**25 March 2025**

**Gamma Communications plc**
**Results for the year ended 31 December 2024**

**Sustained strong financial performance, enhanced by acquisitions. Growth in line with expectations, delivering healthy cash generation. Announcing a share buyback of up to £50m in H1 2025.**

Gamma Communications plc ("Gamma" or "the Group"), a leading provider of technology-based communication services across Europe, is pleased to announce its results for the year ended 31 December 2024.

| | Year ended 31 December | | |
|---|---|---|---|
| | **2024** | **2023** | **Change (%)** |
| Revenue | **£579.4m** | £521.7m | +11% |
| Gross profit | **£300.3m** | £267.2m | +12% |
| *Gross margin* | ***52%*** | *51%* | |
| Adjusted EBITDA* | **£125.5m** | £114.3m | +10% |
| Profit before tax ("PBT") | **£95.6m** | £71.5m | +34% |
| Adjusted PBT* | **£111.9m** | £97.9m | +14% |
| Earnings Per Share ("EPS") (fully diluted) | **72.0p** | 54.9p | +31% |
| Adjusted EPS (fully diluted)* | **85.1p** | 75.1p | +13% |
| Total dividend per share | **19.5p** | 17.1p | +14% |
| Cash generated by operations | **£116.8m** | £123.5m | -5% |
| *Adjusted cash conversion** | *96%* | *108%* | |
| Net cash* | **£153.7m** | £134.8m | +14% |

**The Group uses certain measures in addition to those reported under IFRS, under which the Group reports. These measures are known as Alternative Performance Measures ("APMs"). The Group does not consider these APMs to be a substitute for, or superior to, the equivalent statutory measure. These APMs are explained, defined and reconciled in the APM section, which follows the notes to the condensed financial statements, and are applied consistently.*

## Key highlights

- Strong financial performance and cash position. Gross profit and Adjusted EBITDA growth in all business units, driven by solid organic growth and supported by acquisitions.
- Three acquisitions completed during 2024, each enhancing future organic growth: Coolwave in February; BrightCloud in July: and Placetel in September.
- The Group acquired STARFACE in February 2025, a strategically significant acquisition positioning Gamma as a leader in the German SME cloud communications market when combined with our acquisition of Placetel. The German market is both larger and has materially lower cloud penetration than the UK. In Germany we now have over 500,000 Cloud Seats along with a range of products to meet growing customer communication needs
- In Gamma Business the acquisition of Coolwave has allowed our Service Provider business to expand its services to around 20 countries. The Service Provider business provides carrier services, such as hosting telephone numbers and connecting calls, for customers who wish to run a service but do not have network capabilities.
- Gamma Enterprise continues to win new customers including WM Morrisons, Edmundson Electrical and Equiniti. The acquisitions of BrightCloud and Satisnet have enhanced our range of solutions providing additional customer experience and cyber security capabilities.
- As previously announced, Gamma intends to move to the Main Market and all workstreams are progressing as planned with admission expected on 2 May 2025.
- In line with the Board's capital allocation framework, today we are announcing a share buyback programme of up to £50m in H1 2025.
- Adjusted cash conversion was in line with expectations at 96% (2023: 108%). The reduction primarily reflects nonrepeatable working capital improvements in the prior year.

**Financial highlights**

Group performance:

- Group revenue grew by 11% to £579.4m, gross profit grew by 12% to £300.3m (2023: £521.7m and £267.2m), with Adjusted EBITDA growing by 10% to £125.5m (2023: £114.3m). Acquisitions have positively contributed to the Group's performance during the year. On an organic basis growth was solid as revenue increased by 5%, gross profit by 6%, and Adjusted EBITDA by 6%. PBT grew by 34% to £95.6m (2023: £71.5m) principally as a result of the prior year exceptional items. Adjusted PBT (which removes the impact of exceptional items) grew by 14% to £111.9m (2023: £97.9m).
- Recurring revenue (being revenue which is recognised "over time" as per note 3) grew to £516.6m (2023: £462.8m), being 89% (2023: 89%) of revenue as existing customers renewals and new customer agreements continue to deliver contracted income.
- Adjusted EPS (fully diluted) increased by 13% to 85.1p (2023: 75.1p) reflecting the impact of Adjusted EBITDA growth and increased interest income with a 1% benefit from the share buyback in 2024.

Business unit performance:

- Gamma Business continued to grow strongly driven primarily by our UCaaS portfolio and supported by recent acquisitions. Gross profit increased by 11% to £194.7m (2023: £176.1m), 6% on an organic basis, with a stable gross margin.
- Gamma Enterprise, benefitted by a number of significant contract wins, grew gross profit by 14% to £60.2m (2023: £52.6m) with the Satisnet and BrightCloud acquisitions contributing £4.4m (2023: £1.5m) on an inorganic basis.
- European gross profit grew 18% to £45.4m (2023: £38.5m). Placetel contributed £6.1m (2023: Nil) of gross profit which was supported by healthy organic growth in Germany. There was a negative impact from movements in foreign exchange rates.

**Post period end**

The Group acquired STARFACE in February 2025 for a cash outlay (excluding transaction costs) of £168.7m (€201.6m). After taking account of net cash and working capital, this equates to £164.0m (€196.0m) on a cash-free, debt-free basis.

**Outlook**

Trading at the beginning of 2025 has begun with good progress in Europe, in particular in Germany, as we continue to integrate our recent acquisitions. We expect satisfactory Group organic growth supported by continued active cost management throughout the year. We expect this to be further strengthened by the recent German acquisitions, driving strong Group growth.

**Andrew Belshaw, Chief Executive Officer, commented:**

*"Gamma has achieved another strong set of results, marked by robust revenue growth, stable margins, and healthy cash generation despite general soft macro-economic performance in our two main markets of the UK and Germany. Our broadened product set is resonating well with both Channel Partners and end users. As customers require more complex communications solutions, we continue to see opportunities to grow our revenues further.*

*The strength of Gamma's balance sheet has enabled us to expand our capabilities, through both product development and strategic acquisitions. I am delighted to have welcomed the teams from Coolwave and BrightCloud to Gamma – their contributions will be invaluable as we continue to expand our solution set. I am also pleased to be able to say that Gamma is now a significant player in the German market following the acquisitions of Placetel and STARFACE; this gives us a fantastic opportunity to build a business in Europe's largest market. We expect significant medium- and long-term growth in this market as new technologies are adopted.*

*I believe our increased scale in Germany through acquisitions will drive more significant returns, allowing Europe to contribute more meaningfully to group growth in 2025 and beyond. Our resilient* *business model continues to help us mitigate the current macro-economic uncertainties and I look forward with confidence given the medium-term market opportunity."*

**Enquiries:**


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**Gamma Communications plc ("Gamma")** is a leading provider of technology-based communication solutions across Europe. With approximately 2,200 employees and admitted to trading on AIM, Gamma helps organisations connect and collaborate through solutions including Unified Communications, voice enablement, connectivity, mobile and security.

Gamma's vision is a better-connected world – working smarter for the benefit of businesses, people and the planet. Selling exclusively to businesses and public sector organisations, Gamma's core markets are the UK and Germany, with additional presence in Spain and the Benelux region.

In the UK, Gamma serves SMEs through an extensive network of over 1,500 channel partners (Gamma Business). For larger businesses and public sector organisations, Gamma Enterprise engages directly to sell, deliver, and support more complex, integrated communications solutions. In Germany, Gamma operates through a combination of a self-service digital platform and a strong partner network and is now one of the country's leading cloud communications providers following strategic acquisitions.

For more information about Gamma and its full range of products and services, visit gammagroup.co

**Cautionary Statement**

Certain statements in this Full Year results announcement are forward-looking. Although Gamma believes that the expectations reflected in these forward-looking statements are reasonable, we can give no assurance that these expectations will prove to have been correct. Because these statements contain risks and uncertainties, actual results may differ materially from those expressed or implied by these forward-looking statements. We undertake no obligation to update any forward-looking statements whether as a result of new information, future events or otherwise.

**Chief Executive Review**

I am pleased to report another set of strong results for Gamma in 2024. Despite general soft macro-economic performance in our two main markets of the UK and Germany in the last quarter of the year, Group revenue increased by £57.7m to £579.4m (2023: £521.7m), an increase of 11% on the prior year. Adjusted EBITDA for the Group increased by £11.2m (10%) to £125.5m (2023: £114.3m). Profit before tax for the year was £95.6m, an increase of 34% from the prior year figure of £71.5m.

Cash generated by operations for the year was £116.8m compared to £123.5m in 2023 – the reduction attributable to nonrepeatable working capital improvements in the prior year which are outlined in the Financial section. The closing Net cash balance for the year was £153.7m (2023: £134.8m). The cash balance has increased after investing £19.2m in capital items, paying £15.4m in relation to acquisitions, and returning £44.6m to shareholders through a share buyback programme (£27.3m) and dividends (£17.3m).

Our trading performance in 2024 was good. The acquisitions we have made have been immediately accretive to our underlying organic growth in both gross profit and EBITDA. Whilst we do not expect the macro-economic picture in the UK or Germany to improve in 2025, we believe that our organic growth potential and the acquisitions we have made will enable us to continue to perform well into 2025 and beyond.

I would like to thank our staff for their hard work in 2024 which has driven this performance. In particular we have asked a lot of the Gamma team given the amount of integration activity we are undertaking, and I am proud of the way that the whole Gamma team has embodied our value of "stepping up and owning" the challenge of integrating our acquisitions without losing sight of growing our existing business.

**Our markets and performance**

We had identified a number of market trends which are both driving Gamma's growth today and which will continue to drive our growth for the medium-term.

*Customers are requiring more complex communications solutions*

Both changing working patterns (e.g. hybrid and home working) and new technologies (e.g. AI) mean that businesses are becoming more demanding in what they require from their communications systems. This presents Gamma with the opportunity to increase our Average Revenue Per User ("ARPU") by selling more to existing customers to ensure that their communications solutions continue to meet their needs.

By expanding our portfolio of solutions and ensuring that we incorporate all of the latest technologies we are able to reach a broader cross-section of the overall market. Our portfolio of communications solutions ranges from PhoneLine+ which is designed to appeal to the micro-market (fewer than ten users) through to the provision of Cisco Collaboration tools or voice enablement of Microsoft Teams, solutions that can support tens of thousands of users.

We have also expanded the solutions we can offer through two strategic acquisitions in the year. Our acquisition of Coolwave and our subsequent development of its offerings means that we can now offer voice enablement (compliant with local regulations) in around 20 countries. Our acquisition of BrightCloud gives us a rich portfolio of customer experience ("CX") solutions enabling us to support our larger Enterprise customers to run their Contact Centres.

We continue to develop our offering and look for opportunities to sell additional services to our end user base. This may be through our own development, partnering with a third party or through acquisition.

*German Cloud market is still under-penetrated*

We have consistently set out the case for there being a significantly bigger market opportunity in Germany. First, it is the largest business communications market in Europe. Second, the proportion of sales of communications solutions which are based in the cloud is much lower than most of Europe.

We have therefore been increasing our presence in Germany through a combination of organic growth and acquisitions.

In 2020 we acquired HFO which is a SIP PBX provider. In the time we have owned it, we have grown the German SIP PBX base by 36% to 199,000 trunks. Moreover, under our ownership, we have built a successful Cloud Communication business in Germany which had 42,000 seats at the end of 2024 (311,000 including Placetel).

Alongside growing the business organically, we have been seeking out strategic acquisitions to increase our scale and we have made two significant acquisitions. In September we acquired Placetel from Cisco. Placetel is the German market leader in selling Cloud Communications online. It allows Channel Partners to easily provision sales online. Some of our existing Channel Partners are now also partnering with Placetel. The business also allows very small businesses to buy UCaaS services online; a growth area in Germany. Since the acquisition we have increased the level of investment in marketing in the business and we have seen the rate of growth of Cloud Seats increase.

The second acquisition in Germany, post period-end, was STARFACE. We have admired the STARFACE business for a number of years and I was therefore pleased to be able to announce in February 2025 that we had acquired it. It is a strategically significant acquisition for Gamma. STARFACE is a market leader in the provision of communication platforms to SME businesses in Germany and operates via its nationwide Channel Partner network. STARFACE filled a significant gap in our German operations because it brings solutions which are tailored for the German marketplace and better geographic coverage in the partner base.

At the time of acquisition, STARFACE had 225,000 Cloud Seats on its own proprietary platform. In addition it had approximately 360,000 seats on its hardware solution. The STARFACE solution allows customers who are uncomfortable moving straight to the Cloud to take the hardware-based solution which can be easily converted to a Cloud-based solution as and when the end user is ready. This ability to switch is important in the German market where some end users prefer not to consume IT and communications services in the Cloud.

We intend to encourage end users in Germany to move to the Cloud more quickly. We therefore anticipate a greater proportion of STARFACE sales being of its Cloud solutions (as opposed to its hardware solutions) over the coming years. Cloud solutions have a greater long-term value whereas hardware solutions provide more short-term revenues. It is therefore possible that revenues from STARFACE may fall in the short-term (as less hardware is sold but more Cloud Seats are sold) but this is beneficial to Gamma for longer-term growth and a move towards having a customer base on long-term recurring revenue contracts. It is the right strategy to pursue to build long-term value in the business.

On a pro-forma basis (i.e. had Gamma owned STARFACE at the end of 2024), Gamma Germany had 536,000 Cloud Seats, with a large base of hardware seats which are capable of being moved into the Cloud when the customer is ready to make that journey.

We are excited at the prospects for growth in the German market and we expect the German market to be a significant driver for growth in the medium-term and longer-term. It should be noted that in the short-term market growth rates are likely to be lower than we have seen in the UK due to the well-publicised macro-economic issues in Germany. However, given the overall market is larger, growth will likely last for many years to come.

As well as the organic growth potential, we continue to seek additional acquisitions to improve our scale and market position in Germany. We would like to expand both our connectivity offering in Germany as well as the solutions we offer to Service Providers.

*Hardware PBX to cloud migrations*

Above we noted that, in Germany, we expect users to move from a hardware solution to a Cloud solution over the coming years. In the UK we have been seeing a similar trend for some time – roughly half of business users in the UK have already migrated to the Cloud. However, this means that half have not, and this represents a significant opportunity for UCaaS sales.

A trend is emerging where end users who have taken Gamma SIP to voice-enable a hardware PBX are moving towards a full cloud communications solution. We are starting to see a reduction in SIP PBX as users migrate away from hardware solutions.

As Cloud PBX solutions become more feature rich, this trend is accelerating. We believe we are well placed to increase ARPUs for customers who stay with Gamma (i.e. they choose a migration path from Gamma SIP PBX to a Gamma provided UCaaS solution). The wholesale ARPU from a single SIP end user is typically around £1.25 per user per month. If these customers migrate to a Microsoft Teams solution, that can almost double, and it can increase further if end users migrate to one of Gamma's UCaaS offerings. To capitalise on this trend it has been important for Gamma to increase the breadth of its UCaaS portfolio. Cloud PBXs are not homogenous and have a variety of features. Gamma's Cloud solutions are now able to meet the needs of most end users.

*PSTN switch off in the UK*

We had previously identified the PSTN switch off in the UK as being a growth driver. However, given the ongoing delays in the switch off happening, it has not driven growth as much as we would have hoped at this point. Notwithstanding, we are encouraged by the growth of PhoneLine+ (which is the solution we have built for micro-businesses who had relied on single lines) and we now have 34,000 seats.

**Strategic update**

*Develop a common pan-European solution set.*

Gamma is in the strongest position we have held within our industry – we are now a credible challenger communications business in both the UK and Germany. Channel Partners across Europe want to work with us because of the quality of our customer support and the variety of solutions we can offer their end users, and the global technology companies (such as Cisco) want to work with us because of the breadth of our distribution capability. We continue to work with global solution providers to explore the possibility of adding other relevant solutions into our portfolio.

We are currently converging on a focused portfolio of Cloud Communications solutions, which will address different market segments:

- Lower end of SME

  PhoneLine+ (and its digital variant CircleLoop) – this solution was developed internally and provides a price-competitive solution to micro-businesses of up to ten employees.

  Placetel is our equivalent solution for the German market. It uses Cisco's Collaboration Suite.

- SME

  Horizon has been sold in the UK for many years as a Cloud solution. It can be integrated with Microsoft Teams and Cisco Webex to provide a full unified solution. We launched Webex integration in September 2024 and it has been one of our most successful product launches (in terms of seat sales in the early months).

  iPECS is a feature-rich solution, acquired with Pragma (previously referred to as EnableX in the 2023 Annual Report), designed to appeal to SMEs.

  Following our acquisition of STARFACE, the STARFACE solution suite will be sold to SMEs in Germany. As noted above, this can be sold as both a hardware and UCaaS solution which is important as it gives us access to a much bigger addressable market.

- Large SME and Enterprise

  We offer the full Cisco Collaboration suite from basic voice calling through to complex AI-powered Contact Centre solutions. We will launch Cisco's Collaborate Suite in Spain in mid-2025. We also support Microsoft Teams and Amazon CX solutions.

  We have launched Operator Connect for Microsoft Teams in all countries in which we operate and shortly, via our Coolwave acquisition, it will be available in around 20 countries, with the footprint continuing to expand in 2025. This will appeal to Enterprises who operate across several countries.

We continue to keep our portfolio of solutions under review to ensure that we have the most up to date and innovative solutions for our end users of all sizes and in all countries.

*Develop multiple routes to market in each country in which we operate.*

Gamma has always been known for its high levels of customer service and a key part of this is our ability to make communications solutions easy to provision and to operate. Maintaining this level of service is complex because there are multiple routes to market and it is hard to excel in every route – the fact that we can do this is therefore a key differentiator for Gamma, and hard to replicate.

In the UK we have focused on the indirect route to market through our valued Channel Partners who sell mainly to SME customers. We sell to UK-based Enterprise and Public Sector customers directly. In Europe we prioritise the channel but there are a variety of sales models including wholesale, resale, dealer and direct. Across all routes to market, customer portals are important. Customers want to order solutions made up of multiple components – not only do we need to provide third-party software and hardware, we need to bundle this with our own voice enablement services at the point of provisioning which, among other things, ensures that end users can continue to use their existing telephone numbers.

During 2024 we commenced our project to rebuild our existing suite of portals. Our goal is to deliver a seamless integration of existing portals across Europe with new products – ensuring a best in class experience for our Channel Partners.

As well as being a differentiator in the market, our future portal will support all the routes to market which we use. We will be able to add solutions quickly into the new portal which will mean that as new trends appear we can bring solutions to market quickly and therefore begin to generate revenues at pace. Through a combination of our portal and also the fact that we have a telecoms network, we are able to turn "product" from larger organisations who are not telecoms providers (such as Cisco and Microsoft) into "solutions" which can be consumed easily by both Channel Partners and end users.

*Become a trusted partner to Enterprises across Europe, transforming their communications estates.*

Gamma has long been known as a key supplier to SME customers across Europe and this market continues to be a driver of growth for us. One of our strategic aims was to become equally well-known in the Enterprise and Public Sector spaces, and this is now the case in the UK, with many notable contract wins. We aspire to take our Enterprise business into Europe.

In addition to our organic growth, we have invested in this business through the acquisition of new capabilities.

- In 2021 we acquired Mission Labs that gave us the SmartAgent solution that enhances the AWS Connect platform. Sales have grown considerably with over 16,000 customer service agents using SmartAgent in the UK and Europe.
- Our acquisition of Satisnet in August 2023 has enhanced our capability as a managed security services provider. Savills, the global property agents, upgraded their network from a traditional Gamma MPLS network to a new secure SD-WAN platform which incorporates a Secure Access Edge provided by the integration of Satisnet. We see further upsell and cross-sell opportunities across our client base.
- In July 2024 we acquired BrightCloud to enhance our CX practice and quickly set about integrating this into our portfolio. To this end, we have secured a multi-year agreement with the City and County of Swansea for an integrated CX and UCaaS solution.

We continue to look for acquisitions which will bring additional capability to our Enterprise offering.

As well as working with Amazon and Cisco, we have invested organically in the Microsoft Operator Connect solution which enables any organisation to voice-enable Microsoft Teams (although this tends to be used by larger end users). We deployed Operator Connect across all our businesses and have secured several European and pan-European contracts.

We have also brought the IoT solution from our German Epsilon business into the UK. For our long-standing customer, The AA, we enhanced their patrol connectivity by successfully deploying Fusion IoT, our multi-network data SIM, into their entire fleet improving their connectivity. In addition, our IoT offering will enable us to provide solutions for “non-voice” users of single phones lines which will no longer be available as the PSTN is switched off (for example, lift lines or alarm systems which are monitored remotely).

*Create an organisation that engages all our people with a common set of values and goals.*

We have continued to prioritise employee engagement as a core element of our people strategy, and embed the Group Values launched in 2023. To support the integration of newly acquired companies to the Group, we conducted culture and values sessions, aligning new teams with the Company's values and ways of working. These also provided a platform for employees to share feedback and suggestions, which have been incorporated into future initiatives.

We continued to support the Group-wide equality, diversity and inclusion (“EDI”) programme, “You Belong”, which, at present, comprises four employee community groups – Wellbeing, Women, Early Careers and Multicultural. The programme aligns with Gamma’s business and people goals and demonstrates our commitment to fostering a diverse workforce.

We expanded our apprenticeship scheme in critical skills areas including customer service, project management, cyber security, sustainability, IT and AI. Our current cohort of 69 apprentices is constituted from a blend of new entrant apprentices and existing employees continuing their professional development through the apprenticeship model across a breadth of business units and locations.

Our progress in Apprenticeship and Graduate development in the UK has been recognised by a prestigious “5% Club” Silver Award. The 5% Club was set up to help members enable 5% of their workforce to be in “earn and learn positions” (including apprentices, sponsored students and graduates on formalised training schemes) within five years of joining.

**Business unit Performance**

*Gamma Business*

Gamma Business is our business unit which sells to SMEs in the UK, mainly via Channel Partners. Revenue – supported by the acquisitions of Pragma and Coolwave – grew from £332.2m to £368.9m. This is an increase of 11%.

Sales of PhoneLine+ accelerated and the Horizon and iPECS bases continue to grow in line with historical performance. The cross-selling of additional modules for Horizon (such as call recording or collaboration) has been pleasing and our penetration rates continue to increase, which is important as this offsets any ARPU reductions on the sales of the core Horizon product.

Within Gamma Business sits our Service Provider business. This supports many of the world's leading Cloud Communication solution providers – 60% of Gartner's Magic Quadrant for UCaaS, CPaaS and CCaaS – by providing scalable and reliable voice communication services. In 2024 we carried in excess of 12 billion minutes of traffic for these providers.

*Gamma Enterprise*

Gamma Enterprise had a strong 2024, and revenues – supported by the acquisitions of Satisnet in August 2023 and BrightCloud in July 2024 – grew from £110.1m to £126.5m in 2024, an overall increase of 15%.

In the Enterprise space, for example, WM Morrisons awarded Gamma a five-year agreement to design, deploy and manage their entire estate of local and wide network infrastructure. Edmundson Electrical awarded us a multiyear contract to deploy a UCaaS solution across over 400 locations, and global share registrar Equiniti awarded Gamma, in partnership with AWS, a CX contract for their 1,400 worldwide agents. We were also awarded material contracts with AXA, Quilter, One Stop, Southern Water and Infinis.

In the Public Sector, Derbyshire County Council awarded Gamma a three-year agreement for the supply of a managed Microsoft Teams UCaaS solution for their 8,000 staff members, and the Isle of Wight Council also chose us for their Microsoft Teams voice enablement as did Framework Housing, The Royal Borough of Windsor and Maidenhead, University of Staffordshire and East Hampshire District Council.

Acquisitions made over the last two years also bring additional product capability and expertise to our Enterprise business unit and enabled cross- and up-sell as described above.

We have also recently acquired Allnet Solutions – a small acquisition which gives us a logistics capability. This means that we can now hold more spares in stock and quickly configure hardware ourselves, providing our Enterprise customers a better quality of service.

*Europe*

Europe continues to be a mixed picture with strong competition for Cloud PBX in Spain and the Netherlands, and macro-economic challenges in Germany. Our German business has fared better with both the Placetel acquisition and healthy organic growth. European revenue grew by 9% and gross profit growth was 21% on a constant currency basis.

As noted, market conditions in the Netherlands and Spain continue to be difficult. The Dutch market is already well-penetrated for Cloud PBX and in Spain the market is dominated by the MNOs (particularly Telefonica). Nonetheless, we see voice enablement (and particularly voice enablement of Microsoft Teams) as being a growth driver in the Netherlands and Spain over the medium-term. The market for Microsoft Teams is evolving and the existing players do not have a strong foothold.

In Spain we are also seeing interest from Channel Partners around the upcoming launch of the Cisco Collaboration Suite. We have had enquiries from a number of new partners with whom we do not currently work.

During 2024 we added 5,000 voice-enabled Microsoft Teams users across Europe, an increase of 56%. Whilst Microsoft Teams usage in Europe lags behind that of the UK, we are building a base of Operator Connect customers and we are now the leading supplier of Operator Connect in the Netherlands – albeit the market is very immature. We are starting to see traction in both Germany and Spain for the voice enablement of Microsoft Teams.

Our acquisitions of Placetel and STARFACE demonstrate that we are continuing to invest in Europe. We have a commitment to building a market leading European business with a particular focus on Germany where we believe that over time we can build a business of the same size and scale of our business in the UK.

**Main Market listing**

As previously communicated, the Board intends to move the Company onto the Main Market. Our plans for this move are progressing well. We expect to complete the move with admission to the Equity Shares (Commercial Companies) segment of the Official List and to trading on the Main Market of the London Stock Exchange ("Admission") on 2 May 2025 at which time the Group's listing on AIM is expected to be cancelled. Accordingly, the Group hereby gives notice of the intended cancellation of trading of its ordinary shares on AIM in accordance with Rule 41 of the AIM Rules for Companies.

Admission is subject to the approval by the FCA of a prospectus and the ordinary shares being admitted by the FCA to the Official List and by the London Stock Exchange to trading on the Main Market. Admission is not conditional upon shareholder approval. Shareholders should note that the Group's shares will no longer be traded on AIM with effect from Admission and should consult their own professional advisers regarding the consequences of Admission.

**ESG**

In early 2024, Gamma had its net-zero targets validated by the SBTi, a significant milestone in our ESG journey. To drive further carbon reduction in support of our targets, we have ensured that sustainability programmes have senior management sponsorship, including office consolidation, the removal of gas boilers and transition to an electric fleet – whereby we have recently completed a trial of an electric vehicle in our field engineering team. We are currently ahead of our original plan (set in 2020) to reduce our Scope 1 and 2 emissions by 90% by 2030.

We are delighted to share that we now have four students benefiting from our university scholarship scheme, studying STEM degrees at the University of Salford and Glasgow Caledonian University. We look forward to reporting on their success and the extension of the scheme in 2025 to further prospective students.

**Outlook**

Our experience was that the macro-economic picture for most of 2024 was slightly stronger than it had been in 2023 in the UK. We saw this weaken in the final quarter and we believe that 2025 may be weaker than 2024. If this is the case, as in previous periods of economic softness, we still expect satisfactory organic growth due to the strong growth drivers in our markets. In Germany, with our increased scale and capability following the recent acquisitions of STARFACE and Placetel, we expect significant medium- and long-term growth given we are well placed in this market as new technologies are adopted.

Notwithstanding the broader economic outlook, we believe that our enhanced product set will continue to drive growth as businesses across Europe look for more complex communication solutions to deal with recent trends in working patterns.

The communications market in Europe continues to grow and evolve. We have identified growth opportunities in both the UK and Europe, and in both SME and Enterprise (using both our own solutions and those of third parties).

We have a robust business model based on recurring revenue from solutions that are critical to the businesses which use them. Our continued profitability, strength in cash generation and the availability of liquidity leave us well placed to maximise the opportunity even in challenging macro-economic times.

I look forward to working with our customers, partners and colleagues for the benefit of all our stakeholders as we continue to grow the business over the coming years.

**Andrew Belshaw**

**Chief Executive Officer**

**Supplementary information on product volumes**

The table below shows the number of Cloud PBX seats in UK and Europe

| **Cloud PBX seats – UK & Europe (000's)** | **December 2024** | December 2023 | Change (%) |
|---|---|---|---|
| **UK** | **1,040** | 954 | +9% |
| **Europe** | **434** | 161 | +170% |
| *-- Of which is Germany* | ***311*** | *34* | *+815%* |
| *-- Of which is Rest of Europe* | ***123*** | *127* | *(3)%* |

The table below shows the increase in the number of SIP Trunks which provide voice enablement to various hardware PBXs and voice applications:

| **Voice Enablement – UK & Europe (000's)** | **December 2024** | December 2023 | Change (%) |
|---|---|---|---|
| SIP Trunks enabling traditional hardware PBX | | | |
| - UK | **932** | 1,019 | (9)% |
| - Europe | **206** | 198 | +4% |
| -- *Of which is Germany* | ***199*** | *191* | *+4%* |
| -- *Of which is Rest of Europe* | ***7*** | *7* | - |
| SIP Trunks enabling a non-Gamma Cloud PBX | | | |
| - UK | **481** | 398 | +21% |
| - Europe | **-** | - | - |
| Voice enabled Microsoft Teams users (either Operator Connect or Microsoft Teams Direct Routing) | | | |
| - UK | **467** | 429 | +9% |
| - Europe | **14** | 9 | +56% |

The table below shows the number of CCaaS seats:

| **CCaaS seats – UK & Europe (000's)** | **December 2024** | December 2023 | Change (%) |
|---|---|---|---|
| UK* | **45** | 30 | +50% |
| Europe | **5** | 4 | +25% |

**CCaaS seats for Horizon Contact users also take a "Base Horizon" seat (therefore 29,000 seats are separately disclosed within Cloud PBX seats).*

**Financial Review**

**Overview**

Gamma's financial performance has been strong, increasing revenue by 11% to £579.4m (2023: £521.7m) and gross profit by 12% to £300.3m (2023: £267.2m). Group Adjusted EBITDA increased by 10% to £125.5m (2023: £114.3m), profit before tax increased by 34% to £95.6m (2023: £71.5m) and Adjusted PBT increased by 14% to £111.9m (2023: £97.9m). EPS (fully diluted) increased to 72.0p (2023: 54.9p) whilst Adjusted EPS (fully diluted) increased by 13% (2023: 5%) to 85.1p (2023: 75.1p). Acquisitions have positively contributed to the Group's performance during the period. On an organic constant currency basis, revenue increased by 5%, gross profit by 6%, and Adjusted EBITDA by 6%.

In the reporting of financial information in this Financial review, the Group uses certain measures in addition to those reported under IFRS, under which the Group reports. These measures are known as Alternative Performance Measures ("APMs"). The Group believes that these additional measures, which are used internally, are useful to users of the financial information in helping them understand business performance. The Group does not consider these APMs to be a substitute for, or superior to, the equivalent measures calculated and presented in accordance with IFRS. These APMs are explained, defined and reconciled from the most comparable IFRS metric and used consistently period on period, other than the inclusion of Organic growth as a new APM in the current year. This has been included as a result of an increased number of acquisitions during 2023 and 2024 and the increased contribution of the European business to the Group.

**Revenue and gross profit**

**Gamma Business**

| | **2024**<br>**£m** | 2023<br>£m | Increase |
|---|---|---|---|
| Revenue | **368.9** | 332.2 | +11% |
| *-- Of which Service Provider* | ***76.3*** | *67.1* | *+14%* |
| Gross Profit | **194.7** | 176.1 | +11% |
| *-- Of which Service Provider* | ***36.3*** | *32.8* | *+11%* |
| Gross Margin | **52.8%** | 53.0% | |

Gamma Business' performance has remained strong. The acquisitions of Pragma and Coolwave have contributed £19.1m of revenue and £7.9m of gross profit on an inorganic basis in the year. Organic growth was 5% for revenue and 6% for gross profit. This has been driven by a combination of targeted price rises on legacy products and growth in our UCaaS portfolio, with increasing penetration rates of additional modules to our Horizon Cloud PBX solution, as well as increasing net additions on our internally developed PhoneLine+ solution. Service Provider, which is reported within Gamma Business and includes the Coolwave acquisition, contributed 21% of revenue (£76.3m) and 19% of gross profit (£36.3m) in Gamma Business. The Service Provider business provides carrier services such as hosting telephone numbers and connecting calls. Our customers are carriers who wish to run a service but do not have network capabilities. It saw strong growth in SIP trunks supporting non-Gamma Cloud PBX solutions, where our network capability supports the growth of large customers, including hyperscalers. Gross margin has remained broadly stable, which is in line with expectations. There was a slight decline as connectivity products migrate from higher-margin copper to lower-margin fibre solutions.

**Gamma Enterprise**

| | **2024**<br>**£m** | 2023<br>£m | Increase |
|---|---|---|---|
| Revenue | **126.5** | 110.1 | +15% |
| Gross Profit | **60.2** | 52.6 | +14% |
| Gross Margin | **47.6%** | 47.8% | |

Overall the growth in Gamma Enterprise has been very strong, driven by acquisitions coupled with solid underlying organic growth. The acquisitions of Satisnet, adding cyber product capabilities completed in August 2023, and CX company BrightCloud completed in July 2024, have contributed £9.7m (2023: £4.6m) of inorganic revenue and £4.4m (2023: £1.5m) of inorganic gross profit. On an organic basis, growth was 6% for revenue and 6% for gross profit, despite a degree of price pressure in the lower end of the Public

Sector, which is a relatively small part of our overall Public Sector business. On an organic basis Public Sector is approximately 30% of Gamma Enterprise's revenue and gross profit. Growth has been driven by several significant contract wins, including an SD-WAN, LAN, WiFi and security infrastructure for WM Morrison and a Fusion IoT solution for The AA, together with growth from existing customers and continued project rollouts. Other notable wins in the year include Quilter Cloud UCX, AXA UK SIP services and Edmundson Electrical UCaaS rollout in the Enterprise sector with Dorset NHS and Westminster City Council in the Public Sector. Additionally, there have been several large wins for our CX platform, SmartAgent, with Equiniti, and additional sales to JD Sports Fashion in the USA and Bourne Leisure in the UK.

**Europe**

| | **2024**<br>**£m** | 2023<br>£m | Increase |
|---|---|---|---|
| Revenue | **84.0** | 79.4 | +6% |
| *-- Of which Germany* | ***54.3*** | *47.4* | *+15%* |
| Gross Profit | **45.4** | 38.5 | +18% |
| *-- Of which Germany* | ***26.4*** | *19.3* | *+37%* |
| Gross Margin | **54.0%** | 48.5% | |

Europe's gross profit increased significantly, with healthy organic growth in Germany also enhanced by the acquisition of Placetel. The acquisition of Placetel, completed in September 2024, has contributed £7.4m of revenue and £6.0m of gross profit. European results were impacted by negative foreign exchange movements, with Pound Sterling having strengthened against the Euro compared to the prior year. On an organic constant currency basis, revenue was down 1%, with gross profit growth of 5%. European organic revenue has benefitted from growth in Cloud PBX and CCaaS, more than offset by declines in the traditional products (Broadband, Hardware and the mobile Epsilon business). Conditions in the Netherlands continue to be challenging where revenue has declined, with organic constant currency growth in Spain and Germany. Germany has seen continued organic growth in SIP and UCaaS seats. European gross margin was enhanced by the acquisition of Placetel and the improvement also reflects the renegotiation of Spanish network costs, where we have benefitted from Group purchasing power, and the product mix.

**Operating expenses**

Operating expenses grew from £200.2m in 2023 to £210.0m. We break these down as follows:

| | **2024**<br>**£m** | 2023<br>£m | Increase/<br>(Decrease) |
|---|---|---|---|
| Operating expenses excluding research and development costs, depreciation, amortisation and exceptional items | **156.5** | 135.6 | +15% |
| Research and development costs | **19.7** | 17.3 | +14% |
| Depreciation & amortisation (excluding business combinations) | **20.4** | 21.3 | (4)% |
| Amortisation arising due to business combinations | **13.4** | 10.0 | +34% |
| Exceptional items | **-** | 16.0 | nm |
| **Total operating expenses** | **210.0** | **200.2** | **+5%** |

Operating expenses excluding research and development costs, depreciation, amortisation and exceptional items increased by 15%, comprising the following:

- The UK businesses' operating expenses grew by 14% (compared to gross profit growth of 11%). On an organic basis operating expenses grew by 5% (compared to gross profit growth of 6%). This was primarily due to inflation and the incremental costs relating to the ongoing implementation of the new Finance ERP system and completion of the implementation of the Group-wide HR system, without which operating expenses grew by 4%.

- The increase in European operating expenses was 19% (compared to gross profit growth of 18%). On an organic basis operating expenses in Europe fell by 1% in Pounds Sterling, with a 2% increase on a constant currency basis (compared to gross profit growth of 5%).
- Central costs increased 21% (£2.1m) mainly due to professional fees related to acquisitions, including those not pursued, of £2.8m (2023: £0.9m). A net contingent consideration release of £1.3m (2023: £nil) related to the Satisnet and Pragma acquisitions reduced central costs, though this was partly offset by the recognition of foreign exchange losses on the Placetel deferred consideration of £0.8m (2023: £nil).

The decision to stop ongoing development of some of our own collaboration software temporarily lowered development spend capitalisation earlier in the year before we then moved resources onto new development projects which commenced later, such as the ongoing development of our new Channel Partner portal. As a result, research and development expense increased by 14% with a greater portion of developer time spent on non-capitalisable activity.

Depreciation and amortisation on tangible and intangible assets (excluding business combinations) decreased to £20.4m (2023: £21.3m) due to lower technology amortisation in 2024.

Amortisation arising due to business combinations increased to £13.4m (2023: £10.0m). This reflected an increased level of intangible assets following the acquisitions of Coolwave, BrightCloud and Placetel in the year, as well as the impact of a full year of amortisation on the Satisnet and Pragma intangible assets in 2024.

**Exceptional items**

There were no exceptional items in the year (2023: two).

The exceptional items in 2023 were the impairment of development cost intangible assets of £12.7m and restructuring costs of £3.3m.

**Adjusted EBITDA**

Adjusted EBITDA grew from £114.3m to £125.5m (10%) driven primarily by the revenue and gross profit growth across the Group. There were also a few items that together increased costs by £2.5m in 2024 which impacted Adjusted EBITDA. These comprised a £1.9m increase in professional fees on acquisitions, a £0.8m foreign exchange loss on Placetel deferred consideration and a reduced benefit from R&D tax credits of £1.1m; these were partly offset by a £1.3m net benefit from contingent consideration releases.

We incurred £1.4m of incremental costs relating to the ongoing implementation of the new Finance ERP system and completion of the implementation of the Group-wide HR system which are treated as other adjusting items for measuring Adjusted EBITDA. These implementation costs are recorded as other adjusting items as the anticipated total cost of c.£3.0m for the implementation across 2024 and 2025 is considered significant.

**Profit before tax and Adjusted PBT**

Profit before tax grew from £71.5m to £95.6m (34%) and Adjusted PBT grew from £97.9m to £111.9m (14%). This was driven primarily by the revenue and gross profit growth across the Group and profit before tax benefitted by the one-off impact of £16.0m of exceptional costs incurred in 2023. Both profit before tax and Adjusted PBT were similarly impacted by the items which impacted Adjusted EBITDA above, other than the system implementation costs which only impacts profit before tax.

**Taxation**

The effective tax rate for 2024 was 27% (2023: 25%). This increase follows the statutory UK rate rising from 19% to 25% in April 2023 which meant the UK statutory rate increased from 23.5% for the calendar year 2023, to 25% for the calendar year 2024. The effective tax rate in 2024 applied to trading profits was above the 25% statutory UK average rate due primarily to the professional fees related to acquisitions that were not deductible in determining taxable profit.

**Net cash and cash flows**

The Group had Net cash of £153.7m (2023: £134.8m). The Group had no borrowings at 31 December 2024 (2023: £1.7m), following a final repayment of the German mortgage of £1.5m (2023: £0.5m) during the year. Since year end the Group has agreed a £130m multicurrency Revolving Credit Facility to facilitate the STARFACE acquisition and to support the H1 2025 share buyback.

Cash generated by operations was £116.8m (2023: £123.5m). Adjusted cash generated by operations was £120.4m (2023: £123.7m), which reflects the cash impact of 2023 exceptional items on 2024

(£2.7m in respect of restructuring) and other adjusting items in 2024 (£0.9m in respect of system implementations). Adjusted cash conversion was 96% (2023: 108%).

The impact of working capital on the year has been negative primarily due to nonrepeatable working capital improvements in the prior year, with a year-on-year relative working capital outflow totalling £18.5m. This is primarily due to:

- A year-on-year outflow of £8.4m in relation to trade and other receivables and contract assets. In particular 2023 benefitted from the cash effect of unwinding some prepayments that year, relative to 2024.
- A year-on-year outflow of £6.9m in relation to trade and other payables. This outflow is mainly the result of the timing of VAT and payroll tax payments including an increase in quarterly payments in advance in the year.
- A year-on-year outflow of £6.0m in relation to provisions as amounts provided for the 2023 restructuring exercise, which occurred in late 2023, were paid out during 2024. As noted previously, Adjusted cash conversion is not impacted by this working capital outflow as the restructuring was treated as exceptional and is thus excluded.

Tax paid increased to £23.9m (2023: £15.3m). This reflects the increase in the UK average tax rate to 25% (2023: 23.5%) which is also applied to higher 2024 profits.

The primary cash items which are not directly related to trading were:

- £27.3m of treasury shares were purchased and paid in cash as part of the share buyback programme announced in March 2024 and which expired in September 2024 (2023: £nil).
- Capital spend was £19.2m, which is a decrease from £23.0m in 2023. This is discussed below.
- £17.3m was paid as dividends (2023: £15.2m).
- £15.4m was the total payment for acquisitions net of cash acquired (2023: £30.5m): £6.3m for the acquisition of Coolwave (net of cash acquired), £8.7m for the acquisition of BrightCloud (net of cash acquired), £1.7m of contingent consideration based on milestones achieved in 2023 as a final payment in relation to Mission Labs, £0.5m deferred consideration for NeoTel, £0.5m deferred consideration for Coolwave and £0.3m deferred consideration for Placetel, partly offset by a net cash receipt of £2.6m on the acquisition of Placetel.
- £7.1m (2023: £4.9m) of interest was received on cash and cash equivalents, increased during the year due to higher cash holdings.
- £1.8m was received from the issue of shares (2023: £1.9m) on the exercise of share options.

Gamma's Group treasury policy is governed by the Audit & Risk Committee. Gamma manages cash centrally and seeks to maximise value and return whilst balancing associated risks. The policy manages concentration risk by setting an appropriate limit on the amount that can be placed with any one institution, and manages credit risk by setting a minimum requirement around the credit rating of the financial Institution. Given 86% of Group revenue is generated from our UK business, all deposit balances are held with large established UK financial institutions. Cash in Europe is primarily held for working capital purposes and follows the credit rating requirements as set out above.

**Capital spend**

Capital spend in 2024 was £19.2m (2023: £23.0m) broken down as follows:

- £12.5m on the capitalisation of development costs incurred during the period (2023: £14.4m). The decrease followed our decision to stop ongoing development of some of our own collaboration software. This temporarily lowered development spend capitalisation, whilst increasing research and development expense, as we moved resources onto new development projects which commenced later in the year, such as the ongoing development of our new Channel Partner portal. In addition, the restructuring during 2023 reduced total research and development spend.
- £4.9m on the core network, including increasing capacity as well as computer equipment and fixtures and fittings (2023: £5.6m).
- £1.8m with third-party software vendors for the software which underpins our Cloud PBX products (2023: £3.0m).

### Adjusted EPS (fully diluted) and EPS (fully diluted)

Adjusted EPS (fully diluted) increased from 75.1p to 85.1p (13%), which compares to a 5% increase in 2023. The increase reflects the impact of strong Adjusted EBITDA growth and increased interest income. The increase in statutory UK corporation tax rate to 25% in April 2023 had a continued negative growth impact in 2024 of 2% since the increased tax rate was effective for the whole of the year. The share buyback had a positive impact of 1%.

EPS (fully diluted) increased from 54.9p to 72.0p (31%). The growth is higher than the adjusted metric due to the impact in the prior year of the exceptional cost of the capitalised development impairment and restructuring.

### Acquisitions

The acquisitions of Coolwave in February 2024, BrightCloud in July 2024 and Placetel in September 2024, along with completion of the fair value accounting for Pragma, were the primary drivers behind the £34.6m increase in intangible assets from £154.7m to £189.3m.

These acquisitions together created intangible asset additions of £40.9m which comprises £23.7m customer contracts intangibles, £3.8m brand intangibles, £6.0m of technology intangibles, £3.7m goodwill and £3.7m of capitalised development intangibles. The acquisition of Placetel also led to the recognition of an additional £16.0m of deferred consideration in the year which will be paid over five years.

### Share buyback

In total 1,910,596 ordinary shares were acquired by the Company for an aggregate £27.3m over the course of the share buyback and held as treasury shares. This represented approximately 2% of the Company's ordinary share capital at commencement of the buyback. This resulted in a charge being recorded in Other Reserves of £27.3m which was partially offset by £3.3m in respect of 186,946 treasury shares, which were subsequently used to settle exercised share options. This was the primary reason Other Reserves reduced by £25.1m from £6.9m to (£18.2m).

### Financing

In January 2025, the Group agreed the acquisition of SF Technologies Holdings GmbH ("STARFACE"), with the acquisition completing on 19 February 2025. To facilitate this acquisition in January 2025 the Group agreed a new three-year £130m multicurrency Revolving Credit Facility. £30m was drawn down in February 2025 to fund the acquisition of STARFACE.

### Capital allocation policy

Gamma has a strong balance sheet and continues to generate significant operating cash flow with liquidity maintained through its £130m multicurrency Revolving Credit Facility. The Board's main priorities when it comes to our cash is to enhance the growth of the business, both organically and through acquisition, and to reward shareholders through growth in earnings alongside our progressive dividend policy whilst retaining a robust capital base.

After applying the Board's capital allocation framework we are announcing a share buyback programme of up to £50m commencing today until the end of June 2025, subject to reapproval of the relevant share purchase authorities at the 2025 AGM.

The Board will continue to keep its capital allocation policy and potential further distributions to shareholders, including share buybacks, under review, balancing opportunities for investment in organic and inorganic growth and liquidity.

### Dividends

The Board is proposing a final dividend of 13.0p (2023: 11.4p). This is an increase of 14% and is in line with our progressive dividend policy.

Subject to shareholder approval, the final dividend is payable on 19 June 2025 to shareholders on the register on 30 May 2025.

**Going concern**

In assessing going concern, management and the Board have considered:

- The principal risks faced by the Group.
- The financial position of the Group following the €201.6m (£168.7m) acquisition of STARFACE in February 2025 and the arrangement of a £130m three-year multicurrency Revolving Credit Facility in January 2025. As at 28 February 2025 the Group had cash balances of £47.2m and borrowings of £30.0m with the remaining £100.0m of the Revolving Credit Facility undrawn providing total liquidity of £147.2m.
- Budgets, financial plans and associated future cash flows which incorporate the acquisition of STARFACE, and the share buyback programme of up to £50m to be executed in H1 2025 including liquidity, borrowings and covenants.
- Sensitivity analysis assessing the impact of severe but plausible scenarios on the going concern assessment period. This analysis confirmed that the existing projected cash flows and current borrowing arrangements provide the Group with significant liquidity over the going concern period.

The Directors are satisfied that the Group and Company have adequate financial resources to continue in operational existence for the foreseeable future, being a period of at least 12 months from the date of this report. Accordingly, the going concern basis of accounting continues to be used in the preparation of the Annual Report for the year ended 31 December 2024.

**Bill Castell**
**Chief Financial Officer**

**Condensed consolidated statement of profit or loss**
For the year ended 31 December 2024

| | Note | 2024 £m | 2023 £m |
|---|---|---|---|
| **Revenue** | 3 | **579.4** | 521.7 |
| Cost of sales | | **(279.1)** | (254.5) |
| **Gross profit** | | **300.3** | 267.2 |
| Operating expenses | | **(210.0)** | (200.2) |
| *Of which exceptional items* | 4 | - | *(16.0)* |
| **Profit from operations** | | **90.3** | 67.0 |
| Finance income | | **7.1** | 5.4 |
| Finance expense | | **(1.8)** | (0.9) |
| **Profit before tax** | | **95.6** | 71.5 |
| Tax expense | 5 | **(25.8)** | (17.8) |
| **Profit after tax** | | **69.8** | 53.7 |
| | | | |
| **Profit attributable to:** | | | |
| Equity holders of Gamma Communications plc | | **69.8** | 53.6 |
| Non-controlling interests | | **-** | 0.1 |
| | | **69.8** | 53.7 |
| | | | |
| **Earnings per share attributable to the ordinary equity holders of the Company:** | | | |
| Basic per Ordinary Share (pence) | 6 | **72.3** | 55.2 |
| Diluted per Ordinary Share (pence) | 6 | **72.0** | 54.9 |

Adjusted earnings per share is shown in note 6.

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

**Condensed consolidated statement of comprehensive income**
For the year ended 31 December 2024

| | 2024 £m | 2023 £m |
|---|---|---|
| **Profit after tax for the period** | **69.8** | 53.7 |
| | | |
| **Other comprehensive income/(expense)** | | |
| *Items that may be reclassified subsequently to the statement of profit or loss:* | | |
| Exchange differences on translation of foreign operations before tax | **(1.9)** | (0.9) |
| Tax effect of exchange differences on translation of foreign operations | **0.6** | 0.3 |
| **Total comprehensive income** | **68.5** | 5.1 |
| | | |
| **Total comprehensive income for the period attributable to:** | | |
| Equity holders of Gamma Communications plc | **68.5** | 53.0 |
| Non-controlling interests | **-** | 0.1 |
| | **68.5** | 53.1 |

## Condensed consolidated statement of financial position
As at 31 December 2024

| | Note | **2024** **£m** | 2023* £m |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 8 | **33.6** | 38.4 |
| Intangible assets | 9 | **189.3** | 154.7 |
| Deferred tax asset | | **8.6** | 6.5 |
| Trade and other receivables | | **8.7** | 11.8 |
| Contract assets | | **6.7** | 2.9 |
| | | **246.9** | 214.3 |
| **Current assets** | | | |
| Inventories | | **10.0** | 11.8 |
| Trade and other receivables | | **80.4** | 76.1 |
| Contract assets | | **35.0** | 32.5 |
| Cash and cash equivalents | | **153.7** | 136.5 |
| Current tax asset | | **2.0** | 3.6 |
| | | **281.1** | 260.5 |
| **Total assets** | | **528.0** | 474.8 |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Other payables | | **0.1** | 0.1 |
| Financial liabilities | | **5.9** | 8.4 |
| Provisions | | **1.4** | 1.7 |
| Contract liabilities | | **13.3** | 12.1 |
| Acquisition-related liabilities | 10 | **22.0** | 8.8 |
| Deferred tax liability | | **17.6** | 10.4 |
| | | **60.3** | 41.5 |
| **Current liabilities** | | | |
| Trade and other payables | | **68.4** | 65.5 |
| Financial liabilities | | **2.0** | 3.3 |
| Provisions | | **0.9** | 3.4 |
| Contract liabilities | | **18.5** | 14.1 |
| Acquisition-related liabilities | 10 | **4.5** | 2.7 |
| Current tax liability | | **0.7** | 0.1 |
| | | **95.0** | 89.1 |
| **Total liabilities** | | **155.3** | 130.6 |
| **Net assets** | | **372.7** | 344.2 |
| **Equity** | | | |
| Share capital | 11 | **0.2** | 0.2 |
| Share premium reserve | | **23.3** | 22.9 |
| Other reserves | 12 | **(18.2)** | 6.9 |
| Retained earnings | | **368.3** | 315.1 |
| **Equity attributable to owners of Gamma Communications plc** | | **373.6** | 345.1 |
| Non-controlling interests | | **0.2** | 0.2 |
| Written put options over non-controlling interests | | **(1.1)** | (1.1) |
| **Total equity** | | **372.7** | 344.2 |

* For re-presentation of comparatives refer to note 1, section Consolidated statement of financial position.

## Condensed consolidated statement of cash flows

For the year ended 31 December 2024

| | Note | **2024** **£m** | 2023 £m |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit for the period before tax | | **95.6** | 71.5 |
| *Adjustments for:* | | | |
| Depreciation of property, plant and equipment | 8 | **9.3** | 9.3 |
| Depreciation of right-of-use assets | | **2.4** | 2.3 |
| Amortisation of intangible assets | 9 | **22.1** | 19.7 |
| Impairment of intangible assets | | **-** | 12.7 |
| Other change in fair value of contingent consideration/put option liability | | **(1.3)** | - |
| Share-based payment expense | | **2.7** | 2.7 |
| Interest income | | **(7.1)** | (5.4) |
| Finance expense | | **1.8** | 0.9 |
| | | **125.5** | 113.7 |
| (Increase)/decrease in trade and other receivables and contract assets | | **(1.7)** | 6.7 |
| (Increase) in inventories | | **(1.7)** | (1.0) |
| (Decrease)/increase in trade and other payables | | **(4.8)** | 2.1 |
| Increase/(decrease) in contract liabilities | | **2.0** | (1.5) |
| (Decrease)/increase in provisions | | **(2.5)** | 3.5 |
| **Cash generated by operations** | | **116.8** | 123.5 |
| Taxes paid | | **(23.9)** | (15.3) |
| **Net cash flows from operating activities** | | **92.9** | 108.2 |
| **Investing activities** | | | |
| Purchase of property, plant and equipment | 8 | **(4.9)** | (5.6) |
| Purchase of intangible assets | 9 | **(14.3)** | (17.4) |
| Interest received | | **7.1** | 4.9 |
| Acquisition of subsidiaries net of cash acquired | 13 | **(15.4)** | (22.8) |
| **Net cash used in investing activities** | | **(27.5)** | (40.9) |
| **Financing activities** | | | |
| Lease liability repayments | | **(3.3)** | (2.3) |
| Put option liability payment | | **-** | (1.3) |
| Repayment of borrowings | | **(1.5)** | (0.5) |
| Repayment of borrowings acquired with acquisitions | | **-** | (7.7) |
| Interest paid | | **-** | (0.1) |
| Share issues | | **1.8** | 1.9 |
| Purchase of treasury shares | | **(27.3)** | - |
| Dividends | | **(17.3)** | (15.2) |
| **Net cash used in financing activities** | | **(47.6)** | (25.2) |
| **Net increase in cash and cash equivalents** | | **17.8** | 42.1 |
| Cash and cash equivalents at beginning of period | | **136.5** | 94.6 |
| Effects of exchange rate changes on cash and cash equivalents | | **(0.6)** | (0.2) |
| **Cash and cash equivalents at end of period** | | **153.7** | 136.5 |

**Condensed consolidated statement of changes in equity**
For the year ended 31 December 2024

| | Share capital | Share premium reserve | Other reserves | Retained earnings | **Total** | Non-controlling interests | Written put options over non-controlling interests | **Total equity** |
|---|---|---|---|---|---|---|---|---|
| | £m | £m | £m | £m | **£m** | £m | £m | **£m** |
| 1 January 2023 | **0.2** | **18.0** | **9.0** | **273.9** | **301.1** | **0.8** | **(2.2)** | **299.7** |
| Issue of shares | – | 4.9 | (4.2) | 4.2 | 4.9 | – | – | 4.9 |
| Share-based payment expense | – | – | 2.7 | – | 2.7 | – | – | 2.7 |
| Tax on share-based payment expense: | | | | | | | | |
| Deferred tax | – | – | – | (0.1) | (0.1) | – | – | (0.1) |
| Non-controlling interests on acquisition of subsidiary | – | – | – | 0.9 | 0.9 | (0.7) | – | 0.2 |
| Equity put rights | – | – | – | (2.2) | (2.2) | – | 1.1 | (1.1) |
| Dividend paid | – | – | – | (15.2) | (15.2) | – | – | (15.2) |
| **Transactions with owners** | – | 4.9 | (1.5) | (12.4) | (9.0) | (0.7) | 1.1 | (8.6) |
| Profit for the year | – | – | – | 53.6 | 53.6 | 0.1 | – | 53.7 |
| Other comprehensive (expense) | – | – | (0.6) | – | (0.6) | – | – | (0.6) |
| **Total comprehensive (expense)/income** | – | – | (0.6) | 53.6 | 53.0 | 0.1 | – | 53.1 |
| 1 January 2024 | **0.2** | **22.9** | **6.9** | **315.1** | **345.1** | **0.2** | **(1.1)** | **344.2** |
| Issue or reissue of shares | – | 0.4 | (2.0) | 2.0 | 0.4 | – | – | 0.4 |
| Share-based payment expense | – | – | 2.2 | – | 2.2 | – | – | 2.2 |
| Tax on share-based payment expense: | | | | | | | | |
| Deferred tax | – | – | – | 0.9 | 0.9 | – | – | 0.9 |
| Share buyback[1] | – | – | (27.3) | – | (27.3) | – | – | (27.3) |
| Treasury share allocations[2] | – | – | 3.3 | (2.2) | 1.1 | – | – | 1.1 |
| Dividend paid | – | – | – | (17.3) | (17.3) | – | – | (17.3) |
| **Transactions with owners** | – | 0.4 | (23.8) | (16.6) | (40.0) | – | – | (40.0) |
| Profit for the period | – | – | – | 69.8 | 69.8 | – | – | 69.8 |
| Other comprehensive expense | – | – | (1.3) | – | (1.3) | – | – | (1.3) |
| **Total comprehensive income/(expense)** | **-** | **-** | **(1.3)** | **69.8** | **68.5** | – | – | **68.5** |
| **31 December 2024** | **0.2** | **23.3** | **(18.2)** | **368.3** | **373.6** | **0.2** | **(1.1)** | **372.7** |

[1] Represents the shares purchased under the share buyback programme which completed in September 2024.

[2] Treasury share allocations relates to treasury shares which have been used to satisfy share options and other employee share plans.

**Notes to the interim financial information**
For the year ended 31 December 2024

## 1. Basis of preparation

The preliminary results for the year ended 31 December 2024 are an abridged statement of the full Annual Report which was approved by the Board of Directors on 24 March 2025. The consolidated financial statements in the full Annual Report are prepared in accordance with UK-adopted International Financial Reporting Standards ("IFRS"), with IFRS as issued by the International Accounting Standards Board ("IASB") and with the requirements of the Companies Act 2006. The financial statements are prepared on a going concern basis and have been prepared on a historical cost basis, except for certain financial instruments which have been measured at fair value.

The financial information contained in this statement does not constitute statutory financial statements within the meaning of the Companies Act 2006. They are an extract from the full accounts for the year ended 31 December 2024 on which the auditor has expressed an unqualified opinion and do not include any statement under section 498 of the Companies Act 2006. The Group's statutory consolidated financial statements for the year ended 31 December 2024 will be available on the Gamma Communications plc website in due course, will be posted to shareholders prior to the AGM, and subsequently filed at Companies House.

The financial information included in this preliminary announcement does not itself contain sufficient information to comply with IFRS. The annual report and audited financial statements for the year ended 31 December 2024 will be made available on the Group's website in April 2025.

The financial statements are presented in Pounds Sterling and, unless otherwise stated, have been rounded to the nearest 0.1 million (£m). The consolidated financial statements have been prepared on a going concern basis under the historical cost convention, except for certain financial instruments which have been measured at fair value.

The accounting policies adopted are consistent with those followed in the preparation of the audited statutory consolidated financial statements for the year ended 31 December 2024.

A full set of the audited statutory accounts will be available in due course at: www.gammagroup.co/company/investors/results-presentations/

The new standards, amendments and interpretations applied for the first time are shown below. There were no new standards, amendments or interpretations applied for the first time which had a material impact on the condensed consolidated financial statements.

- Amendment to IAS 1– Classification of Liabilities as Current or Non-current
- Amendment to IAS 7 and IFRS 7 – Supplier Finance Arrangements
- Amendments to IFRS 16 Leases – Lease Liability in a Sale and Leaseback.

### Consolidated statement of financial position

The Group has revised the presentation of the Consolidated statement of financial position to combine line items presented separately in previous years. As previously disclosed in our unaudited results for the six months ended 30 June 2024, property, plant and equipment now comprises property, plant and equipment and right-of-use assets previously presented separately, and financial liabilities now comprises borrowings and lease liabilities previously presented separately. In addition, the Group has presented a new combined liability called acquisition-related liabilities following recent acquisitions and the similar nature of the line items. This comprises contingent consideration and put option liability, previously presented separately, and deferred consideration, previously included within trade and other payables. The revised presentations are considered to be simpler to the users of the accounts. The comparatives have been re-presented to be consistent with the revised presentation format. The revisions have no impact on the Consolidated statement of profit or loss or cash flows or total liabilities, assets or net assets.

## 2. Accounting policies, judgements and estimates

### Accounting policies

The accounting policies adopted are consistent with those followed in the preparation of the audited statutory financial statements for the year ended 31 December 2023 other than for the new amendments applied for the first time as outlined in note 1 and which did not have a material impact on the condensed consolidated financial statements. As a result of the share buyback which commenced in this period and the acquisition of certain technology rights as part of the Coolwave acquisition in the period, the Group has now additionally disclosed its Treasury shares and Intangible Technology assets accounting policies below.

*Treasury shares*

Treasury shares represent shares repurchased and available for specific and limited purposes. The cost of treasury shares subsequently used to satisfy share options, sold or reissued is calculated on a weighted-average basis. Consideration, if any, received for the sale of such shares is also recognised in equity. No gain or loss is recognised in the Consolidated statement of profit or loss on the purchase, sale, reissue, or cancellation of treasury shares. Shares repurchased which are immediately cancelled are not shown as treasury shares within the share reserve but are shown as a deduction from equity within retained earnings.

*Intangible Technology assets*

Technology comprises licences purchased from third parties, which are recognised at cost, and rights over network interface identifications either purchased from third parties, which are recognised at cost, or acquired through business combinations, which are recognised at fair value at the acquisition date.

Amortisation is provided over the useful economic life assigned, up to seven years. Amortisation is charged to the Consolidated statement of profit or loss through operating expenses on a straight-line basis over the useful life from the date the asset is available for use. The useful lives are reviewed annually and amended, as required, on a prospective basis.

**Critical accounting estimates and judgements**

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

**Critical accounting judgements**

Critical judgements, apart from those involving estimations, applied in the preparation of the consolidated financial statements are discussed below:

**Revenue recognition**

Revenue recognition on contracts may involve providing services over multiple years and involving a number of products. In such instances, judgement is required to identify the date of transaction of separable elements of the contract and the fair values which are assigned to each element. For more information on the Group's revenue recognition policy please see note 1, Accounting policies.

**Placetel deferred consideration**

In September 2024, the Group acquired Placetel from Cisco. Concurrently with this acquisition, the Group also agreed a five-year $51.5m (£38.8m at the acquisition date) minimum purchase agreement for Webex cloud licences with Cisco. These transactions were therefore considered linked. Judgement is required to determine what amount of the $51.5m payable to Cisco should be deemed deferred consideration and not part of the minimum purchase commitment. Detail regarding the determination of the fair value of the Placetel deferred consideration is provided in note 13, Business combinations.

**Key accounting estimates**

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

### 3. Segment information

The Group's main operating segments are outlined below:

- Gamma Business – This division sells Gamma's products to smaller businesses in the UK, typically with fewer than 250 employees. This division sells through different routes including the channel, direct, digital and other carriers who sell to smaller businesses in the UK. It contributed 64% (2023: 64%) of the Group's external revenue.
- Gamma Enterprise – This division sells Gamma's products to larger businesses in the UK, typically to those with more than 250 employees. Larger organisations have more complex needs, so this division sells Gamma's and other suppliers' products to Enterprise and Public Sector customers, together with an associated managed service wrap and ordinarily sells directly. It contributed 22% (2023: 21%) of the Group's external revenue.
- Europe – This division consists of sales made in Europe through Gamma's German, Spanish and Dutch businesses. It contributed 14% (2023: 15%) of the Group's external revenue.
- Central functions – This comprises the central management team and wider Group costs.

*Measurement of operating segment profit or loss, assets and liabilities*

The accounting policies of the reportable segments are the same as those described in the summary of material accounting policies. The Board and Executive Committee evaluate performance on the basis of Adjusted EBITDA (see APM section). Inter-segment sales are priced in line with sales to external customers, with an appropriate discount being applied to encourage use of Group resources. This policy was applied consistently throughout the current and prior year.

| **2024** | Gamma Business £m | Gamma Enterprise £m | European £m | Central functions £m | Total £m |
|---|---|---|---|---|---|
| Segment revenue | **394.2** | **127.6** | **84.3** | **-** | **606.1** |
| *Inter-segment revenue* | ***(25.3)*** | ***(1.1)*** | ***(0.3)*** | ***-*** | ***(26.7)*** |
| **Revenue from external customers** | **368.9** | **126.5** | **84.0** | **-** | **579.4** |
| *Timing of revenue recognition* | | | | | |
| At a point in time | **22.9** | **12.5** | **27.4** | **-** | **62.8** |
| Over time | **346.0** | **114.0** | **56.6** | **-** | **516.6** |
| | **368.9** | **126.5** | **84.0** | **-** | **579.4** |
| **Total gross profit** | **194.7** | **60.2** | **45.4** | **-** | **300.3** |
| **Adjusted EBITDA** | **95.0** | **31.4** | **11.8** | **(12.7)** | **125.5** |
| Exceptional items | **-** | **-** | **-** | **-** | **-** |
| Other adjusting items | **(1.4)** | **-** | **-** | **-** | **(1.4)** |
| **EBITDA** | **93.6** | **31.4** | **11.8** | **(12.7)** | **124.1** |

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

| 2023 | Gamma Business £m | Gamma Enterprise £m | European £m | Central functions £m | Total £m |
|---|---|---|---|---|---|
| Segment revenue | 353.9 | 110.6 | 79.5 | – | **544.0** |
| *Inter-segment revenue* | *(21.7)* | *(0.5)* | *(0.1)* | – | ***(22.3)*** |
| **Revenue from external customers** | 332.2 | 110.1 | 79.4 | – | **521.7** |
| *Timing of revenue recognition* | | | | | |
| At a point in time | 19.3 | 9.2 | 30.4 | – | **58.9** |
| Over time | 312.9 | 100.9 | 49.0 | – | **462.8** |
| | 332.2 | 110.1 | 79.4 | – | **521.7** |
| **Total gross profit** | 176.1 | 52.6 | 38.5 | – | **267.2** |
| **Adjusted EBITDA** | 85.0 | 29.6 | 10.2 | (10.5) | **114.3** |
| Exceptional items | (14.7) | (0.2) | (1.0) | (0.1) | **(16.0)** |
| Other adjusting items | – | – | – | – | **–** |
| **EBITDA** | 70.3 | 29.4 | 9.2 | (10.6) | **98.3** |

A reconciliation of Adjusted EBITDA, the Group's measure of Segment profit, to the Group's profit before tax for the period is shown in the APM section.

*Geographic segmentation*

The UK is the Group and Company's country of domicile and is where most revenue is generated, which is from external UK customers. The geographic analysis of revenue presented below is based on the country in which the customer is invoiced.

The Group's revenue from external customers by geographical location is detailed below:

| | **2024 £m** | 2023 £m |
|---|---|---|
| UK | **458.9** | 413.8 |
| Europe | **114.0** | 107.9 |
| Rest of world[1] | **6.5** | - |
| Total | **579.4** | 521.7 |

[1] Amounts for the rest of the world were immaterial in the prior year and included in Europe.

The geographic analysis of non-current assets, which excludes deferred tax assets and financial instruments, is based on the location of the assets, are detailed below:

| | **2024 £m** | 2023 £m |
|---|---|---|
| UK | **141.3** | 131.8 |
| Europe | **92.8** | 76.0 |
| Total | **234.1** | 207.8 |

*Product segmentation*

| | **2024**<br>**£m** | 2023<br>£m |
|---|---|---|
| **Revenue recognised over time (recurring revenue)** | | |
| Voice and data traffic | **109.2** | 101.5 |
| Subscriptions and rentals | **403.2** | 357.4 |
| Installation fees and other | **4.2** | 3.9 |
| **Total recognised over time (recurring revenue)** | **516.6** | 462.8 |
| **Revenue recognised at a point in time** | | |
| Equipment sales | **31.1** | 24.3 |
| Commissions | **25.7** | 26.3 |
| Installation fees and other (at a point in time) | **6.0** | 8.3 |
| **Total recognised at a point in time** | **62.8** | 58.9 |
| **Total revenue** | **579.4** | 521.7 |

## 4. Exceptional items

| | **2024**<br>**£m** | 2023<br>£m |
|---|---|---|
| Impairment of intangible development costs | **-** | 12.7 |
| Restructuring costs | **-** | 3.3 |
| Total exceptional items | **-** | 16.0 |
| Tax effect of exceptional items | **-** | (3.9) |

No exceptional costs have been recorded in the current year. In the prior year an impairment of intangible development costs totalling £12.7m was recorded related the ceasing of ongoing development of certain collaboration software. In addition, the prior year included restructuring costs related to severance of £3.3m, following non-recurring organisational changes related to the expanded UCaaS offering and the combining of the German and Dutch senior leadership team.

The total cash cost of exceptional items in the year was £2.7m (2023: £0.2m) and related to the exceptional items expensed in 2023.

## 5. Taxation on profit on ordinary activities

| | **2024 £m** | 2023 £m |
|---|---|---|
| **Current tax expense** | | |
| Current tax on UK profits for the year | **26.4** | 18.9 |
| Overseas current tax charge | **1.5** | 1.1 |
| Adjustment in respect of prior year | **1.0** | 1.7 |
| **Total current tax** | **28.9** | 21.7 |
| Deferred tax expense | | |
| Origination and reversal of temporary differences | **(2.1)** | (2.3) |
| Adjustment in respect of prior years | **(1.0)** | (1.6) |
| **Total deferred tax** | **(3.1)** | (3.9) |
| **Total tax expense** | **25.8** | 17.8 |

The tax charge for 2024 is higher (2023: higher) than the standard rate of corporation tax in the United Kingdom of 25% (2023: 23.5%). The differences are explained below:

| | **2024 £m** | 2023 £m |
|---|---|---|
| Profit before tax | **95.6** | 71.5 |
| Expected tax charge based on the standard blended rate of United Kingdom corporation tax at the domestic rate of 25% (2023: 23.5%) | **23.9** | 16.8 |
| Effects of: | | |
| Tax effect of expenses that are not deductible in determining taxable profit | **2.2** | 0.8 |
| Effect of different tax rates of subsidiaries operating in other jurisdictions | **-** | (0.1) |
| Other tax items | **(0.3)** | 0.2 |
| Adjustment in respect of prior years | **-** | 0.1 |
| **Total tax expense** | **25.8** | 17.8 |

### 6. Earnings per share

| | **2024** | 2023 |
|---|---|---|
| **Earnings per Ordinary Share – basic (pence)** | **72.3** | 55.2 |
| **Earnings per Ordinary Share – diluted (pence)** | **72.0** | 54.9 |

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

| | **2024** | 2023 |
|---|---|---|
| | **£m** | £m |
| Profit after tax attributable to equity holders of the Company | **69.8** | 53.6 |
| **Shares** | **No.** | No. |
| Basic weighted average number of Ordinary Shares | **96,573,811** | 97,088,798 |
| Effect of dilution resulting from share options | **408,717** | 606,553 |
| **Diluted weighted average number of Ordinary Shares** | **96,982,528** | 97,695,351 |

Adjusted earnings per share is detailed below:

| | **2024** | 2023 |
|---|---|---|
| Adjusted earnings per Ordinary Share – diluted (pence) | **85.1** | 75.1 |

### 7. Dividends

| | **2024 £m** | 2023 £m |
|---|---|---|
| Final dividend for the year ended 31 December 2022 of 10.0p per ordinary share | **–** | 9.7 |
| Interim dividend for the year ended 31 December 2023 of 5.7p per ordinary share | **–** | 5.5 |
| Final dividend for the year ended 31 December 2023 of 11.4p per ordinary share | **11.1** | - |
| Interim dividend for the year ended 31 December 2024 of 6.5p per ordinary share | **6.2** | - |
| | **17.3** | 15.2 |

A final dividend of 13.0p will be proposed at the 2025 Annual General Meeting but has not been recognised as it requires shareholder approval. The total amount of dividends proposed for the year ended 31 December 2024 is 19.5p. The payments of these dividends do not have any tax consequences for the Group.

## 8. Property, plant and equipment

| | 2024 £m | 2023 £m* |
|---|---|---|
| Owned property, plant and equipment | **27.0** | **30.5** |
| Leased right-of-use assets | **6.6** | **7.9** |
| **Total Property, plant and equipment** | **33.6** | **38.4** |

* See note 1, section Consolidated statement of financial position.

Owned property, plant and equipment is broken down as follows:

| | Land and building £m | Network assets £m | Computer equipment £m | Fixtures and fittings £m | Total £m |
|---|---|---|---|---|---|
| **2024** | | | | | |
| **Cost** | | | | | |
| At 1 January 2024 | 4.6 | 68.4 | 14.4 | 2.9 | 90.3 |
| Additions | - | 2.5 | 1.4 | 1.0 | 4.9 |
| Acquisition of subsidiaries | - | 0.1 | 1.0 | - | 1.1 |
| Disposals | - | (0.2) | (0.2) | - | (0.4) |
| Exchange differences | (0.2) | (0.1) | (0.1) | - | (0.4) |
| **At 31 December 2024** | **4.4** | **70.7** | **16.5** | **3.9** | **95.5** |
| | | | | | |
| **Depreciation** | | | | | |
| At 1 January 2024 | 0.6 | 45.6 | 11.7 | 1.9 | 59.8 |
| Charge for the period | 0.2 | 6.9 | 1.8 | 0.4 | 9.3 |
| Disposals | - | (0.2) | (0.2) | - | (0.4) |
| Exchange differences | - | (0.1) | (0.1) | - | (0.2) |
| **At 31 December 2024** | **0.8** | **52.2** | **13.2** | **2.3** | **68.5** |
| | | | | | |
| **Net book value** | | | | | |
| At 1 January 2024 | 4.0 | 22.8 | 2.7 | 1.0 | 30.5 |
| **At 31 December 2024** | **3.6** | **18.5** | **3.3** | **1.6** | **27.0** |

| | Land and building £m | Network assets £m | Computer equipment £m | Fixtures and fittings £m | Total £m |
|---|---|---|---|---|---|
| **2023** | | | | | |
| **Cost** | | | | | |
| At 1 January 2023 | 4.7 | 67.4 | 13.5 | 2.8 | 88.4 |
| Additions | – | 3.9 | 1.6 | 0.1 | 5.6 |
| Acquisition of subsidiaries | – | – | – | 0.1 | 0.1 |
| Disposals | – | (3.1) | (0.8) | (0.2) | (4.1) |
| Exchange differences | (0.1) | 0.2 | 0.1 | 0.1 | 0.3 |
| **At 31 December 2023** | **4.6** | **68.4** | **14.4** | **2.9** | **90.3** |
| | | | | | |
| **Depreciation** | | | | | |
| At 1 January 2023 | 0.3 | 41.8 | 10.7 | 1.8 | 54.6 |
| Charge for the period | 0.2 | 6.9 | 1.8 | 0.4 | 9.3 |
| Disposals | – | (3.1) | (0.8) | (0.2) | (4.1) |
| Exchange differences | 0.1 | – | – | (0.1) | – |
| **At 31 December 2023** | **0.6** | **45.6** | **11.7** | **1.9** | **59.8** |
| | | | | | |
| **Net book value** | | | | | |
| At 1 January 2023 | 4.4 | 25.6 | 2.8 | 1.0 | 33.8 |
| **At 31 December 2023** | **4.0** | **22.8** | **2.7** | **1.0** | **30.5** |

## 9. Intangible assets

| | Goodwill | Customer contracts | Brand | Development costs | Technology[2] | Total |
|---|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m | £m |
| **2024** | | | | | | |
| **Cost** | | | | | | |
| At 1 January 2024 | 133.2 | 56.7 | 2.2 | 52.3 | 24.4 | 268.8 |
| Additions | - | - | - | 12.5 | 1.8 | 14.3 |
| Acquisition of subsidiaries | 15.1 | 10.0 | 2.0 | 3.7 | 6.0 | 36.8 |
| Reclassifications[1] | (11.4) | 13.7 | 1.8 | - | 3.5 | 7.6 |
| Disposals | - | - | - | (0.2) | - | (0.2) |
| Exchange differences | (1.9) | (1.8) | (0.1) | (0.5) | (0.2) | (4.5) |
| **At 31 December 2024** | **135.0** | **78.6** | **5.9** | **67.8** | **35.5** | **322.8** |
| **Amortisation** | | | | | | |
| At 1 January 2024 | 20.5 | 37.4 | 1.1 | 33.2 | 21.9 | 114.1 |
| Charge for the period | - | 10.2 | 0.7 | 8.3 | 2.9 | 22.1 |
| Disposals | - | - | - | (0.2) | - | (0.2) |
| Exchange Differences | (0.7) | (1.3) | - | (0.4) | (0.1) | (2.5) |
| **At 31 December 2024** | **19.8** | **46.3** | **1.8** | **40.9** | **24.7** | **133.5** |
| **Net book value** | | | | | | |
| At 1 January 2024 | 112.7 | 19.3 | 1.1 | 19.1 | 2.5 | 154.7 |
| **At 31 December 2024** | **115.2** | **32.3** | **4.1** | **26.9** | **10.8** | **189.3** |

[1] In 2024 we reclassified the balances between goodwill, customer contracts and brand as a result of the finalisation of the fair value accounting for the Pragma acquisition, refer to note 13. The other reclassification amount of £3.5m in 2024 relates to technology intangible assets as they now better align with other similar transactions. In 2023, £3.5m of these assets were included within inventory. Inventory movements within the consolidated statement of cash flows related to the technology intangible assets during 2023 have not been represented as they are immaterial.

[2] The acquisition of Coolwave and the reclassification noted above mean that the Group now holds non-software type technology assets. We have chosen to combine these with the previously presented category of Software intangibles in a new category called Technology, due to the similar nature of the underlying rights.

| | Goodwill | Customer contracts | Brand | Development costs | Technology[1] | Total |
|---|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m | £m |
| **2023** | | | | | | |
| **Cost** | | | | | | |
| At 1 January 2023 | 97.5 | 50.9 | 1.4 | 40.4 | 19.3 | 209.5 |
| Additions | – | – | – | 14.4 | 3.0 | 17.4 |
| Acquisition of subsidiaries | 36.6 | 6.6 | 0.8 | – | 2.1 | 46.1 |
| Disposals | – | – | – | (2.4) | – | (2.4) |
| Exchange differences | (0.9) | (0.8) | – | (0.1) | – | (1.8) |
| **At 31 December 2023** | **133.2** | **56.7** | **2.2** | **52.3** | **24.4** | **268.8** |
| **Amortisation** | | | | | | |
| At 1 January 2023 | 20.8 | 29.1 | 0.7 | 18.0 | 16.6 | 85.2 |
| Charge for the period | – | 8.8 | 0.4 | 5.2 | 5.3 | 19.7 |
| Impairment charge | – | – | – | 12.7 | – | 12.7 |
| Disposals | – | – | – | (2.4) | – | (2.4) |
| Exchange Differences | (0.3) | (0.5) | – | (0.3) | – | (1.1) |
| **At 31 December 2023** | **20.5** | **37.4** | **1.1** | **33.2** | **21.9** | **114.1** |
| **Net book value** | | | | | | |
| At 1 January 2023 | 76.7 | 21.8 | 0.7 | 22.4 | 2.7 | 124.3 |
| **At 31 December 2023** | **112.7** | **19.3** | **1.1** | **19.1** | **2.5** | **154.7** |

[1] Previously referred to as Software.

When considering the recoverable amount, the break-even point for the assumptions is calculated to understand the sensitivity of the assumptions. Given the challenging market conditions in the Netherlands, the headroom between the recoverable amount (determined based on a value in use model) and the carrying value of the Dutch business is modest at £2.5m (2023: £12.2m) at the measurement date. We expect headroom to increase in future periods noting even if challenging market conditions continue, the carrying value of the Netherlands CGU at the measurement test date included £3.4m of customer relationship assets and this will have reduced in value by £2.4m to £1.0m due to amortisation by the next test date.

Key assumptions for the Netherlands value-in-use ("VIU") on which the impairment test is based is the revenue growth over the five-year revenue period, which assumes low double-digit growth. The long-term growth rates used were 2% (2023: 2%). This is based on long-term GDP growth forecasts for the Netherlands CGU. This growth rate does not exceed the relevant long-term average growth rate based on OECD long-term baseline projections No.114.

We have considered reasonably possible changes in key assumptions that could cause an impairment and have identified two key assumptions relating to the cash flows in years 1 to 5. Being:

1) The Netherlands CGU VIU cash flow assumes low double-digit revenue growth over the five-year period. A decrease in the forecast revenue growth by 54% over this period, would see the headroom reduce to nil.
2) An increase in the pre-tax discount rate of 1.7% to 12.8% from 11.1% would reduce this headroom to nil.

The reduction required to the long-term growth rate to reduce the headroom to nil is not considered reasonably possible.

## 10. Financial Instruments

The tables below set out the measurement categories and carrying values of financial assets and liabilities with fair value inputs where relevant.

| | Measurement category | **Carrying value 2024 £m** | Fair value 2024 | Fair value hierarchy 2024/2023 | Carrying value 2023 £m |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| **Non-current** | | | | | |
| Contract assets | Amortised cost | **6.7** | – | – | 2.9 |
| Other receivables | Amortised cost | **0.7** | – | – | 0.6 |
| **Current** | | | | | |
| Cash and cash equivalents | Amortised cost | **153.7** | – | – | 136.5 |
| Trade receivables – net | Amortised cost | **55.7** | – | – | 50.6 |
| Contract assets | Amortised cost | **35.0** | – | – | 32.5 |
| Other receivables | Amortised cost | **3.5** | – | – | 2.7 |
| | | **255.3** | | | 225.8 |
| **Financial liabilities** | | | | | |
| **Non-current** | | | | | |
| Other payables | Amortised cost | **0.1** | – | – | 0.1 |
| Borrowings | Amortised cost | **-** | – | – | 1.4 |
| Lease liabilities | Amortised cost | **5.9** | – | – | 7.0 |
| Acquisition-related liabilities: | | | | | |
| Deferred consideration[1] | Amortised cost | **13.0** | – | – | – |
| Contingent consideration | Fair value through P&L | **7.7** | Fair value weighted expected returns methodology | Level 3 | 7.7 |
| Put option liability | Fair value through P&L | **1.3** | Fair value weighted expected returns methodology | Level 3 | 1.1 |
| **Current** | | | | | |
| Trade and other payables[1] | Amortised cost | **64.8** | – | – | 56.7 |
| Borrowings | Amortised cost | **-** | – | – | 0.3 |
| Lease liabilities | Amortised cost | **2.0** | – | – | 3.0 |
| Acquisition-related liabilities: | | | | | |
| Deferred consideration[1] | Amortised cost | **4.4** | – | – | 1.0 |
| Contingent consideration | Fair value through P&L | **0.1** | Fair value weighted expected returns methodology | Level 3 | 1.7 |
| | | **99.3** | | | 80.0 |

For trade and other receivables, cash and cash equivalents, provisions, trade and other payables, and share buyback fair values approximate to book values due to the short maturity periods of these financial instruments.

**Deferred consideration**

| | 2024 £m | 2023 £m |
|---|---|---|
| Current | **4.4** | 1.0 |
| Non-current | **13.0** | - |
| | **17.4** | 1.0 |

Deferred consideration relates to fixed amounts payable with regard to acquisitions. The reconciliation of the carrying amounts is as follows:

| | Coolwave £m | NeoTel £m | Satisnet £m | BrightCloud £m | Placetel[1] £m | Total £m |
|---|---|---|---|---|---|---|
| 1 January 2024 | - | 0.5 | 0.5 | - | - | **1.0** |
| Acquisition of subsidiary | 0.5 | - | - | 0.2 | 16.0 | **16.7** |
| Deferred consideration settled | (0.5) | (0.5) | - | - | (0.3) | **(1.3)** |
| Unwinding of discount | - | - | - | - | 0.2 | **0.2** |
| Foreign exchange movements | - | - | - | - | 0.8 | **0.8** |
| **31 December 2024** | **-** | **-** | **0.5** | **0.2** | **16.7** | **17.4** |

[1] Refer to note 13 Business combinations for further details.

**Maturity analysis**

The following table sets out the contractual maturities (representing undiscounted contractual cash flows) of financial liabilities at amortised cost (excluding lease liabilities):

| | Less than 1 year £m | Between 1 and 2 years £m | Between 2 and 5 years £m | Over 5 years £m |
|---|---|---|---|---|
| **2024** | **70.0** | **4.2** | **10.2** | **-** |
| 2023 | 58.0 | 0.1 | 0.7 | 0.7 |

**Fair value of financial instruments**

The financial instruments included on the Consolidated statement of financial position are measured at fair value or amortised cost. The measurement of this fair value can in some cases be subjective and can depend on the inputs used in the calculations. The different valuation methods are called "hierarchies" and are described below:

Level 1: Fair values measured using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair values measured using inputs, other than quoted prices included within Level 1, that are observable for the asset or liability either directly or indirectly.

Level 3: Fair values measured using inputs for the asset or liability that are not based on observable market data.

All liabilities measured at fair value are classified as Level 3 and there were no transfers to or from other hierarchies during the year. The Group's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period.

The fair value of Level 3 instruments is illustrated in the table below:

| Financial liabilities | **2024 £m** | 2023 £m |
|---|---|---|
| Contingent consideration | **7.8** | 9.4 |
| Put option liability | **1.3** | 1.1 |
| **Total** | **9.1** | 10.5 |

As at 31 December, the potential undiscounted amount of future payments that could be required under the contingent consideration and the put option liability range from £0.1m to £18.1m and £nil to £2.9m respectively (31 December 2023: £nil to £16.5m and £nil to £2.9m).

**Contingent consideration**

| | **2024 £m** | 2023 £m |
|---|---|---|
| Current | **0.1** | 1.7 |
| Non-current | **7.7** | 7.7 |
| | **7.8** | 9.4 |

The reconciliation of the carrying amounts of contingent consideration is as follows:

| | Mission Labs £m | Satisnet £m | Pragma[1] £m | BrightCloud £m | Total £m |
|---|---|---|---|---|---|
| 1 January 2024 | 1.7 | 4.1 | 3.6 | - | 9.4 |
| Acquisition of subsidiary | - | - | - | 0.3 | 0.3 |
| Contingent consideration settled | (1.7) | - | - | - | (1.7) |
| *Change in fair value of contingent consideration:* | | | | | |
| Unwinding of discount | - | 0.5 | 0.6 | - | 1.1 |
| Other change in fair value | - | (1.8) | 0.5 | - | (1.3) |
| **31 December 2024** | **-** | **2.8** | **4.7** | **0.3** | **7.8** |

[1] Refers to Pragma Group ("Pragma"), previously referred to as EnableX in the 2023 Annual Report.

The final contingent consideration related to Mission Labs was paid during the period with the amount paid in line with the payable recognised at 31 December 2023.

Contingent consideration for Satisnet is based on the on managed service revenues for the financial year ending 31 December 2025, and gross profit split between the periods from 1 July 2023 to 31 December 2024 and the financial year ending 31 December 2025. Consideration of up to £4.3m may be payable. The fair value of £2.8m at 31 December 2024, which takes into account the weighted probability of payout, is split between £0.1m current and £2.7m non-current and based on a payout of £3.2m (31 December 2023: £4.1m) therefore, after the impact of the unwinding of the discount, a decrease of £1.8m was required which has been recorded within operating expenses.

Contingent consideration for Pragma is based on the EBITDA performance for the financial year ending 31 December 2026. Consideration of up to £9.8m may be payable. The fair value of £4.7m at 31 December 2024, which takes into account the weighted probability of payout, is non-current and based on a payout of £6.4m (31 December 2023: £5.8m) therefore, after the impact of the unwinding of the discount, an increase of £0.5m was required which has been recorded within operating expenses.

Contingent consideration for BrightCloud is based on the revenue performance for any consecutive twelve-calendar month-period from acquisition to 31 December 2025. Consideration of up to £4.0m may be payable. The fair value of £0.3m at 31 December 2024, which takes into account the weighted probability of payout, is non-current and based on a payout of £0.4m.

The total changes in fair value of consideration of £1.3m have been credited to operating expense in 2024. In 2024 acquisition related costs of due diligence have totalled £2.8m which have been debited to operating expense.

**Put option liability**

| | **2024 £m** | 2023 £m |
|---|---|---|
| Non-current | **1.3** | 1.1 |
| | **1.3** | 1.1 |

As a result of the acquisition of Pragma in 2023 there is an option for the previous owners to sell or for the Group to acquire the remaining 5% of the shares in Pragma (which are held by management) in 2027 (where the consideration will be based on the results of the preceding financial year). The amount payable in cash will in aggregate be between £nil and £2.9m. The upper end of the option price will only be achieved if Pragma achieves certain EBITDA targets. The fair value of £1.3m at 31 December 2024 (2023: £1.1m) is based on a payout of £1.8m (2023: £1.7m) which takes into account the weighted probability of payout.

In the prior year the Group acquired the remaining 3.95% of the shares in Gamma Holding GmbH, formerly HFO Holding GmbH. The final consideration was €1.5m paid in cash.

**Fair value measurement**

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

The valuation technique used for instruments categorised in Level 3 (contingent consideration and put option liability) was a probability weighted expected returns methodology, using a risk-adjusted discount rate appropriate to the individual characteristics of the transaction. Movements in the fair value are charged through the Consolidated statement of profit or loss within operating expenses.

The fair value of Level 3 instruments is £9.1m (contingent consideration £7.8m and put option liability £1.3m). Both types of obligations are dependent on the future financial performance of the entity. It is assumed that future profits are in line with management estimates which are derived from internal business plans together with financial due diligence performed in connection with the acquisition.

The following analysis is provided to illustrate the sensitivity of the year-end balance to a change in an individual input, within reasonable expected ranges, whilst all other variables remain constant. This is not intended to imply the likelihood of change or that possible changes in value would be restricted to this range.

| Input | Year-end discounted estimate | Change in input | Change in fair value £m |
|---|---|---|---|
| Discount rate | 13.8-14.3% | +1% absolute | (0.2) |
| | | -1% absolute | 0.2 |
| Financial forecasts | Forecast revenue performance | +10% | 0.2 |
| | | -10% | (2.1) |
| | Forecast gross profit performance | +10% | 0.6 |
| | | -10% | (0.2) |
| | Forecast EBITDA performance | +10% | 0.7 |
| | | -10% | (0.7) |

The following table sets out the contractual maturities (representing undiscounted contractual cash flows) of financial liabilities at fair value, based on expected payout:

| | Less than 1 year £m | Between 1 and 2 years £m | Between 2 and 5 years £m | Over 5 years £m |
|---|---|---|---|---|
| **2024** | **0.1** | **3.5** | **8.2** | **–** |
| 2023 | 1.7 | 1.1 | 11.2 | – |

### 11. Share capital

| | Number | £m |
|---|---|---|
| 1 January 2024 | | |
| Ordinary shares of £0.0025 each | **97,462,226** | **0.2** |
| **Movement:** | | |
| January* | **12,370** | |
| February* | **19** | |
| March* | **3,468** | |
| April* | **22,306** | |
| **30 June 2024** | | |
| Ordinary Shares of £0.0025 each | **97,500,389** | **0.2** |

* Ordinary shares were issued to satisfy options which have been exercised.

In the year 1,910,596 ordinary shares of 0.25 pence each (2023: nil) were acquired by the Company and held in treasury, of which 186,946 (2023: nil) were transferred from treasury to settle exercised share options.

At 31 December 2024, 1,723,650 shares were held in treasury (2023: nil), representing 1.8% (2023: nil) of issued share capital. The shares held in treasury do not have voting rights. The number of ordinary shares with voting rights was 95,776,739 (2023: 97,462,226), therefore the total issued share capital at 31 December 2024 was 97,500,389 ordinary shares (2023: 97,462,226 ordinary shares).

## 12. Other reserves

| | Merger reserve £m | Share option reserve £m | Foreign exchange reserve £m | Share reserve £m | Total other reserves £m |
|---|---|---|---|---|---|
| 1 January 2023 | **2.3** | **8.7** | **(1.3)** | **(0.7)** | **9.0** |
| Issue of shares | – | (4.2) | – | – | (4.2) |
| Share-based payments | – | 2.7 | – | – | 2.7 |
| Other comprehensive income | – | – | (0.6) | – | (0.6) |
| **31 December 2023** | **2.3** | **7.2** | **(1.9)** | **(0.7)** | **6.9** |
| | | | | | |
| 1 January 2024 | **2.3** | **7.2** | **(1.9)** | **(0.7)** | **6.9** |
| Issue of shares | – | (2.0) | – | – | (2.0) |
| Share-based payments | – | 2.2 | – | – | 2.2 |
| Share buyback[1] | – | – | – | (27.3) | (27.3) |
| Treasury share allocations[2] | – | – | – | 3.3 | 3.3 |
| Other comprehensive income | – | – | (1.3) | – | (1.3) |
| **31 December 2024** | **2.3** | **7.4** | **(3.2)** | **(24.7)** | **(18.2)** |

[1] Represents the shares purchased under the share buyback programme which completed in September 2024.

[2] Treasury shares allocations are treasury shares which have been used to satisfy share options and other employee share plans.

## 13. Business combinations

### Summary of acquisitions 2024

During 2024, the Group completed a total of three acquisitions, all of which are 100% owned by the Group.

| Acquisition | Acquired | Principal activity |
|---|---|---|
| Coolwave Communications Limited ("Coolwave") | 1 February 2024 | Coolwave is a prominent International voice service provider. Coolwave was acquired in order to increase the Group's total addressable market for voice enablement products (including Microsoft Teams) and provide new opportunities for our Service Provider business. |
| BrightCloud Group Limited ("BrightCloud") | 24 July 2024 | BrightCloud is a leading managed service provider (MSP) specialising in Cloud-based contact centre solutions across Europe. BrightCloud is Cisco's leading European Enterprise partner for CCaaS renowned for customer experience transformation. BrightCloud was acquired to expand the Group's contact centre and customer experience expertise and drive enterprise growth across Europe. |
| BroadSoft Germany GmbH (known as "Placetel") | 20 September 2024 | Placetel is a German market leader in the Cloud PBX space, enabling German companies to buy Cisco Collaboration solutions both digitally and through local partners. Placetel was acquired to further strengthen Gamma's presence in Germany and deepen its partnership with Cisco. |

The fair values of identifiable assets acquired and liabilities assumed is as follows:

| | Coolwave £m | BrightCloud £m | Placetel £m | Total £m |
|---|---|---|---|---|
| Tangible fixed assets | 0.1 | – | 1.0 | **1.1** |
| Intangible assets – technology | 6.0 | – | - | **6.0** |
| Intangible assets – customer contracts | 1.5 | 4.9 | 3.6 | **10.0** |
| Intangible assets – brand | – | 0.5 | 1.5 | **2.0** |
| Intangible assets – development costs | – | 0.2 | 3.5 | **3.7** |
| Cash | 0.7 | 1.3 | 10.5 | **12.5** |
| Trade and other receivables | 1.4 | 3.3 | 1.3 | **6.0** |
| Trade and other payables | (1.3) | (1.5) | (2.8) | **(5.6)** |
| Contract liabilities | – | (3.6) | – | **(3.6)** |
| Deferred tax liability[1] | (0.9) | (1.4) | (2.9) | **(5.2)** |
| Total identifiable assets/(liabilities) | **7.5** | **3.7** | **15.7** | **26.9** |
| Less: Non-controlling interests | – | – | – | – |
| Add: Goodwill | – | **6.9** | **8.2** | **15.1** |
| **Net assets acquired** | **7.5** | **10.6** | **23.9** | **42.0** |

[1] Deferred tax liability arising on customer contract and brand intangible assets.

The fair values of identifiable assets acquired and liabilities assumed are final for Coolwave and BrightCloud. The fair values of identifiable assets acquired and liabilities assumed are provisional for Placetel pending finalisation of current tax liabilities. The exercise to finalise these balances is ongoing and will be completed by 30 June 2025.

The value of the goodwill represents the prospective future economic benefits that are expected to accrue from enhancing the portfolio of products available to the Group's existing customers and access to new customers.

| | Coolwave £m | BrightCloud £m | Placetel £m | Total £m |
|---|---|---|---|---|
| Satisfied by: | | | | |
| Cash paid | 7.0 | 10.0 | 7.9 | **24.9** |
| Deferred consideration[1] | 0.5 | 0.3 | 16.0 | **16.8** |
| Contingent consideration[2] | - | 0.3 | - | **0.3** |
| **Total** | **7.5** | **10.6** | **23.9** | **42.0** |

[1] Deferred consideration relates to fixed amounts payable with regard to acquisitions.

[2] Contingent consideration is payable dependent on future performance of the businesses acquired.

**Placetel consideration**

The Group acquired Placetel from Cisco in September 2024 for cash consideration of £7.9m, gross of £10.5m of cash acquired, equivalent to a net cash receipt of £2.6m. Concurrently with this acquisition, the Group also agreed a five-year $51.5m (£38.8m at the acquisition date) minimum purchase agreement for Webex cloud licences with Cisco. The Group determined that the minimum purchase commitment comprised two elements: 1) deferred consideration for the acquisition of Placetel of £18.7m, which was recognised at a present value of £16.0m; and 2) expected future cloud licence purchases in the normal course of business of £20.1m. As such, the total consideration for Placetel was determined to be £23.9m.

Deferred consideration of £18.7m has been determined using a fair value methodology. This incorporated a discounted cash flow analysis of the Placetel business, which was based on the Board approved five-year forecast, which was extended to reflect the continued strong growth otherwise expected at the end of the five-year period, before a terminal value is applied.

The deferred consideration is payable monthly over five years and was recognised at a present value of £16.0m at acquisition. At 31 December 2024 the deferred consideration is carried at £16.7m following the payment of £0.3m (recorded within investing activities), unwinding of discounting of £0.2m (recognised within finance expense) and a movement in foreign currency rates of £0.8m (recognised within operating expenses).

The key assumptions included in the fair value assessment are the revenue growth rates, long-term growth rates applied in perpetuity and the discount rate. The short-term revenue growth rate assumes a mid single-figure CAGR. The long-term growth rate used is 2% consistent with the VIU calculation used in the annual goodwill impairment test and does not exceed the German long-term average growth rate based on OECD long-term baseline projections No.114. A risk-adjusted discount rate appropriate to the individual characteristics of the transaction of 12.6% is based on a Euro, 10-year government bond. This rate is adjusted for a risk premium to reflect the increased risk of investing in equities. This risk premium is derived by observing an equity market risk premium (that is the required return over and above a risk-free rate by an investor who is investing in the market as a whole) based on external sources and adjusting this with reference to a beta and a size risk premium to reflect the risk of Placetel relative to the market as a whole to provide a cost of equity. Cost of debt is based on an external corporate bond yield. Cost of equity and debt are then weighted based on market participant leverage.

**Net cash outflow on acquisitions:**

| | Coolwave £m | BrightCloud £m | Placetel £m | Other £m | Total £m |
|---|---|---|---|---|---|
| Cash consideration | 7.0 | 10.0 | 7.9 | - | **24.9** |
| Less: cash acquired | (0.7) | (1.3) | (10.5) | - | **(12.5)** |
| | **6.3** | **8.7** | **(2.6)** | **-** | **12.4** |
| Contingent consideration payments during the year | – | - | - | 1.7 | **1.7** |
| Deferred consideration payments during the period[1] | 0.5 | - | 0.3 | 0.5 | **1.3** |
| **Net outflow of cash – investing activities** | **6.8** | **8.7** | **(2.3)** | **2.2** | **15.4** |

[1] Deferred consideration relates to fixed amounts payable with regard to acquisitions. Other relates to the final NeoTel acquisition payment.

**Valuations of intangible assets**

Customer contracts were valued under the Income Method and the brand and technology under the Relief from Royalty methodology.

**Goodwill**

The goodwill is attributable to the acquired entity. The goodwill is not deductible for tax purposes.

**Revenue and profit contribution**

From the date of acquisition, the acquired businesses have contributed £14.8m of revenue and £0.8m of profit after taxation attributable to the equity holders of Gamma Communications plc:

| | Revenue £m | Profit before tax £m | Profit after tax £m |
|---|---|---|---|
| Coolwave | **4.1** | **0.6** | **0.4** |
| BrightCloud | **3.3** | **0.3** | **0.2** |
| Placetel | **7.4** | **0.3** | **0.2** |
| **Total** | **14.8** | **1.2** | **0.8** |

If these acquisitions had occurred on 1 January 2024, the acquired businesses would have contributed estimated revenue and profit after taxation attributable to the equity holders of Gamma Communications plc as outlined in the table below. The amounts below are unaudited.

| | Revenue £m | Profit before tax £m | Profit after tax £m |
|---|---|---|---|
| Coolwave | **4.6** | **0.6** | **0.5** |
| BrightCloud | **7.5** | **0.5** | **0.4** |
| Placetel | **25.8** | **0.9** | **0.6** |
| **Total** | **37.9** | **2.0** | **1.5** |

**Summary of acquisitions 2023**

During 2023 the Group acquired Satisnet Limited ("Satisnet") and the Pragma Group ("Pragma"), previously referred to as EnableX in the 2023 Annual Report. The fair value accounting for Satisnet was completed and disclosed in 2023.

The fair value accounting for Pragma was provisional at 31 December 2023. During 2024 the fair value accounting of the identified assets and liabilities assumed was completed. As a result Goodwill has reduced by £11.4m and other intangible assets has increased by £15.5m (customer contacts £13.7m and brand £1.8m), with a £3.9m deferred tax liability recognised relating to these intangible balances and a £0.2m current tax liability.

The fair value of the identifiable assets and liabilities assumed is as follows:

| **Pragma** | **£m** |
|---|---|
| Tangible fixed assets | 0.2 |
| Intangible assets – technology | 2.1 |
| Intangible assets – customer contracts | 13.7 |
| Intangible assets – brand | 1.8 |
| Cash | 0.6 |
| Inventories | 0.6 |
| Trade and other receivables | 5.1 |
| Trade and other payables | (5.0) |
| Bank loans[1] | (7.7) |
| Contract liabilities | (4.5) |
| Deferred tax liability[2] | (3.9) |
| Total identifiable assets | 3.0 |
| Less: Non-controlling interests | (0.2) |
| Add: Goodwill | 12.6 |
| **Net assets acquired** | **15.4** |

[1] Bank loans of £7.7m were repaid at the time of acquisition.

[2] Deferred tax liability arising on customer contract and brand intangible assets.

## 14. Events after the reporting date

**Acquisition of STARFACE**

On 19 February 2025, the Group completed the acquisition of 100% of the equity of SF Technologies Holdings GmbH ("STARFACE"). The cash outlay for the acquisition (excluding transaction costs) was €201.6m (£168.7m). After taking account of net cash and working capital, this equates to €196m (£164m) on a cash-free, debt-free basis. £30m has been funded through the new Revolving Credit Facility, see below, and the remainder covered by Gamma's existing cash resources.

Germany holds strategic importance for Gamma, as it represents the largest, and growing, cloud PBX market in Europe, with significantly lower cloud penetration in a larger SME market than the UK. The acquisition of STARFACE delivers on our strategy to establish a new anchor in the European business, alongside our well-established UK business. STARFACE is a market leader in the provision of proprietary business communication and collaboration software solutions, tailored to fit the needs of the German market. The company predominantly serves SME businesses in Germany, as well as enterprises and the public sector via its nationwide Channel Partner network, which also covers Austria and Switzerland. The acquisition positions Gamma as a leader in the German SME cloud communications market when combined with our acquisition of Placetel. It will provide an additional c.210,000 Cloud PBX seats which increases Gamma's number of Cloud Seats sold in Germany to over 500,000.

Given the timing of the closure of the transaction, the Group expects to disclose the provisional accounting for the acquisition in the 2025 interim results.

**Share buyback**

In March 2025, the Group appointed Peel Hunt LLP to manage a share buyback programme to purchase ordinary shares of 0.25p each in Gamma Communications plc for an aggregate purchase price of up to £50m within certain pre-set parameters (the "Programme"). The Company has authorised the Programme to continue whilst it retains the authority from shareholders to repurchase such ordinary shares until the earlier of: (i) the maximum aggregate consideration payable by the Company has been reached or (ii) Monday 30 June 2025, subject to reapproval of the relevant share purchase authorities at the 2025 AGM. The Programme will be conducted by the Company in accordance with and under the terms of the general authority granted to the Board by the Company's shareholders. The purpose of the Buyback Programme is to reduce the Company's share capital (any Shares repurchased for this purpose will be cancelled) and to enable the Company to meet obligations arising from share option programmes (any Shares repurchased for this purpose will be held in treasury).

**Revolving Credit Facility**

In January 2025 the Group agreed a new three-year £130m multicurrency Revolving Credit Facility, which has an option to extend for an additional 12 months. £30m was drawn down in February to fund the acquisition of STARFACE. The Revolving Credit Facility incurs interest on drawn balances at between 1.5% and 2.5% above SONIA, and between 0.5% and 0.9% on undrawn balances.

**Allnet**

In February 2025, the Group acquired Allnet Solutions Limited (known as "Allnet") for £1.6m (on a debt-free cash-free basis) and a cash payment or receipt subject to finalisation of the acquired closing balance sheet and working capital adjustments.

## Alternative Performance Measures

The Group uses certain measures to assess the financial performance of its business. These measures are called Alternative Performance Measures ("APMs") because they exclude amounts that are included in, or include amounts that are excluded from, the most directly comparable measure calculated and presented in accordance with IFRS, or are calculated using financial measures that are not calculated in accordance with IFRS.

These APMs are used to measure operating performance and liquidity in presentations to the Board and as a basis for strategic planning and forecasting. The Group believes that APMs provide additional useful information for users of the financial statements to assess the Group's performance, including the Group's core operational performance. These and similar measures are used widely by certain investors, analysts and other interested parties as supplemental measures of performance and liquidity.

The APMs may not be comparable to similarly named measures used by other companies and have limitations as analytical tools. They should not be considered in isolation or as a substitute for analysis of the Group's results reported under IFRS.

An explanation of the relevance of each of the APMs, a reconciliation of the APM to the most directly comparable measure calculated and presented in accordance with IFRS, and a discussion of the limitations are set out below. The Group does not consider these APMs to be a substitute for, or superior to, the equivalent measures calculated and presented in accordance with IFRS.

As noted in the Financial guidance in the full-year results on 25 March 2024, the Group has amended the definition of Adjusted EBITDA and Adjusted earnings per share (fully diluted) to exclude other adjusting items which in the period comprise the incremental costs related to the implementation of new cloud-based Finance and HR systems, in order to show the Group's core performance. We have adjusted for these as the anticipated total cost of the implementation to the end of 2025 is considered significant. This change also impacts the calculation of Adjusted profit before tax and Adjusted cash conversion. This amendment has no impact on the APMs previously reported in 2023 under the definition at that time as these other adjusting items then totalled £nil.

The Group has also updated the definition of "Changes in fair value of contingent consideration and put option liability" with regards Adjusted profit before tax and Adjusted earnings per share (fully diluted), to clarify that it should be more specifically, "Unwinding of discounting on put option liability, contingent and deferred consideration". This update in definition has no impact on the APMs previously reported in 2023 under the definition at that time.

The Group has also included Organic growth, as defined below, as a new APM in the current year. This has been included as a result of an increased number of acquisitions during 2023 and 2024 and the increased contribution of the European business to the Group. Whilst organic growth is not intended to be a substitute for reported growth, nor is it superior to reported growth, it facilitates additional comparability of the current year's performance to that of prior years by excluding the effect of factors which were not present in both periods.

### EBITDA and Adjusted EBITDA

EBITDA is presented because it is widely used by securities analysts, investors and our peer group internationally to evaluate the profitability of companies. EBITDA is defined as Profit before tax excluding finance expense, finance income, depreciation of property, plant and equipment, right of use asset depreciation and amortisation of intangible assets. EBITDA eliminates potential differences in core financial performance that can be caused by variations in capital structures (affecting net finance costs), tax positions (such as the availability of brought forward losses against which taxable profits can be relieved), the cost and age of property, plant and equipment and right of use assets (affecting relative depreciation expense), and the extent to which intangible assets are identifiable (affecting relative amortisation expense).

Adjusted EBITDA is a primary profit measure used internally by the Board to assess financial performance of the Group and its segments. It is defined as EBITDA (as defined above) adding back exceptional items and other adjusting items (which comprise the incremental costs related to the implementation of new cloud-based Finance and HR systems). It excludes exceptional items (by virtue of their size, nature or incidence) and other adjusting items (which comprise the incremental costs of implementing the new cloud-based Finance and HR systems as the anticipated total cost of the implementation to the end of 2025 is considered significant), in order to show the Group's core performance.

The following table is a reconciliation from statutory profit before tax for the six months to June to EBITDA and Adjusted EBITDA:

| | **2024** | 2023 |
|---|---|---|
| | **£m** | £m |
| **Profit before tax** | **95.6** | 71.5 |
| Finance income | **(7.1)** | (5.4) |
| Finance expense | **1.8** | 0.9 |
| **Profit from operations** | **90.3** | 67.0 |
| Depreciation of property, plant and equipment and right-of-use assets | **11.7** | 11.6 |
| Amortisation from intangible assets excluding business combinations | **8.7** | 9.7 |
| Amortisation from intangible assets arising due to business combinations | **13.4** | 10.0 |
| **EBITDA** | **124.1** | 98.3 |
| Exceptional items | **-** | 16.0 |
| Other adjusting items | **1.4** | - |
| **Adjusted EBITDA** | **125.5** | 114.3 |

In the year, the cash cost of exceptional and other adjusting items was £3.6m (2023: £0.2m).

**Adjusted profit before tax**

Adjusted profit before tax is defined as Profit before tax excluding the effects of exceptional items, other adjusting items (which comprise the incremental costs related to the implementation of new cloud-based Finance and HR systems), amortisation arising from business combinations and changes in fair value of contingent consideration and put option liability from the unwinding of discounting. These items are individually material items and/or are not considered to be representative of the trading performance of the Group:

Exceptional items are excluded by virtue of their size, nature or incidence in order to show the core performance of the Group.

Other adjusting items (which comprise the incremental costs related to the implementation of new cloud-based Finance and HR systems) are excluded as the anticipated total cost of the implementation to the end of 2025 is considered significant.

Amortisation of intangibles arising due to business combinations is excluded because this charge is a non-cash accounting item based on judgements about the assets' value and economic life. Its exclusion is consistent with industry peers and how certain external stakeholders monitor the performance of the business.

Unwinding of discounting on put option liability, contingent and deferred consideration are excluded because the amounts are non-cash accounting items and bear no relation to the Group's trading performance in the period. This adjustment improves comparability between acquired and organically grown operations.

Adjusted profit before tax is the primary profit measure used internally to reward employees.

The following table is a reconciliation from statutory Profit before tax for the year to Adjusted profit before tax:

| | **2024** | 2023 |
|---|---|---|
| | **£m** | £m |
| **Profit before tax** | **95.6** | 71.5 |
| Exceptional items | **-** | 16.0 |
| Other adjusting items | **1.4** | - |
| Amortisation of intangibles arising due to business combinations | **13.4** | 10.0 |
| Unwinding of discounting on put option liability, contingent and deferred consideration | **1.5** | 0.4 |
| **Adjusting items** | **16.3** | 26.4 |
| **Adjusted profit before tax** | **111.9** | 97.9 |

In the year, the cash cost of exceptional and other adjusting items was £3.6m (2023: £0.2m).

**Organic growth**

Organic growth is presented as management believe it is important to understand performance on a comparable basis. Organic growth is defined as total reported growth excluding the contribution of acquisitions for the first 12 months of ownership ("Inorganic growth") and excludes the contribution of disposals for the last 12 months of ownership ("disposals"), and the impact of foreign exchange movements on the consolidation of our international operations (calculated by taking the current year local currency results translated into Pounds Sterling at the preceding year's foreign exchange rate (1.183:1 Euros to Pound Sterling) and defined as "constant currency"). Organic growth is used for internal performance analysis because it allows for comparisons of the current year to that of prior years without the effect of factors which were not present in both periods. Organic growth is calculated at a business unit and Group level for revenue and gross profit. It is also calculated for Adjusted EBITDA at a Group level.

**Current year**

| | Year ended 31 December 2023 | Components of growth | | | **Total reported growth** | **Year ended 31 December 2024** |
|---|---|---|---|---|---|---|
| | | Organic growth | Inorganic growth | Constant currency | | |
| **Revenue** | £m | £m | £m | £m | **£m** | **£m** |
| Gamma Business | 332.2 | 17.6 | 19.1 | **-** | **36.7** | **368.9** |
| Gamma Enterprise | 110.1 | 6.7 | 9.7 | **-** | **16.4** | **126.5** |
| Europe | 79.4 | (0.7) | 7.6 | (2.3) | **4.6** | **84.0** |
| **Group Revenue** | **521.7** | **23.6** | **36.4** | **(2.3)** | **57.7** | **579.4** |
| | | | | | | |
| *Gamma Business %* | | *5%* | *6%* | **-** | ***11%*** | |
| *Gamma Enterprise %* | | *6%* | *9%* | **-** | ***15%*** | |
| *Europe %* | | *(1%)* | *10%* | *(3%)* | ***6%*** | |
| ***Group Revenue %*** | | ***5%*** | ***7%*** | ***0%*** | ***11%*** | |

**Prior year**

| Revenue | Year ended 31 December 2022 £m | Components of growth: Disposals £m | Organic growth £m | Inorganic growth £m | Constant currency £m | **Total reported growth £m** | **Year ended 31 December 2023 £m** |
|---|---|---|---|---|---|---|---|
| Gamma Business | 309.4 | - | 22.8 | - | - | **22.8** | 332.2 |
| Gamma Enterprise | 102.0 | - | 3.5 | 4.6 | - | **8.1** | 110.1 |
| Europe | 73.2 | (1.4) | 4.3 | 1.7 | 1.6 | **6.2** | 79.4 |
| **Group Revenue** | **484.6** | **(1.4)** | **30.6** | **6.3** | **1.6** | **37.1** | **521.7** |
| | | | | | | | |
| *Gamma Business %* | | - | *7%* | - | - | *7%* | |
| *Gamma Enterprise %* | | - | *3%* | *5%* | - | *8%* | |
| *Europe %* | | *(2%)* | *6%* | *2%* | *2%* | *8%* | |
| ***Group Revenue %*** | | ***0%*** | ***6%*** | ***1%*** | ***0%*** | ***8%*** | |

Gamma disposed of ComyMedia in 2022 therefore the revenue included in the year ended 2022 for ComyMedia is shown as disposals.

Group revenue growth in constant currency was 5% (2023: 6%) on an organic basis and 7% (2023: 1%) on an inorganic basis. European revenue growth in constant currency was (1%) (2023: 6%).

**Current year**

| Gross profit | Year ended 31 December 2023 £m | Components of growth: Organic growth £m | Inorganic growth £m | Constant currency £m | **Total reported growth £m** | **Year ended 31 December 2024 £m** |
|---|---|---|---|---|---|---|
| Gamma Business | 176.1 | 10.7 | 7.9 | - | **18.6** | **194.7** |
| Gamma Enterprise | 52.6 | 3.2 | 4.4 | - | **7.6** | **60.2** |
| Europe | 38.5 | 2.0 | 6.1 | (1.2) | **6.9** | **45.4** |
| **Group gross profit** | **267.2** | **15.9** | **18.4** | **(1.2)** | **33.1** | **300.3** |
| | | | | | | |
| ***Gamma Business %*** | | ***6%*** | ***4%*** | **-** | ***11%*** | |
| ***Gamma Enterprise %*** | | ***6%*** | ***8%*** | **-** | ***14%*** | |
| ***Europe %*** | | ***5%*** | ***16%*** | ***(3%)*** | ***18%*** | |
| ***Group gross profit %*** | | ***6%*** | ***7%*** | ***0%*** | ***12%*** | |

**Prior year**

| Gross profit | Year ended 31 December 2022 £m | Components of growth: Disposals £m | Organic growth £m | Inorganic growth £m | Constant currency £m | **Total reported growth £m** | **Year ended 31 December 2023 £m** |
|---|---|---|---|---|---|---|---|
| Gamma Business | 163.7 | - | 12.4 | **-** | **-** | **12.4** | 176.1 |
| Gamma Enterprise | 49.3 | - | 1.8 | 1.5 | **-** | **3.3** | 52.6 |
| Europe | 34.7 | (0.6) | 2.3 | 1.3 | 0.8 | **3.8** | 38.5 |
| **Group gross profit** | **247.7** | **(0.6)** | **16.5** | **2.8** | **0.8** | **19.5** | **267.2** |
| | | | | | | | |
| **Gamma Business %** | | **-** | **8%** | **-** | **-** | **8%** | |
| **Gamma Enterprise %** | | **-** | **4%** | **3%** | **-** | **7%** | |
| **Europe %** | | **(2%)** | **7%** | **4%** | **2%** | **11%** | |
| **Group gross profit %** | | **0%** | **7%** | **1%** | **0%** | **8%** | |

Gamma disposed of ComymMedia in 2022 therefore the gross profit included in the year ended 2022 for ComyMedia is shown as disposals.

Group gross profit growth in constant currency was 6% (2023: 6%) on an organic basis and 7% (2023: 1%) on an inorganic basis. European gross profit growth in constant currency was 5% (2023: 7%).

**Current year**

| | Year ended 31 December 2023 £m | Components of growth: Organic growth £m | Inorganic growth £m | Constant currency £m | **Total reported growth** £m | **Year ended 31 December 2024** £m |
|---|---|---|---|---|---|---|
| **Group Adjusted EBITDA** | **114.3** | **7.3** | **4.3** | **(0.4)** | **11.2** | **125.5** |
| ***Group Adjusted EBITDA %*** | | ***6%*** | ***4%*** | ***0%*** | ***10%*** | |

**Prior year**

| | Year ended 31 December 2022 £m | Components of growth: Organic growth £m | Inorganic growth £m | Constant currency £m | **Total reported growth** £m | **Year ended 31 December 2023** £m |
|---|---|---|---|---|---|---|
| **Group Adjusted EBITDA** | **105.1** | **8.2** | **1.0** | **-** | **9.2** | **114.3** |
| ***Group Adjusted EBITDA %*** | | ***8%*** | ***1%*** | ***0%*** | ***9%*** | |

ComyMedia contributed no Adjusted EBITDA in 2022 therefore no disposal is shown.

Group Adjusted EBITDA growth in constant currency was 6% (2023: 8%) on an organic basis and 4% on an inorganic basis (2023: 1%).

**Adjusted earnings per share (fully diluted)**

Adjusted earnings per share ("EPS") fully diluted is presented as management believes it is important for understanding the changes in the Group's fully diluted EPS, including improving comparability between acquired and organically grown operations. Adjusted EPS fully diluted is defined as Diluted EPS where the earnings attributable to ordinary shareholders are adjusted by excluding the effects of exceptional items, other adjusting items (which comprise the incremental costs related to the implementation of new cloud-based Finance and HR systems), amortisation arising due to business combinations and unwinding of discounting on put option liability, contingent and deferred consideration (for the same reasons outlined previously in relation to Adjusted profit before tax), as well as the tax on these items, because they are individually or collectively material items that are not considered to be representative of the trading performance of the Group. To exclude the tax impact of these items would give an incomplete picture.

| | **2024** | 2023 |
|---|---|---|
| **Earnings per Ordinary Share – diluted (pence)** | **72.0** | 54.9 |
| **Adjusted earnings per Ordinary Share – fully diluted (pence)** | **85.1** | 75.1 |

| | **2024** | 2023 |
|---|---|---|
| | **£m** | £m |
| **Profit after tax attributable to the ordinary equity holders of the Company** | **69.8** | 53.6 |
| **Adjusting items:** | | |
| Exceptional items | **–** | 16.0 |
| Other adjusting items | **1.4** | - |
| Amortisation of intangibles arising due to business combinations | **13.4** | 10.0 |
| Unwinding of discounting on put option liability, contingent and deferred consideration | **1.5** | 0.4 |
| **Adjusting items** | **16.3** | 26.4 |
| **Tax relating to adjusting items** | **(3.6)** | (6.6) |
| **Adjusted profit after tax attributable to the ordinary equity holders of the Company** | **82.5** | 73.4 |

| | **2024** | 2023 |
|---|---|---|
| | **No:** | No: |
| **Diluted weighted average number of Ordinary Shares** | **96,982,528** | 97,695,351 |

**Net cash**

Net cash is presented as it is an important liquidity measure used by management and the Board. Net cash is defined as cash and cash equivalents less borrowings. IFRS 16 lease liabilities and contingent consideration are not considered as debt for the purpose of quoting Net cash.

| | **2024** | 2023 |
|---|---|---|
| | **£m** | £m |
| Cash and cash equivalents | **153.7** | 136.5 |
| Borrowings | **-** | (1.7) |
| **Net cash** | **153.7** | 134.8 |

The following table is a reconciliation of the movements in Net Cash from previously reported periods:

| | Cash and cash equivalents | Borrowings | Net cash |
|---|---|---|---|
| | £m | £m | £m |
| At 1 January 2023 | 94.6 | (2.1) | 92.5 |
| Repayments | - | 0.5 | 0.5 |
| Borrowings acquired with acquisitions | - | (7.7) | (7.7) |
| Repayment of borrowings acquired with acquisitions | - | 7.7 | 7.7 |
| Net increase in cash and cash equivalents | 42.1 | - | 42.1 |
| Effects of foreign exchange rate changes | (0.2) | (0.1) | (0.3) |
| **At 31 December 2023** | **136.5** | **(1.7)** | **134.8** |
| Repayments | – | 1.5 | 1.5 |
| Net increase in cash and cash equivalents | 17.8 | – | 17.8 |
| Effects of foreign exchange rate changes | (0.6) | 0.2 | (0.4) |
| **At 31 December 2024** | **153.7** | **–** | **153.7** |

**Adjusted cash conversion**

Adjusted cash conversion is presented as management believe it is important to understand the Group's conversion of Adjusted EBITDA (as defined previously) to cash. The Group's Adjusted cash conversion is defined as Cash generated by operations excluding the cash impact of exceptional items and other adjusting items (which comprise the incremental costs related to the implementation of new cloud-based Finance and HR systems), divided by Adjusted EBITDA, so as to exclude the impact of significant or one-off transactions outside the normal course of trading. Adjusted cash conversion is used to track and measure timing differences between profitability and cash generation through working capital management, including seasonality or one-offs.

| | **2024** | 2023 |
|---|---|---|
| | **£m** | £m |
| Cash generated by operations | **116.8** | 123.5 |
| Cash impact of exceptional items (2023 restructuring) | **2.7** | 0.2 |
| Cash impact of other adjusting items (2024 systems implementation) | **0.9** | - |
| **Adjusted Cash generated by operations** | **120.4** | 123.7 |
| Adjusted EBITDA | **125.5** | 114.3 |
| **Adjusted cash conversion** | **96%** | 108% |