

Annual Report and Financial Statements Gamma Business Communications Limited

For the year ended 31 December 2016



Company No. 02998021

Company information

Company registration number	02998021 (England and Wales)
Registered office	5 Fleet Place London EC4M 7RD
Directors	A S J Belshaw R M Falconer M C Goddard
Company secretary	M C Goddard
Auditor	Deloitte LLP Chartered Accountants Statutory Auditor Abbots House Abbey Street Reading RG1 3BD United Kingdom

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Strategic Report

Principal activities and business review

Gamma Business Communications Limited ("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 telecommunication services to the business community. During the course of the year, the Company has also provided billing and back office services to other resellers.

Strategy

The Company's strategy continues to be to focus on selling to end-user customers (which is done in conjunction with channel partners who receive commission payments) and to sell increasing quantities of innovative new products.

Financial overview

Key performance indicators

	2016	2015	Change
Turnover	£33.1m	£31.2m	6.1%
Gross profit	£13.8m	£13.3m	3.8%
Gross margin	41.7%	42.6%	-0.9%
Profit from operations	£6.5m	£5.3m	22.6%

The Company saw an increase in turnover in 2016 of £1.9m from £31.2m in 2015 to £33.1m in 2016 and an increase in gross profit of £0.5m from £13.3m in 2015 to £13.8m in 2016. Gross margin percentage has remained relatively consistent at 41.7% (2015: 42.6%). It has fallen slightly due to product mix. Profit from operations increased by £1.2m to £6.5m in 2016 (2015: £5.3m).

Principal risks and uncertainties

The directors set out the principal risks facing the business as follows:

Regulatory Environment

The UK's telecommunications sector does not have a "licence" requirement; it operates under a General Authorisation regime whereby, in combination with relevant UK and European statute, the sector's regulator outlines the required compliance, which is presumed from telecommunications companies such as Gamma. Gamma's activities within the UK can also be impacted by the decisions of relevant legislative, regulatory and judicial bodies both domestically and in the European Union, with the primary potential impact of new decisions being changes to buy and sale prices for products and the way in which we are required to engage with our customers. Should our activities be found to be in breach of the requirements of our General Authorisation, the primary impact would be the cost of negative publicity and any financial penalty levied. Gamma mitigates this risk by continuing to monitor likely regulatory changes; assessing their risk and potential impact; and engaging with regulators as appropriate.

Strategic Report (continued)

Principal risks and uncertainties (continued)

Security

By its very nature Gamma's network infrastructure provides customers with open access to the internet and global voice networks. As such there is a risk from cyber threat and telephony fraud as well as to the physical infrastructure. Over the past few years the profile around cyber security has changed significantly and the company has adapted its governance accordingly.

A breach of security could have a significant impact on the Company's reputation and in the case of telephony fraud, there could also be the chance of significant commercial impact.

Gamma's core infrastructure and operating capability is certified under ISO 27001 for security. Gamma has a proactive approach to identifying any threat or attack and well proven procedures for neutralising such events. Gamma also employs external agencies to carry out penetration testing on our systems as well as carrying out our own security incident rehearsals. We have also undergone assessment and certification to meet the 'Cyber Essentials' standard. In light of the increasing profile of cyber security we have enhanced our governance to ensure that we follow best practice in the identification and management of associated risk, including increased frequency and broadened scope of both routine and bespoke penetration testing, mandated cyber security training for all our employees, dedicated security roles to track how cyber threats are evolving and are best detected, and Board visibility of the 'health' of the governance structure. Our fraud management applications identify unusual traffic patterns within a short space of time and we have a 24x7 operational capability to then assess and mitigate the risk.

Network and Systems Performance

Reliable, high quality, voice and data services are the core components of Gamma's products. Therefore maintaining very high levels of service availability is central to any service provider's credibility in this market. If our network and systems perform below the market expectations then this will impact Gamma's ability to grow and sustain revenues. Gamma operates a comprehensive operational governance framework to manage the availability and performance of our services. This includes the design and architecture of our platforms, capacity planning, change management, security, business continuity planning and rehearsals, incident management and monitoring. This structure is subject to external audit via our ISO 27001, ISO 22301 and ND 1643 certifications.

Maintaining Customer Service Levels

Communications services are critical to businesses. The ability to order and deliver them easily and get support quickly when something goes wrong are key areas that any service provider is assessed on when a customer is placing business. Delivering poor customer service can affect our ability to sustain and grow revenues and dealing with failure increases the costs of the support operation. Gamma holds a monthly quality forum chaired by the CEO that reviews performance across all parts of the business, taking into account direct customer feedback as well as providing a mechanism for internal feedback. Gamma also carries out regular customer surveys that focus on assessing how straightforward we are to work with.

Increased Competition

New entrants or existing service providers continue to extend their product set to compete directly with our products and services, diluting the addressable market and slowing down growth. Gamma aims to provide services which are more attractive to our customers than those of competitors.

Suppliers

Gamma's business relies on a number of key suppliers to provide elements of its products and services. Failure of one of these suppliers to perform may have an impact on Gamma's ability to deliver products and services. Where possible we avoid reliance upon a single supplier for a particular element of our service and, to ensure key supplier contracts have appropriate clauses in place to assure their performance.

Strategic Report (continued)

Principal risks and uncertainties (continued)

Key Personnel

Gamma has grown rapidly over the last few years, with very low staff turnover, therefore there are individuals that have been instrumental in its development and are important to its ongoing success. Loss of key individuals could have an impact on the business' continuing development. Gamma has a well-established team and a reputation for being a good employer.

Brexit

Britain's impending departure from the EU creates uncertainty and will result in changes for some businesses. This is likely to produce both risks and opportunities for Gamma. The main risks anticipated are, possible reduction economic activity across the UK, possible long term reduction in the size of the financial sector in London, possible increases in costs of international call termination and international roaming charges. Gamma will manage its pricing policies and its contractual arrangements with customers and suppliers in the light of the evolution of the government's Brexit negotiations.

Evolution of Technology and Markets

The communications market is constantly evolving, both in terms of the available technologies and also how people look to purchase certain products. If the business does not at least keep pace with this evolving market then its plans for growth may be impacted. Gamma plans, develops and markets products which match the evolution of market demand and of relevant technologies and develops its core platforms to support these products.

Financial risk management objectives and policies

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 a counterparty to a financial instrument fails to meet its contractual obligations. The Company is mainly exposed to credit risk from credit sales. It is the Company policy to assess the credit risk of new customers before entering contracts. The credit committee has established a credit policy under which each new customer is analysed individually for creditworthiness before the Company's standard payment and delivery terms and conditions offered. The Company's review includes external ratings when available. Purchase limits are established for each customer which represents the maximum open amount without requiring approval from the Credit Committee. The Credit Committee determines concentrations of credit risk by quarterly monitoring the creditworthiness rating of existing customers and through monthly review of trade receivables' aging analysis.

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

The Company does not enter into derivatives to manage credit risk.

Market risk

As of the 31 December 2016 and 31 December 2015 the Company's exposure to market risk was not material. 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 very few customers who are invoiced in currency other than sterling and very few regular suppliers invoice in currency other than sterling. These transactions are not hedged because the cost of doing so is disproportionate to the risk.

Strategic Report (continued)

Principal risks and uncertainties (continued)

Liquidity risk

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

Health, safety, the environment and the community

The Company has a formal Health, Safety and Environmental Policy which requires all operations within the Company to pursue economic development whilst protecting the environment. The directors aim not to damage the environment of the areas in which the Company operates, to meet all relevant regulatory and legislative requirements and to apply responsible standards of its own where relevant laws and regulations do not exist.

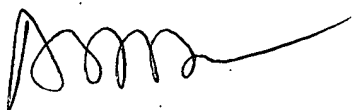
It is the policy of the Company to consider the health and welfare of employees of employees by maintaining a safe place and system of work as required by legislation in each of the countries where the Company operates.

Employees

Gamma recognises the essential importance of employees to the success of the business and ensures that they are fully informed of events that directly affect them and their working conditions. Information on matters of concern to employees is given in briefings that seek to provide a common awareness on the part of all employees of the financial and economic factors affecting the Company's performance.

During both the current and the prior year Gamma undertook the Best Companies Limited employee engagement survey and achieved a 2-star accreditation. The results from this survey attracted a listing in the Sunday Times Best 100 Companies to Work For and Gamma was placed in the top fifty companies in the UK.

This report was approved by the board on 29 March 2017 and signed on its behalf.



A S J Belshaw
Director

Report of the directors

The directors present their annual report and the audited financial statements of the Company for the year ended 31 December 2016.

Directors

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

A S J Belshaw
R M Falconer
M C Goddard

Future developments

The growth of Voice over IP technology and the continued emergence of convergent (fixed and mobile) services will radically change the industry. The Company is well positioned to take advantage of these changes, building on its product strength, its strong customer-service ethos and its relationship with its network of channel partners.

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 £6.5m (2015: £6.0m), further details of which are disclosed in note 7.

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.

Report of the directors (continued)

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 Financial Reporting Standard 101 'Reduced Disclosure Framework'.

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

- select suitable accounting policies and then apply them consistently;
- make judgments 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.

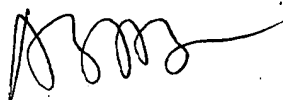
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Auditor

During the year, Deloitte LLP were reappointed by the directors in accordance with section 485 of the Companies Act 2006.

BY ORDER OF THE BOARD



A S J Belshaw
Director
29 March 2017

Report of the independent auditor to the members of Gamma Business Communications Limited

We have audited the financial statements of Gamma Business Communications Limited for the year ended 31 December 2016 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity and the related notes 1 to 17. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's 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 and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 Reduced Disclosure Framework; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Report of the independent auditor to the members of Gamma Business Communications Limited (continued)

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and the Directors' Report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

 29 March 2017
Andrew Bond FCA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Reading, United Kingdom

Principal accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention, and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework.'

The presentation currency used is sterling and amounts have been presented in round millions ("£m").

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. It is therefore considered appropriate to adopt the going concern basis of accounting in the preparation of the annual financial statements.

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;
- 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 Gamma Communications plc can be obtained from Companies House.

Exemption from preparation of consolidated financial statements

The financial statements contain information about Gamma Business Communications Limited as an individual Company and do not contain consolidated financial information as the parent of a group. The Company has taken advantage of the exemption conferred by s400 of the Companies Act 2006 not to produce consolidated financial statements as it is included in the EEA consolidated financial statements of a larger group.

Principal accounting policies (continued)

Basis of accounting (continued)

Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Company

At the date of authorisation of these financial statements, certain new standards and amendments to existing standards have been published by the IASB that are not yet effective, and have not been adopted early by the Company. New accounting standards expected to be relevant to the Company are listed below.

- IFRS 15 Revenue and Contracts with Customers (effective 1 January 2018);
- IFRS 16 Leases (effective 1 January 2019);

Management anticipates that all relevant pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncement. IFRS 15 was published in May 2014 and the effective date has been delayed to reporting periods beginning on or after 1 January 2018. Therefore, following the finalisation of the standard and IFRS 16, the Company is in the process of assessing the impact of this.

Investments

Investments are recorded at cost less amounts written off.

The cost of acquisition is the amount of cash or cash equivalents paid and the fair value of other purchase consideration given by the acquirer, together with the expenses of the acquisition. Where the payment of consideration for an acquisition is to be made after the date of acquisition, reasonable estimates of the amounts expected to be paid are included in the cost of acquisition at their present values.

The cost of acquisition is adjusted when revised estimates are made, with consequential corresponding adjustments continuing to be made to the cost of the investment until the ultimate amount is known.

Turnover

Turnover represents the amounts (excluding VAT) derived from the provisions of goods and services to customers during the year. Call revenue is recognised in the month in which calls are made. Revenue for fixed charges such as line rentals, hosted services and broadband is recognised in the period to which it relates. Revenue from installation services is recognised upon acceptance by the customer.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Lease incentives are amortised on a straight line basis over the period of the lease.

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.

Principal accounting policies (continued)

Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction.

Exchange gains and losses are recognised in the statement of comprehensive income.

Provisions

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

Financial assets

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

Loans and receivables

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

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

The Company's loans and receivables comprise trade and other receivables and cash and cash equivalents in the balance sheet.

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less.

Principal accounting policies (continued)

Financial Instruments and equity

The Company does not have any financial liabilities that would be classified as fair value through the profit or loss. Therefore these financial liabilities are classified as financial liabilities at amortised cost, as defined below.

Other financial liabilities include the following items:

Trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Dividends and distributions relating to equity instruments are debited direct to equity.

Critical accounting estimates and judgments

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

Taxation

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

Leasehold dilapidations

Leasehold dilapidations relate to the estimated cost of returning a leasehold property to a defined condition at the end of the lease in accordance with the lease terms. Once the stage of the lease has been reached at which a reliable estimate of the costs can be made, a provision is recognised in the profit and loss. The main uncertainty relates to estimating the cost that will be incurred at the end of the lease.

Statement of comprehensive income

	Note	2016 £'m	2015 £'m
Turnover	1	33.1	31.2
Cost of sales		(19.3)	(17.9)
Gross profit		<u>13.8</u>	<u>13.3</u>
Operating expenses		(7.3)	(8.0)
Profit from operations	2	<u>6.5</u>	<u>5.3</u>
Income from shares in group undertakings	5	1.5	1.5
Profit on ordinary activities before taxation		<u>8.0</u>	<u>6.8</u>
Tax on profit	6	(1.3)	(2.0)
Profit for the financial year		<u>6.7</u>	<u>4.8</u>
Total comprehensive income for the year attributable to the owners of the parent		<u>6.7</u>	<u>4.8</u>

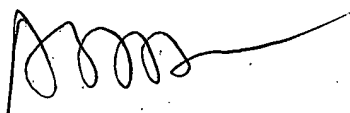
All of the activities of the Company are classed as continuing.

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

Balance sheet

	Note	2016 £'m	2015 £'m
Fixed assets			
Investments	8	4.7	4.7
		<u>4.7</u>	<u>4.7</u>
Current assets			
Debtors	9	17.5	10.2
Cash at bank and in hand		2.3	3.0
		<u>19.8</u>	<u>13.2</u>
Creditors: amounts falling due within one year	10	(18.5)	(12.0)
Net current assets		<u>1.3</u>	<u>1.2</u>
Total assets less current liabilities		<u>6.0</u>	<u>5.9</u>
Provisions for liabilities	11	(0.1)	(0.2)
Net assets		<u>5.9</u>	<u>5.7</u>
Capital and reserves			
Called up share capital	13	–	–
Profit and loss account		<u>5.9</u>	<u>5.7</u>
Shareholder's funds		<u>5.9</u>	<u>5.7</u>

The financial statements of Gamma Business Communications Limited (registered number 02998021) were approved by the board of directors and authorised for issue on 29 March 2017 and are signed on their behalf by:



A S J Belshaw
 Director

Statement of changes in equity

		Called up share capital £'m	Profit and loss account £'m	Total equity £'m
31 December 2015		-	5.7	5.7
Dividend paid	7	-	(6.5)	(6.5)
<i>Transaction with owners</i>		-	(6.5)	(6.5)
Total comprehensive income		-	6.7	6.7
31 December 2016		-	5.9	5.9

		Called up share capital £'m	Profit and loss account £'m	Total equity £'m
31 December 2014		-	6.9	6.9
Dividends paid	7	-	(6.0)	(6.0)
<i>Transaction with owners</i>		-	(6.0)	(6.0)
Total comprehensive income		-	4.8	4.8
31 December 2015		-	5.7	5.7

Notes to the financial statements

1 Turnover

The turnover and profit before tax are attributable to the one principal activity of the Company, namely the provision of telecommunication services to the business community. An analysis of turnover is given below:

	2016 £'m	2015 £'m
United Kingdom	<u>33.1</u>	<u>31.2</u>

2 Profit on ordinary activities

Profit on ordinary activities before taxation is stated after charging:

	2016 £'m	2015 £'m
Staff costs (see note 3)	4.6	3.6
Operating lease costs:		
Land and buildings	<u>0.1</u>	<u>0.1</u>

Fees payable to the Company's auditor for the audit of the company financial statements were £25,000 (2015: £25,000).

3 Directors and employees

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

	2016 No	2015 No
Selling, administration and distribution	<u>80</u>	<u>76</u>

The aggregate payroll costs of the above were:

	2016 £'m	2015 £'m
Wages and salaries	4.0	3.4
Social security costs	0.4	0.4
Other pension costs	<u>0.2</u>	<u>0.1</u>
	<u>4.6</u>	<u>3.9</u>

Notes to the financial statements (continued)

4 Directors' remuneration and transactions

The directors' emoluments in respect of the Company are borne by a fellow group company, Gamma Telecom Limited.

5 Income from shares in group undertakings

	2016 £'m	2015 £'m
Dividend income from shares in Gamma Network Solutions Limited	1.5	1.5
	<u>1.5</u>	<u>1.5</u>

6 Tax on profit

(a) Analysis of charge in the year

	2016 £'m	2015 £'m
Analysis of charge in the period		
Current tax:		
UK Corporation tax based on the profit for the year at 20.00% (2015: 20.25%)	1.2	1.1
Adjustment in respect of prior year	0.1	0.9
Total current tax	<u>1.3</u>	<u>2.0</u>

(b) Factors affecting total tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 20.00% (2015: 20.25%).

	2016 £'m	2015 £'m
Profit on ordinary activities before taxation	<u>8.0</u>	<u>6.8</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.00% (2015: 20.25%)	1.6	1.4
Dividends not taxable	(0.3)	(0.3)
Recognition of deferred tax/temporary differences	(0.1)	-
Adjustments to tax charge in respect of prior years	0.1	0.9
Total tax charge	<u>1.3</u>	<u>2.0</u>

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

Notes to the financial statements (continued)

7 Dividends paid

	2016 £'m	2015 £'m
Dividend paid in the year £13 per share (2015: £12 per share)	<u>6.5</u>	<u>6.0</u>

8 Investments

	£'m
Cost	
At 1 January 2016 and 31 December 2016	<u>5.8</u>
Provisions for impairment	
At 1 January 2016 and 31 December 2016	<u>1.1</u>
Net book value	
At 1 January 2016 and 31 December 2016	<u>4.7</u>

At 31 December 2016 the Company held 100% of the share capital of the following subsidiaries, which are registered in England and Wales.

Name	Country of incorporation	Nature of business	Ownership by the company	Notes
Gamma Network Solutions Limited	United Kingdom	Data and communications networks	Direct ownership	(a)
Go Worldwide Communications Limited	United Kingdom	Dormant	Direct ownership	(a)
Blue Spot Technologies Limited	United Kingdom	Dormant	Direct ownership	(a)
Uniworld Bureau Services Limited	United Kingdom	Dormant	Direct ownership	(a)

Notes:

(a) Registered office: 5 Fleet Place, London, EC4M 7RD, England

9 Debtors

	2016 £'m	2015 £'m
Trade debtors	1.3	1.0
Amounts owed by Group undertakings	15.0	8.1
Other debtors	0.2	0.1
Prepayments and accrued income	<u>1.0</u>	<u>1.0</u>
	<u>17.5</u>	<u>10.2</u>

All amounts shown under debtors fall due for payment within one year.

Amounts owed by Group undertakings are repayable on demand.

Notes to the financial statements (continued)

10 Creditors: amounts falling due within one year

	2016 £'m	2015 £'m
Trade creditors	0.1	0.3
Amounts owed to Group undertakings	16.2	9.2
Corporation tax	1.3	1.1
Other creditors	0.2	0.1
Accruals and deferred income	0.7	1.3
	<u>18.5</u>	<u>12.0</u>

Amounts owed to Group undertakings are repayable on demand.

11 Provisions for liabilities

	2016 £'m	2015 £'m
At 1 January	0.2	0.1
Charged to profit and loss in the year	-	0.1
Utilisation of provision	(0.1)	-
At 31 December	<u>0.1</u>	<u>0.2</u>
Due within one year or less	-	0.1
Due in more than one year	<u>0.1</u>	<u>0.1</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. Once the stage of the lease has been reached at which a reliable estimate of the costs can be made, a provision is recognised in the statement of comprehensive income.

12 Leasing commitments

At 31 December the Company had total future minimum lease payments due under non-cancellable operating leases as set out below.

	Land & buildings	
	2016 £'m	2015 £'m
Not later than 1 year	0.1	0.1
Later than 1 year and not later than 5 years	0.3	0.4
In 5 years or more	<u>-</u>	<u>-</u>

13 Share capital

Allotted, called up and fully paid:

	2016		2015	
	No	£'m	No	£'m
Ordinary shares of £0.01 each	<u>500,000</u>	<u>-</u>	<u>500,000</u>	<u>-</u>

Notes to the financial statements (continued)

14 Contingent liabilities

The Company had no contingent liabilities at 31 December 2016 or 31 December 2015.

15 Capital commitments

The Company had no capital commitments at 31 December 2016 or 31 December 2015.

16 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 on the grounds that group financial statements are publicly available from Companies House, Crown Way, Cardiff, CF14 3UZ.

17 Ultimate parent company

The Company's entire share capital is owned by Gamma Telecom Holdings Limited. The Company's ultimate controlling related party is Gamma Communications plc, a company incorporated in England and Wales by virtue of its 100% shareholding. The parent undertaking of the smallest and largest group for which group financial statements are prepared is Gamma Communications plc. The registered office of Gamma Communications plc is 5 Fleet Place, London, EC4M 7RD, England.