

Audit Committee report

Audit Committee

The Audit Committee is responsible for ensuring the financial integrity of the Group through the regular review of financial processes and performance. It confirms to the Board that all material financial updates are fair, balanced and understandable and complies with all applicable UK legislation and regulation as appropriate. It is also responsible for oversight of the internal audit function and the relationship with the external auditor, monitoring their performance and reviewing the scope and terms of their engagements.

Composition and attendance in 2022

The Audit Committee, as a whole, has competence relevant to the industry and both Charlotta Ginman and Rachel Addison have recent and relevant financial and accounting experience. More information about the Committee members can be found on pages 54 and 55.

Meetings attended:

Charlotta Ginman (Chair)	5/5
Henrietta Marsh	5/5
Wu Long Peng ¹	2/2
Richard Last ²	2/2
Rachel Addison ³	1/1

- 1 Wu Long Peng left the Committee at the time he stood down from the Board at the AGM on 19 May 2022.
- 2 Richard Last was a member of the Audit Committee between 26 May 2022 and 3 October 2022.
- 3 Rachel Addison joined the Audit Committee when she joined the Board on 3 October 2022.

Dear shareholder,

As Chair of the Committee, I am pleased to present the Audit Committee report for the year ended 31 December 2022. This report details the work of the Committee over the past year, fulfilling our responsibilities to provide effective governance over the Group's financial activities.

Significant issues considered by the Audit Committee during the year

Key reporting issues

During the year and as part of the year end procedures, the Committee considered the following key financial matters in relation to the Group's financial statements and disclosures with input from both management and the external auditor:

- Revenue recognition: During the year, the Audit Committee received an update from management in relation to the Group's revenue recognition policies, as well as a deep dive into the Group's financial reporting and IT controls relating to the accuracy of the Group's indirect revenue usage, including understanding the results of the work performed by the external auditor in this area. The Committee continues to be satisfied with the overall treatment.

- Spain CGU Impairment Assessment – At the Audit Committee meeting in January 2023, management presented its annual impairment assessment work for the reporting period. The Audit Committee challenged the calculations used, including country specific discount rates. A detailed review of the Spanish impairment was presented to the Audit Committee at the March 2023 meeting. The Goodwill balance as at 31 December 2021 was £14.0m. An impairment of £12.2m was proposed. The key sensitivities of revenue growth were discussed. The Committee agreed with the revised underlying calculations.

Furthermore we also spent time talking about management estimates and judgements (note 2) as well as going concern. We also reviewed policies and discussed risk appetite in relation to taxation and treasury.

Internal Control Framework - a journey

Over the last couple of years Gamma has continued to build and strengthen its internal control framework. In 2020, we outsourced internal audit to PwC, and this arrangement is working well (see more below). As a result of the various deep dives undertaken by the internal auditor, we have been able to action and improve our internal controls whenever a weakness is found. No material issues have been detected, but improvements have been achieved.

Last year, we decided to start the task of mapping our material processes in a consistent manner and clarify our key controls, so that the latter could easily be tested going forward. This work also helps reinforce responsibilities across the business. This is a big task, and whilst we have made good progress, we have quite a lot of work still to do. With the various external pressures on the UK Company internal control environment we are very keen to ensure we end up with a fit for purpose, well documented internal control framework, and have for this reason at the end of 2022 taken the decision to upgrade our financial reporting systems towards a more efficient and automated system, with less reliance on manual work. A system selection process is underway, and the hope is that the end results is a fit for purpose financial system with many automated controls that can be relied upon by both internal and external auditors for their assurance work going forward. We will continue to map our processes but hope that many of our manual controls will eventually be fully automated. I will be pleased to report progress in my next Audit Committee report at the end of 2023.

Internal Audit

The activities of the internal audit function (PwC), are governed by an Internal Audit Charter. During the year, the Audit Committee received updates of the internal audit work for the following areas:

- Cost of Sales for UK Indirect Business – Voice
- IT General Controls for revenue in the UK Indirect Business
- Revenue and Billing Assurance for UK Direct business.

The Cyber incident simulation review which was in the internal audit plan for 2022 was deferred to 2023 as a result of a separate exercise being led by Group risk. Revenue and Billing Assurance for the UK Direct Business was added in, as a material revenue stream and having completed a review of UK Indirect revenue and billing assurance in 2021 it was considered appropriate to ensure that the level of controls were consistent within the two businesses.

The work did not reveal any significant failings in financial reporting controls but did result in some action plans, with improved processes and controls now being implemented by management to enhance the control environment in each area. The actions are tracked by the Committee, including the responsiveness of management to the findings and recommendations, and the progress of closing any overdue actions.

The Audit Committee approved the internal audit plan for 2023, which will focus on the following key financial processes:

- Cyber maturity assessment (UK)
- IT General Controls
- Business continuity and resilience review.

The PwC team is headed up by P-O Ahlstrom, who attends all Audit Committee meetings and with whom I also meet separately on a regular basis.

Management Fraud Risk Assessment

At the year-end Audit Committee meeting, management presented a "Management Fraud Risk Assessment" report outlining the fraud risk areas, the relevant controls in place for the various processes and business practices adopted for fraud detection and monitoring. The Audit Committee found this statement useful and reassuring.

Annual Report and Financial Statements

The Board has asked the Committee to confirm that in its opinion the Annual Report as a whole can be taken as fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's financial position, performance, business model and strategy. In doing so the Committee has given consideration to:

- The way the Strategic Report (including the Chair's statement and reports of the CEO and CFO) presents the Group and its business, financial and business model, and the metrics management uses to measure performance.
- Whether suitable accounting policies have been adopted and have challenged the robustness of material management judgements and estimates reflected in the financial results.
- The comprehensive control framework around the production of the Annual Report, including the verification processes in place to deal with the factual content.
- The extensive levels of review that are undertaken in the production process, by both management and advisers.
- The Group's internal control environment.

The Group uses certain APMs to present its results, that are also used by management in running the business. These are non-GAAP measures but are designed to provide the users of the financial statements with additional useful information on the ongoing trading performance of the business. An explanation of the APMs and a reconciliation to the nearest statutory equivalent measure is provided on page 107.

As a result of the work performed, the Committee has concluded that the Annual Report for the year ended 31 December 2022, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy, and it has reported on these findings to the Board.

Group policies

The following Group policies were reviewed and reapproved by the Audit Committee during the year:

- Non-audit services policy
- Employment of former auditor's policy
- Group Treasury Policy.

External Audit

Audit services

The completion of the 2022 audit marks Deloitte LLP's eighth year as Group auditor and Mark Tolley's third year as audit partner. In accordance with the FRC's ethical guidelines, it is anticipated that the audit will be put out to tender at the latest during 2024.

The scope of the current annual audit was agreed in advance with the Committee with a focus on areas of significant audit risk and the appropriate level of audit materiality. The Committee also had discussions with the auditor on fees, internal controls over indirect revenues, accounting policies and areas of critical accounting estimates and judgements. The auditor attended all Audit Committee meetings and reported to the Audit Committee on the results of the audit work, highlighting any issue which the audit work had discovered, or the Committee had previously identified as significant or material in the context of the financial statements.

There were no adverse matters brought to the Audit Committee's attention in respect of the 2022 audit, which were material and should be brought to shareholders' attention.

Effectiveness

The Audit Committee monitored and evaluated the effectiveness of the auditor under the current terms of appointment based on an assessment of the auditor's performance, qualification, knowledge, expertise, results of regulatory reviews and deployed resources. The auditor's effectiveness was also considered along with other factors such as audit planning and interpretations of accounting standards and separate discussions with management (without the auditor present) and with the auditor (without management present). As Chair of the Committee, I also had discussions with the audit partner outside the formal meetings throughout the year.

The Committee was satisfied that the audit was effective and that Deloitte continues to demonstrate the skills and experience needed to fulfil its duties effectively.

Independence and non-audit fees

Any non-audit services are required to be pre-approved by the Audit Committee. During the year Deloitte provided non-audit services to the Company of £91k (2021: £51k) principally in relation to the performed interim reporting review.

In order to fulfil the Committee's responsibility regarding independence of the auditor, the Committee reviewed the senior staffing of the audit, the extent of any non-audit services as per above, the fact that no former external auditors have been employed in the business, and the auditor's independence statement. The Committee was satisfied that the auditor remains independent.

For the financial year ending 31 December 2023, the Committee has recommended to the Board that Deloitte LLP be reappointed as auditor and the Board will be proposing their reappointment at the AGM.

Audit Committee effectiveness

During the year, as part of the wider Board Evaluation process, the Audit Committee evaluated its own effectiveness. I am glad to say that we had a positive outcome, something I am hoping we will continue to enjoy going forward.

Charlotta Ginman, FCA

Audit Committee Chair

20 March 2023