Annual Report and Financial Statements Gamma Business Communications Limited

For the year ended 31 December 2017

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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 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. The Company also provides billing and back office services to other resellers.

Strategy

The Company's strategy continues to be to focus on selling to end-user customers and to sell increasing quantities of innovative new products.

Financial overview

Key performance indicators

	2017	2016	Change
Turnover	**£34.5m**	£33.1m	£1.4m
Gross profit	**£15.6m**	£13.8m	£1.8m
Gross margin	**45.2%**	41.7%	3.5%
Profit from operations	**£6.8m**	£6.5m	£0.3m

The Company saw an increase in turnover in 2017 of £1.4m from £33.1m in 2016 to £34.5m in 2017 and an increase in gross profit of £1.8m from £13.8m in 2016 to £15.6m in 2017. Gross margin percentage has increased 3.5% to 45.2% (2016: 41.7%). Profit from operations increased by £0.3m to £6.8m in 2017 (2016: £6.5m).

Principal risks and uncertainties

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

Operational – Security Breach

By its very nature, our 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 last 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 commercial impact. The Company's core infrastructure and operating capability is certified under ISO 27001 for security. We have a proactive approach to identifying any threat or attack and well proven procedures for neutralising such events. We also employ 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 aim to identify unusual traffic patterns within a short space of time and we have a 24/7 operational capability to then assess and mitigate the risk.

Strategic Report (continued)

Principal risks and uncertainties (continued)

Market Landscape
New entrants or existing service providers extend their product set to compete directly with our products and services. The communications market is constantly evolving both in terms of the available technologies and also in how people look to purchase certain products. This may dilute the addressable market and slow down growth. If the business does not at least keep pace with this evolving market then its plans for growth may be impacted. The Company aims to provide services which are more attractive to our customers than those of competitors. The Company 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.

Legal and Regulatory
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 the Company. Our 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. The Company mitigates this risk by continuing to monitor likely regulatory changes; assessing their risk and potential impact; and engaging with regulators as appropriate.

Retention
The business has grown rapidly over the last few years, with very low staff turnover. Therefore, there are individuals who have been instrumental in its development and are important to its ongoing success. Loss of key individuals could have an impact on the continuing development of the business. The business has a well-established team and a reputation for being a good employer. In 2017, Gamma Communications Plc came 49th in 'The Sunday Times Top 100 Best Companies To Work For' ranking. This process involves a comprehensive staff survey, the feedback from which is actively reviewed and addressed by the senior management team.

Reputational
Communications services are critical to businesses. The ability to order and deliver them easily, and reach 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 has two potential impacts: firstly on our ability to sustain and grow revenues and secondly, dealing with failure increases the costs of the support operation. We have a comprehensive service development plan that captures customer feedback and seeks to best align the support interfaces (system and human) with the needs of our customers. This programme delivers additional self-serve tools, online training material and specific customer service training for our support teams. Our objective is to eliminate any cause of frustration and ensure any interaction is as straightforward as possible. In terms of governance, we hold a monthly quality forum that reviews performance across all parts of the business. This forum has its own action register to track through any improvements highlighted. We also employ external agencies to carry out penetration testing on our systems as well as carrying out our own security incident rehearsals. The business has retained its certification to ISO27001, Cyber Essentials (mandatory for relevant government contracts).

Strategic Report (continued)

Principal risks and uncertainties (continued)

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 the Company. The main risks anticipated are possible reduction in economic activity across the UK; possible long term reduction in the size of the financial sector in London; possible increases in the costs of international call termination and international mobile roaming. The Company will manage both its pricing policies and its contractual arrangements with customers and suppliers in the light of the evolution of the government's Brexit negotiations.

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 2017 and 31 December 2016 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.

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.

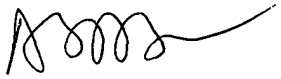
Strategic Report (continued)

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.

This report was approved by the board on 1 May 2018 and signed on its behalf.



A S J Belshaw
Director

Report of the directors (continued)

The directors present their annual report and the audited financial statements of the Company for the year ended 31 December 2017.

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.

On 16 March 2018, Bob Falconer, CEO, announced his decision to retire at the conclusion of this year's AGM on 23 May 2018. At the same time the group has appointed Andrew Taylor as CEO Designate. Andrew joined the Board on 4 April 2018 and will take over the role of CEO following the conclusion of the AGM on 23 May 2018.

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 (2016: £6.5m), further details of which are disclosed in note 10.

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.

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.

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

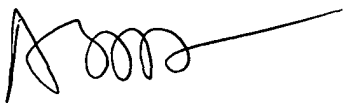
During the year, Deloitte LLP were reappointed by the directors in accordance with section 485 of the Companies Act 2006.

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

BY ORDER OF THE BOARD



A S J Belshaw
Director
1 May 2018

Independent auditor's report to the members of Gamma Business Communications Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 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.

We have audited the financial statements of Gamma Business Communications Limited (the 'Company') which comprise:

- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the related notes 1 to 20.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

Report on the audit of the financial statements (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors
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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company'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 audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report
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.

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

Report on other legal and regulatory requirements

Opinions on other matters 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 has been prepared in accordance with applicable legal requirements.

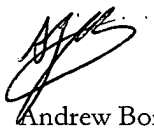
In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.



Andrew Bond FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Reading, United Kingdom

1 May 2018

Statement of comprehensive income

	Note	2017 £'m	2016 £'m
Turnover	4	**34.5**	33.1
Cost of sales		**(18.9)**	(19.3)
Gross profit		**15.6**	13.8
Operating expenses		**(8.8)**	(7.3)
Operating profit	5	**6.8**	6.5
Income from shares in group undertakings	8	**1.5**	1.5
Profit on ordinary activities before taxation		**8.3**	8.0
Tax on profit on ordinary activities	9	**(1.3)**	(1.3)
Profit for the financial year		**7.0**	6.7
Total comprehensive income for the year attributable to the owners of the parent		**7.0**	6.7

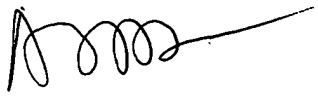
All of the activities of the Company are classed as continuing.

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

Balance sheet

	Note	2017 £'m	2016 £'m
Fixed assets			
Investments in subsidiaries	11	**4.7**	4.7
		4.7	4.7
Current assets			
Debtors	12	**23.5**	17.5
Cash at bank and in hand		**3.1**	2.3
		26.6	19.8
Creditors: amounts falling due within one year	13	**(24.8)**	(18.5)
Net current assets		**1.8**	1.3
Total assets less current liabilities		**6.5**	6.0
Provisions for liabilities	14	**(0.1)**	(0.1)
Net assets		**6.4**	5.9
Capital and reserves			
Called up share capital	16	**–**	–
Profit and loss account		**6.4**	5.9
Total Shareholder's funds		**6.4**	5.9

The financial statements of Gamma Business Communications Limited (registered number 02998021) were approved by the board of directors and authorised for issue on 1 May 2018 and are signed on their behalf by:



A S J Belshaw
Director

Statement of changes in equity

	Note	Called up share capital £'m	Profit and loss account £'m	Total equity £'m
31 December 2016		–	5.9	5.9
Dividend paid	10	–	(6.5)	(6.5)
Transaction with owners		–	(6.5)	(6.5)
Total comprehensive income		–	7.0	7.0
31 December 2017		**–**	**6.4**	**6.4**

		Called up share capital £'m	Profit and loss account £'m	Total equity £'m
31 December 2015		–	5.7	5.7
Dividends paid	10	–	(6.5)	(6.5)
Transaction with owners		–	(6.5)	(6.5)
Total comprehensive income		–	6.7	6.7
31 December 2016		–	5.9	5.9

The accompanying notes form an integral part of these financial statements.

Notes to the financial statements

1 General information

Gamma Business Communications Limited provides Telephony services. The company is a private company and is incorporated and domiciled in the United Kingdom. The address of the registered office is 5 Fleet Place, London, England, EC4M 7RD.

2 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 the ultimate parent 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.

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);
- IFRS 9 Financial Instruments (effective 1 January 2018);

Notes to the financial statements (continued)

2 Accounting Policies (continued)

Management anticipates that IFRS 15 and 9 will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncement, and IFRS 16 adopted early, in line with IFRS 15. 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, IFRS 16 and IFRS 9, the Company has assessed the impact of the change in accounting policies and has taken the exemption under FRS 101 from disclosing the impact on Gamma Business Comminications Limited. The assessment of the impact of these changes in accounting policies can be seen in the consolidated group accounts of Gamma Communications Plc.

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.

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

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

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

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

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

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

Equipment sales
Revenue from the sale of peripheral and other equipment is recognised when all the significant risks and rewards of ownership are transferred to the buyer, which is normally the date the equipment is delivered and accepted by the customer.

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

Notes to the financial statements (continued)

2 Accounting Policies (continued)

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

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.

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

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.

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.

Notes to the financial statements (continued)

2 Accounting Policies (continued)

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.

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.

3 Critical accounting estimates and judgements

The Company 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.

Critical accounting judgements
There are no critical accounting judgements within Gamma Business Communications Limited that represent a risk of material misstatement within the next 12 months.

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

4 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:

	2017 £'m	2016 £'m
United Kingdom	**34.5**	33.1

Notes to the financial statements (continued)

5 Operating profit

Profit on ordinary activities before taxation is stated after charging:

	2017 £'m	2016 £'m
Staff costs (see note 6)	5.7	4.6
Operating lease costs:		
Operating lease expense	0.1	0.1
Costs of stock recognised as an expense	0.1	0.1

Fees payable to the Company's auditor for the audit of the company financial statements were £25,000 (2016: £25,000).

6 Directors and employees

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

	2017 No	2016 No
Selling, administration and distribution	88	80

The aggregate payroll costs of the above were:

	2017 £'m	2016 £'m
Wages and salaries	4.9	4.0
Social security costs	0.6	0.4
Other pension costs	0.2	0.2
	5.7	4.6

7 Directors' remuneration and transactions

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

Remuneration in respect of directors was as follows:

	2017 £'m	2016 £'m
Emoluments receivable	1.4	1.2
Share based payments expense	0.6	1.0
	2.0	2.2

Notes to the financial statements (continued)

7 Directors' remuneration and transactions (continued)

Remuneration of highest paid director:

	2017 £'m	2016 £'m
Total emoluments (excluding pension contributions)	0.7	0.6
Share based payments expense	0.3	0.6
	1.0	1.2

The number of directors who accrued benefits under company pension schemes was as follows:

	2017 No	2016 No
Money purchase schemes	1	1

Three directors exercised share options during the year (2016: three) and three directors were awarded share options under long term incentive schemes (2016: three).

8 Income from shares in group undertakings

	2017 £'m	2016 £'m
Dividend income from shares in Gamma Network Solutions Limited	1.5	1.5
	1.5	1.5

9 Tax on profit on ordinary activities

(a) Analysis of charge in the year

	2017 £'m	2016 £'m
Analysis of charge in the period		
Current tax:		
UK Corporation tax based on the profit for the year at 19.25% (2016: 20.00%)	1.3	1.2
Adjustment in respect of prior year	-	0.1
Total current tax	1.3	1.3

Notes to the financial statements (continued)

9 Tax on profit on ordinary activities (continued)

(b) Factors affecting total tax charge

Corporation tax is calculated at 19.25% (2016: 20.00%) of the estimated taxable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. The charge for the year can be reconciled to the profit in the profit and loss account as follows:

	2017 £'m	2016 £'m
Profit on ordinary activities before taxation	8.3	8.0
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016: 20.00%)	1.6	1.6
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
Total tax charge	1.3	1.3

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.

10 Dividends paid

	2017 £'m	2016 £'m
Dividend paid in the year £13 per share (2016: £13 per share)	6.5	6.5

11 Investments in subsidiaries

	£'m
Cost	
At 1 January 2017	5.8
Subsidiaries disposed of during the year	(1.1)
At 31 December 2017	4.7
Provisions for impairment	
At 1 January 2017	1.1
Subsidiaries struck off during the year	(1.1)
At 31 December 2017	-
Net book value	
At 1 January 2017	4.7
At 31 December 2017	**4.7**

Having been dormant for over 6 years and having obtained HMRC clearance, the following subsidiaries were struck off in the year: Go Worldwide Communications Limited, Gamma Metronet Limited and Blue Spot Technologies Limited.

At 31 December 2017 the Company held 100% of the share capital of the following subsidiaries, which are registered in England and Wales. All shares held are ordinary shares, and the only class of shares issued by each company.

Notes to the financial statements (continued)

11 Investments in subsidiaries (continued)

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)
Uniworld Bureau Services Limited	United Kingdom	Dormant	Direct ownership	(a)

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

12 Debtors

	2017 £'m	2016 £'m
Trade debtors	**1.6**	1.3
Amounts owed by group undertakings	**20.7**	15.0
Other debtors	**0.3**	0.2
Prepayments and accrued income	**0.9**	1.0
	23.5	17.5

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

Amounts owed by group undertakings are repayable on demand.

13 Creditors: amounts falling due within one year

	2017 £'m	2016 £'m
Trade creditors	**0.1**	0.1
Amounts owed to group undertakings	**22.2**	16.2
Corporation tax	**1.3**	1.3
Other creditors	**0.2**	0.2
Accruals – Cost of sales	**0.3**	0.1
Accruals – Operating expenses	**0.3**	0.2
Accruals – Payroll	**0.4**	0.4
	24.8	18.5

Amounts owed to group undertakings are repayable on demand.

14 Provisions for liabilities

	2017 £'m	2016 £'m
At 1 January	**0.1**	0.2
Charged to profit and loss in the year	**-**	-
Utilisation of provision	**-**	(0.1)
At 31 December	**0.1**	0.1
Due within one year or less	**-**	-
Due in more than one year	**0.1**	0.1

Notes to the financial statements (continued)

14 Provisions for liabilities (continued)

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.

15 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	
	2017	2016
	£'m	£'m
Not later than 1 year	**0.1**	0.1
Later than 1 year and not later than 5 years	**0.2**	0.3
In 5 years or more	**-**	-

16 Called up share capital

Allotted, called up and fully paid:

	2017		2016	
	No	**£'m**	No	£'m
Ordinary shares of £0.01 each	**500,000**	**–**	500,000	–

17 Contingent liabilities

The Company had no contingent liabilities at 31 December 2017 or 31 December 2016.

18 Capital commitments

The Company had no capital commitments at 31 December 2017 or 31 December 2016.

19 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. Gamma Business Communications Limited is a wholly owned subsidiary of the Group, and details of all related party transactions are disclosed within the Group accounts.

20 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.