None of the newly applicable IFRS standards adopted by the EU and amendments had an impact on the Holdings Group's interim consolidated financial information.

Some of the significant accounting policies require management to make difficult, subjective or complex judgements or estimates. The policies which management consider critical because of the level of complexity, judgement or estimation involved in their application and their impact on the financial Information is:

- Valuation of intangibles
- Impairment of goodwill
- Taxation
- Control assessment
- Leasehold dilapidations
- Contingent assets and liabilities.

3. Taxation on profit on ordinary activities

Tax expense is recognised based on management's best estimate of the weighted average annual tax rate expected for the full year. The estimated average annual tax rate used for the year to 31 December 2014 is 19.6 per cent. (the estimated tax rate for the first half to 30 June 2013 was 18.4 per cent.). The current year is higher due an adjustment relating to the prior year in 2013.

Taxes on profit in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

4. Segment information

The Holdings Group has two main operating segments:

- *Indirect* – This division consists of the Gamma Business Unit. It sells the products developed by Gamma to channel partners and contributed 79 per cent. (6 months to June 2013 80 per cent.: Year ended 31 December 2013 80 per cent.) of the Holdings Group's external revenue.
- *Direct* – This division consists of Gamma Business Communications and Gamma Network Solutions. These companies sell Gamma's traditional and new products to end users in the private and public sectors together with an associated service wrap. They contributed 21 per cent. (6 months to June 2013 20 per cent.: Year ended 31 December 2013 20 per cent.) of the Holdings Groups' external revenues.

There are no material non UK segments and no material non-current assets outside the UK.

Both operating segments sell a combination of traditional products (which is mainly voice traffic from which revenues are derived from channel partners and other carriers as well as rentals for wholesale lines) and new products which consists of IP voice traffic, rental income derived from SIP trunks, hosted IP voice systems and Gamma's hosted inbound product and data products.

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

The Holdings 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.

Measurement of operating segment profit or loss, assets and liabilities

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies.

Inter-segment sales are priced along the same lines as 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.

	Indirect *£'000*	*Direct* *£'000*	*Total* *£'000*
Six months ended 30 June 2014			
Traditional products	30,939	7,437	38,376
New products	35,389	9,837	45,226
Total revenue from external customers	66,328	17,274	83,602
Inter-segment revenue	*3,820*	–	*3,820*
Traditional products	9,833	2,071	11,904
New products	15,628	4,423	20,051
Total gross profit	25,461	6,494	31,955

	Indirect *£'000*	*Direct* *£'000*	*Total* *£'000*
Six months ended 30 June 2013			
Traditional products	36,158	9,073	45,231
New products	21,563	4,988	26,551
Total revenue from external customers	57,721	14,061	71,782
Inter-segment revenue	*2,975*	–	*2,975*
Traditional products	9,150	3,085	12,235
New products	10,884	2,229	13,113
Total gross profit	20,034	5,314	25,348

	Indirect £'000	*Direct £'000*	*Total £'000*
Twelve months to 31 December 2013			
Traditional products	67,825	17,076	84,901
New products	51,190	12,623	63,813
Total revenue from external customers	119,015	29,699	148,714
Inter-segment revenue	*6,497*	–	*6,497*
Traditional products	17,858	5,592	23,450
New products	24,671	5,745	30,416
Total gross profit	42,529	11,337	53,866

5. Property, plant and equipment

	Network assets £'000	*Computer equipment £'000*	*Fixtures and fittings £'000*	*Motor vehicles £'000*	*Total £'000*
Cost					
At 1 January 2013	30,522	9,855	1,059	37	41,473
Additions	430	492	9	–	931
At 30 June 2013 (unaudited)	30,952	10,347	1,068	37	42,404
Additions	2,931	1,191	10	–	4,132
At 31 December 2013 (audited)	33,883	11,538	1,078	37	46,536
Additions	2,307	455	351	–	3,113
At 30 June 2014 (unaudited)	36,190	11,993	1,429	37	49,649
Depreciation					
At 1 January 2013	21,584	7,546	870	37	30,037
Charge for the period	1,170	584	45	–	1,799
At 30 June 2013 (unaudited)	22,754	8,130	915	37	31,836
Charge for the period	1,271	595	38	–	1,904
At 31 December 2013 (audited)	24,025	8,725	953	37	33,740
Charge for the period	1,493	609	44	–	2,146
At 30 June 2014 (unaudited)	25,518	9,334	997	37	35,886
Net book value					
At 30 June 2013 (unaudited)	8,198	2,217	153	–	10,568
At 31 December 2013 (audited)	9,858	2,813	125	–	12,796
At 30 June 2014 (unaudited)	10,672	2,659	432	–	13,763

6. Intangible assets

	Customer contracts £'000	*Development costs £'000*	*Goodwill on consolidation £'000*	*Total £'000*
Cost				
At 1 January 2013	2,164	2,546	12,508	17,218
Additions	–	310	–	310
At 30 June 2013 (unaudited)	2,164	2,856	12,508	17,528
Additions	–	534	–	534
At 31 December 2013 (audited)	2,164	3,390	12,508	18,062
Additions	–	500	–	500
At 30 June 2014 (unaudited)	2,164	3,890	12,508	18,562
Amortisation				
At 1 January 2013	361	835	4,542	5,738
Charge for the period	216	326	–	542
At 30 June 2013 (unaudited)	577	1,161	4,542	6,280
Charge for the period	216	373	–	589
At 31 December 2013 (audited)	793	1,534	4,542	6,869
Charge for the period	216	413	–	629
At 30 June 2014 (unaudited)	1,009	1,947	4,542	7,498
Carrying value				
At 30 June 2013 (unaudited)	1,587	1,695	7,966	11,248
At 31 December 2013 (audited)	1,371	1,856	7,966	11,193
At 30 June 2014 (unaudited)	1,155	1,943	7,966	11,064

7. Related party transactions

The Holdings Group has loaned members of the management committee money for the purchase of its shares, further detail can be found in the HFI. There were no other related party transactions required to be disclosed in any period. Transactions between the Company and its subsidiary undertakings, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

8. Ultimate controlling party

On 12 May 2014 the Company was acquired by Gamma Communications Limited by way of a share for share exchange. Gamma Communications Limited subsequently changed its name to Gamma Communications plc on 3 October 2014. Gamma Communications plc is the ultimate controlling party.

9. Dividends

No interim dividend has been proposed or recommended during the period. The Board remains committed to the exploration of investment opportunities which are the short to medium term strategic goals of the Holdings Group.

10. Events after the reporting period

On 12 May 2014 Gamma Telecom Holdings Limited was acquired by Gamma Communications Limited by way of a share for share exchange. Gamma Communications Limited subsequently changed its name to Gamma Communications plc on 3 October 2014.

On 2 September 2014 the Board approved a Long Term Incentive Plan for the senior management team which granted 349,833 options over £0.01 Ordinary Shares at an exercise price of £0.01 per share which will vest on 1 April 2017 subject to performance conditions. All of the options issued under the LTIP were subsequently pro-rated by a factor of 4:1 upon the conversion of £0.01 Ordinary Share in Gamma Communications plc (described below) into four £0.0025 Ordinary Shares and the exercise price was reduced to £0.0025.

On 1 October 2014, 949,132 Options over £0.001 A1 shares were cancelled and a cash settlement was made.

On 1 October 2014, a loan of £2.6 million was made to Bob Falconer (the "Loan") to fund the purchase of shares in Gamma Communications plc (the "Shares"). The principal terms are that the Loan is interest free and secured by an unregistered charge over the Shares. The Loan is repayable on expiry of Bob Falconer's notice period or three months after termination if no notice period applies; within six months of his death; on the Shares being sold; or on a default event.

On 2 October 2014 the share capital of Gamma Communications plc was altered to create a single class of ordinary share. As a result of this the following changes were made to the share capital structure and certain options:

- A resolution was passed to convert one £0.01 Ordinary Share in Gamma Communications plc into four £0.0025 Ordinary Shares. At the same one £0.01 B1 Share was converted into four £0.0025 B1 shares.
- 3,356,528 £0.0025 B1 shares were converted in to £0.0025 Ordinary shares by virtue of the fact that a shareholder was able to subscribe for one £0.0025 Ordinary Share in return for a payment of £0.09375 plus a £0.0025 B1 Share.
- Shareholders voluntarily agreed to convert 3,443,804 £0.0025 B Shares into 1,726,481 £0.0025 Ordinary Shares based on a conversion rate that was to be calculated by applying a formula based on the Placing Price to reflect the equity value of the B1 ordinary shares of £0.0025.

On 6 October 2014 all existing options were varied as follows:

- Options over 258,045 £0.01 ordinary shares with an exercise price of £1.00 became options over 1,032,180 Ordinary Shares with an exercise price of £0.25. The vesting terms remained unaltered.
- Options over 9,000 £0.01 ordinary shares with an exercise price of £2.50 became options over 36,000 £0.0025 Ordinary Shares with an exercise price of £0.625. The vesting terms remained unaltered.
- Options over 349,833 £0.01 ordinary shares with an exercise price of £0.01 (which had been granted under the LTIP on 2 September) became options over 1,399,332 £0.0025 Ordinary Shares with an exercise price of £0.0025. The vesting terms remained unaltered.
- Options over 60,000 A shares with an exercise price of £0.99 became options over 120,320 £0.0025 Ordinary Shares with an exercise price of £0.494. The vesting terms remained unaltered.
- Options over 396,526 A shares with an exercise price of £0.001 became options over 795,169 £0.0025 Ordinary Shares with an exercise price of £0.000494. The vesting terms remained unaltered.

On 6 October 2014 the Company granted the following options:

- Options over 67,892 £0.0025 Ordinary Shares with an exercise price of £0.0025 per share which will vest on 1 April 2017 subject to performance conditions.
- Options over 2,327,984 £0.0025 Ordinary Shares with an exercise price of £0.0025 per share in satisfaction of the board's agreement on 17 June 2014 to satisfy the grant of awards made by Gamma Telecoms Holdings Limited under the terms of its Deferred Share Scheme. These options will vest as follows (and are not subject to performance conditions):

- o 1,363,532 vest 40% on 1 February 2015; 40% on 1 February 2016; and 20% on February 2017 (the "Standard Vesting" conditions);
- o 548,740 vest subject to the Standard Vesting conditions plus, on Admission, these options will vest in full at the end of any lock-in period.
- o 415,712 vest 38% on 1 February 2015; 38% on 1 February 2016; and 24% on February 2017

- Options over 123,200 £0.0025 Ordinary Shares with an exercise price of 187 per share. These options have been granted to three employees to compensate the holders of options originally granted over A shares for the loss of beneficial tax treatment following the variation of the options and share capital of the Company. The options are fully vested and exercisable but will lapse in part or in whole if the option originally granted over A share to which it relates is exercised in whole or in part, unless the option is exercised at the same time.

On 6 October 2014 the following options were exercised:

- An option over 130,000 £0.0025 Ordinary Shares at an exercise price of £0.25 per share was exercised and 112,771 Ordinary Shares were issued to net settle the option.
- An option over 495,710 £0.0025 Ordinary Shares at an exercise price of £0.0025 per share was exercised. Gamma Telecoms Holdings Limited made a loan of £1,239 to the Employee Benefit Trust ("**EBT**") on the condition that the EBT used the loan to subscribe for the Ordinary Shares to satisfy the exercise of the options. On receipt of the subscription monies the Company issued 495,710 Ordinary Shares to the EBT. The EBT transferred the Ordinary Shares to satisfy the exercise of the options. The EBT repaid £247 of the loan and £992 of the loan remains outstanding.

On 6 October 2014 12,000 £0.0025 Ordinary Shares were issued and allotted to satisfy an exercise of options which had taken place earlier.

On 6 October the Company established a SIP trust and made a contribution of £641 ("**Contribution**") to the SIP Trustee so that the SIP Trustee could subscribe for 256,300 Ordinary Shares, the Contribution was to be held by the Company to the SIP Trustee's order and applied in satisfaction of the subscription monies due from the SIP Trustee. In addition, the Company allotted 256,300 Ordinary Shares to the SIP Trust.

The issue of these new options and changes to the capital structure after the end of the period will alter the number of shares and options over shares in issue which will be used to calculate both earnings per share and diluted earnings per share in future periods.

PART IV

ADDITIONAL INFORMATION

1. RESPONSIBILITY

The Directors, whose names appear on page 4 of this document, and the Company accept responsibility for the information contained in this document for compliance with the AIM Rules. To the best of the knowledge and belief of the Directors and the Company (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. All the Directors accept individual and collective responsibility for compliance with the AIM Rules.

2. THE COMPANY

2.1 The Company was incorporated and registered in England and Wales with registered number 8943488 on 17 March 2014 as a private company limited by shares under the name Gamma Communications Limited. On 3 October 2014, the Company was re-registered as a public limited company with the name Gamma Communications plc.

2.2 The principal legislation under which the Company operates is the Companies Act and regulations made under the Companies Act. The liability of the Company's members is limited.

2.3 The Company is domiciled in the United Kingdom. The registered office of the Company is 5 Fleet Place, London, EC4M 7RD and the principal place of business of the Company is at Kings House, Kings Road West, Newbury, Berkshire, RG14 5BY (telephone number 0333 014 0000).

2.4 The Company's accounting reference date is 31 December.

2.5 As of 31 December 2013, the Group employed a total of 467 people based in the UK and Hungary (inclusive of senior management) as follows: Glasgow (51); Manchester (129); Newbury (92); London (59); Fareham (62); Leatherhead (17); Budapest (13); and 44 employees worked from home.

2.6 Please refer to paragraph 2 (History and Development) of Part I of this document for the history of the Group's business.

3. SUBSIDIARIES

The Company is the holding company of the Group. The following table contains details of the Company's subsidiaries as at Admission:

Company name	*Country of incorporation*	*Percentage ownership*
Gamma Telecom Holdings Limited	UK	100%

As at Admission, Gamma Telecom Holdings Limited held share capital of the following subsidiaries:

Company name	*Country of incorporation*	*Percentage ownership*
Gamma Telecom Ltd	UK	100%
Gamma Metronet Limited	UK	100%
Peach Amber IP Mérnöki Korlétot Felelusség Kft	Hungary	100%
Gamma Business Communications Limited	UK	100%

As at Admission, Gamma Business Communications Limited held share capital of the following subsidiaries:

Company name	*Country of incorporation*	*Percentage ownership*
Gamma Network Solutions Limited	UK	100%
Go Worldwide Communications Limited (Dormant)	UK	100%
Blue Spot Technologies Limited (Dormant)	UK	100%
Uniworld Bureau Services Limited (Dormant)	UK	100%

As at Admission, Gamma Telecom Ltd was a member of the following company:

Company name	*Country of incorporation*	*Percentage ownership*
NP4UK Limited[1] (Dormant)	UK	N/A

4. SHARE CAPITAL

4.1 Set out below are details of the issued and fully paid up share capital of the Company (i) as at the date of this document and (ii) as it will be immediately following Admission:

	Present		*Immediately following Admission*	
	Number	*Nominal value (£)*	*Number*	*Nominal value (£)*
Issued Ordinary Shares	88,326,746	0.0025	88,326,746	0.0025
Issued Deferred Shares[2]	1,717,323	0.0025	1,717,323	0.0025

4.2 On incorporation, the issued share capital of the Company was £1 divided into 1 ordinary share of £1.00.

4.3 The following changes to the issued share capital of the Company have taken place since incorporation:

4.3.1 by written resolution of the Company's sole shareholder dated 9 May 2014, 1 ordinary share of £1.00 in the capital of the Company was subdivided into 100 ordinary shares of £0.01 each, all of which were re-designated as B1 ordinary shares of £0.01 each;

4.3.2 on 12 May 2014, the following shares were issued and allotted:

4.3.2.1 1,699,983 B1 ordinary shares of £0.01 each; and

4.3.2.2 20,590,196 ordinary shares of £0.01 each,

in connection with the Share Exchange Agreement referred to in paragraph 16.3 of Part IV of this document;

4.3.3 by written resolution of the Company's shareholders dated 2 October 2014:

4.3.3.1 each issued ordinary share of £0.01 in the Company was subdivided into four ordinary shares of £0.0025;

1 Company limited by guarantee and not having a share capital. Gamma Telecom Ltd is one of two members of NP4UK Limited.

2 The Deferred Shares have no voting rights and do not carry any entitlement to attend general meetings of the Company; nor will they be admitted to trading on AIM or any other market. They will not carry any dividend rights and will only be entitled to a payment on a return of capital or winding-up on the Company after each Ordinary Share has received a payment of £100,000. They are not transferable without the prior written consent of the Company. It is proposed that the Company will buy back the issued Deferred Shares shortly after Admission, pursuant to the authority to make off-market purchases of shares approved by the Company's shareholders on 2 October 2014.

4.3.3.2 each issued B1 ordinary share of £0.01 in the Company was subdivided into four B1 ordinary shares of £0.0025;

4.3.3.3 the 3,356,528 B1 ordinary shares of £0.0025 each in the Company registered in the name of Bob Falconer were redesignated as 3,356,528 Ordinary Shares, subject to the payment by Bob Falconer of the sum of £3,146,745 to the Company (being £0.9375 per B1 ordinary share registered in his name). Further details in relation to this redesignation are set out in paragraph 10.1 of this Part IV;

4.3.4 on 6 October 2014 the holders of all the remaining issued B1 ordinary shares of £0.0025 in the Company voluntarily converted their B1 ordinary shares into 1,726,481 Ordinary Shares and 1,717,323 Deferred Shares pursuant to the articles of association of the Company. The conversion rate was calculated by applying a formula based on the Placing Price to reflect the equity value of the B1 ordinary shares pursuant to the terms of Articles; and

4.3.5 on 6 October 2014 608,481 Ordinary Shares were issued following the exercise of options held by certain employees pursuant to the 2013 Unapproved Share Option Scheme and the Unapproved Share Option Scheme (please see paragraph 5.4.4 of this Part IV for details).

4.4 By a resolution of the Board passed on 6 October 2014 it was resolved conditionally upon (but effective immediately prior to) Admission taking place, to approve the transfer of the Placing Shares at the Placing Price.

4.5 As at 6 October 2014 (being the last practicable date before publication of this document), there were 5,400,367 Ordinary Shares under option as further described in paragraph 5 of this Part IV.

4.6 There are no shares in the capital of the Company currently in issue with a fixed date on which entitlement to a dividend arises and there are no arrangements in force whereby future dividends are waived or agreed to be waived.

4.7 The Company has an unlimited authorised share capital.

4.8 The Ordinary Shares in issue on Admission will be in registered form and, following Admission, will be capable of being held in uncertificated form. In the case of Ordinary Shares held in uncertificated form, the Articles permit the holding and transfer of Ordinary Shares under CREST. CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by certificate and transferred otherwise than by written instrument. The Directors have applied for the Ordinary Shares to be admitted to CREST. The records in respect of Ordinary Shares held in uncertificated form will be maintained by Euroclear UK & Ireland Limited and the Company's registrar, Capita Registrars Limited (details of whom are set out on page 4 of this document).

4.9 It is anticipated that, where appropriate, share certificates will be despatched by first class post within 10 working days of Admission. Temporary documents of title will not be issued. Prior to the despatch of definitive share certificates, transfers will be certified against the register.

4.10 The International Security Identification Number ("**ISIN**") of the Ordinary Shares is GB00BQS10J50 and the Stock Exchange Daily Official List ("**SEDOL**") number is BQS10J5.

4.11 The legislation under which the Ordinary Shares are issued is the Companies Act and regulations made under the Companies Act.

4.12 The Ordinary Shares are denominated in sterling.

4.13 Save as disclosed in this paragraph 4 and paragraph 5 below, as at the date of this document:

4.13.1 the Company did not hold any treasury shares and no Ordinary Shares were held by, or on behalf of, any member of the Group;

4.13.2 no shares have been issued otherwise than as fully paid;

4.13.3 the Company had no outstanding convertible securities, exchangeable securities or securities with warrants;

4.13.4 the Company has given no undertaking to increase its share capital; and

4.13.5 no capital of any member of the Group is under option or is agreed, conditionally or unconditionally, to be put under option.

5. SHARE PLANS

As at the date of this document, the Board have adopted the following employee Share Plans:

- the CSOP (adopted on 16 September 2014);
- the LTIP (adopted on 2 September 2014); and
- the GSIP (adopted on 16 September 2014),

(together, the "**Share Plans**").

The Share Plans will be administered by the Remuneration Committee. Awards have been made under the LTIP (see paragraph 5.2 of this Part IV) and it is intended that awards will be made under the GSIP either immediately prior to or soon after Admission (see paragraph 5.3 of this Part IV). A summary of the main terms of the Share Plans are set out below.

Benefits provided under the Share Plans are not pensionable.

5.1 ***The Gamma 2014 Company Share Option Plan (the "CSOP")***

5.1.1 *Operation*

Under the CSOP selected employees and executive directors will be granted options over Ordinary Shares at an exercise price equal to market value. Options granted under Part II of the CSOP are intended to be qualifying options under schedule 4 of the Income Tax (Earnings and Pensions) Act 2003 ("**ITEPA**") ("**Schedule 4**") and as such qualify for beneficial tax treatment.

The main features of the CSOP are set out in this paragraph 5.1.

5.1.2 *Eligibility*

Executive directors and employees of the Company and its subsidiaries are eligible to be granted options under the Plan. Directors granted options under Part II of the CSOP must be full-time directors devoting not less than 25 hours a week to the performance of their duties. Options cannot be granted under Part II to a participant who has a material interest in the Company (as determined by paragraph 9 of Schedule 4).

5.1.3 *Limits*

No option may be granted under the CSOP if the total number of Ordinary Shares issued or issuable in respect of all options granted under the CSOP or any other employees' share plan established by the Company in the ten years immediately preceding the grant date, exceed 10 per cent of the issued share capital at the time. Any option or right granted prior to Admission is ignored for these purposes as are options which have been released, cancelled or lapsed without being exercised.

In addition, the number of shares that may be granted under option under the CSOP to any given participant in any financial year may not exceed such number of Ordinary Shares as has a market value at the date of grant of the option equal to 2x the participant's salary other than in exceptional circumstances as determined by the Remuneration Committee. In any event, even in exceptional circumstances the number of Ordinary Shares may not exceed such number of Ordinary Shares as has a market value equal to 4x the participant's salary.

No option holders may be granted an option under Part II of the CSOP such that the market value of the shares granted under it or any other option granted under Part II of the CSOP or any other option plan qualifying under Schedule 4 exceeds £30,000 calculated as a the date of grant.

5.1.4 *Grant of Options*

Options may be granted at the discretion of the Remuneration Committee but following Admission (i) may only be granted when permitted by the AIM Rules; (ii) only within 10 years of the date the CSOP was adopted; and (iii) within the six week period following the date of which the Company publishes its annual audited accounts; (iv) within the six week period following the date of which the Company gives notification of its half-yearly results, or (v) at any other time the Remuneration Committee provides otherwise determines in exceptional circumstances. Participants are not required to pay for the grant of options.

Options are non-transferrable except to personal representatives following death.

5.1.5 *Exercise Price*

The exercise price of options is determined by the Remuneration Committee and must not be less than the market value of a share. The methodology for determining the market value of a share has been agreed with HMRC Shares and Assets Valuation so that the Company may grant options under Part II of the CSOP without further agreement from HMRC.

5.1.6 *Performance Targets*

Options may be granted subject to objective performance conditions specified on grant and measured over a performance period of at least three years.

Options granted pursuant to the CSOP before Admission will not be subject to performance targets.

5.1.7 *Exercise of Options*

Options may normally only be exercised between the third and tenth anniversary of the grant date. To the extent not exercised during this period the option will lapse.

Any options which are subject to performance conditions may normally only be exercised after the third anniversary of the grant date to the extent any conditions have been met.

Options vest in full on a change of control, winding-up or court sanctioned scheme of arrangement and lapse immediately after the relevant event.

If a participant dies, his option may be exercised by his personal representatives for a period of 12 months following death to the extent vested.

If a participant ceases to be employed by the Company or any other member of the Group, by reason of ill health, injury, disability, redundancy or the sale of the Company or business in which the participant works, options can be exercised to the extent vested within 6 months of the date of cessation of employment provided the options have not already lapsed. If the participant ceases to be an employee or office holder for such reasons prior to the third anniversary of the grant date, the option may be exercised pro-rata to the number of months between the date of grant and the date of cessation of employment. The Remuneration Committee has the discretion to allow the option to be exercised in full. If a participant ceases to be employed by the Company for any other reason, options will lapse on the earlier of the date notice of such cessation is received from the participant or when the participant ceases to hold office or employment.

5.1.8 *Option Shares*

Ordinary Shares issued pursuant to the CSOP rank equally in all respects with the Ordinary Shares already in issue except for any rights attaching to Ordinary Shares (such as dividend entitlements) which are referable to a record date prior to the date the shares were issued.

5.1.9 *Adjustments*

The Remuneration Committee may, if it considers appropriate, adjust the number of shares subject to option and the exercise price for any capitalisation, rights issue, sub-division, consolidation, reduction or other variation of share capital of the Company or if the Company is involved in a demerger or pays a special dividend. Where such adjustment is made to options granted under Part II of the CSOP, such adjustment must ensure that the total market value of the Ordinary Shares under option and the total exercise price immediately after the adjustment are substantially the same as they were immediately before. Any such adjustment to qualifying shares granted under Part II must be notified to HMRC in the Company's annual return.

5.1.10 *Administration and Amendments*

The CSOP is administered by the Remuneration Committee who have authority to interpret the CSOP and whose decision on any dispute is final.

The Remuneration Committee may amend the rules of the CSOP provided that no amendment shall be made if it is disadvantageous to subsisting rights held by participants without the written consent of a majority of them or with the approval of a majority of them in a meeting. Any amendment to a key feature of the CSOP as provided by Schedule 4 must be notified to HMRC in the Company's annual return.

5.1.11 *Tax Treatment*

Options granted pursuant to Part I of the CSOP do not qualify for favourable tax treatment. The CSOP rules allow withholding to be operated and allow employers' social security to be passed on to participants in jurisdictions where this is permitted.

Qualifying options granted under Part II of the CSOP will qualify for beneficial tax treatment provided the provisions of Schedule 4 of ITEPA are fulfilled at all relevant times and the CSOP and options granted under it are properly notified to HM Revenue & Customs.

5.1.12 *Termination*

The CSOP will terminate on the tenth anniversary of the date of adoption or earlier if determined by the Remuneration Committee. The termination of the CSOP will not affect outstanding options granted under it.

5.2 ***The Gamma Long Term Incentive Plan ("LTIP")***

5.2.1 *Operation*

The Remuneration Committee has the discretion to make awards under the LTIP in the form of either options over Ordinary Shares or as a conditional right to receive Ordinary Shares subject to the satisfaction of performance conditions. Options may be granted as nil cost options or as a conditional right to acquire Ordinary Shares. No payment will be made on the exercise of options or the vesting of share awards unless the awards are to be satisfied by the issue of Ordinary Shares in which case the participant will pay up the nominal value of the Ordinary Shares acquired.

5.2.2 *Eligibility*

Executive directors and employees of the Company and its subsidiaries are eligible to be granted options under the LTIP. It is expected that awards made under the LTIP will be made to executive directors and the senior executive management.

5.2.3 *Limits*

No award may be granted under the LTIP if the total number of Ordinary Shares issued or issuable in respect of all awards granted under the LTIP or any other employees' share plan established by the Company in the ten years immediately preceding the grant date, exceed 10 per cent of the issued share capital at the time. Any option or right granted prior to Admission is ignored for these purposes as are awards which have been released, cancelled or lapsed without being exercised.

In addition, the number of shares that may be granted under an award to any given participant in any financial year may not exceed such number of Ordinary Shares as has a market value at the date of grant of the award equal to 2x the participant's salary other than in exceptional circumstances as determined by the Remuneration Committee. In any event, even in exceptional circumstances the number of Ordinary Shares may not exceed such number of Ordinary Shares as has a market value equal to 4x the participant's salary.

5.2.4 *Grant of Awards*

Awards may be granted at the discretion of the Remuneration Committee but following Admission (i) may only be granted when permitted by the AIM Rules; (ii) only within 10 years of the date the LTIP was adopted; (iii) within the six week period following the date of which the Company publishes its annual audited accounts; (iv) within the six week period following which the Company gives notification of its half-yearly results; or (v) at any other time the Remuneration Committee determines in exception circumstances. Participants are not required to pay for the grant of awards.

Awards are non-transferrable except to personal representatives following death.

5.2.5 *Performance conditions*

At the time of making an award the Remuneration Committee will set challenging performance targets in order to align the interests of employees with shareholders and which must be satisfied before an award vests. It is expected that all awards will be subject to performance targets unless the Remuneration Committee decides otherwise in exceptional circumstances.

Performance targets once set will not be amended unless an event occurs which causes the Remuneration Committee to consider that an amended target would be a fairer measure of performance and is not materially less difficult to satisfy.

Performance targets will be tested over a minimum three year period. The awards granted at or before Admission will have a performance period of three years starting from the vesting commencement date, being 1 April 2014. The awards will vest as follows:

5.2.5.1 15 per cent. of the shares subject to an award if annual compound total shareholder return ("**TSR**") over the performance period equals eight per cent and 50 per cent of the shares if annual compound TSR over the performance period equals 15 per cent or higher with pro rata straight line vesting in between; and

5.2.5.2 15 per cent. of the shares subject to an award if the annual compound growth of the Company's adjusted Earnings Per Share between the financial years at the beginning and the end of the performance period is equal to 8 per cent. and 50 per cent. of the shares if the annual compound growth of the Company's adjusted earnings per share over the same period is equal to or in excess of 20 per cent. with pro rata straight line vesting in between.

5.2.6 *Clawback*

The LTIP provides for the claw back of Ordinary Shares and/or the proceeds of the sale of Ordinary Shares acquired on the exercise or vesting of an award in the event that it is found that the financial results of the Group had been over-stated.

5.2.7 *Vesting*

Awards will normally vest at the end of the performance period, which shall be at least three years, subject to the satisfaction of the performance conditions measured over the performance period.

On vesting, if an award is an option, it shall become exercisable for a period of a year after which time it will lapse if not exercised. If an award is an allocation of shares, the Company will issue or procure the transfer of Ordinary Shares to the participant.

If a participant ceases to be employed by the Company or any other member of the Group, by reason of death, ill health, injury, disability, redundancy or the sale of the Company or business in which the participant works, awards will lapse within 6 months. If the participant ceases to be an employee or office holder for such reasons during the performance period, the awards will vest pro rata to the number of months between the grant date and the participant ceasing employment. The Remuneration Committee has the discretion to waive the applicable performance conditions either in full or partially. If a participant ceases to be employed by the Company for any other reason, options will lapse on the date of such cessation unless the Remuneration Committee exercises its discretion to allow the awards to vest as for a Good Leaver.

Awards vest on a change of control, winding-up or court sanctioned scheme of arrangement to the extent the performance conditions have been met, and if occurring during the performance period, pro-rata to the number of months between the grant date and the relevant event. The Remuneration Committee has the discretion to waive both the pro-rating of the awards and the application of the performance conditions.

5.2.8 *Award Shares*

Ordinary Shares issued pursuant to the LTIP rank equally in all respects with the Ordinary Shares already in issue except for any rights attaching to Ordinary Shares (such as dividend entitlements) which are referable to a record date prior to the date the shares were issued.

5.2.9 *Adjustments*

The Remuneration Committee may, if it considers appropriate, adjust the number of shares subject to awards for any capitalisation, rights issue, sub-division, consolidation, reduction or other variation of share capital of the Company or if the Company is involved in a demerger or pays a special dividend.

5.2.10 *Administration and Amendments*

The LTIP is administered by the Remuneration Committee who have authority to interpret the LTIP and whose decision on any disputes is final.

The Remuneration Committee may amend the rules of the LTIP or the terms of any award made under it provided that no amendment shall be made if it is disadvantageous to subsisting rights held by participants without the written consent of a majority of them or with the approval of a majority of them in a meeting.

5.2.11 *Tax Treatment*

Awards granted pursuant to the LTIP do not qualify for favourable tax treatment. Gains realised on the exercise of the options or the vesting of the share allocations will be subject to income tax and social security contributions (employees' and employers). The LTIP rules allow withholding to be operated and allow employers' social security to be passed on to participants in jurisdictions where this is permitted. Employer's social security will not be recovered from participants in respect of the LTIP awards granted prior to Admission.

5.2.12 *Termination*

The LTIP will terminate on the tenth anniversary of the date of adoption or earlier if determined by the Remuneration Committee. The termination of the LTIP will not affect outstanding awards granted under it.

5.2.13 *Outstanding Awards*

As at the date of this document, options to subscribe for a total of 1,467,224 Ordinary Shares have been granted pursuant to the LTIP with an exercise price of £0.0025 per Ordinary Share. The awards vest on 1 April 2017 subject to the performance conditions set out in paragraph 5.2.5 of this Part IV.

5.3 ***The Gamma Share Incentive Plan ("GSIP")***

5.3.1 *Operation*

Awards made under the GSIP are intended to provide benefits to the employees of participating companies in the way of Ordinary Shares in accordance with schedule 2 of the Income Tax (Earnings and Pensions) Act 2003 ("**Schedule 2**").

5.3.2 *Eligibility*

All UK resident tax-paying employees of the Company and its participating subsidiaries will be eligible to participate in the GSIP. The Remuneration Committee may set a minimum qualifying period of service of up to 18 months in order for an individual to be eligible to participate.

5.3.3 *Outline*

The Company may offer any combination of the features outlined below to allow eligible employees to obtain Ordinary Shares. Under the GSIP, the Company can:

5.3.3.1 give up to £3,600 worth of free Ordinary Shares for tax year 2014/15 onwards to an employee;

5.3.3.2 offer an employee the opportunity of buying up to £1,800 of Ordinary Shares a year ("**Partnership Shares**"), for tax year 2014/2015 onwards;

5.3.3.3 give an employee up to two free matching shares for each Partnership Share bought ("**Matching Shares**"); and

5.3.3.4 in addition to buying up to £1,800 of Partnership Shares each year, allow employees to purchase more Ordinary Shares ("**Dividend Shares**") using dividends received on Free Shares, Partnership Shares and Matching Shares.

The above limits may be increased to reflect any higher limit as is permitted under any future amendment to the GSIP legislation.

It is intended that:

5.3.3.5 An award of such number of Free Shares as have a value of £1,000, calculated by reference to the Placing Price, will be made on or around Admission to each eligible employee who has completed their probation period subject to the £3,600 limit.

5.3.3.6 Employees will be offered the opportunity to purchase Partnership Shares as soon as is reasonably practicable following Admission on terms to be determined by the Remuneration Committee.

5.3.3.7 Employees will be awarded Matching Shares on a 1:1 basis to the Partnership Shares they purchase.

5.3.4 *Free Shares*

Up to £3,600 worth of Free Shares can be awarded to each eligible employee in the current tax year. Free Shares must be awarded on similar terms, so that the number awarded to each employee is determined by standard criteria such as remuneration, length of service and number of hours worked. The award of Free Shares can, if the Company chooses, be subject to the satisfaction of performance targets.

There is a holding period of between three and five years during which the employee cannot withdraw the Free Shares from the GSIP unless the employee leaves employment. The Company can, at its discretion, provide that the Free Shares will be forfeited if the employee leaves employment. Forfeiture can only take place within three years of the Free Shares being awarded.

5.3.5 *Partnership Shares*

The Company may allow an employee to use pre-tax salary to buy Partnership Shares. The maximum limit for 2014/2015 is the lower of £1,800 or 10 per cent. of salary in any tax year. The salary allocated to Partnership Shares can be accumulated for a period of up to 12 months ("**Accumulation Period**") or Partnership Shares can be purchased monthly out of deductions from the employee's pay. Once acquired, Partnership Shares may be withdrawn from the GSIP by the employee at any time and will not be subject to forfeiture. The Company does not intend to use an accumulation period.

5.3.6 *Matching Shares*

The Company may offer Matching Shares free to an employee who has purchased Partnership Shares. If awarded, Matching Shares must be allocated on the same basis to all employees up to a maximum of two Matching Shares for every Partnership Share purchased. There is a holding period of between three and five years during which the employee cannot withdraw the Matching Shares from the GSIP unless the employee leaves employment. The Company can, at its discretion, provide that the Matching Shares will be forfeited if the employee leaves employment or if the associated Partnership Shares are withdrawn by the employee. Forfeiture can only take place within three years of the Matching Shares being awarded.

5.3.7 *Investment of Dividends into Dividend Shares*

The Company may allow an employee to reinvest dividends into Dividend Shares which must be held in the GSIP for three years, unless the employee leaves employment. Once acquired, Dividend Shares are not subject to forfeiture.

5.3.8 *GSIP Trust*

The GSIP is operated through a UK resident trust ("**GSIP Trust**"). The trustee of the GSIP Trust buys or subscribes for Ordinary Shares that are subsequently awarded to employees. The money to buy Ordinary Shares will be provided either by the Company or, if employees are allowed to acquire Partnership Shares, by the employees.

5.3.9 *Limits on issue of shares*

The GSIP contains a limit on the number of new Ordinary Shares to be issued pursuant to the GSIP. This dilution limit is that no more than 10 per cent. of the issued ordinary share capital of the Company, from time to time, should be issued or issuable under any employees' share plan established by the Group in any rolling ten year period.

This limit applies both to awards made under the GSIP and to options granted/awards made under all other Share Plans. Options and awards which have lapsed or been renounced are disregarded as are awards made prior to Admission. Ordinary Shares which have been purchased in the market, including any so purchased and held by the trustees of an employee benefit trust for the purpose of satisfying awards are disregarded.

The reissue of treasury shares will be treated as new issue of Ordinary Shares (so long as the Association of British Insurers Investment Committee Guidelines states they must be included).

5.3.10 *Benefits non-pensionable*

Any award under the GSIP is not pensionable, although any salary used to purchase Partnership Shares will continue to be treated as pensionable income so as not to disadvantage employees who decide to use part of their salary to purchase such Ordinary Shares.

5.3.11 *Amendments to the GSIP*

The Company may from time to time amend the rules of the GSIP provided that:

5.3.11.1 no modification shall alter a participant's accrued rights to his disadvantage;

5.3.11.2 no modification shall alter provisions relating to the protection of the GSIP trustee without the trustee's consent;

5.3.11.3 no modification shall be made to a key feature of the GSIP without notifying HMRC in accordance with Schedule 2; and

5.3.11.4 no modification shall be made which would cause a breach of the rule against perpetuities or would cause the GSIP to case to be an employee's share scheme (within the meaning of the Act).

5.3.12 *Outstanding Awards*

It is intended that the Company will issue Free Shares under the GSIP on or around Admission in respect of such number of Ordinary Shares as represents approximately £1,000 worth of Ordinary Shares to each eligible employee of the Company, calculated by reference to the Placing Price.

5.4 ***Historic Share Plans***

The Company also has outstanding options granted pursuant to historic share plans, as follows:

The Gamma Telecom Holdings Limited 2013 Unapproved Share Option Scheme (originally granted over A1 ordinary shares);

The Gamma Telecom Holdings Limited Enterprise Management Incentive Option Scheme (over Ordinary Shares); and

The Gamma Telecom Holdings Limited Unapproved Share Option Scheme (over Ordinary Shares).

(together, the "**Historic Plans**")

Options granted pursuant to the Historic Plans were originally over shares in Gamma Telecom Holdings Limited, but were rolled over into options over the same number and class of share in the Company following the share for share exchange referred to in paragraph 16.3 of this Part IV. All options granted pursuant to the Historic Plans are fully vested and exercisable on Admission. The leaver provisions in respect of each of the Historic Plans are as follows:

5.4.1 *2013 Unapproved Share Option Scheme*

Options were granted over A1 ordinary shares. Options lapse on cessation of employment, unless cessation is by reason of death, redundancy, by mutual agreement (by entering into a settlement agreement), ill health, disability, within 30 days of an IPO (unless the cessation of employment is due to misconduct) or otherwise at the discretion of the Board.

On 6 October 2014 options held by certain employees to subscribe for A1 shares of £0.001 each were varied at a ratio equal to (£3.75/the Placing Price) to options to subscribe for Ordinary Shares for the same aggregate exercise price.

Options over 123,200 Ordinary Shares have been granted to three employees to compensate the holders of options originally granted over A shares for the loss of beneficial tax treatment following the variation of the options and share capital of the Company. The options are fully vested and exercisable but will lapse in part or in whole if the option originally granted over the A share to which it relates is exercised in whole or in part, unless the option is exercised at the same time.

5.4.2 *Enterprise Management Incentive Option Scheme*

Options subsist over Ordinary Shares. Options lapse on cessation of employment, unless cessation is by reason of death, redundancy, by mutual agreement (by entering into a settlement agreement), ill health, disability, within 30 days of an IPO (but only where cessation is due to redundancy, or otherwise by mutual agreement between the Board and the optionholder) or otherwise at the discretion of the Board. All options lapse 40 days following cessation of employment for any reason.

5.4.3 *Unapproved Share Option Scheme*

Options subsist over Ordinary Shares. Options lapse on cessation of employment, unless cessation is by reason of death, redundancy, by mutual agreement (by entering into a settlement agreement), ill health, disability, within 30 days of an IPO (but only where cessation is due to redundancy, or otherwise by mutual agreement between the Board and the optionholder) or otherwise at the discretion of the Board. All options lapse 90 days following cessation of employment for any reason

All optionholders granted options pursuant to the Historic Plans have indemnified the Company in respect of income tax and National Insurance contributions. The Board has resolved that the option holders will not be liable for employer's National Insurance contributions.

5.4.4 *Outstanding Awards*

As at the date of this document, options to subscribe for ordinary shares in the capital of the Company granted pursuant to the Historic Plans are held by 25 employees as follows:

No of ordinary shares under option	*Exercise Price per ordinary share*
1,032,180[1]	£0.25
60,000[2]	£0.625
100,000[3]	£0.75
795,169	£0.00049867
120,320	£0.493683511

All options are fully vested and exercisable on Admission.

Of the options listed in this paragraph, options granted pursuant to the 2013 Unapproved Share Option Scheme, and the Unapproved Share Option Scheme over 625,710 shares will be exercised prior to Admission and 608,481 newly acquired Ordinary Shares will be sold as part of the Placing at the Placing Price.

[1] 125,512 options granted with an exercise price of £0.25 are parallel options. They cannot be exercised if the applicable parallel option of 124,000 options granted with an exercise price of £0.625 or the applicable parallel option granted with an exercise price of £0.75 is exercised first.

[2] 24,000 options granted with an exercise price of £0.625 are parallel options. They cannot be exercised if the applicable parallel option of 24,108 options granted with an exercise price of £0.25 are exercised first.

[3] 100,000 options granted with an exercise price of £0.75 are parallel options. They cannot be exercised if the applicable parallel option of 101,404 options granted with an exercise price of £0.25 are exercised first.

5.4.5 *The Gamma Telecom Holdings Limited Deferred Share Scheme (the "DSS")*

Options have been granted over Ordinary Shares with an exercise price of £0.0025 per share to eight employees to satisfy the awards granted by the board of Gamma Telecom Holdings Limited under the terms of the DSS and agreed by board resolution on 17 June 2014 to be satisfied by awards over Ordinary Shares.

Number of Options	*Applicable Vesting Schedule*
1,363,532	40% on 1 February 2015; 40% on 1 February 2016 and 20% on 1 February 2017 ("**Standard Vesting**").
548,740	Standard Vesting with accelerated vesting at the end of any applicable lock-in period following Admission.
415,712	38% on 1 February 2015; 38% on 1 February 2016 and 24% on 1 February 2017.

6. MEMORANDUM OF ASSOCIATION

In accordance with section 8 of the Companies Act, the memorandum of association of the Company consists of a simple statement that the subscriber wishes to form a company and subscribe for at least one share. Pursuant to the Companies Act, unless a company's articles provide otherwise, a company's objects are unrestricted. The Company's objects are not restricted by its Articles.

7. ARTICLES OF ASSOCIATION

The Articles of the Company include provisions to the following effect:

7.1 *Objects*

Section 31 of the Companies Act provides that the objects of a company are unrestricted unless any restrictions are set out in the articles of association. There are no such restrictions in the Articles and the objects of the Company are therefore unrestricted.

7.2 *Share Rights*

Subject to the provisions of the Companies Act and without prejudice to any rights attached to any existing shares or class of shares, any share may be issued with such rights or restrictions as the Company may by ordinary resolution determine or, subject to and in default of such determination, as the Board shall determine.

Subject to the provisions of the Companies Act and without prejudice to any rights attached to any existing shares or class of shares, the Board may issue shares which are to be redeemed or are liable to be redeemed at the option of the Company or the holder. Subject to the Articles and to the Companies Act, all the shares for the time being in the capital of the Company are at the disposal of the Board.

In certain circumstances, the Company's shareholders may have statutory pre-emption rights under the Companies Act in respect of the allotment of new shares in the Company. These statutory pre-emption rights would require the Company to offer new shares for allotment to existing shareholders on a *pro rata* basis before allotting them to other persons. In such circumstances, the procedure for the exercise of such statutory pre-emption rights would be set out in the documentation by which such shares would be offered to the Company's shareholders.

7.3 *Voting Rights*

Subject to any rights or restrictions attached to any shares, on a show of hands every member who is present in person or by proxy shall have one vote and on a poll every member present in person or by proxy shall have one vote for every share of which he is the holder.

The Deferred Shares do not have any voting rights.

No member shall be entitled to vote at any general meeting of the Company unless all moneys presently payable by him in respect of Ordinary Shares in the Company have been paid.

If at any time the Board is satisfied that any member, or any other person appearing to be interested in Ordinary Shares held by such a member, has been duly served with a notice under section 793 of the Companies Act and is in default for the prescribed period in supplying to the Company the information thereby required, or, in purported compliance with such a notice, has made a statement which is false or inadequate in a material particular, the Board may, in its absolute discretion at any time thereafter by notice to such member, direct that, in respect of the Ordinary Shares in relation to which the default occurred, the member shall not be entitled to attend or vote either personally or by proxy at a general meeting or at a separate meeting of the holders of that class of shares or on a poll.

7.4 ***Dividends and Other Distributions***

Subject to the provisions of the Companies Act, the Company may by ordinary resolution declare dividends in accordance with the respective rights of the members, provided that no dividend shall exceed the amount recommended by the Board. Except as otherwise provided by the rights attached to shares, all dividends shall be declared and paid according to the amounts paid up on the shares on which the dividend is paid, but no amount paid on a share in advance of calls shall be treated for these purposes as paid on the share.

The Deferred Shares do not carry any dividend or other distribution rights.

Subject to the provisions of the Companies Act, the Board may pay interim dividends if it appears to the Board that they are justified by the profits of the Company available for distribution.

The Board may also pay, at intervals determined by it, any dividend at a fixed rate if it appears to the Board that the profits available for distribution justify the payment. If the Board acts in good faith it shall not incur any liability to the holders of shares conferring preferred rights for any loss they may suffer by reason of the payment of an interim dividend on any shares having deferred or non preferred rights.

No dividend or other moneys payable in respect of a share shall bear interest against the Company unless otherwise provided by the rights attached to the share.

If at any time the Board is satisfied that any member, or any other person appearing to be interested in Ordinary Shares held by such member, has been duly served with a notice under section 793 of the Companies Act and is in default for the prescribed period in supplying to the Company the information thereby required, or, in purported compliance with such a notice, has made a statement which is false or inadequate in a material particular, then the Board may, in its absolute discretion at any time thereafter, serve a direction notice on such member and withhold payment from such member of any dividend otherwise payable, if the relevant Ordinary Shares represent at least a 0.25 per cent. interest in the Company's Ordinary Shares or any class thereof.

The Board may, if authorised by an ordinary resolution of the Company, offer to any holder of shares the right to elect to receive shares, credited as fully paid, instead of cash in respect of the whole, or some part (to be determined by the Board), of any dividend.

Any dividend which has remained unclaimed for 12 years from the date of declaration shall be forfeited and cease to remain owing by the Company.

A liquidator may, with the sanction of a special resolution and any other sanction required by the Insolvency Act 1986, divide among the members in specie the whole or any part of the assets of the Company and may, for that purpose, value any assets and determine how the division shall be carried out as between the members or different classes of members.

7.5 ***Return of Assets on a Winding Up***

The Deferred Shares entitle their holders on a return of assets on a winding-up of the Company or otherwise only to the repayment of the capital paid up on such Deferred Shares and only after repayment of the capital paid up on each Ordinary Share in the capital of the Company and the payment of a further £100,000 on each such Ordinary Share.

The holders of the Deferred Shares shall not be entitled to any further participation in the assets or profits of the Company.

Each Ordinary Share is equally entitled to participate in a return of assets on a winding-up of the Company.

7.6 ***Variation of Rights***

Rights attached to any class of shares may be varied or abrogated either (a) in such manner (if any) as may be provided by such rights; or (b) with the written consent of the holders of three quarters in nominal value of the issued shares of the class, or the sanction of a special resolution passed at a separate general meeting of the holders of the shares of the class.

Neither the passing by the Company of any special resolution for the cancellation of the Deferred Shares for no consideration by means of a reduction of capital requiring the confirmation of the court nor the obtaining by the Company nor the making by the court of any order confirming any such reduction of capital nor the becoming effective of any such order shall constitute a variation, modification or abrogation of the rights attaching to the Deferred Shares and accordingly the Deferred Shares may at any time be cancelled for no consideration by means of a reduction of capital effected in accordance with the Companies Act without sanction or consent on the part of the holders of the Deferred Shares.

7.7 ***Lien and Forfeiture***

The Company shall have a first and paramount lien on every share that is not a fully paid share for all moneys payable to it (whether presently or not) in respect of that share. The Company may sell any share on which it has a lien if a sum in respect of which the lien exists is presently payable and is not paid within 14 clear days after notice has been sent to the holder of the share demanding payment and stating that if the notice is not complied with the share may be sold.

The Board may from time to time make calls on the members in respect of any moneys unpaid on their shares. Each member shall (subject to receiving at least 14 clear days' notice) pay to the Company the amount called on his shares. If a call or any instalment of a call remains unpaid in whole or in part after it has become due and payable, the Board may give the person from whom it is due not less than 14 clear days' notice requiring payment of the amount unpaid together with any interest which may have accrued and any costs, charges and expenses incurred by the Company by reason of such non payment. The notice shall name the place where payment is to be made and shall state that if the notice is not complied with the shares in respect of which the call was made will be liable to be forfeited.

Save for those rights and liabilities expressly saved by the Articles or imposed (in the case of past members) by the Companies Act, the forfeiture of a share shall involve the extinction at the time of forfeiture of all interest in and all claims and demands against the Company in respect of the share, and all other rights and liabilities incidental to the share, as between the member whose share is forfeited and the Company.

7.8 ***Transfer of Shares***

A member may transfer all or any of his certificated Ordinary Shares by an instrument of transfer in any usual form or in any form which the Board may approve. An instrument of transfer shall be signed by or on behalf of the transferor and, unless the share is fully paid, by or on behalf of the transferee. An instrument of transfer need not be under seal. The transferor shall remain the holder of the shares concerned until the name of the transferee is entered in the register in respect of the shares.

All transfers which are in uncertificated form shall be effected by means of the relevant system unless the Uncertified Securities Regulations 2001, as amended (the "**CREST Regulations**") provide otherwise.

The Board may, in its absolute discretion, refuse to register the transfer of a certificated share which is not a fully paid share, provided that the refusal does not prevent dealings in shares in the Company from taking place on an open and proper basis. The Board may also refuse to register the transfer of a fully paid certificated share unless the instrument of transfer:

6.8.1 is lodged, stamped (if stampable), at the office or at another place appointed by the Board, accompanied by the certificate for the share to which it relates and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer;

6.8.2 is in respect of one class of share only; and

6.8.3 is in favour of not more than four persons.

If the Board refuses to register a transfer of a share in certificated form, it shall send the transferee notice of its refusal within two months after the date on which the instrument of transfer was lodged with the Company.

No fee shall be charged by the Company for the registration of any instrument of transfer or other document relating to or affecting the title to a share.

The Board's discretion to refuse to register a transfer of uncertificated shares is subject to the CREST Regulations and the requirements of the relevant system.

Subject to the provisions of the CREST Regulations, the Board may permit the holding of shares in any class of shares in uncertificated form and the transfer of title to shares in that class, by means of a relevant system and may determine that any class of shares shall cease to be a participating security.

If a notice is given to a member in respect of a share, which is subsequently transferred, a person entitled to that share is bound by the notice if it was given to the member before the person entitled to that share was entered into the register as the holder of that share.

Notwithstanding any other provision of the Articles and unless specifically required by the provisions of the Companies Act, the Company shall not be required to issue any certificates in respect of the Deferred Shares. The Company shall have irrevocable authority at any time to appoint a person on behalf of any holder of Deferred Shares to enter into an agreement to transfer, and to execute a transfer of, the Deferred Shares, for no consideration, to such person (whether or not an officer of the Company) as the Directors may determine as the custodian thereof.

7.9 ***General Meetings***

The Company shall in each year hold a general meeting as its annual general meeting in addition to any other meetings in that year. Except as provided in the Companies Act, the Company must hold an annual general meeting within six months from the day following the Company's accounting reference date. Subject to the provisions of the Companies Act the annual general meeting shall be held at such time and place as the directors may determine. The Board may in accordance with the Companies Act convene a general meeting whenever it thinks fit. A general meeting shall also be convened on the requisition of members, or in default may be convened by such requisitionists, as provided by the Companies Act. At any meeting convened on such requisition or by such requisitionists no business shall be transacted except that stated by the requisition or proposed by the Board. If there are not within the United Kingdom sufficient members of the Board to convene a general meeting, any Director may call a general meeting. Subject to the provisions of the Companies Act, an annual general meeting shall be called by twenty-one clear days' notice at least, and all other general meetings shall be called by at least fourteen clear days notice.

7.10 ***Directors***

6.10.1 *Appointment of Directors*

Unless otherwise determined by ordinary resolution, the number of directors shall not be subject to any maximum but shall not be less than two. Directors may be appointed by ordinary resolution of Shareholders at a general meeting, by the Board or, if there is only one director, by such director.

7.10.2 *No Share Qualification*

A director shall not be required to hold any shares in the capital of the Company by way of qualification.

7.10.3 *Retirement of Directors*

7.10.3.1 At every annual general meeting of the Company, one third of the directors not including the directors appointed by the Board (or the number nearest to, but not exceeding one third if the number of directors is not a multiple of three) shall retire from office by rotation. Any director appointed by the Board shall retire at the first annual general meeting of the Company following his appointment and shall not be taken into account in determining the number of directors who are to retire by rotation at that meeting. At every general meeting, any director who was elected or last re elected at or before the annual general meeting held in the third calendar year before the current year shall retire by rotation. If the Company does not fill the vacancy at the meeting at which a director retires, the retiring director shall be deemed to have been re appointed unless at the meeting it is resolved not to fill the vacancy or unless a resolution for the re appointment of the director is put to the meeting and lost.

7.10.3.2 Without prejudice to the provisions of the Companies Act, the Company may by ordinary resolution remove any director before the expiration of his period of office.

7.10.4 *Remuneration of Directors*

The aggregate of all fees payable to the Directors (other than amounts payable under any other provision of the Articles) must not exceed £500,000 a year or such higher amount as may from time to time be decided by ordinary resolution of the Company.

Any director who serves on any committee or who devotes special attention to the business of the Company, or who otherwise performs services which in the opinion of the directors are outside the scope of the ordinary duties of a director, may be paid such extra remuneration by way of salary, lump sum, percentage of profits or otherwise as the directors may determine.

The salary or remuneration of any director appointed to hold any employment or executive office in accordance with the provisions of the Articles may be either a fixed sum of money, or may altogether or in part be governed by business done or profits made or otherwise determined by the Board, and may be in addition to or in lieu of any fee payable to him for his services as director pursuant to the Articles.

In addition to any remuneration to which the directors are entitled under the Articles, they may be paid all travelling, hotel and other expenses properly incurred by them in connection with their attendance at meetings of the Board or committees of the Board, general meetings or separate meetings of the holders of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties.

The Board may provide benefits, whether by the payment of gratuities or pensions or by insurance or otherwise, for any past or present director or employee of the Company or any of its subsidiary undertakings or any body corporate associated with, or any business acquired by, any of them, and for any member of his family or any person who is or was dependent on him.

7.10.5 *Permitted Interests of Directors*

Subject to the provisions of the Companies Act, and provided that he has disclosed to the Board the nature and extent of his interest, a director, notwithstanding his office:

7.10.5.1 may be a party to, or otherwise interested in, any transaction or arrangement with the Company in which the Company is otherwise (directly or indirectly) interested;

7.10.5.2 may act by himself or his firm in a professional capacity for the Company (otherwise than as auditor), and he or his firm shall be entitled to remuneration for professional services as if he were not a director;

7.10.5.3 may be a director or other officer of, or employed by, or a party to any transaction or arrangement with, or otherwise interested in, any body corporate in which the Company is (directly or indirectly) interested; and

77.10.5.4 shall not be liable to account to the Company for any profit, remuneration or other benefit realised by any such office, employment arrangement or transaction and no such transaction or arrangement shall be liable to be avoided on the ground of any such interest or benefit.

7.10.6 *Restrictions of Voting*

A director shall not vote on any resolution of the Board concerning a matter in which he has an interest which can reasonably be regarded as likely to give rise to a conflict with the interests of the Company, but these prohibitions shall not apply to:

7.10.6.1 the giving of a guarantee, security or indemnity in respect of money lent or obligations incurred by him at the request of, or for the benefit of, the Company or any of its subsidiary undertakings;

7.10.6.2 the giving of a guarantee, security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which the director has assumed responsibility (in whole or part and whether alone or jointly with others) under a guarantee or indemnity or by the giving of security;

7.10.6.3 any proposal concerning an offer of shares, debentures or other securities of the Company or any of its subsidiary undertakings for subscription or purchase, in which offer he is or may be entitled to participate as a holder of securities or in the underwriting or sub underwriting of which he is to participate;

7.10.6.4 any proposal concerning any other body corporate in which he is interested, directly or indirectly, and whether as an officer, creditor, employee or holder of shares, debentures, securities or rights of that other company, but only where he is not the holder of or beneficially interested in 1 per cent. or more of the issued shares of any class of such body corporate (or any other body corporate through which his interest is derived) or of the voting rights available to members of the relevant body corporate (any such interest being deemed to be a material interest in all circumstances);

7.10.6.5 any proposal concerning the adoption, modification or operation of a superannuation fund, retirement benefit scheme, share option scheme or share incentive scheme under which he may benefit; or

7.10.6.6 any proposal concerning the purchase and/or maintenance of an insurance policy under which he may benefit.

7.11 ***Borrowing Powers***

The Board may exercise all the powers of the Company to borrow money, to indemnify and guarantee, to mortgage or charge its undertaking, property, assets (present and future) and uncalled capital, and to issue debentures and other securities and to give security either outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

The Board shall restrict the borrowings of the Company and shall exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiary undertakings (if any) so as to secure (as regards such subsidiary undertakings, only in so far as it can procure by such exercise) that the aggregate principal amount outstanding in respect of all borrowings by the Group (exclusive of any intra-Group borrowings) shall not, at any time, without an ordinary resolution of the Company, exceed a sum equal to two times the adjusted total of capital and reserves.

When the aggregate principal amount of borrowings required to be taken into account on any particular date is being ascertained, any particular borrowing then outstanding which is denominated or repayable in a currency other than sterling shall be notionally converted into sterling at the rate of exchange prevailing in London on the last business day before that date or, if it would result in a lower figure, at the rate of exchange prevailing in London on the last business day six months before that date. For these purposes the rate of exchange shall be taken to be the spot rate in London recommended by a London clearing bank, selected by the Board, as being the most appropriate rate for the purchase by the Company of the currency in question for sterling on the day in question.

A certificate or report by the auditors of the Company as to the amount of any borrowings or to the effect that the limit imposed by the Articles has not been or will not be exceeded at any particular time or times, shall be conclusive evidence of such amount or fact for the purposes of the Articles. Nevertheless the Board may at any time rely on a bona fide estimate of the aggregate of the borrowings. If, in consequence, the limit on borrowings set out in the Articles is inadvertently exceeded, the amount of borrowings equal to the excess may be disregarded for 90 days after the date on which by reason of a determination of the auditors of the Company or otherwise the Board becomes aware that such a situation has or may have arisen.

No person dealing with the Company or any of its subsidiary undertakings shall be concerned to see or enquire whether the said limit is observed and no debt incurred or security given in excess of such limit shall be invalid or ineffectual unless the lender or recipient of the security had, at the time the debt was incurred or security given, express notice that the said limit had been or would be exceeded.

7.12 ***Indemnity of Officers***

Subject to the provisions of the Companies Act and the Articles, but without prejudice to any indemnity to which he may otherwise be entitled, every person who is or was at any time a director or an officer of the Company or a director or officer of an associated company (except the auditors or the auditors of an associated company) shall be indemnified out of the assets of the Company against all costs, charges, losses, damages and liabilities incurred by him for negligence, default, breach of duty, breach of trust or otherwise in relation to the affairs of the Company or of an associated company, or in connection with the activities of the Company, or of an associated company, as a trustee of an occupational pension scheme (as defined in section 235(6) of the Companies Act).

Subject to the provisions of the Companies Act and the Articles, the Company may at the discretion of the board provide any person who is or was at any time a director or officer of the Company or a director or officer of an associated company (except the auditors of the Company or the auditors of an associated company) with funds to meet expenditure incurred or to be incurred by him (or to enable such director or officer to avoid incurring such expenditure) in defending any criminal or civil proceedings.

8. DIRECTORS' AND OTHER INTERESTS

8.1 As at the date of this document and immediately following Admission, the interests (all of which are beneficial unless otherwise stated), whether direct or indirect, of the Directors and their families (within the meaning set out in the AIM Rules) in the issued share capital of the Company and the existence of which is known to or could, with reasonable diligence, be ascertained by that Director, are as follows:

	As at the date of this document			*Immediately following Admission*		
Director	*Number of Ordinary Shares*	*Percentage of Shares*	*Number of Ordinary Shares under option*	*Number of Ordinary Shares*	*Percentage of Shares*	*Number of Ordinary Shares under option*
Richard Last	–	–	–	53,475	0.1%	–
Bob Falconer	4,566,528	5.2%	837,020	4,566,528	5.2%	837,020
Andrew Belshaw	276,337	0.3%	457,685	276,337	0.3%	457,685
Alan Gibbins	–	–	–	13,368	0.02%	–
Martin Lea	–	–	–	13,368	0.02%	–
Andrew Stone	5,601,308	6.3%	–	3,700,000	4.2%	–
Wu Long Peng	–	–	–	–	–	–

8.2 Save as disclosed in paragraph 8.1 above, none of the Directors has any interest in the share capital of the Company or of any of its subsidiaries nor does any member of his or her family (within the meaning set out in the AIM Rules) have any such interest, whether beneficial or non beneficial.

8.3 As at 6 October 2014 (being the last practicable date prior to the publication of this document) and so far as the Directors are aware, the only persons (other than any Director) who are or expected to be interested, directly or indirectly, in three per cent. or more of the issued share capital of the Company prior to and immediately following Admission are as follows:

	Before Admission		*Following Admission*	
Shareholder	*Number of Ordinary Shares*	*Percentage of Shares*	*Number of Ordinary Shares*	*Percentage of Shares*
Hoxton Assets Limited	41,434,500	46.9%	20,141,243	22.8%
Michael Stone	12,516,000	14.2%	4,621,802	5.2%
Cranworth Enterprises Limited	9,020,272	10.2%	1,756,534	2.0%
Key Asset Investment Limited	6,341,548	7.2%	3,082,617	3.5%

8.4 Save as disclosed in paragraph 8.3 above, the Company and the Directors are not aware of (i) any persons who, directly or indirectly, jointly or severally, exercises or could exercise control over the Company, nor (ii) any arrangements the operation of which may at a subsequent date result in a change in control of the Company.

8.5 The voting rights of the persons listed in paragraphs 8.1 and 8.3 do not differ from the voting rights of any other holder of Ordinary Shares.

8.6 Save as disclosed in paragraph 10 of this Part IV, there are no outstanding loans granted by any member of the Group to any Director nor are there any guarantees provided by any member of the Group for the benefit of any Director.

8.7 Other than directorships in the Company, the Directors hold the following directorships and are partners in the following partnerships and have held the following directorships and been partners in the following partnerships within five years prior to the date of this document.

Director	*Age*	*Current*	*Previous*
Richard Last	57	Arcontech Group PLC APD Communications Limited APD Mobile Data Limited British Smaller Companies VCT2 PLC Corero Network Security PLC Cord Developments Limited Hobbs Hole Limited Learn Solutions Limited Longfield Management Company Limited Lighthouse Group PLC Lynx Holdings Limited Lynx Group Limited Lynx Limited Servelec Group plc Sphinx CST (Ireland) Limited Waste Management Systems Limited	APD-S.COM Limited (dissolved) British Smaller Companies VCT PLC Broomco (4184) Limited CNH Subsidiary Ltd The Coombes Estate Ltd (in liquidation) FS (UK) Limited (dissolved) GapAid (Proposal to strike off) Lynx IT Communications Limited (dissolved) Lynx Overseas Investments Limited (dissolved) Lynxserv Limited (dissolved) Orsted Limited (dissolved) Overseas 110 Limited (dissolved) Parseq Limited Patsystems Limited Premier Veterinary Group Limited Signal Limited (dissolved) Sphinx 110 Limited (dissolved)

Director	*Age*	*Current*	*Previous*
Richard Last (cont)			Sphinx CST Limited Sphinx CST Networks Limited Sphinx Group Limited Sphinx Professional Services Limited Switch Networks Limited (dissolved) Transient 110 (no 2) Limited (dissolved)
Bob Falconer	63	Blue Spot Technologies Ltd Gamma Business Communications Limited Gamma Metronet Limited Gamma Network Solutions Limited Gamma Telecom Ltd Gamma Telecom Holdings Limited Go Worldwide Communications Limited Uniworld Bureau Services Limited	
Andrew Belshaw	40	Peach Amber IP Mérnöki Karlktolt Felelösség Társasag Blue Spot Technologies Ltd The Family Business Gamma Business Communication Limited Gamma Metronet Limited Gamma Network Solutions Limited Gamma Telecom Holdings Limited Gamma Telecom Ltd Go Worldwide Communications Limited Uniworld Bureau Services Limited	Newbury YMCA Reading Christian Network Community Services and Loans Berkshire Credit Union Limited
Alan Gibbins	65	BlueBay Asset Management LLP BlueBay Asset Management (Services) Limited Emmaus Medway Limited Jefferies International Limited Jefferies Bache Limited Music at Malling Ltd NASDAQ OMX NLX Limited	NASDAQ OMX Europe Limited (dissolved)
Martin Lea	57	None other than in the Company	Lamedoro Limited (dissolved) Puffin Marine Limited (dissolved) Invitel Zrt (including as a director of various operating subsidiaries within Invitel group)
Andrew Stone	43	Calcot Health & Leisure Company Limited Epsilon Global Communications Pte Ltd Gamma Telecom Holdings Limited Greenstone+ Limited Jardinal The Moorland Association	Agrotrust LLP Armajaro Coffee Limited Armajaro OTC Limited Armajaro Singapore PTE Ltd Armajaro Trading Group Limited Armajaro Trading Ltd County of Gloucestershire Community Foundation

Director	*Age*	*Current*	*Previous*
Andrew Stone		Ozleworth Park	ECOM Agrotrade Limited
(cont)		Management Limited	Gambado Limited
		Professional Reseller Group Limited	Singer Capital Markets
		Redhill Aerodrome Ventures Limited	Source Trust
		SAS Troy	St Albans Commodities Ltd
		SCI Verulamium	(dissolved)
		St Albans Blood Stock LLP	
		St Albans Capital Limited	
		Liability Partnership	
		Weardale Estates Limited	
Wu Long Peng	61	Ambi Shipping Pte Ltd	Agri-Sarawak Fertilizers
		Awanapuri Sdn Bhd	Sdn Bhd
		Bakti Shipping Pte. Ltd	Amethyst International Limited
		Bintulu Adhesives &	Aneka Kasturi Sdn Bhd
		Chemicals Sdn Bhd	Anniston Pte Ltd
		Brookvale Investments Pte. Ltd	Azotech Pte Ltd
		Camsward Pte Ltd	CMR Pacific Pte Ltd
		Century Castle Limited	Indah Island Depot Sdn Bhd
		DDW-PaxOcean Asia Pte. Ltd	Lewington Pte Ltd
		Dunstan Investment Inc	Mayan Investments Pte Ltd
		Edensworth Holdings Pte Ltd	Rubber Resources Industries
		Epsilon Global	Pte Ltd (Dissolved)
		Communications Pte Ltd	Seraya Sawmill (Fourseas)
		Gamma Telecom Holdings Limited	Sdn Bhd
		Hoxton Assets Limited	Servicious Maritmos GOSH,
		Intan Jasa Agencies	S.A.P.I.de C.V
		(Thailand) Co Ltd	Shantou East Iron & Steel
		JB Distripark Sdn Bhd	Industry Co Ltd
		Kerry Leisure Concepts Pte Ltd	Ventoria Limited
		Kerry Leisure Concepts Sdn Bhd	
		KSL (Myanmar) Pte Ltd	
		Kuok (Singapore) Limited	
		Kuok Ventures Pte. Ltd	
		Madu Shipping Pte. Ltd	
		Malaysian Bulk Carriers Berhad	
		Mawar Juara Sdn Bhd	
		MK Distripark Pte. Ltd	
		Molek Shipping Pte. Ltd	
		Neumetal Pte. Ltd	
		NewQuest (Trading) Pte Ltd	
		PACC Offshore Services Holding	
		Pte. Ltd	
		Paccship (UK) Limited	
		Pacific Carriers Ltd	
		Pacific China Holdings (Zhoushan)	
		Pte. Ltd	
		Pacific China Holdings (Zhuhai)	
		Pte. Ltd	
		PaxOcean Holdings Pte. Ltd	
		Petanak Enterprises Sdn Bhd	
		Sejahtera Shipping Pte Ltd	
		Singapore Adhesives & Chemicals	
		Pte. Ltd	
		SIS '88 Pte Ltd	

8.8 As at the date of this document, no Director:

8.8.1 has any unspent convictions in relation to any indictable offences; or

8.8.2 has been bankrupt or entered into an individual voluntary arrangement; or

8.8.3 was a director of any company at the time of or within 12 months preceding any receivership, compulsory liquidation, creditors voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with that company's creditors generally or with any class of its creditors; or

8.8.4 has been a partner in a partnership at the time of or within 12 months preceding any compulsory liquidation, administration or partnership voluntary arrangement of such partnership; or

8.8.5 has had his assets the subject of any receivership or has been a partner of a partnership at the time of or within 12 months preceding any assets thereof being the subject of a receivership; or

8.8.6 has been subject to any public criticism by any statutory or regulatory authority (including any designated professional body) nor has ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of a company.

9. DIRECTORS' SERVICE AGREEMENTS

9.1 Each of the executive Directors has a service agreement with Gamma Telecom Holdings Limited. Details of these service agreements are set out below:

(a) *Bob Falconer*

Bob commenced employment with the Group on 1 August 2003 and was appointed as the Chief Operating Officer before being appointed to Chief Executive Officer in 2004. He entered into a service agreement on 18 September 2014. Bob's basic annual salary is £294,000 per annum (subject to annual review). He is entitled to benefits commensurate to his position including consideration for a discretionary performance related annual bonus scheme, under which the maximum bonus payable will be 100 per cent. of his base salary. The service agreement provides for a holiday entitlement of 25 working days per annum (plus public holidays) and is terminable by either party on the giving of six months' written notice.

(b) *Andrew Belshaw*

Andrew commenced employment with the Group on 14 May 2007 and was appointed as Finance Director before being appointed as a Director in 2014. He entered into a service agreement on 18 September 2014. Andrew's basic annual salary is £140,000 per annum (subject to annual review). He is entitled to benefits commensurate to his position including consideration for a discretionary performance related annual bonus scheme, under which the maximum bonus payable will be 100 per cent. of his base salary. The service agreement provides for a holiday entitlement of 25 working days per annum (plus public holidays) and is terminable by either party on the giving of six months' written notice.

9.2 Each of the Non-Executive Directors has entered into a letter of appointment with the Company. Details of these letters of appointment are set out below:

(a) *Richard Last*

Richard entered into a letter of appointment with the Company on 6 June 2014 with respect to his appointment as Independent Non-Executive Chairman on the Board. The appointment being for an initial period of three years (unless terminated earlier) commencing on 17 June 2014. His annual fee is £75,000 payable in monthly instalments. Richard's appointment is at all times subject to the provisions of Company's articles of association and is subject to the approval of Company's shareholders at the annual general meeting. The appointment is terminable by either party on the giving of three months' written notice.

(b) *Alan Gibbins*

Alan entered into a letter of appointment with the Company on 6 June 2014 with respect to his appointment as an Independent Non-Executive Director on the Board. The appointment being for an initial period of three years (unless terminated earlier) commencing on 17 June 2014. His annual fee is £35,000 (for services as a Non-Executive Director) plus £5,000 (for services as Chair of the Audit Committee) payable in monthly instalments. Alan's appointment is at all times subject to the provisions of Company's articles of association and is subject to the approval of Company's shareholders at the annual general meeting. The appointment is terminable by either party on the giving of three months' written notice.

(c) *Martin Lea*

Martin entered into a letter of appointment with the Company on 6 June 2014 with respect to his appointment as an Independent Non-Executive Director on the Board. The appointment being for an initial period of three years (unless terminated earlier) commencing on 17 June 2014. His annual fee is £35,000 (for services as a Non-Executive Director) plus £5,000 (for services as Chair of the Remuneration Committee) payable in monthly instalments. Martin's appointment is at all times subject to the provisions of Company's articles of association and is subject to the approval of Company's shareholders at the annual general meeting. The appointment is terminable by either party on the giving of three months' written notice.

(d) *Andrew Stone*

Andrew entered into a letter of appointment with the Company on 5 September 2014 with respect to his appointment as a Non-Independent Non-Executive Director on the Board. The appointment being for an initial period of three years (unless terminated earlier) commencing on 6 June 2014. His annual fee is £35,000 payable in monthly instalments. Andrew's appointment is at all times subject to the provisions of Company's articles of association and is subject to the approval of Company's shareholders at the annual general meeting. The appointment is terminable by either party on the giving of three months' written notice.

(e) *Wu Long Peng*

Long Peng entered into a letter of appointment with the Company on 5 September 2014 with respect to his appointment as a Non-Independent Non-Executive Director on the Board. The appointment being for an initial period of three years (unless terminated earlier) commencing on 6 June 2014. His annual fee is £35,000 payable in monthly instalments. Long Peng's appointment is at all times subject to the provisions of Company's articles of association and is subject to the approval of Company's shareholders at the annual general meeting. The appointment is terminable by either party on the giving of three months' written notice.

9.3 Save as disclosed in paragraphs 9.1 or 9.2 above, there are no specific provisions in any existing or proposed service agreements or consultancy agreements between any of the Directors and the Company which provide for benefits on termination of employment or office as director.

9.4 The aggregate of the remuneration paid and benefits in kind (including bonus payments) granted to the Directors by any member of the Group in respect of the financial year ended 31 December 2013 was approximately £556,000.

9.5 There are no arrangements under which any Director has waived or agreed to waive future emoluments nor have there been any such waivers of emoluments during the financial year immediately preceding the date of this document.

10. RELATED PARTY TRANSACTIONS

10.1 On 2 October 2014, the Company agreed certain arrangements with Bob Falconer to enable him to maintain his holding of 5 per cent. of the issued ordinary share capital of the Company for the purposes of enabling him to benefit from "entrepreneur's relief" from UK capital gains tax. In order to achieve this, Bob Falconer agreed to pay to the Company the sum of £3,146,745, being £0.9375 in respect of each of the 3,356,528 B1 shares held by him, such that each of his B1 shares converted in to one Ordinary

Share (each, a "**Converted Share**"). To part fund that payment, the Company's subsidiary, Gamma Telecom Holdings Limited, made an interest free loan to Bob Falconer of £2,591,460 ("**Loan**"). If Bob Falconer ceases to be a director of the Company the loan is repayable on expiry of his notice period or three months after termination if no notice period applies. The Loan is also repayable if Bob Falconer disposes of the Converted Shares or upon certain events of default, including his bankruptcy or within six months of his death. There is also a part repayment obligation if Bob Falconer sells only part of the Converted Shares. The Loan is secured by an unregistered charge over 1,580,159 Ordinary Shares registered in Bob Falconer's name. As part of these arrangements, the Company cancelled Bob Falconer's options over 549,132 A shares in return for a cancellation payment to Bob Falconer of £1,613,745, being equal to the capped value of the A shares pursuant to the terms of the Company's articles of association in force at that time less the option exercise price for those A shares. Bob Falconer used part of the cancellation payment to repay a loan of £300,000 which had previously been made by Gamma Telecom Holdings Limited to him in April 2014.

10.2 Andrew Belshaw has an outstanding loan from Gamma Telecom Holdings Limited of £50,000 in respect of Ordinary Shares held by the trustees of the EBT as his nominee. The loan is repayable in full on the earlier of the disposal of the Ordinary Shares, within 30 days of Andrew Belshaw ceasing to be an employee or director of the Group and 4 April 2021.

10.3 Gerard Sreeves, a former director of the Company, whose employment with the Company ended in September 2014, has an outstanding loan from Gamma Telecom Holdings Limited of £100,000 in respect of shares held by the trustees of the EBT as his nominee. The loan will be repaid by Gerard Sreeves prior to Admission in accordance with the terms of the Settlement Agreement described in paragraph 20.12 of this Part IV.

10.4 The Company entered into the Share Exchange Agreement on 9 May 2014 with Hoxton Assets Limited, Michael Stone, Key Asset Investments Limited and Andrew Stone, as more fully described in paragraph 16.3 of this Part IV.

11. TAXATION

11.1 *UK Taxation*

The comments in this section are intended as a general guide for UK resident Shareholders as to their tax position under United Kingdom law and HMRC practice as at the date of this document. Such law and practice (including, without limitation, rates of tax) is in principle subject to change at any time. The comments apply to Shareholders who are resident and domiciled for tax purposes in the UK who will hold Ordinary Shares as an investment and will be the absolute beneficial owners of them.

Non-UK resident and non-UK domiciled shareholders should consult their own tax advisers.

The position of Shareholders who are officers or employees of the Company is not considered in this section, such Shareholders may be subject to an alternative tax regime and should therefore seek tax advice specific to their individual circumstances. The position of UK resident but non domiciled individuals claiming the remittance basis of taxation is not considered in this section.

The tax position of certain Shareholders who are subject to special rules, such as dealers in securities, broker dealers, insurance companies and collective investment schemes is not considered in this section.

Any shareholder who has any doubt as to his or her tax position or who is subject to tax in a jurisdiction other than the United Kingdom should consult a professional adviser without delay.

11.2 *Taxation of Chargeable Gains*

For the purpose of UK tax on chargeable gains, the purchase of Ordinary Shares on a placing will be regarded as an acquisition of a new holding in the share capital of the Company. To the extent that a Shareholder acquires Ordinary Shares allotted to him, the Ordinary Shares so acquired will, for the purpose of tax on chargeable gains, be treated as acquired on the date of the purchase becoming unconditional.

The amount paid for the Ordinary Shares will constitute the base cost of a Shareholder's holding.

A disposal of all or any of the Ordinary Shares may, depending on the circumstances of the relevant shareholder give rise to a liability to UK taxation on chargeable gains. Shareholders will normally be subject to UK taxation of chargeable gains, unless such holders are neither resident nor, in the case of individuals, are treated as satisfying the "residence condition" for taxation on chargeable gains to apply.

11.2.1 *Individuals*

Where an individual Shareholder disposes of Ordinary Shares at a gain, capital gains tax will be levied to the extent that the gain exceeds the annual exemption (£11,000, for 2014/15) and after taking account of any capital losses available to the individual.

For individuals, capital gains tax will be charged at 18 per cent. where the individual's taxable income and gains are less than the upper limit of the income tax basic rate band (for 2014/15 £31,865 after the personal allowance of £10,000, subject to reliefs that may extend the basic rate band such as any gift aid payments made). To the extent that any chargeable gains, or part of any chargeable gain, aggregated with income arising in a tax year exceed the upper limit of the income tax basic rate band, capital gains tax will be charged at 28 per cent. on any excess.

For trustees and personal representatives of deceased persons, capital gains tax on gains in excess of the current annual exempt amount (for 2014/15, £11,000 for personal representatives of deceased persons and trustees for disabled persons and £5,500 for other trustees) will be charged at a flat rate of 28 per cent. (being the current rate at the date of this document).

Where a Shareholder disposes of the Ordinary Shares at a loss, the loss should be available to offset against other current year gains or carried forward to offset against future gains. In certain circumstances the loss may be available to offset against taxable income in the current year (depending upon, inter alia, the circumstances of the Company and the Shareholder).

11.2.2 *Companies*

Where a Shareholder is within the charge to corporation tax, a disposal of Ordinary Shares may give rise to a chargeable gain (or allowable loss) for the purposes of UK corporation tax, depending on the circumstances and subject to any available exemption or relief. Corporation tax is charged on chargeable gains at the rate applicable to that company (up to 21 per cent. for the financial year 1 April 2014 to 31 March 2015, reducing to 20 per cent. for the financial year 1 April 2015 to 31 March 2016). Indexation allowance may reduce the amount of chargeable gain that is subject to corporation tax but may not create or increase any allowable loss.

A Shareholder with a holding of at least 10 per cent may fall within the substantial shareholding exemption. If the various conditions for the exemption are met gains would not be taxable and losses would not be deductible.

11.3 ***Taxation of dividends***

Under current United Kingdom legislation, no tax is required to be withheld from dividend payments by the Company.

11.3.1 *Individuals*

Shareholders (other than a company) receiving a dividend from the Company also receive a notional tax credit in respect of the dividend of an amount equal to one ninth of the amount of the net dividend (which is 10 per cent. of the sum of the dividend and the tax credit). The liability to United Kingdom income tax is calculated on the gross dividend income (i.e. the net dividend received plus the notional 10 per cent. tax credit).

Individual Shareholders whose income is within the basic rate tax band (for 2014/15 £31,865 after the personal allowance, subject to any reliefs that may extend the basic rate band such as gift aid payments made) will be subject to income tax at the dividend rate of 10 per cent., so that (after taking into account the notional 10 per cent. credit) such Shareholders will have no further liability to income tax on that dividend income.

Individual Shareholders who are subject to the higher rate of income tax (broadly, where income in 2014/15 exceeds £31,865, after the personal allowance) will be subject to dividend income tax at 32.5 per cent. subject to any reliefs that may extend the basic rate band such as gift aid payments made. After allowing for the 10 per cent. notional tax credit, a higher rate taxpayer suffers an effective rate of 25 per cent. on the net dividend received.

Individual Shareholders who are subject to the additional rate of income tax (broadly, where income in 2014/15 exceeds £150,000) will be subject to dividend income tax at 37.5 per cent. After allowing for the 10 per cent. notional tax credit, an additional rate taxpayer suffers an effective rate of 30.56 per cent. on the net dividend received.

Dividends payable to trustees will be subject to dividend income tax at 37.5 per cent.

Dividends payable to personal representatives of deceased persons are taxable at the 10 per cent. rate on dividends received.

Shareholders who are not liable to income tax on the dividend income (or any part of it) may not claim repayment of the tax credit (or any part of it).

11.3.2 *Companies*

Shareholders within the charge to UK corporation tax which are "small companies" (for the purposes of UK taxation of dividends) will not generally expect to be subject to UK tax on dividends from the Company. Other Shareholders within the charge to UK corporation tax will not be subject to UK tax on dividends (including dividends from the Company) so long as the dividends fall within an exempt class and certain conditions are met. In general, dividends paid on shares that are "ordinary share capital" for UK tax purposes and are not redeemable, and dividends paid to a person holding less than 10 per cent. of the issued share capital of the payer (or any class of that share capital) are examples of dividends that fall within an exempt class. UK resident shareholders (including authorised unit trusts and open ended investment companies) and pension funds are not entitled to claim payment of the tax credit (or any part of it).

11.4 *Stamp duty and Stamp Duty Reserve Tax ("SDRT")*

The Finance Act 2014 introduced provisions that exempt shares admitted to trading on AIM from stamp duty and SDRT applying with effect from 28 April 2014. As a result of the new provisions, transfers of securities admitted to trading on certain recognised growth markets (presently including AIM) are exempt from stamp duty and SDRT, provided that the securities are not "listed" on a recognised stock exchange. As such, following Admission subsequent transfers of Ordinary Shares for value should not give rise to either stamp duty or SDRT.

11.5 *Inheritance Tax*

11.5.1 Individual and trustee investors domiciled or deemed to be domiciled in any part of the UK may be liable on occasions to inheritance tax ("**IHT**") on the value of any Ordinary Shares held by them. IHT may also apply to individual shareholders who are not domiciled in the UK although relief under a double tax convention may apply to those in this position.

11.5.2 Under current law, the occasions on which IHT may be charged are on the death of the Shareholder, on any gifts made during the seven years prior to the death of the Shareholder, and on certain lifetime transfers, including transfers to trusts at ten yearly intervals for property held in certain types of trust or appointments out of trusts to beneficiaries.

11.5.3 However, a relief from IHT known as business property relief ("**BPR**") may apply to Ordinary Shares in trading companies once these have been held for two years. This relief applies notwithstanding that the Company's shares will be admitted to trading on AIM (although it does not apply to companies whose shares are listed on the Official List). BPR operates by reducing the value of shares by 100 per cent. for IHT purposes.

12. WORKING CAPITAL

The Directors are of the opinion, having made due and careful enquiry, that the working capital available to the Group is sufficient for its present requirements, that is for at least the next 12 months from the date of Admission.

13. SIGNIFICANT CHANGE

There has been no significant change in the financial or trading position of the Group since 30 June 2014, the date to which the Holdings Group's last consolidated financial information was published.

14. LITIGATION

No member of the Group is involved in any legal or arbitration proceedings which are having or may have a significant effect on the Company or any member of the Group's financial position nor, so far as the Company is aware, are any such proceedings pending or threatened by or against any member of the Group.

15. PLACING AGREEMENT AND SELLING SHAREHOLDER AGREEMENTS

The numbers of Placing Shares being sold by the Selling Shareholders each of whose business address is the Company's principal place of business (Kings House, Kings Road West, Newbury, Berkshire, RG14 5BT) are as follows:

Name of Selling Shareholder	*Number of Placing Shares*
Hoxton Assets Limited	21,293,257
Michael John Christopher Stone	7,894,198
Cranworth Enterprises Limited	7,263,738
Key Asset Investments Limited	3,258,931
Andrew Stone	1,901,308
Charles Robert Henry Stone	400,000
Nicola J Farquhar	600,000
Barnett Waddingham (1984) Limited	856,708
John Charles Haw	160,057
Richard Bligh	148,812
Andy Morris	268,496
Paul Peel	117,869

In connection with the Placing, the Company, the Directors, Investec and the Major Selling Shareholders entered into the Placing Agreement on 7 October 2014. The Placing Agreement is conditional on, inter alia, Admission occurring on 10 October 2014 or such later date (not being later than 5.00 p.m. on 31 October 2014) as Investec and the Company may agree.

Pursuant to the Placing Agreement, Investec has agreed to use its reasonable endeavours to procure buyers for 44,945,254 Placing Shares at the Placing Price, failing which Investec will itself buy as principal any Placing Shares for which buyers cannot be found at the Placing Price. The Major Selling Shareholders will pay to Investec a commission of 2.5 per cent of the aggregate value of the Placing Shares sold by the Major Selling Shareholders at the Placing Price and may pay a discretionary commission of up to one per cent. of the aggregate volume of the Placing Shares sold by the Major Selling Shareholders at the Placing Price, together with all costs and expenses and VAT thereon where appropriate. The Placing Agreement provides for the Company to pay all expenses of and incidental to the Placing and the application for Admission, including the fees and costs of other professional advisers, all costs relating to the Placing, including printing, advertising and distribution charges, the fees of the Company's registrars and the fees payable to the London Stock Exchange.

The Placing Agreement contains certain customary warranties given by the Company and the Directors in favour of Investec as to the accuracy of information contained in this document and an indemnity from the Company in favour of Investec. The Placing Agreement also contains customary warranties given by the Executive Directors, the Non-Executive Directors and the Major Selling Shareholders in favour of Investec.

During the period from the date of the Placing Agreement until the date which is five days after the publication of accounts for the Group for the year ended 31 December 2014 or the date Investec ceases to be the Company's Nominated Adviser or Broker (whichever is the earlier) the Company has agreed not to make any issue of shares (other than: (1) with the prior written consent of Investec (such consent not to be unreasonably withheld or delayed); (2) to shareholders pro rata to their existing holdings; or (3) in pursuance of the exercise of share options granted under the employee share option scheme(s) established by the Company (details of which are set out at paragraph 5 of this Part IV).

Investec may terminate the agreement in specified circumstances prior to Admission principally where, in its opinion, the Company or the Directors have failed to comply in any material respect with any of their respective obligations under the agreement, any of the warranties were materially untrue, inaccurate or misleading when made and/or would be materially untrue, inaccurate or misleading if repeated at any time prior to Admission, any statement in any document issued in connection with the Placing is incorrect or has become materially untrue, incorrect or misleading as a result of a new matter or change, any matter or circumstance has arisen which would be likely to give rise to a claim pursuant to the indemnity provisions in the agreement, where a material adverse change has occurred after entry into the agreement or where certain matters have occurred, happened or come into effect which in the opinion of Investec are likely to prejudice the success of the Placing or make it impractical or inadvisable to proceed with the Placing.

In connection with the Placing, each of the Other Selling Shareholders entered into the Selling Shareholder Agreements with the Company and Investec on 7 October 2014. The Selling Shareholder Agreements record the terms and conditions upon which Investec has agreed to use its reasonable endeavours to procure buyers for the Other Selling Shareholders' Placing Shares at the Placing Price, failing which Investec will itself buy as principal any Other Selling Shareholders' Placing Shares for which buyers cannot be found at the Placing Price. The Selling Shareholder Agreements contain limited warranties given by each Other Selling Shareholder in favour of Investec in respect of such Other Selling Shareholder's title to, and power and authority to sell, his, her or its Placing Shares being sold as part of the Placing.

Under the Selling Shareholder Agreements, each Other Selling Shareholder agrees to pay to Investec a base commission at the rate of 2.5 per cent. of the aggregate value of the Placing Shares sold by such Other Selling Shareholder at the Placing Price, and a discretionary commission to Investec at the rate of up to one per cent. of the aggregate value of the Placing Shares sold by such Other Selling Shareholder at the Placing Price, as agreed between Investec and the Major Selling Shareholders (in their sole discretion). All commissions payable by each Other Selling Shareholder shall be paid by way of set-off and deduction by Investec from the amounts payable to such Other Selling Shareholder by Investec. The obligations of Investec under the Selling Shareholder Agreements are subject to the Placing Agreement becoming unconditional in all respects by not later than 5.00 pm on 10 October 2014, and the Selling Shareholder Agreements shall terminate immediately upon termination of the Placing Agreement in accordance with its terms.

16. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into in the two years preceding the date of this document by any member of the Group and are, or may be, material to the Group or have been entered into by any member of the Group and contain any provision under which any member of the Group has any obligation or entitlement which is material to the Group at the date of this document:

16.1 **The Placing Agreement and the Selling Shareholder Agreements**. The Company is party to the Placing Agreement and the Selling Shareholder Agreements detailed in paragraph 15 of this Part IV.

16.2 **Nominated Adviser and Broker Agreement**. The Company and the Directors entered into a Nominated Adviser and Broker Agreement dated 7 October 2014 with Investec, pursuant to which Investec agreed to act as the Company's nominated adviser and Investec undertakes to provide the services of a nominated adviser and broker as required under the AIM Rules and the Company and the Directors agree to comply with their obligations under the AIM Rules. The Company will pay Investec a fee of £90,000 per annum (plus applicable VAT), except for the first year in which no fees shall be payable pursuant to the terms of the agreement.

16.3 **Share Exchange Agreement**.

The Company (1), Hoxton Assets Limited (2), Michael Stone (3), Key Asset Investments Limited (4) and Andrew Stone (5) ((2) to (5) being the "**Sellers**") entered into an agreement for the sale and purchase of Gamma Telecom Holdings Limited on 9 May 2014 (the "**Share Exchange Agreement**"). The purpose of the Share Exchange Agreement was to implement the Company as the Group's holding company. Pursuant to the Share Exchange Agreement, the Sellers sold their shares in Gamma Telecom Holdings Limited to the Company in consideration for the issue to them of the same number and class of shares in the Company. Completion of the Share Exchange Agreement was conditional, amongst other things, on the execution and delivery of stock transfer forms by or on behalf of all the shareholders of Gamma Telecom Holdings Limited, to effect the sale of their shares in Gamma Telecom Holdings Limited to the Company. The execution and delivery of stock transfer forms on behalf of the shareholders of Gamma Telecom Holdings Limited other than the Sellers ("**Minority Shareholders**") was effected pursuant to the "drag along" provisions in Gamma Telecom Holdings Limited's articles, as amended by shareholder resolution dated 2 May 2014. The consideration paid to the Minority Shareholders for their Gamma Telecom Holdings Limited shares was the issue to them of the same number and class of shares in the Company.

16.4 **Lock-up arrangements**

Directors

The Directors, in respect of themselves and each of their connected persons, have undertaken to Investec, not to dispose of their respective interests in the share capital of the Company during the period commencing on Admission and ending 12 months after the date of Admission. The Directors have further undertaken, in respect of themselves and each of their connected persons that for a further period of twelve months thereafter they will (subject to certain limited exceptions) deal or otherwise dispose of any such interests through Investec, subject to being offered competitive terms as to price and rates of commission.

Locked-In Shareholders

The Locked-In Shareholders in respect of themselves and each of their connected persons, have undertaken to Investec, not to dispose of their respective interests in the share capital of the Company (subject to certain limited exceptions) during the period commencing on Admission and ending 12 months after the date of Admission. The Locked-In Shareholders have further undertaken in respect of themselves and each of their connected persons that for a further period of twelve months thereafter they will (subject to certain limited exceptions) deal or otherwise dispose of any such interests through Investec subject to being offered competitive terms as to price and rates of commission.

16.5 ***Relationship Agreements***

Investec and the Company entered into relationship agreements with each of Hoxton Assets Limited, Key Asset Investments Limited and Andrew Stone on 7 October 2014 for the purpose of documenting and regulating the relationships between the Group and Hoxton Assets Limited, Key Asset Investments Limited and Andrew Stone (and their respective associates, including family members) respectively as major shareholders in the Company. The agreements are conditional upon Admission taking place and shall remain in force in respect of Hoxton Assets Limited, Key Asset Investments Limited and Andrew Stone for as long as they (and their respective associates, including family members) control at least ten per cent. of voting rights in the Company, and the Company's shares are admitted to AIM. The agreements contain provisions to ensure that, inter alia, there is no interference with the independent operation of the Board and that the Company's transactions with Hoxton Assets Limited, Key Asset Investments Limited and Andrew Stone (and their respective associates, including family members) respectively are effected at arm's length and on a normal commercial basis. The Relationship Agreement in respect of Hoxton Assets Limited provides that Hoxton Assets Limited can appoint one director to the Board for as long as it holds (when its voting rights are aggregated with the voting rights held by Key Asset Investments Limited (and their respective associates, including family members)) more than 10 per cent. and no more than 30 per cent. of the rights to vote at a general meeting of the Company, and can appoint two directors to the Board for as long as it holds (when its voting rights are aggregated with the voting rights held by Key Asset Investments Limited (and their respective associates, including family members)) more than 30 per cent. of the rights to vote at a general meeting of the Company. The Relationship Agreement in respect of Andrew Stone provides that Andrew Stone can appoint one director to the Board for as long as he (and his associates, including family members), holds more than 10 per cent. and no more than 30 per cent. of the rights to vote at a general meeting of the Company, and can appoint two directors to the Board for as long as he holds more than 30 per cent. of the rights to vote at a general meeting of the Company.

17. CONSENTS

17.1 Grant Thornton UK LLP has given and has not withdrawn its consent to the inclusion in this document of its Accountants' Report set out in Section A of Part III of this document in the form and context in which it appears and has authorised the contents of that report for the purposes of Schedule 2 of the AIM Rules.

17.2 Investec has given and not withdrawn its consent to the issue of this document with the inclusion of its name and references to it in the form and context in which they appear.

18. MANDATORY BIDS, SQUEEZE OUT AND SELL OUT RULES RELATING TO THE ORDINARY SHARES

18.1 ***Mandatory bid***

The Takeover Code applies to the Company. Under the City Code on Takeover and Mergers (the "**Takeover Code**"), if an acquisition of Ordinary Shares were to increase the aggregate holding of the acquirer and its concert parties to shares carrying 30 per cent. or more of the voting rights in the Company, the acquirer (and depending on the circumstances, its concert parties) would be required, except with the consent of the Panel on Takeovers and Mergers, to make a cash offer for the outstanding shares in the Company at a price not less than the highest price paid for any interests in the Ordinary Shares by the acquirer or its concert parties during the previous 12 months. This requirement would also be triggered by an acquisition of shares by a person holding (together with its concert parties) shares carrying between 30 and 50 per cent. of the voting rights in the Company if the effect of such acquisition were to increase that person's percentage of the voting rights.

18.2 ***Squeeze out***

Under the Companies Act, if an offeror were to acquire 90 per cent. of the Ordinary Shares within four months of making the offer, it could then compulsorily acquire the remaining 10 per cent. It would do so by sending a notice to outstanding shareholders telling them that it will compulsorily acquire their shares and then, six weeks later, it would execute a transfer of the outstanding shares in its favour and pay the consideration to the Company, which would hold the consideration on trust for outstanding shareholders. The consideration offered to the shareholders whose shares are compulsorily acquired under the Companies Act must, in general, be the same as the consideration that was available under the takeover offer.

18.3 ***Sell out***

The Companies Act also gives minority shareholders in the Company a right to be bought out in certain circumstances by an offeror who has made a takeover offer. If a takeover offer related to all the Ordinary Shares and at any time before the end of the period within which the offer could be accepted the offeror held or had agreed to acquire not less than 90 per cent. of the Ordinary Shares, any holder of shares to which the offer relates who has not accepted the offer can require the offeror to acquire his shares. The offeror would be required to give any shareholder notice of his right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of minority shareholders to be bought out, but that period cannot end less than three months after the end of the acceptance period. If a shareholder exercises its rights, the offeror is bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

19. TAKEOVER OFFERS

There have been no public takeover offers by third parties in respect of the share capital of the Company in the last or current financial year.

20. GENERAL

20.1 The total costs and expenses of, or incidental to, the Placing and Admission, all of which are payable by the Company (save in respect of any commission payable by the Selling Shareholders pursuant to the Placing Agreement or the Selling Shareholder Agreements), are estimated to be approximately £0.9 million (exclusive of value added tax). This amount excludes any commission payable by the Selling Shareholders. No expenses of the Placing are being specifically charged to purchasers under the Placing.

20.2 Save as disclosed in this document, and in respect of the loans by Gamma Telecom Holdings Limited to each of Andy Morris (£30,000), John Haw (£66,668), Malcolm Goddard (£15,000) and Richard Bligh (£75,000) (in the specified amounts) pursuant to loan agreements dated 6 May 2014, and in respect of the loans made by Gamma Telecom Holdings Limited to each of John Haw (£50,000) and Richard Bligh (£250,000) (in the specified amounts) pursuant to loan agreements dated 2 July 2014, no person (other than the Company's professional advisers named in this document and trade suppliers) has at any time within the 12 months preceding the date of this document received, directly or indirectly, from the Company or any other member of the Group or entered into any contractual arrangements to receive, directly or indirectly, from the Company or any other member of the Group on or after Admission any fees, securities in the Company or any other benefit to the value of £10,000 or more.

20.3 The Placing Price of 187 pence represents a premium of 186.75 pence above the nominal value of 0.25 pence per Ordinary Share. The Placing Price is payable in full on application.

20.4 The auditors of the Company are Grant Thornton UK LLP, chartered accountants and registered auditors. Grant Thornton UK LLP have audited the accounts of the Holdings Group for the last three financial years ended 31 December 2013. The audit reports were unqualified and did not contain a statement under sections 498(2) or (3) of the Companies Act.

20.5 The Company currently has no significant investments in progress and the Company has made no firm commitments concerning future investments.

20.6 Save in respect of bespoke software used in the conduct of the Group's business, the Directors are not aware of any patents or other intellectual property rights, licences, particular contracts or manufacturing processes on which the Company is dependent.

20.7 Save in connection with the application for Admission, none of the Ordinary Shares has been admitted to dealings on any recognised investment exchange and no application for such admission has been made and it is not intended to make any other arrangements for dealings in the Ordinary Shares on any such exchange.

20.8 Where information contained in this document has been sourced from a third party, the information has been accurately reproduced and, so far as the Directors and the Company are aware and are able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

20.9 Save as disclosed in this document, there are no arrangements of which the Company is aware which may result in change of control of the Company.

20.10 Save as disclosed in Part I of this document, the Directors are unaware of any trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Group's prospects for the current financial year.

20.11 Save as disclosed in this document, the Directors are unaware of any environmental issues that may affect the Group's utilisation of tangible fixed assets.

20.12 Following discussions with the Board, it was agreed that Gerard Sreeves would not continue as a director of the Company and as Group Chief Financial Officer through and post Admission. Given Andrew Belshaw, the Finance Director's, expertise and knowledge of the Group, it is the Board's view that Gerard Sreeves' departure will not adversely affect the Group in any material way. On 2 October 2014 the Company and Gerard Sreeves concluded a settlement agreement relating to the termination of his employment and his holdings of ordinary shares, B1 ordinary shares and share option arrangements (the "Settlement Agreement"). As at 6 October 2014 (being the last practicable date prior to the publication of this document), and so far as the Directors are aware, Gerard Sreeves was interested, directly and indirectly, in 1.0 per cent. of the Issued Share Capital comprising 920,507 Ordinary Shares.

21. DOCUMENTS AVAILABLE FOR INSPECTION

21.1 Copies of this document will be available to the public, free of charge, from the date of this document until the date which is one month after Admission, from the offices of the Company at 5 Fleet Place, London, EC4M 7RD during usual business hours on any day (Saturdays, Sundays and public holidays excepted), and also on the Company's website (www.gamma.co.uk).

21.2 Copies of the following documents will be available for inspection during usual business hours on any day (Saturdays, Sundays and public holidays excepted) at the offices of the Company at 5 Fleet Place, London, EC4M 7RD for a period of 14 days from the date of this document:

21.2.1 the memorandum and articles of association of the Company;

21.2.2 the report relating to Gamma Telecom Holdings Limited and its subsidiaries prepared by Grant Thornton UK LLP in Section A of Part III of this document;

21.2.3 the audited consolidated financial statements of the Holdings Group for the two years ended 31 December 2012 and 31 December 2013; and

21.2.4 the unaudited consolidated financial statements of Holdings Group for the six months ended 30 June 2013 and 30 June 2014.

Dated: 7 October 2014

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