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annual report & accounts **2008**

Maintel Holdings Plc

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Directors, Company details and advisers

Directors

J D S Booth	Chairman, Non-Executive Director
E Buxton	Chief Executive
A J McCaffery	Sales and Marketing Director
W D Todd	Finance Director
N J Taylor	Non-Executive Director

Secretary and registered office

W D Todd, 61 Webber Street, London SE1 0RF

Company number

3181729

Auditors

BDO Stoy Hayward LLP, 55 Baker Street, London W1U 7EU

Nominated broker and nominated adviser

KBC Peel Hunt Ltd, 111 Old Broad Street, London EC2N 1PH

Registrars

Computershare Investor Services PLC, The Pavilions,
Bridgwater Road, Bristol BS99 6ZY. ✆ 0870 707 1182

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Chairman's statement

Maintel's revenue in 2008 was £19.4m, showing only marginal growth on 2007 (£19.3m), and Group profit before tax fell to £1.59m (2007 - £1.98m). This figure represents basic earnings per share of 9.2p (2007 - 11.1p) and adjusted earnings per share (as defined in the business review) of 12.1p (2007 - 13.1p).

In spite of slow overall revenue growth the addition of three significant new maintenance clients and comparatively high retention of our existing base enabled the Group's recurring revenues to grow by 10% to £14.8m so that they now comprise 76% of total revenue, a satisfactory ratio in difficult economic times. Our network services business also turned in a very respectable performance with turnover growth of 21% to £5.7m and gross profit increasing by 14%. Non-recurring revenue represented by equipment sales slowed markedly during the year for two main reasons; first, that we chose to avoid lower margin customer sales (as we previously indicated we would) in order to restore margins and second, conditions in the economy reduced our customers' discretionary spend on equipment.

We have adjusted our cost base to match the lower revenue stream from equipment sales by reducing sales and engineering personnel during the year and further at the start of 2009. The costs associated with this restructuring amount to £225,000, £114,000 of which fell in 2008. As a result of these exercises, we believe our business is now well positioned for the challenging economic conditions ahead.

The fall in stock market valuations has enabled us to repurchase and cancel a substantial amount of our equity - 1,565,000 shares or 14.5% of the number outstanding at the end of 2008 - during the year. This has seemed a better use of the Group's surplus cash than bank deposits in a period where yields are so low. We remain committed to our progressive dividend policy and are proposing a final dividend for the year of 3.1p (2007 - 3.0p) giving a total of 5.6p for the year (2007 – 5.5p). This will be payable on 29 April 2009 to shareholders on the register at 27 March 2009.

Since year end Tim Mason has retired as Chief Executive Officer and I would like here to express thanks on behalf of the Board and all shareholders for the energy and commitment that he has brought to this role over a number of years. After a thorough search process for Tim's successor we announced Eddie Buxton's appointment early in 2009. Eddie brings long and varied experience of the telecoms industry to us having worked in senior positions at Cable and Wireless, NTL and Centrica Telecoms and was most recently Managing Director of Redstone plc's telecoms division.

I would like finally to express the Board's gratitude to our loyal and hardworking staff for continuing to build and manage Maintel's business in the current challenging economic environment and market conditions.

J D S Booth
Chairman

13 March 2009

Business review

Results

In line with our projections in the interim report, the second half of 2008 saw an increase in maintenance revenues, fewer low margin equipment sales and a reduction in payroll costs, with the result that second half profits improved significantly.

	H1 2008 £000	H2 2008 £000	**2008 £000**	2007 £000
Revenue	9,777	9,638	**19,415**	19,329
Profit before tax	621	968	**1,589**	1,979
Add back goodwill impairment, intangibles amortisation and one-off professional fees	190	242	**432**	324
Adjusted profit before tax	811	1,210	**2,021**	2,303
Basic and diluted earnings per share	3.5p	5.7p	**9.2p**	11.1p
Adjusted earnings per share*	4.7p	7.4p	**12.1p**	13.1p

* Adjusted profit after tax divided by weighted average number of shares

The conscious avoidance of lower margin equipment sales previously highlighted, together with the effects of the economic environment reducing customers' discretionary spend on equipment, resulted in relatively static revenues overall, despite the healthy increase in maintenance and network services revenues. Recurring revenue (maintenance and network services) increased markedly to £14.8m (76% of total revenues) in 2008 (2007 – £13.4m and 69%), providing increased stability in uncertain times.

The significant year on year decline in equipment sales has caused overall revenue to be flat and the cost of bringing down headcount in line with the reduced level of revenues, £114,000 for the year, has contributed to a drop in adjusted profit before tax from £2.303m to £2.021m, or 9.2p per share (2007 - 11.1p) and a drop in adjusted earnings per share from 13.1p to 12.1p.

The Company repurchased 1,565,000 shares during the year, the bulk of them in October. This will produce a significant earnings per share benefit in 2009.

Revenue analysis (£000)	**2008**	2007
Maintenance related	**9,157**	8,756
Equipment, installations and other	**4,702**	5,979
Total maintenance and equipment division	**13,859**	14,735
Network services division	**5,678**	4,682
Intercompany	**(122)**	(88)
Total Maintel Group	**19,415**	19,329

Cash flow from operating activities continues to be strong, at £1.391m in 2008 (2007 - £1.103m), and cash balances remained healthy at £1.010m (2007 - £2.109m) after spending £1.782m on repurchasing shares and dividend payments of £664,000.

Divisional performance is described further below.

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Maintenance and equipment division

The maintenance and equipment division provides maintenance, service and support of office-based voice and data equipment across the UK on a contracted basis. It also supplies and installs voice and data equipment to maintenance customers.

The division's revenues fell from £14.7m in 2007 to £13.9m in 2008, as shown in the table above.

The lower level of equipment sales is due partly to a conscious decision to avoid very low margin business and partly to a reduction in demand, doubtless a function of the general economic downturn. Maintenance revenues, however, increased by a net £400,000, or 5%. Three major new signings in the first half are particularly worth highlighting:

- a five year contract for Tesco's administrative sites
- a contract to maintain the majority of the sites of a major high street retailer
- a contract with Davis Langdon LLP covering 20 sites nationwide

Together these will contribute more than £700,000 of recurring revenue per annum.

The first two contracts are a product of our growing relationship with Cable and Wireless who awarded us a contract to provide solution design, installation and maintenance services for Mitel and Nortel products, and maintenance for Siemens products across the UK.

The annual value of the maintenance base at the end of the year was at a record high of almost £9.2m, with noticeably lower levels of attrition being experienced in 2008 than in recent years. Virtually all of the major contracts that came up for renewal during the year have been re-signed.

The reduced levels of equipment sales during the year led to a commensurate reduction in sales headcount as shown below. The decline in installation work also led us to reduce engineering headcount, as can be seen more clearly from the year end figures.

Headcount	Average 2008	Average 2007	At 31 December 2008
Sales and customer service	49	59	**46**
Engineers	84	86	**80**

In January 2009, prevailing economic conditions caused us to review headcount further and 11 redundancies were made, giving an annualised saving of around £400,000.

	2008	2007
Division gross profit (£000)	**5,017 (36%)**	5,403 (37%)

The division's gross profit fell slightly, by 0.5%, after taking into account redundancy-related costs in 2008. 2009 gross profit will benefit further from these mid-year cost reductions, and from the additional redundancies in January 2009.

Net margin (operating profit as a percentage of revenue) from the division reduced in line with gross margin, but remained strong at 10.3% (2007 – 11.4%), the division's overheads remaining tightly controlled during the year, but adversely affected by redundancy-related costs and an increase in property costs.

Given the application of common resource across both maintenance and equipment sales, it is not practical to quote definitive margin data on the separate business sectors; however management figures are used to monitor results internally.

Network services division

The network services division re-sells a portfolio of products providing the interconnectivity between customers and their staff and offices as well as the outside world. This includes call minutes, line rental, ADSL/Broadband, Wide area IP networking and non-geographic numbers.

Revenue analysis (£000)	**2008**	2007
Call traffic	**3,405**	3,120
Line rental	**1,645**	1,185
Other	**628**	377
Total network services	**5,678**	4,682

Division gross profit (£000)	**1,406 (25%)**	1,232 (26%)

All revenue streams continued to grow steadily during the year, call traffic up 9%, line rental up 39% and other revenues including data services up 67%. Overall divisional revenue increased by 21% to £5.7m, with the gross margin percentage falling slightly due to the business mix - line rental attracting a lower margin than call traffic, for example.

The previously highlighted cancellation by one of our larger customers has taken time to be implemented, but the effects were finally seen in Q4 2008 and all but a nominal amount of revenue from that customer ceased by the end of 2008.

A further large customer cancelled in H2 2008 and has subsequently ceased to trade due to the economic environment. A new, similar sized customer was signed in December 2008, which is anticipated to substantially maintain the division's revenue run rate and growth. Other than those two customers, attrition in the division remained at its historically low levels, which is gratifying, particularly when considered alongside the low attrition in the maintenance division.

Sales and administrative costs continue to be closely controlled, though naturally increased in 2008 to support the revenue growth. Further specialist sales resource is being sought to deliver the division's growth aspirations.

Administrative expenses, excluding goodwill impairment and intangibles amortisation

Administrative expenses (£000)	**2008**	2007
Sales expenses	**2,114**	2,290
Other administrative expenses (excluding goodwill impairment and intangible amortisation)	**2,302**	2,115
Total other administrative expenses	**4,416**	4,405

Administrative expenses increased by only £11,000 in the year. The reduction in sales expenses reflected the reduction in the headcount and lower commissions arising from the lower levels of equipment sales. Other administrative expenses increased by £187,000 (9%), as a result of factors including the increase in network services staff to support its growth, a rent review and the rental of some additional space at the Group's London offices.

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Administrative expenses, excluding goodwill impairment and intangibles amortisation (continued)

	2008	2007
Average Group headcount during the period	162	171
Average sales and service headcount	58	65
Average corporate and admin headcount	20	20
Group revenue (£000)	19,415	19,329

Interest

Net interest receivable has fallen from £115,000 to £68,000 in 2008, due to lower market interest rates and lower cash balances due to share buybacks. It is anticipated that the effect of the share buybacks will more than compensate for the reduced earnings per share effect of lower interest income.

Taxation

The income statement shows a tax rate of 31.2% (2007 – 30.1%). The two main trading companies are taxed at 28.5%, so that with disallowables the effective rate is above this, increased further by an element of the goodwill impairment charge which does not attract tax relief. The 2007 rate benefited from the effect on deferred tax of the reduction in the rate of corporation tax from 30% to 28%, and from the use of the remaining £15,000 of tax losses acquired on the purchase of District Holdings Limited.

Dividends

A final dividend for 2007 of 3.0p per share (£364,000 in total) was paid on 30 April 2008, and an interim 2008 dividend of 2.5p per share (£300,000) was paid on 10 October 2008.

It is proposed to pay a final dividend of 3.1p in respect of 2008, subject to shareholder approval at the AGM, and payable on 29 April to shareholders on the register at the close of business on 27 March. In accordance with accounting standards, this dividend is not accounted for in the financial statements for the period under review as it had not been committed to pay it as at 31 December 2008.

Balance sheet

The balance sheet remains solid, with £1.0m of cash and no debt, facilitating continued growth from existing resources.

Both trade receivables and trade payables have reduced significantly since 31 December 2007 mainly due to the reduction in equipment sales and to two major maintenance customers being invoiced on terms more favourable than the Group's standard annually in advance, the latter factor also helping to explain the reduction in deferred maintenance income at the end of 2008.

The value of maintenance stock has increased by £76,000 in the year, to £675,000, mainly due to the purchase of additional parts for new systems both for general maintenance and as on-site spares for a major contract, whilst the value of stock held for resale has fallen from £230,000 to £61,000 as a result of the much reduced equipment sales in 2008.

No significant expenditure has been required on plant and equipment during the period.

The deferred tax liability arises from the application of IFRS, whereby a liability of £290,000 was created on the recognition of the intangible asset relating to District. This is released broadly in parallel with the amortisation of the intangible and is partially offset by deferred tax assets.

Intangible assets

The Group has three intangible assets – goodwill arising on the acquisition of Maintel Network Services Limited (previously Pinnacle Voice and Data Limited) and an intangible asset represented by customer contracts and relationships acquired from District Holdings Limited and Callmaster, together with goodwill relating to the District acquisition.

The Maintel Network Services goodwill is subject to an impairment test at each reporting date. Impairment of £62,000 has been charged to the income statement in 2008 (2007 - £18,000), and the carrying value is £232,000 at that date. The 2008 charge is largely a result of the cancellation of a major customer referred to above.

The intangible assets represented by purchased customer contracts and relationships are subject to an amortisation charge of 20% of cost per annum in respect of maintenance contract relationships and 14.2% per annum in respect of network services contracts, £263,000 having been amortised in 2008 (2007 - £222,000), leaving a carrying value of £831,000. These assets are also subject to an impairment test each year, however no charge has been required at 31 December 2007 or 2008.

The goodwill relating to the District acquisition is subject to an impairment test at each reporting date, and has been subject to an impairment charge of £58,000 in 2008 (2007 - £58,000), leaving a carrying value of £145,000.

Purchase of own shares

Further to the authority granted at the last and penultimate AGMs, the Company repurchased and cancelled 1,565,000 of its own shares during 2008, at a weighted average price of 113p, and a total cost of £1,782,000.

The share price at 31 December 2008 was 83.5p.

Cash flow

At 31 December 2008 the Group had cash and bank balances of £1.010m (2007 - £2.109m), all of it unrestricted. Net cash inflow from operating activities in the year was £1.391m, £1.782m was used to buy back shares in the Company, £664,000 was paid in dividends, and £638,000 corporation tax was paid.

The Group has no debt and invests its surplus cash with mainstream UK banking organisations.

Principal risks

The directors consider that the principal risks to the Group relate to technological advance, marketplace relationships and pricing strategies, and the potential implications of the current economic environment.

Telecommunications hardware has historically focused on a PBX core, which is gradually being replaced, at least at the higher end, by Voice over Internet Protocol (VoIP) capabilities. Customers' acceptance of the new technologies moves at varying rates, however, so that legacy systems will continue to be serviced for some time to come. Maintel continues to address the technological shift by positioning itself to sell and maintain the new breed of telephone system, and has had notable success with this transition to date. Maintenance income from this new technology can be reduced when compared to traditional telephony although every effort is made to counter this effect through reduced costs in delivering our service and by retaining the resultant enhanced calls and lines revenue.

VoIP technology is also a potential threat to the reselling of call minutes. In practice, however, this technology is proving slow to be adopted, largely due to performance issues which are an important consideration for Maintel's business customers. Recognising the potential risk, however, the Group is ensuring that it expands its product portfolio with, for example, line rental continuing to grow significantly during 2008. The development of VoIP is constantly monitored so that the Group may take advantage of profitable business models as and when they appear, such as our sales of SIP trunking and hosted technology.

Principal risks (continued)

The Group is potentially subject to new pricing strategies by both competitors and suppliers, whether due to their own internal policies, in response to technological change or, in the case of call minutes and line rentals, potential regulatory change. The directors monitor margins closely and take action where appropriate.

The Group has a symbiotic relationship with Cable & Wireless, such that C&W constitutes around 10% of its maintenance base. Should this relationship be terminated, the maintenance base would reduce to that extent over time, necessitating a commensurate reduction in costs.

The Group maintains and provides equipment from a range of manufacturers, and relies on the support and continued supply of parts from those suppliers or intermediaries. Should that cease to be forthcoming, in some cases there may be a reduction in service the Group is able to supply to its customers. However this risk is spread due to the range of systems maintained.

The Group's maintenance contracts have a natural finite life, and are subject to competitive attack, so that there is an inevitable customer churn. The directors monitor the rate and causes of churn and implement strategies with the objective of minimising attrition and growing the customer base organically and by way of acquisition.

The current exceptional economic environment has impacted negatively on the Group's revenues, largely due to the curtailment in discretionary spend by some of the Group's customers, which has had a negative effect particularly on equipment sales. These conditions may persist and, indeed, may worsen, although the Group has already reduced its cost base to reflect reduced revenues and will continue to monitor costs accordingly.

The economic environment may also cause an increased number of the Group's customers to be unable to meet their financial obligations and/or to seek to delay payment beyond agreed terms. The Group carefully assesses the creditworthiness of prospects and insures its network services debt where necessary and possible; a significant proportion of the Group's revenue relates to maintenance charges paid in advance, to which no credit risk attaches.

Nortel

A significant proportion of the Group's business is associated with products supplied by Nortel. Certain Nortel subsidiaries in the US filed for Chapter 11 bankruptcy protection in January 2009 with certain other Nortel companies following analogous routes in other countries.

Nortel had $10bn revenues worldwide in 2007 and has announced that it will continue to focus on serving its customers.

The directors consider that the only impact on the Group in the short to medium term is the possible postponement of the purchase of Nortel equipment pending resolution of its financial issues, but that this is unlikely to have a significant effect on the Group given the lower levels of equipment sales being budgeted due to the economic climate, and the ability of the Group to offer alternative manufacturers' systems to customers.

Outlook

The deepening of the recession in Q3 and Q4 2008 and its continuing effect on equipment sales has unfortunately led to a further round of redundancies in early 2009, with the consequent cost reductions being noticeable from Q2 2009, amounting to an annualised £400,000 on top of a full year's benefit from the mid-year 2008 redundancies. Other than a handful of previously committed increases, employees did not receive customary salary increases at the start of 2009 and no director's remuneration was increased. Conversely, the bulk of maintenance revenues continue to attract an industry inflation-related annual uplift. In addition, 2009 will see a full year's revenue from the major H1 2008 maintenance signings noted above and a further £150,000 contract which commenced on 1 January 2009.

In summary, our reduced cost structure combined with the expected further increase in maintenance revenues puts the Group on a firm footing for 2009.

E Buxton
Chief Executive

13 March 2009

Board of directors

John Booth, 50
Non-executive chairman
John was appointed chairman of Maintel in 1996. He is also chairman of Integrated Asset Management plc, a non-executive director of several other private companies and consultant to Herald Venture Partners. Prior to becoming Chairman John spent his career in equities investment and broking, holding various senior positions in the industry. He is currently executive chairman of the Link Group which was acquired by ICAP plc in 2008.

Eddie Buxton, 48
Chief executive
Eddie was appointed chief executive on 2 February 2009, having previously been managing director of the telecoms division of Redstone plc. Eddie has worked in telecoms since 1995 including senior roles with Cable and Wireless, NTL and Centrica Telecommunications.

Angus McCaffery, 42
Sales and marketing director
Angus has 20 years experience in the telecommunications market, and co-founded Maintel Europe in 1991, being appointed sales director of Maintel Holdings in 1996. His role with the Group has been to develop its sales, marketing and product strategy.

Dale Todd, 50
Finance director
Dale qualified as a chartered accountant with Thomson McLintock (now KPMG) in 1982 and joined the Group in March 2002. Prior to this he held positions as group finance director at Rolfe & Nolan Plc, Best International Group Plc and HS Publishing Group Ltd.

Nicholas Taylor, 42
Non-executive director
Nicholas has extensive experience of working with growing companies, in both an executive and non-executive capacity. A former management consultant, he joined Luther Pendragon Limited, a communications consultancy, in 1995, where he rose to become Managing Partner, before leaving in 2000 to become Chief Executive of WPP subsidiary Metro Broadcast Limited. After two years in the not-for profit sector, as a director of the Royal Institute of British Architects, he is currently Chief Operating Officer of EU affairs consultancy, G Plus Limited.

Report on corporate governance

As a company listed on the Alternative Investment Market of the London Stock Exchange, Maintel Holdings Plc is not required to comply with the Financial Reporting Council Combined Code ("the Code"). However, the board of directors recognises the importance of, and is committed to, ensuring that proper standards of corporate governance operate throughout the Group and has taken steps to comply with it insofar as it can be applied practically, given the size of the Group and the nature of its operations.

The directors have applied the principles and provisions of the Code in the following manner:

Board of directors

The board includes two non-executives - John Booth, who is chairman, and Nicholas Taylor. It is not considered necessary, given the Company's size and stage of development, to actively seek a further non-executive director at this stage.

Other than in respect of their shareholdings in the Company, both non-executive directors are independent of management and are free from any business or other relationship which could materially interfere with the exercise of their independent judgement.

The board also consists of three executive directors, of whom Eddie Buxton is Chief Executive (Tim Mason having resigned as Chief Executive on 2 February 2009, on which date Eddie Buxton was appointed), Angus McCaffery is Sales and Marketing Director and Dale Todd is Finance Director.

The directors' biographies on page 10 demonstrate the range and depth of experience they bring to the Group.

The board meets regularly, normally monthly, and both reviews operations and assesses future strategy for the two operating subsidiaries and for the Group as a whole. It operates to a schedule of matters specifically reserved for its decision.

The Company's articles of association require that John Booth and Nicholas Taylor retire by rotation at the forthcoming annual general meeting; both offer themselves for re-election at the meeting. Eddie Buxton, having been appointed since the last annual general meeting, is also required to retire at the next annual general meeting, and also offers himself for re-election.

The Company has purchased insurance to cover its directors and officers against any costs they may incur in defending themselves in any legal proceedings instigated against them as a direct result of duties carried out on behalf of the Company.

The directors are able to seek independent professional advice as necessary, for the furtherance of their duties, at the Company's expense within designated financial limits.

The following committees deal with specific aspects of the Group's affairs:

Audit committee

The audit committee is chaired by Nicholas Taylor with John Booth being the other member. Eddie Buxton (Tim Mason during 2008) and Dale Todd (who acts as secretary to the committee) attend meetings by invitation, as do the external auditors.

The remit of the committee is to:

- consider the continued appointment of the external auditors, and their fees.
- liaise with the external auditors in relation to the nature and scope of the audit.
- review the financial statements and any other financial announcements issued by the Company.
- review any comments and recommendations received from the external auditors.
- review the Company's statements on internal control systems and the policies and process for identifying and assessing business risks and the management of those risks by the Company.

The audit committee convenes at least twice a year.

Remuneration committee

The remuneration committee is chaired by Nicholas Taylor, its other member being John Booth. The committee meets at least once a year. The committee's report to shareholders on directors' remuneration is set out on page 14.

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Nomination committee
The nomination committee had three members during 2008, the majority being non-executive, being John Booth, chairman, Nicholas Taylor and Tim Mason. Tim Mason retired from the Board on 2 February and has not as yet been replaced on the committee. The committee meets as required under the terms of its remit, having met twice formally, in addition to a number of informal meetings, during 2008 in relation to the search, recruitment and appointment of Eddie Buxton.

The committee's remit includes:

- regularly reviewing the structure, size and composition of the board.
- identifying and nominating suitable candidates to fill vacancies on the board.

Relationship with shareholders
The chairman's statement and the business review on pages 2 to 9 include a detailed review of the business and future developments.

The directors meet with institutional and other shareholders when possible, usually following the announcement of the Company's results, to keep them informed about the performance and objectives of the business.

The annual general meeting provides a further forum for shareholders to communicate with the board. Details of resolutions to be proposed at the annual general meeting are set out in the notice of meeting.

Internal control
The board is ultimately responsible for the Group's systems of internal control, and for reviewing their effectiveness. Such systems can provide reasonable, but not absolute, assurance against material misstatement or loss. The Board believes that the Group has internal control systems in place appropriate to the size and nature of its business.

The directors do not consider that an internal audit function is required, given the size and nature of the business at this time. This situation is reviewed annually.

The Group maintains a comprehensive process of financial reporting. The annual budget is reviewed and approved by the board before being formally adopted, following which the board receives at least monthly financial reports of the Group's performance compared to the budget, with explanations of significant variances. Monthly cash flow forecasts are provided to the board, as are budget reforecasts if deemed appropriate.

The executive directors monitor key performance indicators on a monthly basis, management of these being delegated to the Group's senior management.

The board undertakes a rolling review of known and potential risks, and addresses newly identified risks as they arise, with controls put in place to minimise their potential effect on the Group.

Operating control
Each executive director has defined responsibility for specific aspects of the Group's operations. The executive directors, together with key senior executives, meet regularly to discuss day-to-day operational matters.

Investment appraisal
Capital expenditure is controlled via the budgetary process, the budget being approved by the board. Expenditure is approved as required by the chief executive.

Risk management
The board is responsible for identifying the major business risks faced by the Group and for determining the appropriate course of action to manage these risks.

Compliance statement
Although not subject to the Code given its AIM-listed status, the board considers that, where relevant, it has adhered to the principles of the Code throughout the year, with the exception of not having a third non-executive director.

Going concern
The Group's business activities, together with factors likely to affect its future development, performance and position, the financial position of the Group and its cash flows are set out in the Business review on pages 3 to 9. In addition, note 16 to the financial statements includes details of the Group's policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and its exposure to credit and liquidity risk.

The Group has sound financial resources and a substantial level of recurring revenue across a range of sectors and as a consequence the directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

The committee consists of the two non-executive directors, Nicholas Taylor (chairman of the committee) and John Booth.

The committee's remit is to measure the performance of, and determine remuneration policy relating to directors and certain senior employees.

The committee consults with the chief executive with regard to his proposals and has access to professional and other advice external to the Group, then makes recommendations to the board.

Remuneration policy

The Group's executive director remuneration policy is designed to attract and retain directors of the calibre required to maintain the Group's position in its marketplace.

The executive director remuneration package consists of up to four elements:

(a) Basic salary

An executive director's basic salary is determined by the remuneration committee at the beginning of each year. In deciding appropriate levels the committee considers the relative responsibilities of each of the directors.

Basic salaries were reviewed in January 2009 and in line with substantially all other Group employees, no increase in salary was awarded at that date.

Executive directors' service agreements, which include details of remuneration, will be available for inspection at the annual general meeting.

(b) Pension contributions and other benefits

Executive directors are entitled to employer pension contributions of 3% of basic salary, or additional salary in lieu thereof.

They also receive a car allowance and membership of private health, permanent health and life assurance schemes.

(c) Bonus

Eddie Buxton will receive a bonus, subject to certain criteria, dependant on the performance of the Group. The details of this arrangement have not yet been confirmed.

(d) Share options

Eddie Buxton will be eligible for an award of share options in due course; an option scheme is being established with the quantum of award and performance criteria yet to be confirmed.

Directors' service agreements

Each executive director has a six month rolling service agreement, Eddie Buxton being subject to a one month notice period in the first six months of his employment with the Group.

Non-executive directors

Each of the non-executive directors has a three month rolling contract.

The remuneration of the non-executive directors is determined by the executive directors, and is based upon the level of fees paid at comparable companies. The non-executives receive no payment or benefits other than their fees.

Directors' remuneration

	Salaries/ fees £000	Benefits £000	Pension Contributions £000	**Total 2008[1] £000**	Total 2007[1,2] £000
J D S Booth	31	-	-	**31**	30
N J Taylor	18	-	-	**18**	18
T T Mason	120	17	4	**141**	135
A J McCaffery	115	17	4	**136**	128
W D Todd	118	11	-	**129**	122
	402	45	8	**455**	433

(1) Social security costs in respect of the above amounted to £52,000 (2007 - £50,000).
(2) Including employer pension contributions of £7,000 and benefits of £42,000, so that salaries amounted to £384,000.

The directors are the only employees of the Company.

Directors' interests in ordinary shares

The directors' interests in the ordinary shares of the Company are shown in the directors' report on page 16.

Share Incentive Plan

In 2006 the Company established the Maintel Holdings Plc Share Incentive Plan ("SIP"). The SIP is open to all employees with at least 6 months' continuous service with a Group company, and allows employees to subscribe for existing shares in the Company at open market price out of their gross salary. The employees own the shares from the date of purchase, but must continue to be employed by a Group company and hold their shares within the SIP for 5 years to benefit from the full tax benefits of the plan.

The Report of the Remuneration committee was approved by the Board on 13 March 2009.

N J Taylor
Chairman of the Remuneration committee

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The directors present their report together with the audited financial statements for the year ended 31 December 2008.

Principal activities

The principal activities of the Group are the provision of contracted maintenance services to, and the sale of, fixed line telecommunications systems, the resale of voice and data minutes, line rentals and other telecommunications products.

Results and dividends

The consolidated income statement is set out on page 22 and shows the profit of the Group for the year.

During the year the Company paid a final dividend of 3.0p per ordinary share in respect of the 2007 financial year, amounting to £364,000 (2007 – 2.9p and £361,000 respectively) and an interim dividend in respect of 2008 of 2.5p per share, amounting to £300,000 (2007 – 2.5p and £311,000 respectively). The directors recommend the payment of a final dividend in respect of 2008 of 3.1p per share.

Business review

A review of the business and future developments is set out in the Business review on pages 3 to 9.

Directors

The directors of the Company and their interests in the ordinary shares of the Company at the year end were as follows:

	Number of 1p ordinary shares			
	2008		2007	
	Beneficial	**Non-beneficial**	Beneficial	Non-beneficial
J D S Booth	**2,751,745**	**-**	2,750,781	-
T T Mason (resigned 2 February 2009*)	**1,045,862**	**28,016**	2,045,862	13,373
A J McCaffery	**2,162,688**	**-**	2,162,688	-
N J Taylor	**7,747**	**27,269**	7,716	12,657
W D Todd	**-**	**28,016**	-	13,373

* Mr Mason has since disposed of 765,862 shares, including 680,203 to Mr T Wat, whose interest is noted below as a Substantial Shareholder. Mr Mason retains an indirect interest in these 680,203 shares.

J D S Booth is a shareholder in Herald Investment Trust plc which holds 760,000 1p ordinary shares in the Company.

E Buxton was appointed a director on 2 February 2009 and held no shares beneficially between that date and 13 March 2009.

The non-beneficial holdings above relate to holdings of the Share Incentive Plan, of which the respective directors are trustees. E Buxton was appointed a trustee of the Plan on T Mason's resignation, and accordingly had a non-beneficial interest in the Plan's 32,130 shares at 13 March 2009.

Since the year end, the Share Incentive Plan has acquired a net 4,114 shares in total. There were no other changes in the directors' shareholdings between 31 December 2008 and 13 March 2009.

The Company has purchased insurance to cover its directors and officers against any costs they may incur in defending themselves in any legal proceedings instigated against them as a direct result of duties carried out on behalf of the Company.

Details of the changes in the Company's share capital during the year are given in note 18.

Substantial shareholders

In addition to the directors' shareholdings, at 13 March 2009 the Company had been notified of the following shareholdings of 3% or more in the ordinary share capital of the Company:

	Number of 1p ordinary shares	% of issued ordinary shares
J A Spens	1,557,330	14.4%
Octopus Investments Limited	811,810	7.5%
Herald Investment Trust plc	760,000	7.0%
T Wat	680,203	6.3%
Marlborough Special Situations Fund	465,000	4.3%

The Company's mid-market share price at 31 December 2008 was 83.5p per share, and the high and low prices during the year were 167p and 83.5p respectively.

Employees

Maintel's success is dependent on the knowledge, experience and motivation of its employees, and so on the attraction and retention of those staff. The Group's management monitors the compliance with both statutory regulation and best practice with regard to gender, race, age and disability.

A Group intranet is core to open communication amongst employees, and this continues to be developed.

The Company established a Share Incentive Plan in 2006, allowing employees to invest tax effectively in its shares, and so aligning employee interests with shareholders. Under the plan, shares are acquired by employees out of pre-tax salary, with ownership vesting at that time, and are held by trustees on behalf of the employees. The plan is therefore separate from the assets of the Group.

Environment

The Group acknowledges its responsibilities to environmental matters and where practicable adopts environmentally sound policies in its working practices, such as recycling paper and packaging waste and using specialist recyclers of scrap telecommunications and IT equipment. Maintel Europe Limited has ISO 14001:2004 accreditation for its environmental management systems.

Purchase of own shares

Pursuant to the authority granted at the last and penultimate AGMs, the Company repurchased and cancelled 1,565,000 of its own 1p ordinary shares during 2008, at prices between 94p and 161.5p each at a total cost of £1,782,000, the directors considering that such purchases were in the best interests of the shareholders. The purchases represent 14.5% of the Company's issued share capital as at 31 December 2008. The existing authority is for the purchase of up to 1,820,805 shares, and the unutilised authority is in respect of 495,805 shares. A fresh authority, in the amount of 1,622,187 shares, will be sought at the forthcoming annual general meeting.

Financial instruments

Details of the use of financial instruments by the Group are contained in note 16 of the financial statements.

Donations

The Group made charitable contributions of £nil (2007 – £nil) during the year. No contributions were made to political organisations (2007 - £nil).

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Creditor payment policy

The Group policy for suppliers is to fix terms of payment when agreeing the terms of transactions, and to comply with those contractual arrangements. The Group's average creditor payment period at 31 December 2008 was 37 days (2007 – 53 days). The Company's average creditor payment period at 31 December 2008 was 83 days (2007 – 6 days), these figures being due to the irregular nature of the Company's creditor payments.

Articles of Association

The law in relation to companies is currently undergoing a number of changes following the introduction of new companies legislation in the United Kingdom under the Companies Act 2006 ("2006 Act"). The changes are being implemented in stages, with some parts already in force and the final parts due to be implemented in October 2009. Some of the changes will apply automatically to the Company, whilst others will require the Company to take specific steps to take advantage of, or exclude, as the case may be, the effect of the changes.

In order to accommodate all the proposed changes to the Company's existing articles of association ("Existing Articles") to reflect certain provisions of the 2006 Act which are currently in force, your Board is proposing that new articles of association ("New Articles") are adopted. Accordingly, resolution 11 in the notice of meeting is a special resolution relating to the adoption of the New Articles. Since it is expected that the 2006 Act will not be fully in force until October 2009, there may be further changes to be made to the New Articles at the Company's annual general meeting in 2010. The proposed principal changes to be made to the Existing Articles at the Company's annual general meeting are detailed in the Appendix on page 53 of this Annual Report.

The proposed New Articles are available for inspection at the Company's registered office from the date of the notice of meeting until the close of the annual general meeting.

Recommendation

Your board considers resolution 11 to be in the best interests of the Company and its members as a whole and is most likely to promote the success of the Company for the benefit of its members as a whole. Accordingly, your board unanimously recommends that shareholders should vote in favour of resolution 11 to be proposed at the annual general meeting, as they intend to do in respect of their own beneficial shareholdings amounting to 4,922,180 ordinary shares.

Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Company's auditors for the purposes of their audit and to ensure that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

A resolution proposing the re-appointment of BDO Stoy Hayward LLP as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

E Buxton
Director

13 March 2009

Directors' responsibilities

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group, for safeguarding the assets of the Company, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a Directors' Report which complies with the requirements of the Companies Act 1985.

The directors are responsible for preparing the annual report and the financial statements in accordance with the Companies Act 1985. The directors are also required to prepare financial statements for the Group in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs) and the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market. The directors have chosen to prepare financial statements for the Company in accordance with UK Generally Accepted Accounting Practice.

Group financial statements

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Group's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. A fair presentation also requires the Directors to:

- consistently select and apply appropriate accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

Parent company financial statements

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

Financial statements are published on the Group's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Group's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

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We have audited the group and parent company financial statements (the ''financial statements'') of Maintel Holdings Plc for the year ended 31 December 2008 which comprise the consolidated income statement, the consolidated and company balance sheets, consolidated statement of changes in equity, the consolidated cash flow statement, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and for preparing the parent company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the directors' report is consistent with those financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the annual report, and consider whether it is consistent with the audited financial statements. This other information comprises only the directors' report, the chairman's statement, the business review, the report of the remuneration committee and the report on corporate governance. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 31 December 2008 and of its profit for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the parent company's affairs as at 31 December 2008;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

BDO STOY HAYWARD LLP
Chartered Accountants
and Registered Auditors
London

13 March 2009

Consolidated income statement

for the year ended 31 December 2008

	Note	2008 £000	2007 £000
Revenue	2	**19,415**	19,329
Cost of sales		**13,095**	12,762
Gross profit		**6,320**	6,567
Administrative expenses			
Goodwill impairment	10	**120**	76
Intangibles amortisation	10	**263**	222
Other administrative expenses		**4,416**	4,405
		4,799	4,703
Operating profit	5	**1,521**	1,864
Financial income	6	**69**	115
Financial charges	6	**(1)**	-
Profit before taxation		**1,589**	1,979
Taxation	7	**495**	595
Profit after taxation attributable to equity holders of the parent		**1,094**	1,384
Earnings per share			
Basic and diluted	9	**9.2p**	11.1p

The notes on pages 26 to 45 form part of these financial statements.

Consolidated balance sheet

at 31 December 2008

	Note	2008 £000	2008 £000	2007 £000	2007 £000
Non current assets					
Intangible assets	10		**1,208**		1,591
Property, plant and equipment	12		**200**		208
			1,408		1,799
Current assets					
Inventories	13	**736**		829	
Trade and other receivables	14	**3,164**		3,928	
Cash and cash equivalents		**1,010**		2,109	
Total current assets			**4,910**		6,866
Total assets			**6,318**		8,665
Current liabilities					
Trade and other payables	15		**5,173**		6,025
Current tax liabilities			**193**		295
Total current liabilities			**5,366**		6,320
Non current liabilities					
Deferred tax liability	17		**98**		139
Total net assets			**854**		2,206
Equity					
Issued share capital	18		**108**		124
Share premium	19		**628**		628
Capital redemption reserve	19		**28**		12
Retained earnings	19		**90**		1,442
Total equity			**854**		2,206

The financial statements were approved and authorised for issue by the Board on 13 March 2009 and were signed on its behalf by:

W D Todd

Director

The notes on pages 26 to 45 form part of these financial statements.

Consolidated statement of changes in equity

for the year ended 31 December 2008

	Share capital £000	Share premium £000	Capital redemption reserve £000	Retained earnings £000	Total £000
At 1 January 2007	124	628	12	847	1,611
Profit for year*	-	-	-	1,384	1,384
Dividend	-	-	-	(672)	(672)
Movements in respect of purchase of own shares	-	-	-	(117)	(117)
At 31 December 2007	124	628	12	1,442	2,206
Profit for year*	-	-	-	1,094	1,094
Dividend	-	-	-	(664)	(664)
Movements in respect of purchase of own shares	(16)	-	16	(1,782)	(1,782)
At 31 December 2008	108	628	28	90	854

* Total recognised income and expenses for the year are the same as the profit for the year shown above.

The notes on pages 26 to 45 form part of these financial statements.

Consolidated cash flow statement

for the year ended 31 December 2008

	2008 £000	2007 £000
Operating activities		
Profit before taxation	**1,589**	1,979
Adjustments for:		
Goodwill impairment	**120**	76
Intangibles amortisation	**263**	222
Depreciation charge	**118**	136
Interest received	**(69)**	(115)
Other interest paid	**1**	-
Loss on disposal of plant and equipment	**2**	-
Operating cash flows before changes in working capital	**2,024**	2,298
Decrease/(increase) in inventories	**93**	(124)
Decrease/(increase) in trade and other receivables	**764**	(1,067)
(Decrease)/increase in trade and other payables	**(852)**	755
Cash generated from operating activities	**2,029**	1,862
Tax paid	**(638)**	(759)
Net cash flows from operating activities	**1,391**	1,103
Investing activities		
Purchase of plant and equipment	**(115)**	(106)
Proceeds from disposal of plant and equipment	**3**	-
Purchase of base of customer relationships	**-**	(448)
Interest received	**69**	115
Net cash flows from investing activities	**(43)**	(439)
Financing activities		
Other interest paid	**(1)**	-
Repurchase of own shares for cancellation	**(1,782)**	(117)
Equity dividends paid	**(664)**	(672)
Net cash flows from financing activities	**(2,447)**	(789)
Net decrease in cash and cash equivalents	**(1,099)**	(125)
Cash and cash equivalents at start of period	**2,109**	2,234
Cash and cash equivalents at end of period	**1,010**	2,109

The notes on pages 26 to 45 form part of these financial statements

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1 Accounting policies

The consolidated financial statements have been prepared under the historical cost convention, and the principal policies adopted in their preparation are as follows:

(a) Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRS) issued by the International Accounting Standards Board (IASB) as adopted by the European Union ("adopted IFRSs"), and with those parts of the Companies Act 1985 applicable to companies preparing their accounts in accordance with adopted IFRSs. The Company has elected to prepare its parent company financial statements in accordance with UK GAAP and these are presented on page 46.

(b) Basis of consolidation

The financial statements consolidate the results of Maintel Holdings Plc and each of its subsidiaries (the "Group"). The results of subsidiaries acquired are included within the consolidated income statement and balance sheet from the effective date of acquisition, applying uniform accounting policies pursuant to IAS 27 "Consolidated and separate financial statements". The results of disposed subsidiaries are included in the consolidated income statement up to the effective date of disposal. All intra-group transactions and balances are eliminated on consolidation. Acquisitions are accounted for using the acquisition method of accounting.

Subsidiaries are all entities over which the Group has the power to govern their financial and operating policies.

(c) Revenue

Revenue represents sales to customers at invoiced amounts less value added tax. Revenue from sales of equipment, chargeable works carried out and network services, is recognised when the goods or services are provided. Amounts invoiced in advance in respect of maintenance contracts are deferred and released to the income statement on a straight line basis over the period covered by the invoice. Revenue and profit on long term supply and/or installation contracts is recognised dependent on the stage of and costs to completion of each contract.

(d) Intangible assets

Goodwill

Goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets, liabilities and contingent liabilities. Cost comprises the fair value of assets given, liabilities assumed and equity instruments issued, plus any direct costs of acquisition. Goodwill is capitalised as an intangible asset, with any impairment in carrying value being charged to the income statement.

1 Accounting policies (continued)

(d) Intangible assets (continued)

Other intangible assets

Intangible assets are stated at cost less accumulated amortisation and consist of customer relationships. Where these assets have been acquired through a business combination, the cost will be the fair value allocated in the acquisition accounting; where they have been acquired other than through a business combination, the initial cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

Customer relationships are amortised over their estimated useful lives of (i) five years in respect of maintenance contracts, and (ii) seven years in respect of network services contracts.

Impairment of goodwill and other intangible assets

Impairment tests on goodwill are undertaken annually on 31 December. Customer relationships and other assets are subject to impairment tests whenever events or changes in circumstances indicate the carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (being the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit (being the lowest group of assets in which the asset belongs for which there are separately identifiable cash flows). Goodwill is allocated on initial recognition to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination giving rise to goodwill.

Impairment charges are included in the administrative expenses line item in the income statement.

(e) Property, plant and equipment

Property, plant and equipment is stated at historic cost, less accumulated depreciation. Depreciation is provided to write off the cost, less estimated residual values, of all tangible fixed assets over their expected useful lives, at the following rates:

Property, plant and machinery	-	over the life of the lease to third parties
Office and computer equipment	-	25% straight line
Motor vehicles	-	25% straight line
Leasehold improvements	-	over the remaining period of the lease

(f) Inventories

Inventories comprise (i) maintenance stock, being replacement parts held to service customers' telecommunications systems, and (ii) work in progress, being stock purchased for customer orders which has not been installed at the end of the financial period. Inventories are valued at the lower of cost and net realisable value.

(g) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short term deposits with an original maturity of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management procedures are also included as a component of cash and cash equivalents for the purposes of the cash flow statement.

1 Accounting policies (continued)

(h) Taxation

Current tax is the expected tax payable on the taxable income for the year, together with any adjustments to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, except for differences arising on:

- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit; and
- investments in subsidiaries where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

The amount of the deferred tax asset or liability is determined using tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the deferred tax assets/liabilities are recovered/settled.

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- the same taxable Group company; or
- different Group entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

(i) Financial assets and liabilities

The Group's financial assets and liabilities mainly comprise cash, trade and other receivables and trade and other payables. The Group's policy is, and has been throughout the year, not to trade in financial instruments.

Cash comprises cash in hand and deposits held at call with banks.

Trade and other receivables are not interest bearing and are stated at their nominal value as reduced by appropriate allowances for irrecoverable amounts or additional costs required to effect recovery.

Trade and other payables are not interest bearing and are stated at their nominal amount.

(j) Operating leases

Annual rentals payable are charged to the income statement on a straight-line basis over the term of the lease.

Annual rentals receivable from third parties are credited to the income statement on a straight line basis over the term of the lease. This income is included in revenue.

(k) Employee benefits

The Group contributes to a number of defined contribution pension schemes in respect of certain of its employees; the Group does not contribute and has not contributed to any defined benefit pension schemes. The amount charged in the income statement represents the employer contributions payable to the schemes in respect of the financial period. The assets of the schemes are held separately from those of the Group in independently administered funds.

The cost of all short term employee benefits is recognised during the period the employee service is rendered.

Holiday pay is expensed in the period in which it accrues.

1 Accounting policies (continued)

(l) Dividends

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Proposed but unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

(m) Accounting standards issued but not adopted

The following new standards and interpretations, which have been issued by the IASB and IFRIC, are effective for future periods and have not been adopted early in these financial statements. The directors do not anticipate that the adoption of these standards and interpretations will have a material accounting impact on the Group's financial statements in the period of initial application although they may result in certain presentational changes.

Standard or Interpretation	Effective for periods beginning	Endorsed for use in the EU
Amendment to IAS 23 Borrowing Costs	1 January 2009	Yes
Amendment to IFRS 2 Share-based Payment: Vesting Conditions and Cancellations	1 January 2009	Yes
Amendments to IAS 1 Presentation of Financial Statements – revised presentation	1 January 2009	Yes
Amendments to IAS32 and IAS1 Puttable Instruments and obligations arising on liquidation	1 January 2009	Yes
IFRS 8 Operating Segments	1 January 2009	Yes
Improvements to IFRSs	1 January 2009	Yes
Amendments to IFRS 1 and IAS 27 Cost of an Investment in a subsidiary, jointly-controlled entity or associate	1 January 2009	Yes
Revised IFRS 3 Business Combinations	1 July 2009	No
Amendments to IAS 27 Consolidated and Separate Financial Statements	1 July 2009	No
Amendment to IAS 39 Financial Instruments: Recognition and Measurement: Eligible Hedged Items	1 July 2009	No
IFRIC 13 Customer Loyalty Programmes	1 July 2008	Yes
IFRIC 15 Agreements for the Construction of Real Estate	1 January 2009	No
IFRIC 16 Hedges of a Net Investment in a Foreign Operation	1 October 2008	No
IFRIC 17 Distributions of Non-cash Assets to Owners	1 July 2009	No
IFRIC 18 Transfer of Assets from Customers	1 July 2009	No

2 Segment information

For management reporting purposes, the Group consists of two business segments: (i) telephone maintenance and equipment sales, and (ii) telephone network services.

Year ended 31 December 2008	Maintenance and equipment £000	Network services £000	Central/ intercompany £000	Total £000
Revenue	13,859	5,678	(122)	19,415

Included in telephone system maintenance turnover above is £8,000 of leasing income.

Other than equipment sales of £34,000 to EU countries, revenue is wholly attributable to the principal activities of the Group and arises predominantly within the United Kingdom.

	Maintenance and equipment £000	Network services £000	Central/ intercompany £000	Total £000
Operating profit	1,433	472	(384)	1,521
Interest (net)				68
Profit before taxation				1,589
Taxation				(495)
Profit after taxation				1,094
Balance sheet				
Assets	4,594	1,308	416	6,318
Liabilities	(4,462)	(1,158)	156	(5,464)
Total	132	150	572	854
Other				
Capital expenditure	115	-	-	115
Depreciation	118	-	-	118
Amortisation and impairment	22	48	313	383

2 Segment information (continued)

Year ended 31 December 2007	Maintenance and equipment £000	Network services £000	Central/ intercompany £000	Total £000
Revenue	14,735	4,682	(88)	19,329

Included in telephone system maintenance turnover above is £97,000 of leasing income.

Other than equipment sales of £39,000 to EU countries, revenue is wholly attributable to the principal activities of the Group and arises predominantly within the United Kingdom.

	Maintenance and equipment £000	Network services £000	Central/ intercompany £000	Total £000
Operating profit	1,680	477	(293)	1,864
Interest (net)				115
Profit before taxation				1,979
Taxation				(595)
Profit after taxation				1,384
Balance sheet				
Assets	6,007	1,485	1,173	8,665
Liabilities	(5,276)	(1,342)	159	(6,459)
Total	731	143	1,332	2,206
Other				
Capital expenditure	106	-	-	106
Depreciation	136	-	-	136
Amortisation and impairment	9	20	269	298

3 Employees

	2008 Number	2007 Number
The average number of employees, including directors, during the year was:		
Corporate and administration	**20**	20
Sales and customer service	**58**	65
Technical and engineering	**84**	86
	162	171

	2008 Number	2007 Number
Staff costs, including directors, consist of:		
Wages and salaries	**7,050**	6,728
Social security costs	**794**	768
Pension costs	**120**	129
	7,964	7,625

The Group makes contributions to defined contribution personal pension schemes for employees and directors. The assets of the schemes are separate from those of the Group. The pension cost charge represents contributions payable by the Group to the schemes and amounted to £120,000 (2007 - £129,000). Contributions totalling £22,000 (2007 - £21,000) were payable to the schemes at the year end and are included in creditors.

4 Directors' remuneration

	2008 £000	2007 £000
The remuneration of the Company directors is as follows:		
Directors' emoluments	**447**	426
Pension contributions	**8**	7
	455	433
Included in the above is the remuneration of the highest paid director as follows:		
Directors' emoluments	**137**	131
Pension contributions	**4**	4
	141	135

The Group paid contributions into defined contribution personal pension schemes in respect of 2 (2007 – 2) directors during the year.

5 Operating profit

	2008 £000	2007 £000
This has been arrived at after charging/(crediting):		
Depreciation of property, plant and equipment	**118**	136
Amortisation of intangible fixed assets	**263**	222
Goodwill impairment charge	**120**	76
Loss on disposal of plant and equipment	**2**	-
Operating lease rentals		
- property	**183**	161
- plant and machinery	**115**	135
Auditors' remuneration		
- audit services – Company	**7**	7
- other services relating to taxation – Group	**6**	18
- other services relating to audit of subsidiary undertakings - Group	**51**	47
- other services – Group	**25**	15
Leasing income	**(8)**	(97)

6 Financial income and expense

	2008 £000	2007 £000
Finance income		
Bank interest received	**69**	115
Finance expense		
Other interest payable	**1**	-

7 Taxation

	2008 £000	2007 £000
UK corporation tax		
Corporation tax on profits of the period	**536**	673
Deferred tax	**(41)**	(78)
Taxation on profit on ordinary activities	**495**	595

7 Taxation (continued)

The differences between the total tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax are as follows:

	2008 £000	2007 £000
Profit on ordinary activities before tax	1,589	1,979
Profit on ordinary activities at the standard rate of corporation tax in the UK of 28.5% (2007 – 30%)	453	594
Effect of:		
Expenses not deductible for tax purposes	11	11
Depreciation in excess of capital allowances	-	2
Goodwill impairment	31	23
Use of trading losses brought forward	-	(15)
Change in tax rate affecting deferred tax liability	-	(20)
	495	595

8 Dividends paid on ordinary shares

	2008 £000	2007 £000
Final 2006, paid 25 April 2007 – 2.9p per share	-	361
Interim 2007, paid 5 October 2007 – 2.5p per share	-	311
Final 2007, paid 30 April 2008 – 3.0p per share	364	-
Interim 2008, paid 10 October 2008 – 2.5p per share	300	-
	664	672

The directors recommend the payment of a final dividend for 2008 of 3.1p (2007 – 3.0p) per ordinary share, payable on 29 April 2009 to shareholders on the register at 27 March 2009, subject to approval by shareholders at the Annual General Meeting.

9 Earnings per share

Earnings per share is calculated by dividing the profit after tax for the period by the weighted average number of shares in issue for the period, these figures being as follows:

	2008 Number (000s)	2007 Number (000s)
Weighted average number of ordinary shares of 1p each	11,832	12,452

	£000	£000
Earnings used in basic and diluted EPS, being profit after tax	1,094	1,384
Goodwill impairment and intangibles amortisation, less tax thereon	305	231
One-off professional costs, less tax thereon	35	18
Adjusted earnings	1,434	1,633
Earnings per share		
Basic and diluted	9.2p	11.1p
Adjusted – as above but excluding goodwill impairment, intangibles amortisation and one-off professional costs, less tax thereon	12.1p	13.1p

The adjustment above in respect of goodwill impairment, intangibles amortisation, one-off professional costs and tax thereon has been made in order to provide a clearer picture of the trading performance of the Group.

The one-off professional costs relate primarily to the recruitment of Mr Buxton (2007 - £25,000 before tax relating to the cost of strategic advice).

During 2008 the Company repurchased and cancelled 1,565,000 of its ordinary shares, at prices between 94p and 161.5p each at a total cost of £1,782,000, representing 14.5% of the Company's issued share capital as at 31 December 2008.

10 Intangible assets

	Goodwill £000	Customer relationships £000	Total £000
Cost			
At 1 January 2007	664	965	1,629
Acquisition of customer relationships	-	448	448
At 31 December 2007 and 31 December 2008	664	1,413	2,077
Amortisation and impairment			
At 1 January 2007	91	97	188
Amortisation in the year	-	222	222
Impairment in the year	76	-	76
At 31 December 2007	167	319	486
Amortisation in the year	-	263	263
Impairment in the year	120	-	120
At 31 December 2008	287	582	869
Net book value			
At 31 December 2008	377	831	1,208
At 31 December 2007	497	1,094	1,591

Amortisation and impairment charges for the year have been charged through administrative expenses in the consolidated income statement.

10 Intangible assets (continued)

The carrying value of goodwill, calculated on a value in use basis, is allocated to cash generating units as follows:

	2008 £000	2007 £000
Pinnacle Voice and Data Limited (now incorporated in Maintel Voice and Data Limited)	**232**	294
District Holdings Limited (now incorporated in Maintel Europe Limited and Maintel Voice and Data Limited)	**145**	203
	377	497

Goodwill of £227,000 arising on the acquisition of Pinnacle Voice and Data Limited (since renamed Maintel Network Solutions Limited) in December 2005 was capitalised at 31 December 2005, as was the related deferred payment of £147,000 in 2006, the aggregate being subject to an annual impairment review which has resulted in an impairment charge of £18,000 in 2007 and £62,000 in 2008, due to the termination of certain contracts acquired.

Goodwill of £290,000 arose on the acquisition of District Holdings Limited in June 2006. This is assessed for impairment at each balance sheet date based on value in use calculations, being the projected future discounted cash flows arising from the acquisition, compared with the carrying value of the goodwill. The impairment of the goodwill has been £58,000 in 2007 and £58,000 in 2008.

The acquisition of District customer relationships was valued at £965,000. These relationships are estimated to have a useful life of 5 years and are therefore amortised over that period and subject to annual impairment review. The 2007 amortisation charge is therefore £193,000 and the 2008 charge £193,000.

The Group acquired a base of customer relationships from Callmaster Limited on 1 August 2007, for a consideration, including costs, of £448,000. These relationships are estimated to have a useful life of five (maintenance contracts) or seven (network services contracts) years and are therefore amortised over those periods and subject to annual impairment review. The 2007 amortisation charge is £29,000 and the 2008 charge £70,000.

For the purposes of the impairment review of goodwill, the net present value of the projected future cash flows of the cash generating unit are compared with the carrying value. Projected operating margins for this purpose are based on current trends, and a discount rate of 15.6% is applied to the resultant projected cash flows; the discount rate is based on conventional capital asset pricing model inputs.

11 Subsidiaries

The Group consists of Maintel Holdings Plc and its subsidiary undertakings, including several which did not trade during the year. The following were the principal subsidiary undertakings at the end of the year and each has been included in the consolidated financial statements:

Maintel Europe Limited
Maintel Voice and Data Limited

Each is wholly owned and incorporated in England and Wales.

12 Property, plant and equipment

	Leasehold improvements £000	Plant and machinery £000	Office and computer equipment £000	Motor vehicles £000	Total £000
Cost or valuation					
At 1 January 2007	64	89	808	-	961
Additions	-	-	99	7	106
Disposals	-	(45)	(73)	-	(118)
At 31 December 2007	64	44	834	7	949
Additions	3	-	112	-	115
Disposals	-	(44)	(100)	(7)	(151)
At 31 December 2008	67	-	846	-	913
Depreciation					
At 1 January 2007	64	86	573	-	723
Provided in year	-	3	132	1	136
Disposals	-	(45)	(73)	-	(118)
At 31 December 2007	64	44	632	1	741
Provided in year	1	-	116	1	118
Disposals	-	(44)	(100)	(2)	(146)
At 31 December 2008	65	-	648	-	713
Net book value					
At 31 December 2008	2	-	198	-	200
At 31 December 2007	-	-	202	6	208

13 Inventories

	2008 £000	2007 £000
Maintenance stock	**675**	599
Stock held for resale	**61**	230
	736	829

14 Trade and other receivables

	2008 £000	2007 £000
Trade receivables	**2,262**	2,965
Other receivables	**17**	14
Prepayments and accrued income	**885**	949
	3,164	3,928

All amounts shown above fall due for payment within one year.

15 Trade and other payables

	2008 £000	2007 £000
Trade payables	**1,182**	1,686
Other tax and social security	**641**	671
Accruals	**428**	565
Other payables	**24**	27
Deferred maintenance income	**2,852**	3,020
Other deferred income	**46**	56
	5,173	6,025

Deferred maintenance income relates to the unearned element of maintenance revenue that has been invoiced but not yet recognised in the income statement. Other deferred income relates to other amounts invoiced but not yet recognised in the income statement.

16 Financial instruments

The Group's financial assets and liabilities mainly comprise cash, trade and other receivables and trade and other payables, with smaller balances being recorded as other debtors and other creditors. The Group's policy is, and has been throughout the year, not to trade in financial instruments.

	Loans and receivables	
	2008 £000	2007 £000
Current financial assets		
Trade receivables	**2,262**	2,965
Cash and cash equivalents	**1,010**	2,109
Other receivables	**17**	14
	3,289	5,088

	Financial liabilities measured at amortised cost	
	2008 £000	2007 £000
Current financial liabilities		
Trade payables	**1,182**	1,686
Other payables	**24**	27
	1,206	1,713

The maximum credit risk for each of the above is the carrying value stated above. The main risks arising from the Group's operations are credit risk, currency risk and interest rate risk, however other risks are also considered below.

Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis and with increased rigour in light of the current economic climate. Credit evaluations are performed on customers as deemed necessary based on, inter alia, the nature of the prospect and size of order. The Group does not require collateral in respect of financial assets.

At the balance sheet date there were no significant concentrations of credit risk, the largest exposure represented by the carrying value of each financial asset in the balance sheet, principally trade and other receivables, against which £99,000 is provided at 31 December 2008 (2007 - £112,000). The provision represents an estimate of potential bad debt, goodwill credits and additional costs to be incurred in respect of the year end trade receivables, a review having been undertaken of each such year end receivable. The largest individual debtor included in trade and other receivables at 31 December 2008 owed the Group £286,000 including VAT (2007 - £234,000).

16 Financial instruments (continued)

The movement on the provision is as follows:

	2008 £000	2007 £000
Provision at start of year	**112**	100
Provision used	**(34)**	(7)
Additional provision made	**21**	19
Provision at end of year	**99**	112

A debt is considered to be bad when it is deemed irrecoverable, for example when the debtor goes into liquidation, or when a credit or partial credit is issued to the customer for goodwill or commercial reasons.

The Group had past due trade receivables as follows:

	2008 £000	2007 £000
Up to 30 days overdue	**947**	1,004
31-60 days overdue	**195**	334
More than 60 days overdue	**114**	93
	1,256	1,431

Cash and cash equivalents at 2008 and 2007 year ends represented short term deposits with LloydsTSB and Abbey.

Foreign currency risk

The principal functional currency of the Group is Sterling. The Group engages in minimal foreign currency transactions, and maintains a Euro bank account to facilitate these. The balance of the account at 31 December 2008 was £1,000 (2007 – £33,000). The Group's exposure to currency risk is therefore not significant.

Interest rate risk

The Group has no borrowings, and invests its surplus cash in short term bank deposits at prevailing rates of interest. The Group's interest income (£69,000 in 2008, and £115,000 in 2007) is therefore dependent on those prevailing rates.

Liquidity risk

The Group's main financial liabilities are trade payables, which fall due and are typically paid in accordance with their contractual terms which are typically 30 days; payment of these is dependent on the Group's liquidity, which in turn is dependent on management of the Group's working capital. The directors are conscious of the likelihood that pressures will be exerted on working capital as a result of the current economic environment however these will be minimised wherever possible, including by way of additional credit checking of prospective customers and tighter monitoring of debtors.

Market risk

As noted above, the interest earned on short term deposits is dependent on the prevailing rates of interest from time to time.

Fair value

All of the Group's financial instruments are due to mature within one year and are subject to normal commercial credit and interest rate risk.

There is no significant difference between the carrying amounts shown in the balance sheet and the fair values of the Group's financial instruments.

17 Deferred tax liability

	Property, plant and equipment £000	Intangible assets £000	Other £000	Total £000
At 1 January 2007	(29)	261	(15)	217
Adjustment on change in tax rates	-	(20)	-	(20)
(Credit)/charge to income statement	(1)	(58)	1	(58)
At 31 December 2007	(30)	183	(14)	139
Charge/(credit) to income statement	3	(58)	14	(41)
At 31 December 2008	(27)	125	-	98

The deferred tax liability represents (a) a liability established under IFRS on the recognition of an intangible asset in relation to the District acquisition net of (b) an asset represented by the tax value of depreciation provided in the accounts in excess of capital allowances claimed, and is calculated using a tax rate of 28% (2007: 28%).

18 Share capital

	2008 £000	2007 £000
Authorised		
17,571,840 ordinary shares of 1p each	**176**	176
Alloted, called up and fully paid		
10,821,800 (2007 - 12,386,800) ordinary shares of 1p each	**108**	124

Pursuant to the authority granted at the last and penultimate AGMs, the Company repurchased and cancelled 1,565,000 of its own 1p ordinary shares during 2008, at prices between 94p and 161.5p each at a total cost of £1,782,000. The purchases represent 14.5% of the Company's issued share capital as at 31 December 2008.

19 Reserves

The capital redemption reserve represents the nominal value of ordinary shares repurchased and cancelled by the Company and is undistributable in normal circumstances.

Share capital, share premium and retained earnings represent balances conventionally attributed to those descriptions.

The Group having no borrowings or regulatory capital requirements, its primary capital management focus is on maximising earnings per share and therefore shareholder return.

Subject to shareholder approval at the forthcoming AGM, it is proposed to pay a final dividend for 2008 of 3.1p per share; this dividend is not provided for in these financial statements.

20 Share Incentive Plan

The Company established the Maintel Holdings Plc Share Incentive Plan ("SIP") in 2006. The SIP is open to all employees with at least 6 months' continuous service with a Group company, and allows employees to subscribe for existing shares in the Company out of their gross salary. The shares are bought by the SIP on the open market. The employees own the shares from the date of purchase, but must continue to be employed by a Group company and hold their shares within the SIP for 5 years to benefit from the full tax benefits of the plan.

21 Operating leases

As at 31 December 2008, the Group had future minimum rentals payable under non-cancellable operating leases as set out below:

	2008 Land and buildings £000	**2008 Other £000**	2007 Land and buildings £000	2007 Other £000
The total future minimum lease payments are due as follow:				
Not later than one year	**191**	**37**	173	90
Later than one year and not later than five years	**48**	**4**	217	50
	239	**41**	390	140

The commitment relating to land and buildings is in respect of the Group's London offices, the lease on which expires in normal circumstances in March 2010, and the remaining commitment relates to contract hired motor vehicles, which are typically replaced on a 3 year rolling cycle.

22 Contingent liabilities

In last year's financial statements, the Group reported notification of two separate potential legal claims against it, the estimated amount of each claim being £30,000. The directors consider the Group to be practically and contractually protected from any liability and no correspondence has been received from the claimants in the last year. Accordingly, no provision has been made in the accounts for either, and in the absence of further correspondence, these will not be reported in future financial statements.

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23 Related party transactions

Transactions with key management personnel

The Group has a related party relationship with its directors and executive officers. The remuneration of the individual directors is disclosed in the Remuneration report. The remuneration of the directors and other key members of management during the year was as follows:

	2008 £000	2007 £000
Short term employment benefits	**784**	714
Contributions to defined contribution pension scheme	**14**	13
	798	727

On 3 October 2008, the Company purchased 750,000 shares from Tim Mason, a director of the Company, at a price of 103p per share. The Directors obtained independent professional advice confirming this to be a fair price.

Transactions between the Company and its subsidiary undertakings

Transactions between Group companies are not disclosed as they have been eliminated on consolidation.

Other transactions

The Group traded during the year with Maybank Marketing, a company indirectly associated with A J McCaffery. Purchases during the year amounted to £19,694 (2007 - £9,675) net of VAT, of which £133 (2007 - £1,590) was owed at the year end and is included within trade creditors. Sales during the year amounted to £89 (2007 - £109), of which £Nil (2007 - £Nil) was owed at the year end.

The Group provided services to A J McCaffery during the year amounting to £993 (2007 - £1,005) net of VAT, of which £Nil (2007 - £Nil) was owed at the year end.

The Group paid commissions in the year to J A Spens, a shareholder in the Company, amounting to £17,099 net of VAT (2007 - £46,258), of which £263 (2007 - £4,709) was owed at the year end and is included in trade creditors.

24 Accounting estimates and judgements

In the process of applying the Group's accounting policies, management has made various estimates, assumptions and judgements, with those likely to contain the greatest degree of uncertainty being summarised below.

Impairment

The Group assesses at each reporting date whether there is an indication that its intangible assets may be impaired. In undertaking such an impairment review, estimates are required in determining an asset's recoverable amount; those used are shown in note 10. These estimates include the asset's future cash flows and an appropriate discount to reflect the time value of money. The effect on the impairment charge in the income statement of assuming a year's longer and a year's shorter customer contract length compared with the assumed five (maintenance contracts) and seven years (network services contracts) is as follows:

	Increase/(decrease) in impairment charge	
	2008 £000	2007 £000
Maintenance contracts		
One year longer contract length	**Nil**	Nil
One year shorter contract length	**119**	Nil
Network services contracts		
One year longer contract length	**(29)**	(18)
One year shorter contract length	**34**	31

24 Accounting estimates and judgements (continued)

Long term contracts

At each reporting date the Group has customer projects which are partially complete. Estimates are made of the stage of completion of these projects and a proportion of the project's revenue and cost is recognised in the period's financial statements. The time scales and costs to completion may differ from those estimates.

Business combinations

The acquisition of customer relationships from Callmaster Limited and WGTS Limited in 2007 have been adjudged not to be business combinations. The accounting treatment had they been adjudged business combinations would not have been materially different, and there would be no resultant effect on profit after tax reported in the income statement.

Contingent liabilities

An assessment has been made of the outcome and potential cost of the two claims referred to in note 22. It is considered that any divergence from those estimates is unlikely to be significant.

Inventory valuation

Where inventories are valued at net realisable value, parts which are not individually priced to market rates are subject to provisioning. Such provisioning may prove to be over or understated, however any divergence from the estimates used is unlikely to be significant in aggregate.

	Note	2008 £000	2008 £000	2007 £000	2007 £000
Fixed assets					
Investment in subsidiaries	5		**2,323**		2,323
Current assets					
Debtors	6	**205**		7	
Cash at bank and in hand		**510**		449	
		715		456	
Creditors: amounts falling due within one year	7	**1,062**		222	
Net current (liabilities)/assets			**(347)**		234
Total assets less current liabilities			**1,976**		2,557
Capital and reserves					
Called up share capital	8		**108**		124
Share premium	9		**628**		628
Capital redemption reserve	9		**28**		12
Profit and loss account	9		**1,212**		1,793
Shareholders' funds			**1,976**		2,557

The financial statements were approved and authorised for issue by the Board on 13 March 2009 and were signed on its behalf by:

W D Todd
Director

The notes on pages 47 to 49 form part of these financial statements.

1 Accounting policies

The principal accounting policies are summarised below; they have been applied consistently throughout the year and the preceding year.

(a) Basis of preparation

The Company has elected to prepare its parent company accounts in accordance with UK GAAP.

The financial statements of the Company are presented as required by the Companies Act 1985. As permitted by that Act, the financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom and on the historical cost basis.

Under section 230 (4) of the Companies Act the Company is exempt from the requirement to present its own profit and loss account.

The Company has taken advantage of the exemption contained in FRS8 and has not disclosed transactions or balances with entities which form part of the Group.

(b) Investments

Investments in subsidiary undertakings are stated at cost unless, in the opinion of the directors, there has been impairment to their value, in which case they are written down to their recoverable amount.

The Company uses the cost method of accounting, which is a method of accounting for an investment whereby the investment is recognised at cost. The investor recognises income from the investment only to the extent that the investor receives distributions from accumulated profits of the investee arising after the date of acquisition. Distributions received in excess of such profits are regarded as a recovery of investment and are recognised as a reduction of the cost of investment.

(c) Cash

Cash comprises cash balances and short term deposits with an original maturity of three months or less.

(d) Taxation

Current tax is the expected tax payable on the taxable income for the year, together with any adjustments to tax payable in respect of previous years.

(e) Dividends

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Proposed but unpaid dividends that do not meet these criteria are disclosed in the notes to the accounts.

2 Employees

The only employees of the Company were the directors. The average number employed during the year was 5 (2007 – 5). The directors' remuneration is shown in note 4 of the consolidated financial statements.

3 Profit for the financial period

The Company has taken advantage of the exemption under S230 of the Companies Act 1985 and has not presented its own profit and loss account in these financial statements. The profit for the year of the Company, after tax and before dividends paid, was £1,865,000 (2007 – £1,207,000).

4 Dividends paid on ordinary shares

	2008 £000	2007 £000
Final 2006, paid 25 April 2007 – 2.9p per share	-	361
Interim 2007, paid 5 October 2007 – 2.5p per share	-	311
Final 2007, paid 30 April 2008 – 3.0p per share	364	-
Interim 2008, paid 10 October 2008 – 2.5p per share	300	-
	664	672

The directors recommend the payment of a final dividend for 2008 of 3.1p (2007 – 3.0p) per ordinary share, payable on 29 April 2009 to shareholders on the register at 27 March 2009, subject to approval by shareholders at the Annual General Meeting.

5 Investment in subsidiaries

	Shares in subsidiary undertakings £000
Cost	
At 31 December 2007 and 31 December 2008	2,403
Provision for impairment	
At 31 December 2007 and 31 December 2008	80
Net book value	
At 31 December 2007 and 31 December 2008	2,323

The following were the principal subsidiary undertakings at the end of the year:

Maintel Europe Limited

Maintel Voice and Data Limited

Each is wholly owned and incorporated in England and Wales.

6 Debtors

	2008 £000	2007 £000
Amounts owed by subsidiary undertakings	165	-
Other debtors	10	1
Prepayments and accrued income	11	1
Corporation tax recoverable	19	5
	205	7

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

7 Creditors

	2008 £000	2007 £000
Amounts due to subsidiary undertakings	1,027	214
Trade creditors	27	1
Accruals and deferred income	8	7
	1,062	222

8 Share capital

	2008 £000	2007 £000
Authorised		
17,571,840 ordinary shares of 1p each	176	176
Allotted, called up and fully paid		
10,821,800 (2007 - 12,386,800) ordinary shares of 1p each	108	124

Pursuant to the authority granted at the last and penultimate AGMs, the Company repurchased and cancelled 1,565,000 of its own 1p ordinary shares during 2008, at prices between 94p and 161.5p each at a total cost of £1,782,000. The purchases represent 14.5% of the Company's issued share capital as at 31 December 2008.

9 Capital and reserves

	Share capital £000	Share premium £000	Capital redemption reserve £000	Retained earnings £000	Total £000
At 1 January 2007	124	628	12	1,375	2,139
Profit for year*	-	-	-	1,207	1,207
Dividend in specie received from subsidiary undertakings	-	-	-	285	285
Capital contribution	-	-	-	(285)	(285)
Dividends paid	-	-	-	(672)	(672)
Movements in respect of purchase of own shares	-	-	-	(117)	(117)
At 31 December 2007	124	628	12	1,793	2,557
Profit for year*	-	-	-	1,865	1,865
Dividends paid	-	-	-	(664)	(664)
Movements in respect of purchase of own shares	(16)	-	16	(1,782)	(1,782)
At 31 December 2008	108	628	28	1,212	1,976

* Total recognised income and expenses for the year are the same as the profit for the year.

The dividend in specie and capital contribution in 2007 relate to assets and liabilities transferred from the District group of companies to Maintel Europe Limited, via Maintel Holdings Plc.

Subject to shareholder approval at the forthcoming AGM, it is proposed to pay a final dividend for 2008 of 3.1p per share; this dividend is not provided for in these financial statements.

10 Related party transactions

On 3 October 2008, the Company purchased 750,000 shares from Tim Mason, a director of the Company, at a price of 103p per share. The Directors obtained independent professional advice confirming this to be a fair price.

Transactions with other Group companies have not been disclosed as permitted by FRS8, as the Group companies are wholly owned.

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Notice is hereby given that the annual general meeting of Maintel Holdings Plc ("the Company") will be held at its offices at 61 Webber Street, London SE1 0RF, on 23 April 2009, at 10.45 am, for the following purposes:

Ordinary business

To consider and, if thought fit, to pass the following resolutions which will be proposed as ordinary resolutions:

1. To receive and adopt the financial statements of the Company for the year ended 31 December 2008, together with the Report of the directors and the Independent auditors report thereon.
2. To declare and approve the payment of the proposed final dividend of 3.1 pence per ordinary share for the financial year ended 31 December 2008, on 29 April 2009, to shareholders on the register at 27 March 2009.
3. To approve the report of the Remuneration committee for the year ended 31 December 2008.
4. To re-elect Mr J D S Booth, who retires by rotation, as a director of the Company.
5. To re-elect Mr N J Taylor, who retires by rotation, as a director of the Company.
6. To re-elect Mr E Buxton, who has been appointed since the last annual general meeting, as a director of the Company.
7. To re-appoint BDO Stoy Hayward LLP as auditors of the Company to hold office from the conclusion of the meeting to the conclusion of the next meeting at which accounts are laid before the Company, and to authorise the directors to agree their remuneration.

Special business

To consider and, if thought fit, to pass the following resolutions, of which resolution 8 will be proposed as an ordinary resolution and resolutions 9 to 11 as special resolutions:

8. That the directors be and are hereby generally and unconditionally authorised pursuant to Section 80 of the Companies Act 1985 (as amended) ("the Act") to exercise all powers of the Company to allot and to make offers or agreements to allot relevant securities (as defined in Section 80 (2) of the Act) up to a maximum aggregate nominal amount of £36,072, provided that this authority shall expire at the conclusion of the next annual general meeting of the Company or 15 months after the passing of this resolution (if earlier) unless renewed or extended prior to such time, except that the Company may before such expiry make an offer or agreement which would or might require the relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired. This authority is in substitution for all subsisting authorities to the extent unused.
9. That, subject to the passing of the previous resolution, the directors be and are hereby empowered pursuant to Section 95 of the Act to allot equity securities as defined in Section 94 of the Act for cash as if Section 89 (1) of the Act did not apply to any such allotment, provided that this power shall be limited:

   (a) to the allotment of equity securities in connection with a rights issue or other pre-emptive issue in favour of shareholders; and

   (b) to the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal value of £10,821.

   This power shall expire at the conclusion of the next annual general meeting of the Company or 15 months after the passing of this resolution (if earlier) unless renewed or extended prior to such time except that the Company may before such expiry make an offer or agreement which would or might require the relevant securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

10. That the Company is, pursuant to Section 166 of the Act, hereby generally and unconditionally authorised to make market purchases (within the meaning of Section 163 (3) of the Act) of up to a maximum of 1,622,187 ordinary shares of 1p each in its capital (representing 14.99% of the Company's current issued ordinary share capital), provided that:

    (a) the minimum price, exclusive of any expenses, which may be paid for an ordinary share is 1p;

    (b) the maximum price, exclusive of any expenses, which may be paid for each ordinary share is not more than 5% above the average published market value for an ordinary share as derived from the London Stock Exchange Alternative Investment Market for the five business days immediately preceding the day on which such share is contracted to be purchased; and

    (c) the authority shall expire at the conclusion of the next annual general meeting of the Company or 15 months after the passing of this resolution (if earlier), except in relation to the purchase of any ordinary shares the contract for which was concluded before the date of expiry of the authority and which would or might be completed wholly or partly after such date.
11. That the Articles of Association in the form produced to the annual general meeting and initialled by the chairman of the meeting be adopted as the Articles of Association of the Company, in substitution for and to the exclusion of, the existing Articles of Association.

By order of the Board

W D Todd
Company Secretary
27 March 2009

Registered office
61 Webber St
London SE1 0RF

Notes

1. A member of the Company entitled to attend and vote at the meeting may appoint one or more proxies to attend, speak and vote at the meeting instead of him/her. A proxy need not be a member of the Company. A member of the Company may appoint more than one proxy provided each proxy is appointed to exercise the rights attached to different shares. A member may not appoint more than one proxy to exercise the rights attached to any one share. Appointment of a proxy will not preclude a member from attending and voting at the meeting. A form of proxy is enclosed which you are invited to complete and return. To be effective, it must be completed and be received at the offices of the Company's Registrar not later than 48 hours before the time fixed for the meeting. Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the meeting.
2. The Company, pursuant to Regulation 41 of the Uncertified Securities Regulations 2001, specifies that only those shareholders registered in the register of members of the Company as at 6.00 pm on 21 April 2009, shall be entitled to attend or vote at the aforesaid general meeting in respect of the number of shares registered in their name at that time (or in the event that the meeting is adjourned, 48 hours before the time of the adjourned meeting). Changes to entries on the relevant register of securities after 6.00 pm on 21 April 2009 shall be disregarded in determining the rights of any person to attend and vote at the meeting.

3. In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that (i) if a corporate member has appointed the chairman of the meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that member at the meeting, then on a poll those corporate representatives will give voting directions to the chairman and the chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate member attends the meeting but the corporate member has not appointed the chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate members are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives – www.icsa.org.uk – for further details of this procedure. The guidance includes a sample form of representation letter if the chairman is being appointed as described in (i) above.
4. Copies of the existing Articles of Association of the Company and the proposed amended Articles of Association and all directors' service contracts, will be available for inspection at the Company's registered office from the date of this notice to (and including) the date of the meeting during normal business hours on any day (Saturdays, Sundays and public holidays excepted) and will also be available at the meeting for at least 15 minutes before the meeting until its conclusion.

Explanatory note of principal changes to the Company's Articles of Association

This summary sets out the principal differences between the Existing Articles and the proposed New Articles (both defined on page 18 of the annual report). The differences set out in paragraphs 1 to 7 are recommended as a result of the implementation of the 2006 Act (as defined on page 18 of the annual report).

1. Directors' conflicts of interests

The 2006 Act sets out directors' general duties. The provisions largely codify the existing law, but with some changes. Under the 2006 Act, a director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict with the Company's interests, or otherwise ensure that such conflict is approved by shareholders in general meeting. This requirement is very broad and could apply, for example, if a director becomes a director of another company or a trustee of another organisation. The 2006 Act allows directors of public companies to authorise conflicts and potential conflicts of other directors where the articles of association contain a provision to this effect.

It is therefore proposed that the New Articles will have an effective provision which will give the directors authority to approve such conflicts of interest. There are safeguards which will apply when directors decide whether to authorise a conflict or potential conflict. First, only independent directors (i.e. those who have no interest in the matter being considered) will be able to take the relevant decision, and secondly, in taking the decision the directors must act in a way they consider, in good faith, will be most likely to promote the Company's success. The independent directors will be able to impose limits or conditions, as they consider appropriate, when giving an authorisation.

The New Articles also contain provisions to ensure that a director must not impart confidential information in respect of the matter which gives rise to a conflict of interest or potential conflict of interest, if under a duty of confidentiality to another company. The New Articles also contain provisions stating that a director need not participate in board discussions or consider board papers in respect of the matter which gives rise to a conflict of interest or potential conflict of interest. These provisions will only apply where the position giving rise to the potential conflict has previously been authorised by the directors in accordance with the 2006 Act.

2. Electronic communications

The Company does not at present communicate electronically with shareholders, however, we would like to be able to take full advantage of the freedom to use electronic communications with our shareholders in the future. This will potentially enable us to reduce costs, reduce the environmental impact of our business and generally enhance the level and quality of our communications with shareholders.

There is currently provision in the Existing Articles reflecting the provisions of the Companies Act 1985 which allowed the Company to use electronic communications in certain contexts, for instance, to send annual accounts and notices of meeting to shareholders. The new provisions in the 2006 Act apply more generally to all types of company communications made pursuant to the 2006 Act. In order for the Company to implement the new electronic communications regime, in the 2006 Act, shareholders must approve the sending and supplying of all documentation electronically pursuant to the 2006 Act by making the relevant amendments to the Existing Articles.

The authority and amendments to the Existing Articles will not of themselves force either the Company or any individual shareholders to send or receive any notices, documents or information (including annual accounts and admission documents) by electronic means. They will, however, allow the Company to approach shareholders in the future for their individual agreement to use electronic mail and/or publication on its website for Company communications.

3. Shareholder meetings

The New Articles reflect the fact that the 2006 Act does not contain any references to extraordinary general meetings of shareholders. Under the 2006 Act, any meeting other than an annual general meeting is simply classified as a general meeting.

The provisions in the Existing Articles dealing with the convening of general meetings and length of notice required to convene general meetings have now been amended to conform to new provisions in the 2006 Act. In particular, a general meeting to consider a special resolution can be convened on 14 days clear notice whereas previously, 21 clear days notice was required.

4. Proxies

The 2006 Act now provides that shareholders can appoint multiple proxies. Proxies can also now speak at general meetings. The 2006 Act also provides that proxies shall have the same right to vote on a show of hands as shareholders. The New Articles therefore contain amendments to reflect these provisions.

5. Transfers of shares

The 2006 Act provides that if the directors refuse to register a transfer, then in addition to sending the purported transferee notice of refusal, the directors must also give reasons for the refusal and any further information about such reasons that the purported transferee may reasonably request. The Existing Articles have therefore been amended in this regard.

6. Directors indemnities

The 2006 Act now provides that a company which is a trustee of an occupational pension scheme can now indemnify a director against liability incurred in connection with the company's activities as trustee of the scheme. The New Articles have therefore been amended to reflect this change.

7. Auditors' indemnity

The reference to the indemnification and purchase of insurance for auditors has also been removed in the New Articles, in line with best practice.