

Annual Report and unaudited Financial Statements

Gamma Telecom Limited

For the year ended 31 December 2022



Company No. 04340834

Company information

Company registration number	04340834 (England and Wales)
Registered office	The Scalpel 18 th Floor 52 Lime Street London England EC3M 7AF
Directors	A S J Belshaw P Maher D J Williams
Company secretary	R A Matzopoulos

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Strategic Report

Principal activities and business review

Gamma Telecom Ltd (“the Company”) is a company incorporated in the United Kingdom under the Companies Act. The Company is a private company limited by shares and is registered in England and Wales. The address of the Company’s registered office is shown on page 1.

The Company is principally engaged in the provision of communications and software services for business.

Strategy

The Company’s strategy is to continue to grow both its market share and profitability by developing new innovative communications products for organisations, including Unified Communications as a Service (UCaaS).

Financial overview

Key performance indicators

	2022	2021	Change
	£ m	£ m	£ m
Turnover	341.1	311.1	30.0
Gross profit	170.7	156.1	14.6
Gross margin	50.0%	50.2%	-0.1%
Profit before taxation	69.2	60.1	9.1

The growth and improvement in Turnover and Gross Profit/Margin metrics were contributed to by an increase in the number of channel partners and growth in existing product sales levels/new business to our existing channel partner base.

The directors are pleased with the strong performance during the year and believe the Company is well placed to continue this growth.

Operating costs

The Company’s operating expenses increased by £5.5m to £101.2m in 2022 (2021: £95.7m). In 2022 Gamma Telecom Ltd was charged £29.3m (2021: £28.5m) by its parent company Gamma Telecom Holdings Limited for the use of the network assets.

Strategic Report (continued)

Principal risks and uncertainties

The directors set out the principal risks facing the business below. The risks outlined are as published in the financial statements of the ultimate parent company Gamma Communications PLC, however the directors of Gamma Telecom Limited also consider these to be applicable to this company.

Product development becomes misaligned with market needs

Description

Gamma is increasingly relying on its own development efforts to bring new products to market and at the same time the technical landscape continues to evolve rapidly to meet the requirements of business customers. It is therefore very important that Gamma's product development is guided by a market-led plan which embodies a clear understanding of what business customers require. This ensures Gamma's products remain attractive to existing and prospective customers, supporting the Company's organic growth ambition.

Potential impact

If Gamma fails to achieve this, it risks delivering products which do not meet market needs, and which are therefore likely to be unsuccessful and result in lost revenue and market share.

Mitigating actions

In 2022 Gamma undertook a comprehensive review of its processes which underpin how it gathers market input, defines customer product requirements and how these requirements inform each stage of the product development process. This process also enables employees with customer facing roles to input into the early definition of new products and services. In addition, Gamma appointed a new Product Management Director to oversee the management of its product portfolio and ensure this continues to be closely aligned to market needs. Gamma ensures that it maintains a two-way dialogue with its customers to understand their needs, primarily via direct customer and wholesale channel partner feedback processes.

Unplanned service disruption

Description

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

Potential Impact

If any of Gamma's services are disrupted and therefore unavailable to its customers for any material length of time, then this could result in loss of customer confidence, with consequential reputational impact and loss of customers. This would have a direct impact on product and revenue growth and could result in significant financial loss.

Mitigating actions

Gamma operates a comprehensive operational governance framework to manage the availability and performance of its services. This includes the design and architecture of its network for resilience, capacity planning, change management and security. Business continuity planning and rehearsals are routine components of the governance framework. This governance is subject to external audit via the ISO 22301 certification. The Company also has fraud management applications used to identify unusual voice traffic patterns quickly within its 24/7 operational monitoring.

Strategic Report (continued)

Principal risks and uncertainties (continued)

Gamma's core infrastructure and operations are certified under ISO 27001 for security. Gamma's Corporate infrastructure is certified against the National Cyber Security Centre's (NCSC) Cyber Essentials Plus scheme.

The Company is represented in various industry forums to ensure it is aware of emerging threats, methods employed by malicious actors and best practice in the identification and mitigation of cyber risk. Gamma has been actively engaged in industry discussions regarding the recent Telecommunications Security Bill and will be regulated under the resulting Code of Practice in the coming years.

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

In 2022 Gamma has ensured that acquired European subsidiaries have integrated security controls to the same level of maturity as in the UK.

Over-reliance on suppliers

Description

The business relies on a number of key suppliers to provide elements of its products and services. For example, cloud and software providers that are integral to the development of Gamma's products as well as equipment from various hardware and software suppliers that facilitate Gamma's operational activities.

Potential impact

Failure of one of these suppliers to perform may have an impact on the Company's ability to deliver products and services. Due to the nature of the services provided, over-reliance on any single supplier may result in delays with product development or unplanned service interruptions.

Mitigating Actions

Where possible, the business avoids significant reliance on individual suppliers, dual sourcing wherever possible. This reduces the potential for operational issues and enhances Gamma's ability to react to market and customer developments. Gamma is more tolerant when it comes to reliance on dominant "tech suppliers" as their risk profile is lower and working with them is essential in certain selected markets or product segments.

Suppliers of important services are monitored carefully and are subject to regular performance reviews which include adherence to Gamma's information security requirements and broader service KPIs. In addition, Gamma undertakes annual audits with these suppliers to assure areas such as data protection and cyber security.

Inability to attract and retain talent

Description

The business has grown rapidly over the last few years and is facing increased risk regarding talent acquisition and retention due to conditions in the employment market and the scarcity of UCaaS skills. There is a risk to continued growth, product portfolio expansion and entry into new markets, should the business be unable to attract, develop, and retain enough people of the required skill and experience. This

Strategic Report (continued)

Principal risks and uncertainties (continued)

One of the changes is an increase in the time spent researching and procuring services online, across all types of business. This means Gamma must continue to evolve its go to market model to capitalise on this opportunity.

Potential impact

Gamma's inability to adapt to the changes in a timely manner could limit its opportunity to grow as the business needs to have access to the largest possible proportion of its target audience for each of its key products and services.

Mitigating actions

Gamma has invested in both product management and marketing expertise in 2022, developing both areas of the business and rebranding its European businesses to drive brand awareness.

Circle Loop, Gamma's fully digital UCaaS product, which is available in the UK, was also launched in both German and Dutch markets in 2022 and is intended to capitalise on the growth opportunity linked to digital buyers.

Gamma is also focusing on the way each of its products and services align to the market it is serving. In 2022 Gamma started to implement changes designed to align its sales and marketing teams to customer segments. This involved providing focused efforts towards addressing how each segment procures IT and communications products and services, with close monitoring of how these buying behaviours change over time. These structural changes will further strengthen Gamma's ability to understand and leverage buying behaviours and ensure its routes to market remain relevant.

An uncertain competitive landscape causes loss of market share

Description

The lack of a clear view of the competitive landscape could result in Gamma being unable to identify and leverage opportunities, recognise new entrants or potential competitive threats and respond accordingly. These threats could include for example, new market entrants such as software firms, aggressive competitor pricing strategies, disruptive technologies, and competitive market consolidation. In FY21 Gamma reported a separate risk related to the impact of price erosion within its markets. In FY22 this risk was subsumed into the wider threats Gamma sees within an uncertain competitive landscape.

Potential impact

These factors may impact Gamma's position in the market due to the loss of its customers and may dilute the addressable market and slow down the rate of business growth. If the Company does not at least keep pace with the evolving market, and its competitors, in terms of product, pricing strategy and service development, then its plans for revenue growth may be negatively impacted.

Mitigating actions

One of Gamma's strengths is in its close understanding of the business market and its evolving customer needs and the Company adapts to these needs by introducing new technologies, products and services. It is not an innovator of novel products but a fast follower and seeks to address growing markets, tailoring products for the target market quickly. However, considering the changing competitive landscape close monitoring is required to remain relevant and competitive.

Gamma does not seek to differentiate itself by offering the lowest prices in its markets and instead aims to provide products and supporting services which are more attractive to its customers than those of its competitors. The planning, development and marketing of products and customer service that Gamma provides are closely aligned to the evolution of market demands and of relevant technologies.

Strategic Report (continued)

Principal risks and uncertainties (continued)

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

Gamma takes a cautious approach to protect price and margin on its existing products and services and has undergone a rigorous pricing review in 2022. This is tightly governed by its Pricing Committee in the UK.

In addition, the Company undertakes a thorough strategic review every three years, supported by the Board which constantly monitors management's assessment of market changes and evolving competitive landscape. This has driven complementary strategies to continue to grow market share within its UK and European geographies.

Unsuccessful M & A activity

Description

M&A remains a critical part of Gamma's future growth plans in terms of extending its geographic reach, gaining further scale in existing markets as well as acquiring new technologies as part of its products and services offering.

If Gamma fails to identify, acquire, and successfully integrate sufficient acquisitions the company could fail to achieve its strategic goals and limit its growth potential. This risk could materialise, for example, where vendors have unrealistic valuation expectations or if the Company is unsuccessful in a competitive sale process.

Potential impact

The impact of this risk could cause Gamma not to realise its full potential as a leading UCaaS provider in Europe. The economic climate coupled with unrealistic valuations is the main reason why Gamma made no significant acquisitions in 2022.

Mitigating actions

Acquisition targets are identified based on Gamma's strategic objectives. This involves giving in depth consideration to what the new company could contribute to Gamma, such as geographical expansion into new markets or product and operational synergies. Potential targets are constantly sought out and analysed by dedicated personnel to support key areas of Gamma's growth strategy.

Acquisition of new businesses, particularly those in different countries, introduces both financial and operational risk. To reduce the risks associated with making acquisitions, Gamma applies specialist resource and third parties to conduct thorough due diligence, negotiation, and contractual preparation. Gamma also ensures that its Executive Committee responsibilities are aligned to any new acquisition to support the ongoing development and growth post-acquisition.

Legal and regulatory non-compliance

Description

Gamma operates in a pan-European environment and is subject to various legislation and regulation in each territory. Failure to adhere to these laws and regulation may result in a loss of trust, financial penalties, suspension or loss of our licence to operate, personal sanctions and investigation costs.

Strategic Report (continued)

Principal risks and uncertainties (continued)

Changes in regulation may also impact the UCaaS market as it develops, for example, local regulators may take a different view on the level of regulation required and therefore Gamma may either inadvertently breach local regulations (resulting in regulatory penalties and reputational damage) or could be slow to act and lose ground to competitors through overcompliance with regulation which no longer applies.

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

Potential impact

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

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

Changes in legislation or regulation could result in additional investment being required to comply, for example the recent Telecommunications (Security) Act and Ofcom compliance monitoring program that follows..

Mitigating actions

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

Gamma mitigates this risk by continuing to monitor likely legislative or regulatory changes within the markets within which it operates, assessing their risk and potential impact, and by regularly engaging with regulators as appropriate.

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

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

Emerging risks

In addition to the Principal Risks facing Gamma, the Company also considers emerging risks, which have different characteristics and are defined as potentially significant risks, but which are ambiguous and therefore cannot yet be impact assessed.

Gamma undertakes horizon scanning across relevant functions within the business to gauge any changes to the type or significance of risk to its business.

Strategic Report (continued)

Principal risks and uncertainties (continued)

Other Risks

Black swan events

Black swan events are highly unpredictable, high impact, and proximate events. The associated risks to Gamma vary depending on the type of event and require regular assessment once the event has materialised to ensure the business impact and the proximity of related risks are well understood.

Black swan events are managed through Gamma's Risk Management Process and are closely monitored by the relevant team within Gamma. They are assessed, scored, and managed using an integrated framework, recognising the assessment must be completed at the pace of the event.

A well-established crisis management process can be invoked at any time during a black swan event. This process includes an executive level Emergency Communications Committee combined with specialist third party support for public relations.

During 2022, the significant black swan event causing risk to Gamma was the Russia and Ukraine conflict.

The risks to Gamma created by the Russia and Ukraine conflict have been assessed as energy scarcity, including the resultant cost exposure from exponential energy price rises, and cyberwarfare, where UK critical national infrastructure is targeted in retaliation to sanctions or defensive military assistance provided to Ukraine.

Risks associated with the Russia and Ukraine conflict have been minimised through the inherent resilient design of Gamma's UK network with back-up power supplies in place at all private and public data centres, which can be run indefinitely. In addition, Gamma has been focused on reducing its energy usage as part of its commitment to environmental management and by doing so has limited its exposure to energy price rises wherever possible.

Financial risk management

The Company is exposed to the following financial risks:

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or banking institution fails to meet its contractual obligations.

Cash and cash equivalents

For banks and financial institutions, only independently rated parties with a credit rating above medium-grade are accepted, unless Board approval is obtained.

Market risk

Market rate risk relates to foreign exchange. Foreign exchange risk arises when the Company enters into transactions denominated in a currency other than their functional currency; the Company has no regular suppliers who invoice in currency other than sterling. As of 31 December 2021 and 31 December 2022 the Company's exposure to foreign exchange risk was not material. A sensitivity analysis for foreign exchange risk has not been prepared as the risk is immaterial.

Strategic Report (continued)

Financial risk management (continued)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. A sensitivity analysis for interest rate risk has not been prepared as the risk is immaterial.

Liquidity risk

Liquidity risk arises from the Company's management of working capital. It is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. It is the Company's aim to settle balances as they become due.

This report was approved by the board on 25 September 2023 and signed on its behalf.



P Maher
Director

Directors' Report

The directors present their annual report and the unaudited financial statements of the Company for the year ended 31 December 2022.

Directors

The directors who served the Company during the year and up to the date of signing were as follows:

A S J Belshaw
P Maher (appointed 11 August 2022)
D J Williams (appointed 31 March 2023)
A G Taylor (resigned 11 August 2022)
M C Goddard (resigned 31 March 2023)

Audit

For the year ending 31 December 2022 the Company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies. The members have not required the company to obtain an audit of its accounts for the year in question in accordance with section 476.

Future developments

The Company plans to continue to develop opportunities in and invest in Unified Communications as a Service (UCaaS).. This continued development will enable the Company to support the Group in maintaining its position as a leading provider of convergence communication services for the business market.

Matters covered in the Strategic Report

Details of the principal risks and uncertainties facing the Company and its financial risk management objectives and policies are given in the Strategic report.

Dividend

The directors have recommended and have paid a dividend totalling £53.9m (2021: £48m). Dividends are disclosed in note .

Directors' and Officers' liability insurance

The Company has, as permitted by s234 and 235 of the Companies Act 2006, maintained insurance cover on behalf of the Directors and Company Secretary indemnifying them against certain liabilities which may be incurred by them in relation to the Company.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Directors' Report (continued)

Going concern

The financial statements are prepared on the going concern basis. In assessing whether the going concern assumption is appropriate, the directors have taken into account all relevant available information about the future trading including profit and cash forecasts and available facilities and funding. The business has a track record of profitable growth and is cash generative and this is expected to continue.

The Directors are therefore satisfied that the Company has adequate financial resources to continue in operational existence for the foreseeable future, being a period of at least twelve months from the date of this report. Accordingly, the going concern basis of accounting continues to be used in the preparation of the Annual Report for the year ended 31 December 2022.

Section 172 Statement

The Board of Directors consider, both individually and together, that they have acted in the way that they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, having regard to the stakeholders and matters set out in section 172 (a)-(f) of the Companies Act in the decisions taken during the year. The Board considers the matters set out in section 172 of the 2006 Act in all its discussions and decision making. That includes:

- the likely consequences of any decision in the long term;
- the interests of the company's employees;
- the need to foster the Company's business relationships with suppliers, customers and others;
- the impact of the Company's operations in the community and the environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct;
- the need to act fairly between members of the company

Directors' responsibilities statement

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 'Reduced Disclosure framework'.

Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the company financial statements, the Directors are required to:

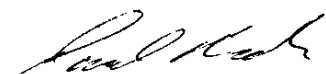
- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;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

Directors' Report (continued)

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

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

BY ORDER OF THE BOARD



P Maher (Director)

25 September 2023

Statement of comprehensive income

	Note	2022 £ m	2021 £ m
Revenue	4	341.1	311.1
Cost of sales		<u>(170.4)</u>	<u>(155.0)</u>
Gross profit		170.7	156.1
Operating expenses		(101.2)	(95.7)
Operating profit before depreciation and amortisation		73.8	65.4
Depreciation expense		(1.4)	(1.2)
Amortisation		(2.9)	(3.8)
Operating profit	6	69.5	60.4
Finance expense		(0.3)	(0.3)
Profit on ordinary activities before taxation		69.2	60.1
Tax on profit	8	(15.4)	(9.0)
Profit for the financial year		53.8	51.1
Total comprehensive income for the year attributable to the owners of the parent		53.8	51.1

All of the activities of the Company are classed as continuing.

The Company has no other comprehensive income other than the results for the year as set out above.

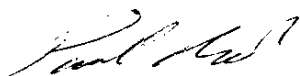
Statement of financial position

	Note	2022 £ m	2021 £ m
Non-current assets			
Right of use asset	10	5.2	5.3
Intangible assets	11	3.7	5.8
		<u>8.9</u>	<u>11.1</u>
Current Assets			
Stocks	12	8.3	6.5
Debtors	13	106.8	96.1
Cash and cash equivalents		8.6	8.1
		<u>123.7</u>	<u>110.7</u>
Creditors: amounts falling due within one year	15	(50.4)	(41.4)
Net current assets		<u>73.3</u>	<u>69.3</u>
Total assets less current liabilities			
		82.2	80.4
Creditors: amounts falling due in more than one year	16	(12.4)	(13.5)
Provisions	17	(1.3)	(1.5)
Net assets		<u>68.5</u>	<u>65.4</u>
Capital and reserves			
Called up share capital	19	-	-
Share option reserve		-	-
Other reserves		8.6	7.1
Profit and loss account		59.9	58.3
Total Shareholder's funds		<u>68.5</u>	<u>65.4</u>

For the year ending 31 December 2022 the Company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies. The members have not required the company to obtain an audit of its accounts for the year in question in accordance with section 476.

The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

These financial statements of Gamma Telecom Ltd (Registered number 04340834) were approved by the Board of directors and authorised for issue on 25 September 2023 and are signed on their behalf by:



P Maher
 Director

Statement of changes in equity

	Note	Called up share capital £ m	Share option reserve £ m	Other reserves £ m	Profit and loss account £ m	Total equity £ m
1 January 2022		-	-	7.1	58.3	65.4
Exercised share options	18	-	-	(2.7)	2.7	0.0
Share based payment charge	18	-	-	4.3	-	4.3
Current tax on share based payment transactions		-	-	-	0.0	0.0
Deferred tax on share based payment transactions		-	-	-	(1.1)	(1.1)
Cashflow hedge reserve		-	-	(0.1)	-	(0.1)
Dividend paid	9	-	-	-	(53.9)	(53.9)
<i>Transaction with owners</i>		-	-	1.5	(52.2)	(50.7)
Total comprehensive income		-	-	-	53.8	53.8
31 December 2022		-	-	8.6	59.9	68.5
	Note	Called up share capital £ m	Share option reserve £ m	Other reserves £ m	Profit and loss account £ m	Total equity £ m
1 January 2021		-	-	5.2	52.0	57.2
Exercised share options	18	-	-	(2.2)	2.2	-
Share based payment charge	18	-	-	4.1	-	4.1
Current tax on share based payment transactions		-	-	-	1.7	1.7
Deferred tax on share based payment transactions		-	-	-	(0.7)	(0.7)
Cashflow hedge reserve		-	-	-	-	-
Dividend paid	9	-	-	-	(48.0)	(48.0)
<i>Transaction with owners</i>		-	-	1.9	(44.8)	(42.9)
Total comprehensive income		-	-	-	51.1	51.1
31 December 2021		-	-	7.1	58.3	65.4

Notes to the financial statements

1. General information

Gamma Telecom Ltd provides Telephony services. The Company is a private company and is incorporated and domiciled in the United Kingdom. The principal activity of the Company is the provision of telephony services.

2. Accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost convention, and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework'. The financial statements are presented in Pounds Sterling and, unless otherwise stated, have been rounded to the nearest 0.1 million (£m).

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

Going concern

The financial statements are prepared on the going concern basis. In assessing whether the going concern assumption is appropriate, the directors have taken into account all relevant available information about the future trading including profit and cash forecasts and available facilities and funding. The business has a track record of profitable growth and is cash generative and this is expected to continue.

The Directors are therefore satisfied that the Company has adequate financial resources to continue in operational existence for the foreseeable future, being a period of at least twelve months from the date of this report. Accordingly, the going concern basis of accounting continues to be used in the preparation of the Annual Report for the year ended 31 December 2022.

Disclosure exemptions adopted

In preparing these financial statements the Company has taken advantage of all disclosure exemptions conferred by FRS 101. Therefore, these financial statements do not include:

- certain comparative information as otherwise required by EU endorsed IFRS;
- a statement of cash flows;
- the effect of future accounting standards not yet adopted;
- certain disclosures in respect of revenue from contracts with customers;
- the disclosure of the remuneration of key management personnel;
- disclosure of related party transactions with other wholly owned members of the Group headed by Gamma Communications plc; and
- disclosures in respect of financial instruments.

The financial statements of the ultimate parent Gamma Communications plc can be obtained from Companies House.

Notes to the financial statements (continued)

2. Accounting policies (continued)

Revenue recognition

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

Revenue is recognised when the company has fulfilled its performance obligations under the relevant customer contract. The company sells a number of communications products each of which typically consists of all or some of four main types of revenue – voice and data traffic, a subscription or rental, equipment sales and installation fees. Revenue for each element of the sale of the product is recognised as described below.

To the extent that invoices are raised in a different pattern to the revenue recognition described below, appropriate adjustments are made through contract liabilities and contract assets to account for revenue when the performance obligations have been met.

The company has two types of channel partners. For the majority of the channel partners, the company receives payment for products and services from the channel partners who onwardly sell to end users. These channel partners are treated as the principal in that transaction because the channel partner has the primary responsibility for providing the products or services to the end user; carries the inventory risk; is free to establish its own prices either with or without bundling in other goods or services which are not supplied by the company; and bears the credit risk for the amount receivable from the end user. The company therefore recognises revenue based on the transactions with the channel partner and not the end user.

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

Voice and data traffic

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

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

Subscriptions and rentals

Revenue from the rental of analogue and digital lines is recognised evenly over the period to which the charges relate. Subscription fees, consisting primarily of monthly charges for access to ethernet, broadband, UCaaS services and other internet access or voice services, are recognised as revenue as the service is provided.

A minority of sales of the Cloud PBX product are made under an “upfront” model whereby a channel partner buys the right to use a service for an unspecified period of time into the future. This is treated as an option to obtain future services at a discount and the revenue is spread equally over the estimated future period of usage of that service.

Equipment sales

Revenue from the sale of peripheral and other equipment is recognised when control of the asset has transferred to the buyer, normally the date the equipment is delivered and accepted by the customer.

Notes to the financial statements (continued)

2. Accounting policies (continued)

Installation fees

Revenue from installations which cannot be separated from an ongoing service contract, i.e. installations with no standalone value to the customer, are allocated to initial equipment sale (if any) and ongoing service revenues. The latter element results in a contract liability which is released over the length of the contract.

Advances made to channel partners

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

Incentive deals

Where the Company enters into incentive deals the costs are spread over the period of the deal with a proportion of revenue attributed against these costs. Where there is no revenue, the credit is shown against revenue over the period of the deal.

Foreign currency

The financial statements are presented in Pounds Sterling, which is the functional currency of the Company.

Foreign currency transactions are translated into the functional currency at the prevailing rates when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates prevailing at the reporting date. Exchange difference arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in profit or loss, except for foreign currency borrowings qualifying as a hedge of a net investment in a foreign operation, in which case exchange differences are recognised in other comprehensive income and accumulated in the foreign exchange reserve along with the exchange differences arising on the retranslation of the foreign operation.

Financial instruments

Financial assets and financial liabilities are recognised on the statement of financial position when the Company becomes party to the contractual provisions of the instrument. Financial assets are classified as either fair value through profit or loss, fair value through other comprehensive income, or amortised cost. Classification and subsequent remeasurement depends on the Company's business model for managing the financial asset and its cash flow characteristics. Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost.

All financial assets are recognised and derecognised on a trade date basis, where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe of the market concerned.

Financial assets

Trade and other receivables

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as financial assets measured at amortised cost. Trade receivables do not contain significant financing components and therefore are initially recognised at their transaction price, and subsequently treated in line with other financial assets.

Notes to the financial statements (continued)

2. Accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, deposits held at banks and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Impairment of financial assets

Except for trade receivables, impairment provisions are recognised as an expected credit loss provision under the general approach, being the expected credit loss over the next 12 months. Where there is a credit risk on a financial asset that has increased significantly, the impairment provision is measured at the lifetime expected credit loss. Impairment for trade receivables will be measured under the simplified approach with an expected credit loss percentage applied to each ageing category. All financial assets will be reported net of impairment; when the Company has no reasonable expectation of recovering a financial asset, the portion that is not recoverable is derecognised.

Financial liabilities

Trade payables

Trade payables are other financial liabilities initially measured at fair value and subsequently measured at amortised cost.

Derivatives

Forward exchange contracts are entered into to mitigate foreign exchange risk. These contracts are derivatives and therefore measured at fair value through profit or loss. Hedge accounting has not been applied.

Borrowings

Borrowings represent bank loans, initially measured at net proceeds and subsequently measured at amortised cost, using the effective rate method.

Equity instruments

Equity instruments are recorded as the proceeds received, net of direct issue costs.

Dividends

Dividends are recognised when they become legally payable. In the case of final dividends, this is when approved by the board.

Share-based payment expense

Equity settled share-based payments awarded to employees are measured at the fair value of the options at the grant date. The fair value excludes the effect of non-market based vesting conditions. The fair value is expensed on a straight-line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest.

Each year end, the Company revises its estimate of the number of equity instruments expected to vest as a result of non-market based vesting conditions. The impact of the revision of the estimate, if any, is recognised in the statement of comprehensive income so that, ultimately, the cumulative amount recognised reflects the latest estimates with a corresponding adjustment to the share option reserve.

Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Notes to the financial statements (continued)

2. Accounting policies (continued)

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

The fair value of the options is measured by use of either the Black-Scholes method or the Monte Carlo method. The latter methodology is used where there are market conditions attached to the share awards.

Intangible assets

An intangible asset, which is a non-monetary asset without physical substance, is recognised to the extent that it is probable that the expected future economic benefits attributable to the asset will flow to the Company and that its cost can be measured reliably.

Software is comprised of licences purchased from third parties and is initially recognised at cost. Amortisation of these assets commences when the assets are ready for their intended use. Amortisation is provided on software over the useful economic life assigned, but no more than five years.

Leased assets

Leased assets consist of rental property, cars and fibre networks where the Company has the right to control the identified asset.

A right of use asset and corresponding lease liability are recognised at commencement of a lease. The right of use asset is measured at cost, which consists of the initial measurement of the lease liability, any initial direct costs and any dilapidation or restoration costs. The right of use asset is depreciated on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset. The right of use asset is tested for impairment if there are any indicators of impairment.

The lease liability is measured at the present value of the lease payments, discounted at the Company's incremental borrowing rate. Lease payments included in the measurement of the lease liability comprises of fixed or variable payments, amounts expected to be payable under the residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequently, the liability will be reduced for payments made and increased for the interest applied and it is remeasured to reflect any reassessment or contract modifications. When the lease liability is remeasured, the corresponding adjustment is reflected in the right of use asset or in the statement of profit or loss if the right of use asset is already reduced to zero.

Where lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Short term leases of 12 months or less and leases of low value are expensed to the statement of profit or loss.

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

Notes to the financial statements (continued)

2. Accounting policies (continued)

Pension costs

The Company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the Company. The annual contributions payable are charged to the statement of comprehensive income.

Taxation

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

Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included. The tax expense represents the sum of the tax currently payable and deferred tax.

Deferred tax

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the statement of financial position differs from its tax base.

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

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

Deferred tax is charged or credited in the statement of profit or loss, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Inventory

Inventory (which is all finished goods) are valued at the lower of cost and net realisable value. Cost comprises all purchase costs, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Weighted average cost is used to determine the cost of ordinarily interchangeable items.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event. The amount recognised as a provision is the best estimate of the cost required to settle the obligation at the reporting date, after taking account of the risks and uncertainties surrounding the obligation.

Notes to the financial statements (continued)

3. Critical accounting estimates and judgments

Preparation of the financial statements requires the Company to make certain estimations, assumptions and judgements regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including best estimates of future events. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment within the next financial year are discussed below.

Critical accounting judgements

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

(a) Principal vs agent classification of channel partners

The Company receives payment for products and services from channel partners who onwardly sell to end users. The Company has considered whether channel partners are acting as a principal or an agent under the criteria in IFRS 15.

Where a channel partner has the primary responsibility for providing the products or services to the end user, carries the inventory risk, is free to establish its own prices and bears the credit risk for the amount receivable from the end user then the channel partner is treated as the principal in that transaction. The Company therefore recognises revenue earned in this way based on the transactions with the channel partner and not the end user.

(b) Revenue recognition

Revenue recognition on contracts may involve providing services over multiple years and involving a number of products. In such instances, judgement is required to identify the date of transaction of separable elements of the contract and the fair values which are assigned to each element. The Company also regularly assesses customer credit risk inherent in the carrying amounts of receivables, contract costs and estimated earnings.

Key accounting estimates

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

Notes to the financial statements (continued)

4. Revenue

Revenue arises principally from the provision of products and services.

	2022 £ m	2021 £ m
United Kingdom	<u>341.1</u>	<u>311.1</u>

Contract balances

The following table provides information about receivables, accrued income and contract liabilities from contracts with customers:

	31 December 2022 £ m	31 December 2021 £ m
Receivables, included in trade debtors	33.4	28.0
Accrued income, included in Debtors	26.8	25.3
Contract liabilities	12.6	13.4

In 2022, there was no revenue recognised in respect of performance obligations satisfied (or partially satisfied) in previous periods (2021: £nil).

Contract liabilities

Contract liabilities are deferred income arising from installations and Horizon upfront subscriptions, which are released to the statement of comprehensive income over the life of the contract. The movement on contract liabilities can be explained as below:

	2022 £ m	2021 £ m
At 1 January	13.4	11.8
Additions	8.8	7.8
Amortisation	<u>(9.6)</u>	<u>(6.2)</u>
At 31 December	<u>12.6</u>	<u>13.4</u>

5. Contract costs

Capitalised contract costs relate to installation costs. Capitalised installation costs amounted to £1.1m at 31 December 2022 (31 December 2021: £1.5m). The amount of amortisation was £0.8m in 2022 (2021: £0.8m) and there was no impairment loss in relation to the costs capitalised.

Notes to the financial statements (continued)

6. Operating profit

Profit on ordinary activities before taxation is stated after charging:

	2022 £ m	2021 £ m
Cost of stock recognised as an expense	10.3	10.3
Foreign exchange (gains)/losses	0.2	(0.2)
Staff costs (note 7)	50.4	47.6
Depreciation	1.4	1.2
Amortisation	2.9	3.8
	<u>72.2</u>	<u>63.7</u>

7. Directors and employees

The average monthly number of employees (including executive directors) employed by the Company during the financial year amounted to:

	2022 £ m	2021 £ m
Operational	493	494
Selling, administration and distribution	306	306
	<u>799</u>	<u>800</u>

The aggregate payroll costs of the above were:

	2022 £ m	2021 £ m
Wages and salaries	38.8	35.9
Social security costs	4.2	3.7
Other pension costs	3.2	3.2
	<u>46.2</u>	<u>42.8</u>
Share based payment expense (note 19)	4.2	4.8
	<u>50.4</u>	<u>47.6</u>

Notes to the financial statements (continued)

Directors' remuneration and transactions

Directors' emoluments in respect of the Company are borne by a fellow group undertaking. Remuneration in respect of directors was as follows:

	2022 £ m	2021 £ m
Emoluments receivable	3.1	1.8
Share based payments expense	1.6	1.5
	<u>4.7</u>	<u>3.3</u>

Remuneration of the highest paid director:

	2022 £ m	2021 £ m
Total emoluments (excluding pension contributions)	1.4	0.9
Share based payments expense	1.0	0.9
	<u>2.4</u>	<u>1.8</u>

In 2022, two directors accrued benefits under the Company's money purchase pension schemes (2021: one).

Four directors exercised share options during the year (2021: three) and four directors were awarded share options under long term incentive schemes (2021: three).

Notes to the financial statements (continued)

8. Tax on profit

(a) Analysis of charge in the year

	2022 £ m	2021 £ m
Current tax:		
Corporation tax based on the results for the year at 19% (2021: 19%)	13.6	10.4
Adjustment in respect of prior year	1.5	0.1
Total current tax	<u>15.1</u>	<u>10.5</u>
Deferred tax:		
Origination and reversal of temporary differences	0.3	(1.5)
Total deferred tax (note 15)	<u>0.3</u>	<u>(1.5)</u>
Tax on profit on ordinary activities	<u>15.4</u>	<u>9.0</u>

Corporation tax is calculated at 19% (2021: 19%) of the estimated taxable profit for the year. The charge for the year can be reconciled to the profit in the Statement of comprehensive income as follows:

(b) Factors affecting total tax charge

	2022 £ m	2021 £ m
Profit before taxation	<u>69.2</u>	<u>60.1</u>
Profit multiplied by standard rate of corporation tax in the UK of 19% (2021: 19%)	13.1	11.4
Expenses not deductible for tax purposes	0.1	-
Group relief not paid	-	(2.0)
Adjustment in respect of prior year	1.5	0.1
Adjusting tax items	0.7	(0.5)
Total tax charge	<u>15.4</u>	<u>9.0</u>

9. Dividends paid

	2022 £ m	2021 £ m
Dividend paid in the year £10,780 per share (2021: £9,600 per share)	<u>53.9</u>	<u>48.0</u>

Notes to the financial statements (continued)

10. Right of use assets

	Land & buildings	Other	Total
	£ m	£ m	£ m
Cost			
At 1 January 2022	8.9	0.3	9.2
Additions	1.2	0.1	1.3
Disposals	(0.3)	(0.3)	(0.6)
At 31 December 2022	<u>9.8</u>	<u>0.1</u>	<u>9.9</u>
Depreciation			
At 1 January 2022	3.6	0.3	3.9
Charge for the year	1.3	0.1	1.4
Disposals	(0.3)	(0.3)	(0.6)
At 31 December 2022	<u>4.6</u>	<u>0.1</u>	<u>4.7</u>
Net book value			
At 1 January 2022	<u>5.3</u>	-	<u>5.3</u>
At 31 December 2022	<u>5.2</u>	-	<u>5.2</u>

The Company's lease commitments are predominantly made up of office premises, other leases for land and buildings, and cars.

Disposals of right of use assets relate to the decision to exercise break clauses for office premises and expiration of car leases. No replacement leases have been committed to in the year ended 31 December 2022.

	2022	2021
	£m	£m
Maturity analysis – contractual undiscounted cash flows		
In one year or less	1.4	1.2
Between one and five years	4.6	4.9
In five years or more	1.2	1.2
Total undiscounted lease liabilities at 31 December	<u>7.2</u>	<u>7.3</u>
Current	1.3	0.8
Non-current	5.3	5.8
Lease liabilities at 31 December	<u>6.6</u>	<u>6.6</u>
Amounts recognised in the Statement of comprehensive income		
Interest expense on lease liabilities	<u>0.3</u>	<u>0.3</u>

Notes to the financial statements (continued)

11. Intangible assets

	2022 £ m
Cost	
At 1 January 2022	21.5
Additions	0.8
At 31 December 2022	22.3
Amortisation	
At 1 January 2022	15.7
Charge for the year	2.9
At 31 December 2022	18.6
Net book value	
At 1 January 2022	5.8
At 31 December 2022	3.7

12. Stocks

	2022 £ m	2021 £ m
Finished goods	8.3	6.5

There is no material difference between the Statement of financial position value of stocks and its replacement cost.

13. Debtors

	2022 £ m	2021 £ m
Trade debtors	33.4	28.0
Amounts due from group undertakings	16.3	12.1
Other debtors	1.2	4.7
Accrued income	26.8	25.3
Prepayments	26.2	21.7
Deferred tax asset (note 14)	2.9	4.3
	106.8	96.1

Amounts due from group undertakings are payable on demand. Of the above debtor balances £8.2m (2021 £8.9m) is due in more than one year.

Notes to the financial statements (continued)

14. Deferred taxation

Deferred tax is calculated in full on temporary differences under the liability method using the tax rate at which it is expected to unwind, being 25% (2021: 25%).

The movement in the deferred taxation provision during the year was:

	2022 £ m	2021 £ m
Asset at 1 January	4.3	3.5
Statement of comprehensive income movement in the year	(0.3)	1.5
Recognised directly in equity	(1.1)	(0.7)
Asset at 31 December	<u>2.9</u>	<u>4.3</u>

The deferred tax asset consists of the tax effect of timing differences in respect of:

	2022 £ m	2021 £ m
Excess of depreciation on fixed assets over capital allowances	0.1	0.2
Deferred tax on share options	1.5	2.4
Other timing differences	1.3	1.7
	<u>2.9</u>	<u>4.3</u>

There were no unrecognised deferred tax assets or liabilities in the current or preceding year.

15. Creditors: amounts falling due within one year

	2022 £ m	2021 £ m
Trade creditors	5.4	1.8
Amounts owed to group undertakings	0.8	0.2
Other taxation and social security	2.3	2.1
Other creditors	2.0	3.3
Deferred income	0.7	0.7
Accruals – Cost of sales	5.8	5.5
Accruals – Operating expenses	4.0	3.4
Accruals – Payroll	8.2	7.8
Lease liability	1.3	0.8
Contract liabilities	6.9	7.0
Corporation Tax	13.0	8.8
	<u>50.4</u>	<u>41.4</u>

Notes to the financial statements (continued)

16. Creditors: amounts falling due in more than one year

	2022 £ m	2021 £ m
Lease liability	5.3	5.8
Contract liabilities	5.7	6.4
Long Term Liabilities	1.4	1.3
	<u>12.4</u>	<u>13.5</u>

17. Provisions for liabilities

	Leasehold dilapidation £ m	Other provisions £ m	Total £ m
At 1 January 2022	1.0	0.5	1.5
Charged to profit and loss in the year	0.3	-	0.3
Utilisation of provision	(0.1)	(0.4)	(0.5)
At 31 December 2022	<u>1.2</u>	<u>0.1</u>	<u>1.3</u>
Due within one year or less	0.4	0.1	0.5
Due after more than one year	0.8	-	0.8
	<u>1.2</u>	<u>0.1</u>	<u>1.3</u>

Leasehold dilapidations relate to the estimated cost of returning a leasehold property to a defined condition at the end of the lease in accordance with the lease terms. Under IFRS 16, dilapidations costs are accounted for within the right of use asset and released to the profit and loss account through depreciation. The main uncertainties relate to estimating the cost that will be incurred at the end of the lease and also whether the option to break from the lease will be exercised. Leasehold dilapidation provisions relate to property rentals and vary from less than 12 months to in excess of five years.

From time to time the Company engages in contracts with suppliers where there is a minimum commitment. This is done in instances where the minimum purchase commitment is considered to be comfortably achievable and there is a material commercial advantage to making that commitment. On rare occasions there may be an unforeseen change in circumstances which means that the commitment becomes onerous, and a provision is made at the point it appears that the minimum commitments will not be achieved. Provisions for onerous contracts relate to contracts less than 2 years in length.

Notes to the financial statements (continued)

18. Share-based payments

Share options subject to equity-settled share-based payments are set out within the financial statements of the ultimate parent company, Gamma Communications plc.

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

Share options under the Company Share Option Plan have a vesting period of three years and exercise prices of £12.6500, £17.9600 and £13.2400 for the 2020, 2021 and 2022 plans respectively. There are no performance based vesting conditions.

Share options under the Save as You Earn scheme have a vesting period of three years and an exercise price of £8.0000, £14.112 and £10.400 for the 2020, 2021 and 2022 schemes respectively. There are no performance based vesting conditions.

Share options under the Long-Term Incentive Plan and Deferred Bonus Plan have a three-year vesting period subject to performance criteria, and an exercise price of £0.0025.

The awards issued under the Long-Term Incentive Plan will vest as follows:

- 15% of the shares are subject to an award if annual compound total shareholder return over the performance period equals 8% and 50% of the shares are subject to an award if the annual compound total shareholder return over the period exceeds or equals 15% with pro rata straight line vesting in between; and
- 15% of the shares are subject to an award if annual compound growth of the Group's adjusted earnings per share over the performance period equals 8% between the financial years at the beginning and the end of the performance period and 50% of the shares are subject to an award if the annual compound growth of the Group's adjusted earnings per share exceeds or equals 20% with pro rata in between.

The charge for share-based payments recognised in the year was £4.2m (2021: £4.8m), of which £nil (2021: £0.7m) related to employers National Insurance contributions.

Share options were exercised regularly throughout the current and preceding year. The weighted average share price of Gamma Communications plc for options exercised during the year ended 31 December 2022 was £11.16 (2021: £19.27). The weighted average exercise price of Gamma Communications plc for options exercised during the year ended 31 December 2022 was £5.29 (2021: £3.10).

The weighted average remaining life of the share options outstanding at 31 December 2022 was 15 months (2021: 15 months), with a weighted average remaining exercise price of £7.68 (2021: £7.21).

Notes to the financial statements (continued)

19. Called up share capital

Authorised, issued and fully paid:

	2022	2021
	£ m	£ m
5,000 (2021: 5,000) Ordinary shares of £1 each	<u>-</u>	<u>-</u>

20. Related party transactions

The Company is a wholly owned subsidiary of Gamma Telecom Holdings Limited. The Company has taken advantage of the exemption available within FRS 101 'Reduced Disclosure Framework' to not to disclose transactions with other members of the Group headed by Gamma Communications plc. Gamma Telecom Limited is a wholly owned subsidiary of the Group, and details of all related party transactions are disclosed within the Group accounts.

21. Immediate and ultimate parent company

The Company's Immediate parent undertaking is Gamma Telecom Holdings Limited, a company incorporated in England and Wales. The Company's Ultimate parent entity is Gamma Communications plc, a company incorporated in England and Wales by virtue of its 100% shareholding.

The smallest and largest group of undertakings for which consolidated financial statements have been drawn up which include the Company is Gamma Communications plc. The registered office of Gamma Communications plc is The Scalpel, 18th Floor, 52 Lime Street, London, EC3M 7AF, England. The financial statements of Gamma Communications plc are publicly available from Companies House, Crown Way, Cardiff, CF14 3UZ.