Annual Report and unaudited Financial Statements Gamma Network Solutions Limited

For the year ended 31 December 2019

Company No. 06783485

Company information

Company registration number	06783485 (England and Wales)
Registered office	5 Fleet Place London EC4M 7RD
Directors	A S J Belshaw M C Goddard A G Taylor
Company secretary	M C Goddard

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Strategic report

Principal activities and business review

Gamma Network Solutions 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 data and communications networks.

Strategy
The Company's strategy is to continue to grow both its market share and profitability by winning new medium and large enterprise customers.

Financial overview

Key performance indicators

	2019	2018	Change
	£'m	£'m	£'m
Turnover	23.5	22.1	1.4
Gross profit	8.2	7.2	1.0
Gross margin	34.9%	32.6%	2.3%
Operating profit	2.3	2.1	0.2

The Company saw an increase in turnover in 2019 of £1.4m from £22.1m in 2018 to £23.5m in 2019. This growth is from our Cloud PBX, and data solutions that are highly sought by Enterprise customers. Gross profit increased by £1m from £7.2m in 2018 to £8.2m in 2019. Gross margin percentage has increased from 32.6% to 34.9%. The increase in gross margin percentage is the result of a change in product mix driven by some of the larger contract wins in the year. Operating profit increased to £2.3m (2018: £2.1m) due to increased gross margin. The directors are pleased with the strong performance during the year and believe the Company is well placed to continue this growth.

Operating costs
The Company's operating costs increased by £0.7m to £5.8m in 2019 (2018: £5.1m). This is due to the increased costs associated with supporting more customers and the investment in our 'digital strategy' programme which will allow customers to provision and change services online and thereby ultimately reduce overhead.

Strategic report (continued)

Principal risks and uncertainties

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

Information and cyber security
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, including the advent of GDPR regulation and its associated controls. As a result, the Company has adapted its governance structure under the direction of Gamma Communications plc's Chief Information Security Officer (CISO). A breach of security could have a significant impact on the Company's reputation and in some cases commercial impact. The Company continues to adapt its governance structure to ensure that we follow best practice in the identification and management of information and cyber security risk, including: increased frequency and broadened scope of both routine and bespoke penetration testing, mandated cyber security training for all 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. 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 neutralizing such events. We 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. The Company has representation on various industry forums to ensure we are fully aware of new areas of risk, methods employed by malicious actions and best practice in the identification and mitigation of risk. 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.

Operational – unplanned service disruption
Reliable, high quality voice and data services are critical to any business and are the core components of the Company'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 our ability to grow and sustain revenues. We operate 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 and 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. We have a mature incident management process that is rehearsed on a regular basis. This capability is available 24x7x365 and ensures that we can immediately respond to events that may impact the performance of the services we provide to our customers.

Supplier
The 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 our ability to deliver products and services. Where possible, we avoid reliance upon a single supplier for a particular element of our service and ensure key supplier contracts have appropriate clauses in place to assure their performance. Suppliers of important services are monitored carefully and are subject to regular operational reviews. The Risk Committee reviews the most significant risks and the status of related mitigation projects quarterly.

Strategic report (continued)

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 the Company's ability to sustain and grow revenues and, secondly, dealing with failure increases the costs of the support operation. The Company has 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. Its objective is to eliminate any cause of frustration and ensure any interaction is as straightforward as possible. In terms of governance, the Group holds a monthly Operational Review chaired by the Chief Strategy and Operating Officer that reviews performance across all parts of the business. This forum has its own action register to track through any improvements highlighted. The Company has established a Crisis Management process to ensure it can respond to events that may draw media and regulatory interest – this is supported by external specialist agencies. This process is rehearsed at least once a year.

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. In addition, The Company, from time to time, undertakes a major strategy review, the overarching objecting of which is to ensure it remains competitive in its key markets and to identify new opportunities for further growth.

Legal and Regulatory
The UK's telecommunications sector does not have a 'license' 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 sell 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 regularly engaging with regulators as appropriate.

Key Personnel
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. For example, in 2019, it came 87th 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 leadership team. The Company is also committed to an ongoing programme of people development programmes and active succession planning across the business.

Strategic report (continued)

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 monitoring the creditworthiness rating of existing customers quarterly 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.

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.

Covid-19
Since the reporting date, Covid-19 has created a challenging environment for all businesses. The Company has remained cash generative, and none of the government support schemes have been availed of, including the Covid-19 Job Retention/Furlough Scheme. We have offered support for end user business customers who have been unable to trade due to the crisis, and established a governance structure and Covid-19 leadership team to effectively take decisions and communicate our plans to all stakeholders. We continue to assess the longer term implications and opportunities that a new more flexible working environment will present to the company, our partners and our customers. Overall, we consider that as a result of Covid-19, the adoption of cloud services will accelerate in the mid-long term, and therefore reinforces the Company's market position and overall strategy.

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

1 OCTOBER 2020
This report was approved by the board on [redacted] and signed on its behalf.

A S J Belshaw
Director

Directors' report

The directors present their annual report and the unaudited financial statements of the Company for the year ended 31 December 2019.

Directors

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

A S J Belshaw
M C Goddard
A G Taylor

Audit

For the year ending 31 December 2019 the Company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

The members have not required the company to obtain an audit of its accounts for the year in question in accordance with section 476.

Future Developments

The Company plans to continue to develop opportunities in, and invest in, convergence technology, including further investment in our 'digital strategy' with the initial launch of GammaHub in 2019, providing simplified customer experience. This continued development will enable the Company to support the group in maintaining its position as a leading provider of convergence communication services for the business market.

Matters covered in the Strategic report

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

Dividend

The directors have recommended and have paid a dividend totalling £1.5m (2018: £1.5m), 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.

Directors' report (continued)

Going Concern

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

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 they 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.

BY ORDER OF THE BOARD

A S J Belshaw
Director
~~DATE~~ 1 OCTOBER 2020

Statement of comprehensive income

	Note	2019 £'m	2018 £'m
Revenue	4	23.5	22.1
Cost of sales		(15.3)	(14.9)
Gross profit		8.2	7.2
Operating expenses		(5.9)	(5.1)
Operating profit before depreciation		2.4	2.3
Depreciation		(0.1)	(0.2)
Operating profit	6	2.3	2.1
Profit on ordinary activities before taxation		2.3	2.1
Tax on profit	9	(0.9)	(0.4)
Profit for the financial year		1.4	1.7
Total comprehensive income for the year attributable to the owners of the parent		1.4	1.7

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.

Statement of financial position

	Note	2019 £'m	2018 £'m
Non current assets			
Tangible assets	11	**0.3**	0.4
Debtors: amounts due after more than one year	13	**2.2**	2.2
		2.5	2.6
Current Assets			
Stock	12	**1.0**	0.5
Debtors	14	**11.1**	18.1
Cash and cash equivalents		**2.3**	2.4
		14.4	21.0
Creditors: amounts falling due within one year	15	**(12.1)**	(18.6)
Net current assets		**2.3**	2.4
Total assets less current liabilities		**4.8**	5.0
Creditors: amounts falling in more than one year	16	**(1.1)**	(1.2)
Net assets		**3.7**	3.8
Capital and reserves			
Called up share capital	18	**-**	-
Share premium account		**1.8**	1.8
Profit and loss account		**1.9**	2.0
Total Shareholder's funds		**3.7**	3.8

For the year ending 31 December 2019 the Company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

The members have not required the company to obtain an audit of its accounts for the year in question in accordance with section 476.

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

These financial statements of Gamma Network Solutions Limited (registered number: 067note485) were approved by the board of directors and authorised for issue on ~~DATE~~ and are signed on its behalf by:

1 October 2020

A S J Belshaw
Director

Statement of changes in equity

	Note	Called up share capital £'m	Share premium account £'m	Profit and loss account £'m	Total equity £'m
1 January 2019		-	1.8	2.0	3.8
Dividend paid	10			(1.5)	(1.5)
Transaction with owners		-	-	(1.5)	(1.5)
Total comprehensive income		-	-	1.4	1.4
31 December 2019		-	1.8	1.9	3.7

	Note	Called up share capital £'m	Share premium account £'m	Profit and loss account £'m	Total equity £'m
1 January 2018		-	1.8	1.8	3.6
Dividend paid	10			(1.5)	(1.5)
Transaction with owners		-	-	(1.5)	(1.5)
Total comprehensive income		-	-	1.7	1.7
31 December 2018		-	1.8	2.0	3.8

Notes to the financial statements

1 General information

Gamma Network Solutions Limited (the "Company") is a private company incorporated and domiciled in the United Kingdom. The address of the registered office is 5 Fleet Place, London, England, EC4M 7RD. The principle activity of the Company is the provision of data and communications networks.

2 Accounting Policies

Basis of preparation
The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard 101 'Reduced Disclosure Framework'. The Company's presentation currency 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. 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;
- certain disclosures in respect of revenue from contracts with customers;
- the disclosure of the remuneration of key management personnel;
- disclosure of related party transactions with other wholly owned members of the Group headed by Gamma Communications plc; and
- disclosures in respect of financial instruments.

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

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, 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.

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

Notes to the financial statements (continued)

2 Accounting Policies (continued)

Revenue (continued)
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 the control of the asset has transferred to the buyer, which is normally the date the equipment is delivered and accepted by the customer.

Assets which are supplied to customers as part of a service (for example, a broadband router or a telephone handset), known as Customer Premises Equipment (CPE), and which are capable of use independently of that service are treated as having been sold to the customer.

At the inception of the service, when the CPE is shipped, the cost of the asset is taken to cost of sales and revenue is accrued to recognise the sale at a margin typical of sales of that product. A contract asset balance is created in respect of the accrued revenue and this is released over the length of the contract which results in lower ongoing service revenues.

Installation fees
Where an installation is not capable of being separated out from an ongoing service contract (i.e. the installation has no standalone value to the customer), revenue will be allocated to the initial equipment sale (if any) and the ongoing service revenues. The latter element will result in a contract liability which will be released amortised over the length of the contract with the effect that ongoing service charges are increased.

Costs related to installations are similarly capitalised and released in line with the release of the corresponding revenues.

To the extent that invoices are raised to a different pattern than the revenue recognition described above, 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.

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.

Property, plant and equipment
Property, plant and equipment used by the Company is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition if the items.

Depreciation of asstes is calculated using the straight line method to write off the cost of an asset, less its estimated residual value over the useful economic life of that asset as follows:

Network infrastructure	20%

Notes to the financial statements (continued)

2 Accounting Policies (continued)

Stock
Stock is initially valued at cost, and subsequently valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow-moving items. Cost comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Weighted average cost is used to determine the cost of ordinarily interchangeable items.

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.

Financial assets
The Company's financial assets comprise trade and other receivables, measured at fair value on initial recognition which equates to the amount expected to be receivable on settlement of the asset. Assets are assessed for impairment with any impairment being recognized in the Statement of comprehensive income.

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

Financial liabilities and equity
Financial liabilities include 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
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.

Key accounting estimates
There are no critical accounting estimates within the Company that represent a risk of material misstatement within the next twelve months.

Notes to the financial statements (continued)

4 Revenue

Revenue arises principally from the provision of products and services.

	2019 £'m	2018 £'m
United Kingdom	**23.5**	22.1

Contract balances

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

	31 December 2019 £'m	31 December 2018 £'m
Receivables, included in trade debtors	2.9	3.0
Accrued income, included in Debtors	3.0	3.1
Contract liabilities	2.7	2.5

In 2019, there was no revenue recognised in respect of performance obligations satisfied (or partially satisfied) in previous periods (2018: £nil).

Contract Liabilities

Contract liabilities are deferred income arising from installations, which are released to the Statement of comprehensive income over the life of the contract. Significant changes in the contract liabilities balances during the year are as follows:

	31 December 2019 £'m	31 December 2018 £'m
Revenue recognised that was included in the contract liability balance at the beginning of the year	(1.3)	(1.5)
Increases due to cash received, excluding amounts recognised as revenue during the year	1.5	1.8

Notes to the financial statements (continued)

5 Contract Costs

Capitalised contract costs consist of commissions which are directly associated with specific customer contracts, and installation costs. Capitalised commissions amounted to £0.3m at 31 December 2019 (31 December 2018: £0.7m). The amount of amortisation was £0.3m in 2019 (2018: £0.3m) and there was no impairment loss in relation to the costs capitalised. Capitalised installation costs amounted to £1.1m at 31 December 2019 (31 December 2018: £1.5m). The amount of amortisation was £1.1m in 2019 (2018: £0.9m) and there was no impairment loss in relation to the costs capitalised.

6 Operating Profit

Profit on ordinary activities before taxation is stated after charging:

	2019	2018
	£'m	£'m
List of stock recognised as an expense	**1.4**	1.8
Staff costs (note 7)	**3.5**	2.6
Depreciation of owned fixed assets	**0.1**	0.2

For the year ended 31 December 2019, the Company was entitled to exemption from audit under s479A of the Companies Act 2006.

7 Directors and employees

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

	2019	2018
	No	No
Selling, administration and distribution	**38**	29

The aggregate payroll costs of the above were:

	2019	2018
	£'m	£'m
Wages and salaries	**3.0**	2.2
Social security costs	**0.3**	0.3
Other pension costs	**0.2**	0.1
	3.5	2.6

Notes to the financial statements (continued)

8 Directors' remuneration and transactions

The directors' emoluments in respect of the Company are borne by a fellow group undertaking, Gamma Telecom Ltd. Remuneration in respect of directors was as follows:

	2019 £'m	2018 £'m
Emoluments receivable	1.7	1.6
Share based payments expense	0.1	0.5
	1.8	2.1

In 2019, one director accrued benefits under the Company's money purchase pension schemes (2018: one).

Three directors exercised share options during the year (2018: three) and three directors were awarded share options under long term incentive schemes (2018: three).

Remuneration of the highest paid director:

	2019 £'m	2018 £'m
Total emoluments (excluding pension contributions)	0.9	0.7
Share based payments expense	0.1	0.1
	1.0	0.8

9 Tax on profit on ordinary activities

a) Analysis of charge in the year

	2019 £'m	2018 £'m
Current tax:		
UK Corporation Tax based on the results for the year at 19% (2018: 19%)	**0.4**	0.3
Adjustment in respect of prior years	**0.1**	-
Total Current Tax	**0.5**	0.3
Deferred tax:		
Adjustment in respect of prior years	**0.5**	-
Origination and reversal of temporary differences	**(0.1)**	0.1
Tax on profit on ordinary activities	**0.9**	0.4

Notes to the financial statements (continued)

Tax on profit on ordinary activities (continued)

b) Factors affecting current tax charge

Corporation tax is calculated at 19% (2018: 19%) of the estimated taxable profit for the year. The charge for the year can be reconciled to the profit in the Statement of comprehensive income as follows:

	2019 £'m	2018 £'m
Profit on ordinary activities before taxation	**2.3**	2.1
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018: 19.25%)	**0.4**	0.4
Recognition of deferred tax/temporary differences	**(0.1)**	-
Adjustment in respect of prior years	**0.6**	-
Total tax charge	**0.9**	0.4

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

	2019 £'m	2018 £'m
Dividend paid in the year £1,000 per share (2018: £1,000 per share)	**1.5**	1.5

11 Property, plant and equipment

	Network Infrastructure £'m
Cost	
At 1 January 2019	1.1
Additions	
At 31 December 2019	**1.1**
Depreciation	
At 1 January 2019	0.7
Charge for the year	0.1
At 31 December 2019	**0.8**
Net book value	
At 31 December 2019	**0.3**
At 31 December 2018	0.4

Notes to the financial statements (continued)

12 Stocks

	2019 £'m	2018 £'m
Finished goods	1.0	0.5

The replacement cost of stocks equals the Statement of financial position amount.

13 Debtors: amounts due after more than one year

	2019 £'m	2018 £'m
Prepayments	**1.1**	1.1
Accrued income	**1.1**	1.1
	2.2	2.2

14 Debtors: amounts due within one year

	2019 £'m	2018 £'m
Trade debtors	**2.9**	3.0
Amounts due from group undertakings	**2.3**	9.7
Other debtors	**0.8**	0.5
Prepayments	**3.1**	2.4
Accrued income	**1.9**	2.0
Deferred tax asset	**0.1**	0.5
	11.1	18.1

Amounts owed by group undertakings are repayable on demand.

Notes to the financial statements (continued)

15 Creditors: amounts falling due within one year

	2019 £'m	2018 £'m
Trade creditors	0.2	0.1
Amounts owed to group undertakings	5.7	13.0
Corporation tax	0.4	0.4
Other taxation and social security	0.1	0.1
Other creditors	-	-
Deferred income	1.2	1.3
Accruals - Cost of sales	1.6	1.6
Accruals - Operating expenses	0.8	0.2
Accruals - Payroll	0.5	0.6
Contract liabilities	1.6	1.3
	12.1	18.6

Amounts owed to group undertakings are repayable on demand. At 31 December 2019 none of the creditors were secured (2018: none).

16 Creditors: amounts falling due in more than one year

	2019 £'m	2018 £'m
Contract liabilities	1.1	1.2

17 Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using the tax rate at which it is expected to unwind, being 19% until 1 April 2020 and then 17% from 1 April 2020.

	2019 £'m	2018 £'m
Asset at 1 January	0.5	0.6
Adjustment in respect of prior years	(0.5)	-
Statement of comprehensive income movement in the year	0.1	(0.1)
Asset at 31 December	0.1	0.5

Notes to the financial statements (continued)

18 Called up share capital

	2019 £'m	2018 £'m
1,500 (2018: 1,500) ordinary shares of £1 each	-	-

19 Related Party Transactions

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

20 Immediate and ultimate parent company

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

The smallest and largest group of undertakings for which consolidated financial statements have been drawn up which include the Company is Gamma Communications plc. The registered office of Gamma Communications plc is 5 Fleet Place, London, EC4M 7RD, England. The financial statements of Gamma Communication plc are publicly available from Companies House, Crown Way, Cardiff, CF14 3UZ.