

5 September 2023

Gamma Communications plc
Unaudited results for the six months ended 30 June 2023

Healthy first half performance, continued strong cash generation and positive business momentum leading to full year outlook in the top half of market expectations

Gamma Communications plc (“Gamma” or “the Group”), a leading provider of Unified Communications as a Service (“UCaaS”) into the UK and European business markets, is pleased to announce its unaudited results for the six months ended 30 June 2023.

	Six months ended 30 June		
	2023	2022	Change (%)
Revenue	£256.2m	£234.7m	9%
Gross profit	£131.2m	£120.4m	9%
<i>Gross margin</i>	51%	51%	
Profit from operations	£42.2m	£38.7m	9%
Adjusted EBITDA*	£56.5m	£51.9m	9%
Profit before tax ("PBT")	£43.5m	£38.4m	13%
Adjusted PBT*	£48.3m	£43.1m	12%
Earnings Per Share ("EPS") (fully diluted)	33.8p	31.9p	6%
Adjusted EPS (fully diluted)*	37.5p	35.6p	5%
Interim dividend per share	5.7p	5.0p	14%
Cash generated by operations	£57.1m	£49.5m	15%
<i>Cash generated by operations / adjusted EBITDA*</i>	101%	95%	
Cash and cash equivalents less borrowings ("Net cash")*	£121.7m	£72.6m	68%

**All adjusted measures set out above and throughout this document which are described as “adjusted” represent Alternative Performance Measures (“APMs”) and are separately presented within the statement of profit or loss or reconciled in note 2 or our segment note and are applied consistently. Where reference is made to adjusted EPS this is stated on a fully diluted basis. Definitions of APMs and our policy on their use are included in note 2. APMs are not considered to be a substitute for, or superior to, IFRS measures. Constant currency movements for the statement of profit or loss are calculated by applying the prior period average exchange rates to the results for the period ended 30 June 2023.*

Key Financials

The Group continued to perform well in the first six months of the year delivering good gross profit growth flowing through to both adjusted EBITDA and adjusted PBT, with strong cash generation.

- Revenue and gross profit grew by 9% to £256.2m and £131.2m respectively (H1 2022: £234.7m and £120.4m), with gross margin being maintained and adjusted EBITDA growing by 9% to £56.5m (H1 2022: £51.9m).
- Recurring revenue (being revenue which is recognised “over time” as per note 3) in the period grew to £229.7m (H1 2022: £208.7m) remaining high at 90% (H1 2022: 89%) of total revenue.
- Gamma Business continued to grow strongly, primarily driven by our UCaaS portfolio. Revenue growth has also been supported through targeted price rises. Gross profit increased by 8% to £86.8m (H1 2022: £80.2m[#]) with a stable gross margin.
- Gamma Enterprise grew gross profit by 6% to £25.4m (H1 2022: £24.0m[#]). As expected, gross margin decreased slightly as a result of higher hardware sales which are lower margin.
- European Business delivered reported gross profit growth of 17% to £19.0m (H1 2022: £16.2m^{##}). After current year immaterial alignment of European commission presentation between cost of sales and operating expenses, and on a constant currency basis, the comparable growth was 7%. In all instances this represented an improved gross margin.
- We continue to see growth in our voice enablement product set, particularly where we are supporting Microsoft Teams (“MS Teams”), with Operator Connect and MS Teams Direct

Routing, and other third party voice applications. We have included supplementary information on product volumes at the end of the Chief Executive Review.

- The attachment rates on “bolt-ons” which can be bought alongside our core Cloud PBX product (Horizon) continue to increase which supports our Average Revenue Per User (“ARPU”).
- Adjusted earnings per share (fully diluted) for the year increased by 5% to 37.5p (H1 2022: 35.6p). The growth has been impacted by the change in the UK statutory tax rate. If the prior year group effective tax rate had been applied the growth would have been 11%.
- Cash conversion (Cash generated by operations / adjusted EBITDA) was higher than prior periods at 101% primarily as a result of favourable working capital movements.

See Note 3 for segmental change information and restated comparatives.

In H2 2022 there was a review and alignment of European commission presentation between cost of sales and operating expenses resulting in an immaterial £0.8m reduction in cost of sales and equivalent increase in operating expenses in H1 2022.

Acquisition

On 16 August 2023, we acquired Satisnet Limited (“Satisnet”), a UK-based cyber security company (a Managed Security Services Provider) of software and services to the medium/large enterprise market. See note 12 for events after the reporting date for further detail. The business will become part of Gamma Enterprise. We expect the acquisition to be immediately earnings enhancing although not materially so, given its small size relative to the Group.

Outlook

Following a healthy first half performance, growth is expected to continue into the second half and adjusted EBITDA and adjusted EPS are now anticipated to be in the top half of the range of market expectations*.

Andrew Belshaw, Chief Executive Officer, commented:

“We continue to deliver good financial growth and our broadened product set is resonating with channel partners and enterprise customers alike. In the UK the impending PSTN switch off has led to good early growth in our PhoneLine+ product. Outside the UK, we have worked hard to improve the underlying performance in our European businesses and have made good progress.

We have seen excellent cash conversion in the period and the strength of Gamma’s balance sheet has enabled us to continue to acquire capability, whether through product development or acquisition. We have recently broadened our offering into the adjacent managed cyber security sector through the acquisition of Satisnet. We continue to see M&A as a way to supplement our organic growth and capabilities. Our resilient business model allows us to look forward with confidence.”

+ Company compiled range is based on known sell side analyst estimates. The ranges are adjusted EBITDA £110.4m - £117.2m and adjusted EPS (fully diluted) 70.0 pence - 77.0 pence.

Enquiries:

Gamma Communications plc

Andrew Belshaw, Chief Executive Officer
Bill Castell, Chief Financial Officer
Rachael Matzopoulos, Company Secretary

Tel: +44 (0)333 006 5972

CompanySecretary@gamma.co.uk

Investec Bank plc (NOMAD & Broker)

Patrick Robb / Virginia Bull

Tel: +44 (0)207 597 5970

Teneo (PR Adviser)

James Macey White / Matt Low / Rebecca Hamer

Tel: +44 (0)207 353 4200

Gamma@teneo.com

Chief Executive Review

We had a healthy first half financial performance with revenue, gross profit and adjusted EBITDA all growing by 9% compared to the same period in the previous year. We generated £57.1m in cash from operations and increased our net cash balance to £121.7m at the end of the period.

Our markets and performance

More than 50% of businesses in the UK, and almost 70% in the European countries in which we operate, still have a physical hardware PBX rather than a Cloud-based software PBX solution. This presents an ongoing opportunity for us to continue to increase sales of our Hosted PBX solution (Horizon, in the UK), as well as to upsell the additional services we offer such as call recording and Horizon Contact (our omni-channel product which enables communication with customer agents). These bolt-ons help us to maintain the ARPU on each seat that we sell in a market where price discounting is common.

During the first half we added 31,000 UK Cloud PBX seats in the UK of which 26,000 were Horizon seats. We have been pleased with the level of gross additions in the Horizon base. Churn has increased slightly as some customers have reduced the number of seats taken when re-contracting, following downsizing of their business during the Covid period. Our track record of consistently adding cloud PBX seats and additional functionality bolt-ons, evidences the growing demand for solutions that improve customer communication.

At the end of 2025 the UK's Public Switched Telephony Network ("PSTN") is undergoing a fundamental change. The PSTN and Integrated Services Digital Network ("ISDN") are scheduled to be turned off and replaced with new technology based on Voice over Internet Protocol ("VoIP") products. The onus is on businesses to convert before the end of 2025. The future demise of ISDN has been a driver of the growth of our SIP business for some years now. The PSTN gets turned off at the same time and there are over three million single telephony lines relying on the old technology which are used by micro-businesses of fewer than ten employees. Each of the businesses will need to find a new solution for their voice communications. This presents a sizeable opportunity for Gamma and our channel partners. Gamma has developed our own cloud solution for customers, called PhoneLine+, which replaces the simple single line used by micro-businesses. PhoneLine+ is a cost effective product which appeals to users who do not need the full functionality of our Horizon product. PhoneLine+ has had good early sales with 5,000 seats in the period.

The PSTN switch off in the UK will also accelerate the migration of data services from legacy products (such as ADSL) to newer products which are not centred on the existence of the PSTN (such as SoGEA). This will continue to provide Gamma with an opportunity for volume growth but with lower margins on those new additional sales of data products.

We also added 2,000 Cloud PBX seats in Europe in the first half, which is lower than the previous run rate, because we are focussing on Operator Connect sales in the Netherlands (rather than Cloud PBX where the market is more competitive), and we did not have any large seat wins in Germany as we did at the end of 2022.

As well as the growth in Cloud PBX, we also see increasing adoption of voice-enablement solutions, particularly MS Teams. In the UK, the number of SIP Trunks supporting Hardware PBXs fell very slightly but we are not yet seeing a trend (which will be positive for us) of customers migrating to Cloud PBX from hardware solutions which are supported by SIP. We saw significant growth in SIP Trunks supporting MS Teams and other third-party voice applications. During the half we added 38,000 MS Teams users in the UK and 5,000 in Europe. We see this as a significant future growth area.

Through our European acquisition strategy, we have a presence in Germany, the Netherlands and Spain. Between them, these countries already have more than twice as many potential UCaaS business users as the UK, but the average penetration rate across those three countries remains much lower than the UK, leaving scope for long-term future growth.

The rate of Cloud PBX adoption in our European markets continues to be slower than market analysts had been predicting several years ago. Our German business showed 8% growth in the number of cloud seats and we continued to see the contribution from the newly-acquired Neotel business drive performance in Spain. In the Netherlands, the PBX market is more mature and competitive, so we have been focusing that business on the voice enablement of MS Teams and we are benefitting from being early to the market, securing deals from larger customers which we had not previously been able to serve with our Cloud PBX offering.

Strategic update

Develop a common pan-European product set for UCaaS and CCaaS for SMEs.

We have acquired businesses in Germany, the Netherlands and Spain and as a consequence we sell a mixture of business solutions in different countries. Supporting this varied product set will become inefficient in the long term and hence we have a multi-year programme to move to a common product set across all of Gamma's geographic operations. This solution set will be a mixture of third-party products and Gamma's own IP which, when combined with our excellent service wrap, will meet the communications requirements of a wide range of end users.

During the first half of 2023, our Technology teams across Europe have come together to form one single team. By working collaboratively they have been able to launch our Operator Connect product (which voice enables MS Teams) in Germany, Spain and Belgium (as well as continuing sales in the UK and the Netherlands where we had already launched it).

In addition, we have used the platform we built in the UK for our PhoneLine+ and Horizon Connect products to test launch a new Cloud PBX product in the Spanish market.

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

We have now launched our "digital first" offering, CircleLoop, in Germany and the Netherlands alongside the UK – this is based on the same platform as PhoneLine+. This "low touch" solution gives access to Gamma for small customers who wish to buy solutions digitally, and will allow us to involve channel partners who want to work on a referral model (i.e. gaining commission from directing their own customers to our website).

We have also started a programme to review our user portals in each country. In every country in which we operate we have a portal where customers and end users can interact with us. These are hosted using different technologies and provide varying degrees of customer service. We have embarked on a multi-year project to build a common portal across Europe which will give all of our customers the same experience.

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

Our Enterprise business continued to see good client wins. Notable wins in the first half of this year were Lidl (SD-WAN), Shawbrook Bank (CCaaS), NHS (SIP & CCaaS) and The Home Office (Mobile).

We continue to strengthen our relationships with both Microsoft and Amazon as we see an important role for us to help our customers implement solutions involving products from the "digital giants". Indeed,

we are also receiving inbound opportunities from these partners that are helping us to expand our Enterprise business outside of the UK.

After the period end we acquired Satisnet which is a Managed Security Services Provider. Cyber security has become increasingly important for our customers, many of whom have asked us whether we are able to support them in this area. We expect to be able to accelerate the growth of the Satisnet business by taking its services to our Enterprise customer base. Following an extensive search to find the right partner, I am pleased to be able to welcome John McCann and the Satisnet team to Gamma. We can now provide our customers with a Managed Security Service, offering, for example, managed firewalls, a 24x7 managed Security Operations Centre (“SOC”) and incident response. Services are purpose built to meet the specific requirements of each customer. We have already secured a Managed Security solution for Reed (a current customer) and we have a number of opportunities from our existing customer base who have asked us to provide the services which Satisnet can offer.

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

We cannot execute our strategy without our great people.

We have acquired businesses with complementary values to our own; however, we did not have a common language to describe them. During the first half of 2023, we codified the four Gamma Values: we’re there and we care; we love to grow; we step up and own it; and we do the right thing.

As part of our values programme we now recognise our Gamma Values Champions quarterly. These champions could be colleagues going out of their way to help and support each other, finding better and simpler ways of doing things, stepping up and owning challenges and opportunities, or doing the right thing for the business, their colleagues and our customers.

I am very proud of them and everyone else who makes Gamma what it is. The products and services which we provide to our customers are critical for them to run their own businesses; but Gamma can only provide those products and services because we have 1,800 people who live our values on a daily basis.

During the first half of the year, we also launched an initiative called “You Belong” aiming to encourage, attract, retain and develop both current and prospective employees to Gamma with the core values that we launched. We held the first set of community meetings which bring together different demographics of employees within Gamma to support and develop our colleagues’ experiences at work. The first four groups we have formed are focussing on Women, Multicultural, Early Careers and Wellbeing groups and we hope that other groups will also form, driven by employee needs.

Board and corporate governance

The first half of 2023 has seen two of our long-standing colleagues retire from the Board. On behalf of everyone at Gamma, I would like to thank Richard Last, our former Chair, and Martin Lea, Non-Executive Director and former Senior Independent Director, for their service since we listed in 2014. I am also pleased to welcome Martin Hellawell to the Board as our new Chair. Martin brings a wealth of experience into Gamma and my executive team and I are already working well with him.

As a leading communications company, Gamma will comply with the Telecommunications Security Act. We are currently investing in the systems which will ensure we are fully compliant.

Environmental

Gamma remains committed to advancing from a Carbon Neutral business to a Carbon Net-Zero business by 2042, and we expect to reduce our Scope 1 and 2 emissions (made directly and indirectly)

by 90% by 2030. We were awarded an A- for our Supplier Engagement Score by the Carbon Disclosure Project earlier this year, reflecting the work that we have done to understand our supplier emissions. This ties into our work on Company-wide emission reductions under the Science-Based Target initiative (SBTi). We will seek validation of our target within the 24-month SBTi timeframe.

Outlook

I am pleased with our first half performance. We expect our growth to continue into the second half and now anticipate adjusted EBITDA and adjusted EPS will be in the top half of the range of current market expectations.

We continue to deliver against our short and longer-term growth strategy. We will invest in both our product set and the systems which are used by customers to order from us. We are able to do this because we are in a strong financial position. We continue to evaluate acquisition opportunities which will provide additional capability or take us into new parts of the market, increasing our relevance to our customer base.

As a result of the market opportunity and the investments we are making, the Board is positive about the outlook for the Group in 2024 and beyond. We believe that more and more businesses of all sizes are seeing the advantages that UCaaS can bring and we expect to see continuing growth.

Andrew Belshaw
Chief Executive Officer

Supplementary information on product volumes

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

Voice Enablement – UK & Europe (000's)	June 2023	December 2022	Change (%)
<u>SIP Trunks enabling traditional hardware PBX</u>			
- UK	1,042	1,053	-1
- Europe	192	183	5
<u>SIP Trunks enabling a non-Gamma Cloud PBX</u>			
- UK	378	367	3
- Europe	-	-	n/a
<u>Voice enabled MS Teams users (either Operator Connect or MS Teams Direct Routing)</u>			
- UK	394	356	11
- Europe	6	1	500

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

Cloud PBX seats – UK & Europe (000's)	June 2023	December 2022	Change (%)
UK – Horizon	777	751	3
UK – PhoneLine+	8	3	167
UK – Total	785	754	4
Europe	163	161*	1

* 3,000 CCaaS seats were previously included in the total "European Cloud" seats and are now included in the CCaaS table below.

The table below shows the number of units of the various bolt-ons which are sold to enhance the functionality of UK Cloud PBX (Horizon):

Horizon bolt-ons – UK (000's)	June 2023	December 2022	Change (%)
Collaborate	76	73	4
Call Recording	108	96	13
Horizon for MS Teams	9	7	29
Horizon Contact	14	11	27

The table below shows the number of CCaaS seats:

CCaaS seats – UK & Europe (000's)	June 2023	December 2022	Change (%)
UK – Horizon Contact**	14	11	27
UK – SmartAgent	11	8	38
UK – Total	25	19	32
Europe***	3	3	0

**All Horizon Contact users also take a "Base Horizon" seat (separately disclosed within Cloud PBX seats); for the avoidance of doubt, these 14,000 seats are the same as the seats in the table above.

*** The Neotel acquisition in October 2022 included 3,000 CCaaS seats.

Financial Review

Revenue and gross profit

Gamma has performed well during the six months ended 30 June 2023, increasing overall revenue by 9% to £256.2 (H1 2022: £234.7m) and gross profit by 9% to £131.2m (H1 2022: £120.4m). The UK businesses have seen growth in revenue of £18.7m (+9%) and gross profit of £8.0m (+8%) and Europe has seen growth in revenue of £2.8m (+8%) and gross profit of £2.8m (+17%).

Gamma Business

£m	H1 2023	H1 2022*	Increase
Revenue	164.8	150.4	10%
Gross Profit	86.8	80.2	8%
Gross Margin	52.7%	53.3%	

* See Note 3 for segmental change information and restated comparatives.

Overall, the growth in the Gamma Business unit has been strong. Growth was primarily driven by our UCaaS portfolio, which includes our Horizon Cloud PBX solution as well as those SIP trunks supporting MS Teams implementations and other non-Gamma Cloud PBX solutions. UCaaS unit growth continued with PhoneLine+ (Gamma's own software solution) take up accelerating, whilst Horizon Cloud PBX and additional module bolt-ons net growth was lower than in prior periods (partially due to some switching from Horizon to PhoneLine+). Revenue growth has also been supported through targeted price rises. Gross margin has been stable with previous periods, which is in line with expectations, as the mix of UCaaS and connectivity products is now reasonably consistent.

Gamma Enterprise

£m	H1 2023	H1 2022*	Increase
Revenue	53.0	48.7	9%
Gross Profit	25.4	24.0	6%
Gross Margin	47.9%	49.3%	

* See Note 3 for segmental change information and restated comparatives.

Gamma Enterprise has seen a number of significant contract wins, including an organisation-wide mobile solution for the Home Office in the public sector, and an SD-WAN for Lidl's UK store network. Additionally, there have been several wins for our omni-channel contact centre management solution, Smart Agent, within the NHS. Our MS Teams voice enablement services continued to grow in the first half with the pipeline remaining strong. The gross margin decrease is due to product mix as a result of a higher number of hardware sales which are lower margin as expected.

Europe

£m	H1 2023	H1 2022**	Increase
Revenue	38.4	35.6	8%
Gross Profit	19.0	16.2	17%
Gross Margin	49.5%	45.5%	

** In H2 2022 we reviewed and aligned European commission presentation between cost of sales and operating expenses resulting in an immaterial £0.8m reduction in cost of sales and equivalent increase in operating expenses in 2022. For comparative purposes, applying this alignment in H1 2022 gross profit would have been £17.0m resulting in year-on-year growth of 12%, with gross margin at 47.8%.

Growth in UCaaS supported a good first half financial performance. Results were further bolstered by positive foreign exchange movements, with a Euro that strengthened against Sterling compared to the prior year. After alignment of immaterial European commission presentation between cost of sales and operating expenses, and on a constant currency basis, the equivalent gross profit growth was 7%.

Operating expenses

Operating expenses grew from £81.7m in H1 2022 to £89.0m. We break these down as follows:

£m	H1 2023	H1 2022	Change
Expenses included within cash generated from operations	74.7	68.5	9%
Depreciation & amortisation	14.3	13.2	8%
Total Operating Expenses	89.0	81.7	9%

Of the movements in “Expenses included within cash generated from operations” shown above, which increased by 9% (or an 8% increase when taking into account the immaterial £0.8m German commission reclassification from cost of sales to operating expenses):

- The UK Businesses’ operating expenses grew by 7% (compared to gross profit growth of 8%). These expenses (the majority of which relate to staff) have been actively controlled with offset product price changes where appropriate given the inflationary environment.
- Increase in European costs was 10%, after taking into account the immaterial reallocation of £0.8m between cost of sales and operating costs. This was adversely impacted by the stronger Euro and general inflationary pressures. On a constant currency basis the growth was 6%.
- Central costs have increased from the prior period due to continued growth in the Group functions required to support the businesses we have acquired around Europe as well as an increase in governance and professional fee costs.

Depreciation and amortisation on tangible and intangible assets (excluding business combinations) has increased to £14.3m (H1 2022: £13.2m). The annual depreciation and amortisation charge is below the annual capital expenditure spend but is expected to increase in future as more of our own developed software products come into service.

Exceptional Items

There were no exceptional items in the period or in H1 2022.

Alternative performance measures

Our policy for alternative performance measures and definitions is set out in note 2.

EBITDA (and also “adjusted EBITDA”)

Adjusted EBITDA, as defined in note 2, grew from £51.9m to £56.5m (9%). There were no exceptional items in the period or in H1 2022.

Taxation

The effective tax rate was 24% (2022: 19%) based on applying the expected full year effective rate. This increase is as a result of the statutory UK rate rising from 19% to 25% in April 2023. The tax rate in future years will continue to increase as a result of a full year of the UK tax rate increase to 25%, and the higher rates in the main European countries within which we operate.

Net cash and cash flows

The Group has net cash of £121.7m (H1 2022: £72.6m). The cash and cash equivalents balance at the end of the period was £123.5m and the Group had borrowings of £1.8m which are held by trading subsidiaries outside of the UK and pre-date their acquisition by Gamma.

Cash generated by operations was £57.1m (H1 2022: £49.5m). The cash conversion was higher than prior periods at 101% (H1 2022: 95%) primarily as a result of favourable working capital movements.

Items which are not directly related to trading were:

- Capital spend was £10.5m, which is an increase from £7.8m in the comparative period, as a result of the increase in overall development spend (as seen in H2 2022). This is discussed further below.
- £9.7m was paid as dividends to shareholders (H1 2022: £8.5m).
- £2.4m was paid as contingent consideration for the acquisition of Mission Labs (H1 2022: £1.6m).
- £1.5m was received from interest income (H1 2022: £0.2m).
- £0.1m was received from the issue of shares (H1 2022: £0.3m).

Gamma's Group treasury policy is governed by the Audit 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 85% of Group revenue is generated from our UK business, all deposit balances are held with large established UK financial institutions. Cash in Europe is held for working capital purposes and follows the same Group policy as set out above.

Capital spend

Capital spend in H1 2023 was £10.5m (H1 2022: £7.8m) as follows:

- £7.8m was the capitalisation of development costs incurred during the period (H1 2022: £5.6m). This is a similar level of capitalised development cost to H2 2022. Research costs expensed through the statement of profit or loss increased to £8.4m versus H1 2022 (£7.6m), again in line with H2 2022.
- £1.8m related to the core network, including increasing capacity as well as other minor items such as IT and fixtures and fittings (H1 2022: £2.2m).
- £0.9m was spent with third-party software vendors for the software which underpins our Cloud PBX products (H1 2022: nil).

Adjusted EPS (fully diluted) and Statutory EPS (fully diluted)

Adjusted EPS (fully diluted) increased from 35.6p to 37.5p (5%). Adjusted EPS is EPS as adjusted for exceptional items (if any, there are none in the period or in H1 2022) and other items as defined and reconciled to the statutory measure in note 2. The growth rate has been impacted by the change in the UK statutory tax rate. If the prior year effective tax rate had been applied the growth would have been 11%.

Statutory EPS (fully diluted) grew from 31.9p to 33.8p (6%). The growth is slightly higher than the adjusted metric because, in the current period, the depreciation and amortisation relating to business combinations has grown at a slower rate. The growth rate has been impacted by the change in the UK statutory tax rate. If the prior year effective tax rate had been applied the growth would have been 12%.

Going Concern

The Group's business activities, together with the factors likely to affect its future development, performance and position, are consistent with those set out in the Annual Report for the year ended 31 December 2022. In assessing going concern management the Board has considered:

- The principal risks faced by the Group are set out in note 1 to the interim financial statements and are consistent with those found in the Annual Report for the year ended 31 December 2022.
- The financial position of the Group.
- The strong cash position – at 30 June 2023 the Group had cash and cash equivalents of £123.5m. Net cash (being cash and cash equivalents less borrowings) was £121.7m. All borrowings were acquired with acquisitions made in previous years.
- Budgets, financial plans and associated future cash flows including liquidity and borrowings.
- Sensitivity analysis, which has shown that EBITDA would have to decrease by over 100% between the period end date and December 2024 for the Group to need additional borrowing (assuming no mitigating actions had been taken). We consider this to be highly unlikely.

The Directors are satisfied that the Group has adequate financial resources to continue in operational existence for the foreseeable future, 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 condensed consolidated financial statements.

Dividends

The Board has declared an interim dividend of 5.7p (2022: 5.0p). This is an increase of 14% and is in line with our progressive dividend policy. The interim dividend is payable on Thursday 19 October 2023 to shareholders on the register as at Friday 22 September 2023.

Bill Castell
Chief Financial Officer

Management Statement

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

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

Responsibility Statement

We confirm that to the best of our knowledge:

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

By the order of the Board
4 September 2023

Independent Review Report to Gamma Communications plc

Conclusion

We have been engaged by Gamma Communications plc (“the company”) and its subsidiaries (together “the group”) to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2023 which comprises the condensed consolidated statement of profit or loss, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of financial position, the condensed consolidated statement of cash flows, the condensed consolidated statement of changes in equity and related notes 1 to 12.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2023 is not prepared, in all material respects, in accordance with United Kingdom adopted International Accounting Standard 34 and the AIM Rules of the London Stock Exchange.

Basis for Conclusion

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

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

Conclusion Relating to Going Concern

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

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

Responsibilities of the directors

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

In preparing the half-yearly financial report, the directors are responsible for assessing the group’s ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the review of the financial information

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

Use of our report

This report is made solely to the company in accordance with ISRE (UK) 2410. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Deloitte LLP
Statutory Auditor
Reading, United Kingdom
4 September 2023

Condensed consolidated statement of profit or loss

For the six months ended 30 June 2023

	Note	Six months ended 30 June 2023 £m Unaudited	Six months ended 30 June 2022 £m Unaudited	Year ended 31 December 2022 £m Audited
Revenue	3	256.2	234.7	484.6
Cost of sales		(125.0)	(114.3)	(236.9)
Gross profit		131.2	120.4	247.7
Operating expenses		(89.0)	(81.7)	(182.3)
Earnings before depreciation, amortisation and exceptional items		56.5	51.9	105.1
Exceptional items		-	-	(12.5)
Earnings before depreciation and amortisation		56.5	51.9	92.6
Depreciation and amortisation (excluding business combinations)		(9.5)	(8.5)	(17.7)
Depreciation and amortisation arising due to business combinations		(4.8)	(4.7)	(9.5)
Profit from operations		42.2	38.7	65.4
Finance income		1.7	0.2	0.8
Finance expense		(0.4)	(0.5)	(1.3)
Profit before tax		43.5	38.4	64.9
Tax expense	4	(10.4)	(7.3)	(15.4)
Profit after tax		33.1	31.1	49.5
Profit is attributable to:				
Equity holders of Gamma Communications plc		33.0	31.0	49.3
Non-controlling interests		0.1	0.1	0.2
		33.1	31.1	49.5
Earnings per share attributable to the ordinary equity holders of the Company:				
Basic per Ordinary Share (pence)	5	34.1	32.2	51.1
Diluted per Ordinary Share (pence)	5	33.8	31.9	50.6

Adjusted earnings per share is shown in note 5

Condensed consolidated statement of comprehensive income

For the six months ended 30 June 2023

	Six months ended 30 June 2023 £m Unaudited	Six months ended 30 June 2022 £m Unaudited	Year ended 31 December 2022 £m Audited
Profit for the period	33.1	31.1	49.5
Other comprehensive income			
<i>Items that may be reclassified subsequently to the statement of profit or loss (net of tax effect)</i>			
Exchange difference on translation of foreign operations	(1.3)	1.3	2.9
Total comprehensive income	31.8	32.4	52.4
Total comprehensive income for the period attributable to:			
Equity holders of Gamma Communications plc	31.7	32.3	52.2
Non-controlling interests	0.1	0.1	0.2
	31.8	32.4	52.4

Condensed consolidated statement of financial position

As at 30 June 2023

		30 June 2023 £m Unaudited	30 June 2022 £m Unaudited	31 December 2022 £m Audited
	Note			
Assets				
Non-current assets				
Property, plant and equipment	7	30.9	34.4	33.8
Right of use assets		8.5	9.9	9.1
Intangible assets	8	123.4	129.0	124.3
Deferred tax asset		5.3	5.6	5.5
Trade and other receivables		11.9	12.8	13.0
		180.0	191.7	185.7
Current assets				
Inventories		12.6	8.5	10.2
Trade and other receivables		106.9	110.8	109.4
Cash and cash equivalents		123.5	75.6	94.6
Current tax asset		2.5	3.5	6.9
		245.5	198.4	221.1
Total assets		425.5	390.1	406.8
Liabilities				
Non-current liabilities				
Other payables		1.7	2.2	2.7
Borrowings		1.5	2.2	1.7
Lease Liabilities		7.6	9.5	8.6
Provisions		1.7	1.0	0.9
Contract Liabilities		7.5	7.9	7.8
Contingent consideration	9	-	1.6	1.5
Deferred tax		10.1	7.5	11.3
		30.1	31.9	34.5
Current liabilities				
Trade and other payables		54.5	56.2	54.0
Borrowings		0.3	0.8	0.4
Lease Liabilities		2.9	2.2	2.5
Provisions		0.4	0.7	0.7
Contract Liabilities		8.8	9.0	9.2
Contingent consideration	9	2.7	3.0	3.5
Put option liability	9	1.8	5.4	1.8
Current tax		0.7	0.3	0.5
		72.1	77.6	72.6
Total liabilities		102.2	109.5	107.1
Net assets		323.3	280.6	299.7
Equity				
Share capital	10	0.2	0.2	0.2
Share premium reserve		18.1	15.2	18.0
Other reserves	11	9.1	7.8	9.0
Retained earnings		297.2	261.8	273.9
Equity attributable to owners of Gamma Communications plc		324.6	285.0	301.1
Non-controlling interests		0.9	2.3	0.8
Written put options over non-controlling interests		(2.2)	(6.7)	(2.2)
Total equity		323.3	280.6	299.7

Condensed consolidated statement of cash flows

For the six months ended 30 June 2023

		Six months ended 30 June 2023 £m Unaudited	Six months ended 30 June 2022 £m Unaudited	Year ended 31 December 2022 £m Audited
Cash flows from operating activities				
Profit for the period before tax		43.5	38.4	64.9
<i>Adjustments for:</i>				
Depreciation of property, plant and equipment	7	4.6	4.5	9.5
Depreciation of right of use assets		1.3	1.3	2.8
Amortisation of intangible assets	8	8.4	7.4	14.9
Impairment of goodwill		-	-	12.2
Change in fair value of contingent consideration/put option liability		-	-	(0.9)
Share based payment expense		1.3	1.8	4.3
Interest income		(1.7)	(0.2)	(0.8)
Finance expense		0.4	0.5	1.3
Loss on disposal of subsidiary undertaking		-	-	0.3
		57.8	53.7	108.5
Decrease/(increase) in trade and other receivables		3.5	(12.7)	(10.1)
(Increase) in inventories		(2.4)	(0.6)	(2.6)
(Decrease)/increase in trade and other payables		(1.6)	8.2	4.1
(Decrease)/increase in contract liabilities		(0.7)	1.2	(0.4)
Increase/(decrease) in provisions and employee benefits		0.5	(0.3)	(0.4)
Cash generated by operations		57.1	49.5	99.1
Taxes paid		(5.3)	(7.4)	(14.4)
Net cash flows from operating activities		51.8	42.1	84.7
Investing activities				
Gain on disposal of property, plant and equipment		-	0.1	0.4
Purchase of property, plant and equipment	7	(1.8)	(2.2)	(6.8)
Purchase of intangible assets	8	(8.7)	(5.6)	(13.9)
Interest received		1.5	0.2	0.8
Acquisition of subsidiaries net of cash acquired (inc. contingent consideration)		(2.4)	(1.6)	(9.8)
Disposal of subsidiary net of disposed cash		-	-	(0.3)
Net cash used in investing activities		(11.4)	(9.1)	(29.6)
Financing activities				
Lease liability repayments		(1.3)	(1.3)	(2.8)
Repayment of borrowings		(0.3)	(0.4)	(0.7)
Interest paid		(0.1)	(0.3)	(0.1)
Share issues		0.1	0.3	3.1
Dividends		(9.7)	(8.5)	(13.3)
Net cash used in financing activities		(11.3)	(10.2)	(13.8)
Net increase in cash and cash equivalents		29.1	22.8	41.3
Cash and cash equivalents at beginning of period		94.6	52.8	52.8
Effects of exchange rate changes on cash and cash equivalents		(0.2)	-	0.5
Cash and cash equivalents at end of period		123.5	75.6	94.6

Condensed consolidated statement of changes in equity

For the six months ended 30 June 2023

	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 2022	0.2	14.9	4.5	239.1	258.7	2.2	(6.7)	254.2
Issue of shares	-	0.3	(0.2)	0.2	0.3	-	-	0.3
Share-based payment expense	-	-	2.2	-	2.2	-	-	2.2
Dividends paid	-	-	-	(8.5)	(8.5)	-	-	(8.5)
Transactions with owners	-	0.3	2.0	(8.3)	(6.0)	-	-	(6.0)
Profit for the period	-	-	-	31.0	31.0	0.1	-	31.1
Other comprehensive income	-	-	1.3	-	1.3	-	-	1.3
Total comprehensive income	-	-	1.3	31.0	32.3	0.1	-	32.4
30 June 2022	0.2	15.2	7.8	261.8	285.0	2.3	(6.7)	280.6
1 January 2023	0.2	18.0	9.0	273.9	301.1	0.8	(2.2)	299.7
Issue of shares	-	0.1	-	-	0.1	-	-	0.1
Share-based payment expense	-	-	1.4	-	1.4	-	-	1.4
Dividends paid	-	-	-	(9.7)	(9.7)	-	-	(9.7)
Transactions with owners	-	0.1	1.4	(9.7)	(8.2)	-	-	(8.2)
Profit for the period	-	-	-	33.0	33.0	0.1	-	33.1
Other comprehensive expense	-	-	(1.3)	-	(1.3)	-	-	(1.3)
Total comprehensive expense/income	-	-	(1.3)	33.0	31.7	0.1	-	31.8
30 June 2023	0.2	18.1	9.1	297.2	324.6	0.9	(2.2)	323.3

Notes to the interim financial information

For the six months ended 30 June 2023

1. Basis of preparation

The condensed consolidated interim financial information (interim financial information) included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting', as adopted by the United Kingdom. The interim financial statements do not constitute statutory accounts within the meaning of the Companies Act 2006 and should be read in conjunction with the Group's Annual Report and Accounts for the year ended 31 December 2022, which was prepared in accordance with IFRS as adopted by the United Kingdom.

There are no additional standards or interpretations requiring adoption that are applicable to the Group for the accounting period commencing 1 January 2023.

Principal risks and uncertainties

The principal risks faced by the Group continue to be that product development becomes misaligned with market needs, unplanned service disruption, data loss and cyber-attacks, over-reliance on key suppliers, inability to attract and retain top talent, failure to adapt and develop new routes to market, uncertain competitive landscape causes loss of market share, unsuccessful M&A activities and legal and regulatory non-compliance. Further details can be found in the Annual Report for the year ended 31 December 2022.

2. Accounting policies, judgements and estimates

The accounting policies adopted are consistent with those followed in the preparation of the audited statutory financial statements for the year ended 31 December 2022.

Preparation of the interim financial information requires the Group to make certain estimations, assumptions and judgements regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including best estimates of future events. In the future, actual experience may differ from these estimates and assumptions. The key judgements and sources of estimation uncertainty reported in the financial statements for the year ended 31 December 2022 are still relevant.

Alternative Performance Measures

Adjustments to the Statement of Profit or Loss have been presented because the Group believes that adjusted performance measures (APMs) provide additional information for users of the financial statements in assessing the Group's performance, and also represent the underlying performance of the Group. These are also used by the Board and management as KPIs to understand how the business is performing. Moreover, they provide information on the trading performance of the business that Management is more directly able to influence and on a comparable basis from year to year. Reference to 'underlying' reflects the trading results of the Group without the impact of depreciation and amortisation of acquired intangible assets, changes in fair value consideration and any tax related effects that would otherwise impact the users understanding of the Group's performance. The Directors believe that adjusted results provide additional useful information on the core operational performance of the Group, and review the results of the Group on an adjusted basis internally.

The measures are adjusted for the following items:

- (a) Depreciation and amortisation

Depreciation and amortisation relate to the assets which were acquired by the Group. These are omitted from adjusted operating expenses to allow users of the accounts to compare against other external data sources.

(b) Depreciation and amortisation arising due to business combinations

This adjustment is made to improve the comparability between acquired and organically grown operations, as the latter cannot recognise as wide a range of internally generated intangible assets. Adjusting for depreciation and amortisation provides a more consistent basis for comparison between the two.

(c) Adjusting tax items

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

The table below reconciles the alternative performance measures used in this document:

Measure	Statutory basis	Depreciation & amortisation from business combinations	Adjusting tax items	Adjusted basis
2023				
PBT (£m)	43.5	4.8	-	48.3
PAT* (£m)	33.0	4.8	(1.2)	36.6
EPS (FD) (p)	33.8	4.9	(1.2)	37.5
2022				
PBT (£m)	38.4	4.7	-	43.1
PAT* (£m)	31.0	4.7	(1.1)	34.6
EPS (FD) (p)	31.9	4.8	(1.1)	35.6

* Profit After Tax ("PAT") is the amount attributable to the ordinary equity holders of the Company

We believe that these measures provide a user of the accounts with important additional information by providing the following alternative performance metrics:

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

In addition to the above adjustments to statutory measures, we add back the depreciation and amortisation charged in the year to Profit from Operations (H1 2023: £42.2m; H1 2022: £38.7m) to calculate a figure for EBITDA (H1 2023: £56.5m; H1 2022: £51.9m) which is commonly quoted by our peer group internationally and allows users of the accounts to compare our performance with those of our peers. We further adjust EBITDA for exceptional items as this gives a reader of the

accounts a view of the underlying trading picture which is comparable from year to year. There were no exceptional items in the period or in H1 2022.

An adjustment to the cash has been presented because the Group believes that adjusted performance measures (APMs) provide valuable additional information for users of the financial statements in assessing the Group's performance as Net Cash is a better measure of liquidity. We do not consider contingent consideration or IFRS 16 lease liabilities as debt for the purpose of quoting a net cash figure.

	2023	2022
	£m	£m
Cash and cash equivalents	123.5	75.6
Borrowings	(1.8)	(3.0)
Net Cash	121.7	72.6

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 to those with fewer than 250 employees. This division sells through different routes to market, including the channel, direct and digital, as well as through other carriers who sell to smaller businesses in the UK. It contributed 64% (2022: 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 21% (2022: 21%) of the Group's external revenue.
- European – This division consists of sales made in Europe through Gamma's German, Spanish and Dutch businesses. It contributed 15% (2022: 15%) of the Group's external revenue.
- Central functions – This comprises the central management team and wider Group costs.

Change in segmental reporting

In recent years, Gamma has widened its product and solution/services set to address the communications needs of a broader range of businesses. Post pandemic, customer requirements have evolved in respect of their telecommunications and IT infrastructure and methods of procurement for such products and services have broadened. Because of this, the Group's business unit responsibilities have been realigned to allow the business units to focus more directly on customer needs and preferences.

Our two UK business units are now aligned with customer groups rather than routes to market. We have therefore updated our segmental reporting structure to reflect the way in which the Group now manages its operations.

Previously the reported segments were UK Indirect, UK Direct, Europe and Central Functions. The new segments are Gamma Business, Gamma Enterprise, Europe and Central Functions. Gamma Business consists of the former UK Indirect business with the addition of some customers and associated costs from the UK Direct business (now Gamma Enterprise). This has resulted in a £13.5m revenue movement between segments for FY 2022 (3% of group revenue) with no change in Executive Committee leadership.

This change in reporting structure has taken effect for reporting in 2023. In advance of the announcement of our H1 results for the six months ended 30 June 2023, we provided a restated view of our HY22 and FY22 financial results under this new segmentation to provide the correct comparability. Going forward, the assets and liabilities of the segments along with their depreciation and amortisation, which were previously provided as supplementary information, will no longer be shown.

Measurement of operating segment profit or loss, assets and liabilities

The accounting policies of the reporting segments are the same as those described in the summary of significant accounting policies. The Group evaluates performance on the basis of profit or loss from operations but excludes non-recurring losses, such as goodwill impairment. Inter-segment sales are priced in line with sales to external customers, with an appropriate discount being applied to encourage use of Group resources at a rate acceptable to local tax authorities. This policy was applied consistently throughout the current and prior period.

Period to 30 June 2023	Gamma Business £m	Gamma Enterprise £m	European £m	Central functions £m	Total £m
Segment revenue	177.0	53.5	38.6	-	269.1
<i>Inter-segment revenue</i>	<i>(12.2)</i>	<i>(0.5)</i>	<i>(0.2)</i>	-	<i>(12.9)</i>
Revenue from external customers	164.8	53.0	38.4	-	256.2
<i>Timing of revenue recognition</i>					
At a point in time	7.6	5.4	13.5	-	26.5
Over time	157.2	47.6	24.9	-	229.7
	164.8	53.0	38.4	-	256.2
Total gross profit	86.8	25.4	19.0	-	131.2
Earnings before depreciation, amortisation and exceptional items	41.6	14.5	5.0	(4.6)	56.5
Exceptional	-	-	-	-	-
Earnings before depreciation and amortisation	41.6	14.5	5.0	(4.6)	56.5

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

Period to 30 June 2022 (restated)	Gamma Business £m	Gamma Enterprise £m	European £m	Central functions £m	Total £m
Segment revenue	163.5	49.4	35.6	-	248.5
<i>Inter-segment revenue</i>	<i>(13.1)</i>	<i>(0.7)</i>	-	-	<i>(13.8)</i>
Revenue from external customers	150.4	48.7	35.6	-	234.7
<i>Timing of revenue recognition</i>					
At a point in time	7.9	2.9	15.2	-	26.0

Over time	142.5	45.8	20.4	-	208.7
	150.4	48.7	35.6	-	234.7
Total gross profit	80.2	24.0	16.2	-	120.4

Earnings before depreciation and amortisation	38.1	13.7	4.3	(4.2)	51.9
Exceptional	-	-	-	-	-
Earnings before depreciation and amortisation	38.1	13.7	4.3	(4.2)	51.9

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

4. Taxation on profit on ordinary activities

Tax expense is recognised based on management's best estimate of the weighted average effective annual tax rate expected for the full financial year. The estimated average annual tax rate used for the period to 30 June 2023 is 24%, compared to 19% for the six months ended 30 June 2022. This increase is as a result of the statutory UK rate rising from 19% to 25% in April 2023.

5. Earnings per share

	Six months ended 30 June 23	Six months ended 30 June 22
Earnings per Ordinary Share – basic (pence)	34.1	32.2
Earnings per Ordinary Share – diluted (pence)	33.8	31.9

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

	Six months ended 30 June 23	Six months ended 30 June 22
	£m	£m
Earnings		
Profit after tax attributable to equity holders of the Company	33.0	31.0
Shares	Number	Number
Basic weighted average number of Ordinary Shares	96,872,058	96,341,184
Effect of dilution resulting from share options	642,984	836,273
Diluted weighted average number of Ordinary Shares	97,515,042	97,177,457

Adjusted earnings per share is detailed below:

	Six months ended 30 June 23	Six months ended 30 June 22
Adjusted earnings per Ordinary Share – basic (pence)	37.8	35.9
Adjusted earnings per Ordinary Share – diluted (pence)	37.5	35.6

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

	Six months ended 30 June 23	Six months ended 30 June 22
Earnings	£m	£m
Profit for the period attributable to equity holders of the Company	33.0	31.0
Amortisation arising on business combinations	4.8	4.7
Adjusting tax items	(1.2)	(1.1)
Adjusted profit after tax for the period	36.6	34.6

6. Dividends

A final dividend of 10p was paid on 22 June 2023 (2022: 8.8p). The Board has declared an interim dividend of 5.7p per share payable on Thursday 19 October 2023 to shareholders on the register as at Friday 22 September 2023. In the prior year an interim dividend of 5.0p was paid.

7. Property, plant and equipment

	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	-	0.8	0.9	0.1	1.8
Disposals	-	(0.2)	-	-	(0.2)
Exchange differences	(0.1)	-	(0.1)	-	(0.2)
At 30 June 2023	4.6	68.0	14.3	2.9	89.8
Depreciation					
At 1 January 2023	0.3	41.8	10.7	1.8	54.6
Charge for the period	0.1	3.4	0.8	0.3	4.6
Disposals	-	(0.2)	-	-	(0.2)
Exchange differences	-	-	(0.1)	-	(0.1)
At 30 June 2023	0.4	45.0	11.4	2.1	58.9
Net book value					
At 1 January 2023	4.4	25.6	2.8	1.0	33.8
At 30 June 2023	4.2	23.0	2.9	0.8	30.9
	Land and building £m	Network assets £m	Computer equipment £m	Fixtures and fittings £m	Total £m
2022					
Cost					
At 1 January 2022	4.5	78.7	12.3	2.4	97.9
Additions	-	1.2	1.0	-	2.2
Disposals	-	(6.4)	-	-	(6.4)
Exchange differences	0.1	(0.1)	(0.1)	0.5	0.4
At 30 June 2022	4.6	73.4	13.2	2.9	94.1

Depreciation

At 1 January 2022	0.3	50.3	9.0	1.5	61.1
Charge for the period	-	3.5	0.8	0.2	4.5
Disposals	-	(6.3)	-	-	(6.3)
Exchange differences	-	0.4	0.2	(0.2)	0.4
At 30 June 2022	0.3	47.9	10.0	1.5	59.7

Net book value

At 1 January 2022	4.2	28.4	3.3	0.9	36.8
At 30 June 2022	4.3	25.5	3.2	1.4	34.4

8. Intangible assets

	Goodwill £m	Customer contracts £m	Brand £m	Development costs £m	Software £m	Total £m
2023						
Cost						
At 1 January 2023	97.5	50.9	1.4	40.4	19.3	209.5
Additions	-	-	-	7.8	0.9	8.7
Disposals	-	-	-	(0.2)	-	(0.2)
Exchange differences	(1.2)	(1.0)	(0.1)	(0.2)	-	(2.5)
At 30 June 2023	96.3	49.9	1.3	47.8	20.2	215.5
Amortisation						
At 1 January 2023	20.8	29.1	0.7	18.0	16.6	85.2
Charge for the period	-	4.2	0.2	2.2	1.8	8.4
Disposals	-	-	-	(0.2)	-	(0.2)
Exchange Differences	(0.4)	(0.7)	(0.1)	(0.1)	-	(1.3)
At 30 June 2023	20.4	32.6	0.8	19.9	18.4	92.1
Net book value						
At 1 January 2023	76.7	21.8	0.7	22.4	2.7	124.3
At 30 June 2023	75.9	17.3	0.5	27.9	1.8	123.4
2022						
Cost						
At 1 January 2022	91.8	47.6	2.2	28.1	18.5	188.2
Additions	-	-	-	5.6	-	5.6
Exchange differences	-	-	-	(0.1)	-	(0.1)
Reclassifications	0.6	0.9	-	0.2	-	1.7
At 30 June 2022	92.4	48.5	2.2	33.8	18.5	195.4
Amortisation						
At 1 January 2022	8.7	20.2	0.9	14.8	14.3	58.9
Charge for the period	-	3.7	0.5	2.2	1.0	7.4
Disposals	-	-	-	(0.1)	-	(0.1)

Exchange Differences	(0.1)	0.4	-	(0.1)	-	0.2
At 30 June 2022	8.6	24.3	1.4	16.8	15.3	66.4
Net book value						
At 1 January 2022	83.1	27.4	1.3	13.3	4.2	129.3
At 30 June 2022	83.8	24.2	0.8	17.0	3.2	129.0

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

9. Fair value of financial Instruments

The financial instruments included in the 'Consolidated statement of financial position are measured at fair value or amortised cost. Those financial liabilities measured at fair value remain unchanged from the Annual Report for the year ended 31 December 2022 and include contingent consideration £2.7m (31 December 2022: £5.0m) and put option liability £1.8m (31 December 2022: £1.8m), both classified as level 3. Both the contingent consideration and put option liability were valued using a probability weighted expected returns methodology, using a discount rate appropriate to the transaction. Movements in the fair value are charged through the profit and loss.

10. Share capital

	Number	£m
1 January 2023		
Ordinary Shares of £0.0025 each	96,847,301	0.2
At 1 January 2023	96,847,301	
Movement:		
January	7,170 (a)	
February	2,221 (a)	
April	5,268 (a)	
May	4,132 (a)	
June	109,751 (a)	
At 30 June 2023	96,975,843	

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

	Number	£m
30 June 2023		
Ordinary Shares of £0.0025 each	96,975,843	0.2

11. Other reserves

	Merger reserve £m	Share option reserve £m	Foreign exchange reserve £m	Own shares £m	Total other reserves £m
1 January 2022	2.3	7.1	(4.2)	(0.7)	4.5
Issue of shares	-	(0.2)	-	-	(0.2)
Share-based payments	-	2.2	-	-	2.2
Other comprehensive income	-	-	1.3	-	1.3

30 June 2022	2.3	9.1	(2.9)	(0.7)	7.8
1 January 2023	2.3	8.7	(1.3)	(0.7)	9.0
Share-based payments	-	1.4	-	-	1.4
Other comprehensive income	-	-	(1.3)	-	(1.3)
30 June 2023	2.3	10.1	(2.6)	(0.7)	9.1

12. Events after the reporting date

On 16 August 2023 the Group acquired the entire issued share capital of Satisnet Limited, a UK-based Managed Security Services Provider of software and services to the medium/large enterprise market. There was an initial payment to the sellers of £10.1m (excluding amounts paid for cash acquired and working capital). In addition, there is £2.8m in Gamma shares payable by October 2023 and a further £2.1m payable in cash. There is also an earn out agreement based on revenue and growth profit targets for 18 months to 31 December 2024 and 2025. This may result in an additional consideration of up to £5.0m, of which 80% will be in cash and 20% by the issue of consideration shares.

Due to the proximity of the acquisitions to the publication of this update, the Group has not yet completed the purchase price allocation and it is impractical to give further information.