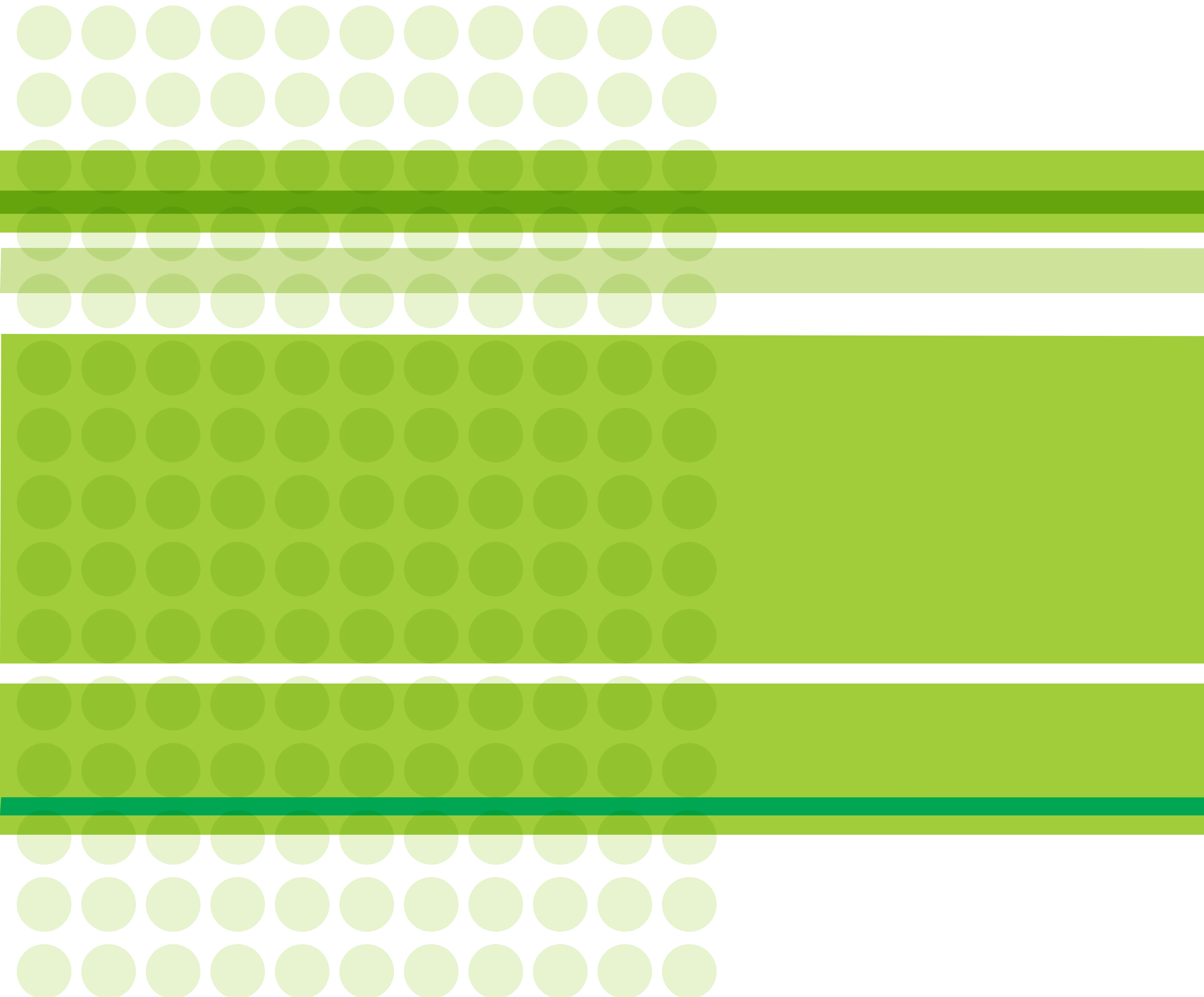
maintel

annual report & accounts **2009**

Maintel Holdings Plc



Page		Page	
1	Directors, Company details and advisers	20	Consolidated statement of comprehensive income
2	Chairman's statement	21	Consolidated statement of financial position
3	Business review	22	Consolidated statement of changes in equity
9	Board of directors	23	Consolidated statement of cash flows
10	Report on corporate governance	24	Notes forming part of the financial statements
12	Report of the Remuneration committee	42	Balance sheet of Maintel Holdings Plc
14	Report of the directors	43	Notes forming part of the balance sheet of Maintel Holdings Plc
17	Statement of directors' responsibilities	46	Notice of annual general meeting
18	Independent auditor's report		

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 LLP, 55 Baker Street, London W1U 7EU

Nominated broker and nominated adviser

JMFinn Capital Markets Limited, 4 Coleman Street, London EC2R 5TA

Registrars

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

maintel

Chairman's statement

Maintel's revenue was unchanged in 2009 at £19.4m (2008 - £19.4m). However better margins derived from our cost reduction efforts of late 2008 and early 2009, combined with a healthier revenue mix caused profit before tax for the year to increase to £2.4m (2008 - £1.6m).

Our core maintenance business, with its high level of recurring revenues, grew from £9.2m in 2008 to £10.3m in 2009. This was the result of good contract renewal rates, new client signings arising from our continuing strong relationship with Cable & Wireless Worldwide and our increasing number of partnerships with other large players in the telecoms industry, and lower than historic attrition rates. Equipment sales were lower, at £3.6m for the year, down from £4.7m in 2008, as we continued not to chase low margin business at a time of sluggish economic activity. We expect the current level of sales to provide a stable base for growth as economic conditions improve. For 2009 the shift from equipment installation to maintenance support has enabled us to utilise our engineering resource with greater efficiency.

Network services revenues were also affected by a slow economy and were only marginally ahead for the year. A closer look at this part of the business shows that revenues from two large clients lost, flagged in our 2008 report were only replaced in the second half of 2009 so the outlook for 2010 is more positive, especially as we began the new year by further increasing the sales resource in this area of our business. Business call rates are still competitive however and network solutions remains an area of lower margin for the Group.

Basic earnings per share grew to 15.7p (2008 - 9.2p) and adjusted earnings per share, as defined in the business review, grew to 17.7p (2008 - 12.1p). Shareholders will remember that we took advantage of the fall in stock market valuations to repurchase and cancel a substantial amount of our equity towards the end of 2008 and we have purchased for cancellation a more modest amount, 40,000 shares, in 2009. We remain committed to our progressive dividend policy and a second interim dividend for 2009 of 4.1p takes our total for the year to 7.2p, in line with our target pay out ratio of 40% (2008 – 5.6p). We ended the year with a good pipeline of business and prospects and a debt-free consolidated statement of financial position with cash reserves of £2.5m. With interest rates remaining low and in view of this comfortable cash position, the Board has declared a one off special interim dividend of 2.9p to be paid alongside the second interim dividend. This will be payable on 25 March 2010 to shareholders on the register at 12 March 2010.

We remain vigilant for acquisitions that represent good value as consolidation continues in our industry; the stability of the Company as we enter 2010 puts us in a good position to integrate new business whether organic or acquired.

I would like finally to express the Board's thanks to our loyal and hardworking staff for their energy and commitment to the Company.

J D S Booth
Chairman

3 March 2010

Results

As anticipated in the half-year statement, revenue and profit improved in the second half of the year, primarily as a result of new maintenance contracts and the effect of the cost reductions implemented in the first half of 2009.

Adjusted profit before tax for the year was £2.675m, a 32% increase on 2008, with unadjusted profit before tax increasing by 50% to £2.382m.

The Company repurchased 1,150,000 shares in Q4 2008 and this, combined with the increased profitability, has enhanced EPS by 46% from 12.1p (adjusted diluted) in 2008 to 17.7p in 2009. Basic diluted EPS increased by 71%, from 9.2p in 2008 to 15.7p in 2009.

	H1 2009 £000	H2 2009 £000	**2009 £000**	2008 £000
Revenue	9,401	9,993	**19,394**	19,415
Profit before tax	967	1,415	**2,382**	1,589
Add back goodwill impairment and intangibles amortisation (and one-off professional fees in 2008)	161	132	**293**	432
Adjusted profit before tax	1,128	1,547	**2,675**	2,021
Basic and diluted earnings per share	6.3p	9.4p	**15.7p**	9.2p
Adjusted basic and diluted earnings per share	7.5p	10.2p	**17.7p**	12.1p

Overall, revenues fell marginally in the year, with the two major new contracts announced during the year performing well and contributing to a £1.132m increase in maintenance revenues over 2008. 2010 will see a full year's revenue from these contracts, as well as revenue from several other significant contracts already signed with the same partner.

The increase in maintenance revenues helped compensate for the £1.130m reduction in equipment sales, the result of the subdued economic environment combined with the continuation of our strategy of avoiding low margin business. Equipment sales in the first half of the year were virtually identical to those in the second and are projected to continue at similar levels in the short to medium term.

Network services revenues increased marginally in the year, with the two major contracts lost in 2008 having been successfully replaced. The second half of 2009 showed encouraging growth over the first, giving confidence in further development of the division in 2010.

Recurring revenue (maintenance and network services) increased again in the year to £16.0m (82% of total revenues) (2008 – £14.8m and 76%), providing additional visibility of revenues notwithstanding the effects of attrition.

Revenue analysis (£000)	**2009**	2008
Maintenance related	**10,289**	9,157
Equipment, installations and other	**3,572**	4,702
Total maintenance and equipment division	**13,861**	13,859
Network services division	**5,703**	5,678
Intercompany	**(170)**	(122)
Total Maintel Group	**19,394**	19,415

Net cash flow from operating activities continues to be strong, at £2.368m in 2009 (2008 - £1.391m), with cash balances increasing to £2.506m at the year end (2008 - £1.010m) after dividend payments of £668,000. The Group has no debt.

Divisional performance is described further below.

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 increased slightly in the year as shown in the table above, with a reduction in equipment sales to what are now considered to be sustainable levels in the current environment being offset by an increase in maintenance revenues.

The latter increased by £1.132m (12%) in the year, primarily as a result of the continuing relationship with Cable & Wireless Worldwide, which has contributed further business in 2010. In addition, virtually all of the major contracts that came up for renewal during the year have been re-signed, with the attrition percentage remaining below historical averages.

In light of the successful relationship developed with Cable & Wireless Worldwide, partnerships with other integrators were developed during the year and began contributing to revenues, and others are being developed. These relationships provide a ready source of typically high value contracts with relatively low levels of associated sales cost. The traditional direct sales model does, of course, continue to be operated in parallel, ensuring that the Group is not overly dependent on any one or a particular group of partners.

The continuing reduced levels of equipment sales at the end of 2008 and beginning of 2009 resulted in a further reduction in headcount early in H1 2009 as shown below, at a cost of £123,000 in the first half.

Headcount	Average 2009	Average 2008	**At 31 December 2009**
Sales and customer service	44	49	**45**
Engineers	79	84	**77**

	2009	2008
Division gross profit (£000)	**5,828 (42%)**	5,017 (36%)

The division's gross profit improved significantly in 2009, a combination of the mid-2008 and early-2009 cost reductions and the change in sales mix from equipment sales – with its associated purchase costs – to maintenance sales.

Net margin (operating profit as a percentage of revenue) from the division improved almost in line with gross margin, from 10.3% in 2008, to 16.0%, the division's overheads continuing to be tightly controlled during the year.

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 sells a portfolio of products providing connectivity between customers' own offices, remote staff and the outside world. This includes inbound and outbound telephone call services, line rental, broadband, data networks and mobile services.

Revenue analysis (£000)	**2009**	2008
Call traffic	**2,826**	3,405
Line rental	**2,048**	1,645
Other	**829**	628
Total network services	**5,703**	5,678

Division gross profit (£000)	**1,400 (25%)**	1,406 (25%)

Revenue increased slightly during the year, with the two large losses in late 2008 – caused by the acquisition of one client and the withdrawal from its market of another - being successfully replaced with new revenues.

The mix of revenue has altered significantly during the year, as the call-traffic dominant customers lost in late 2008 have been replaced by more line rental weighted business in 2009, including one particular large estate connected around the middle of 2009. Call traffic revenues have also reduced as a result of the recession, with Ofcom reporting a drop in UK call traffic year on year.

Line rental revenues are more solid, being less affected by seasonality and general economic activity, however they attract lower margins than call traffic. Overall gross profit has been maintained at the previous year's level, however, partly as a result of increased margins earned from both call traffic and line rental business because of lower buy-in costs, but also as a result of new, lower cost, connection procedures and the lower margins attached to the business lost. In particular better line rental margins were achieved in the second half of 2009 as a result of consolidating lines with BT openreach.

Within Other revenue, data services increased by 29% in the year to £537,000, becoming a significant product offering, and sales of our IP based telephony services such as SIP trunking and hosted telephone services products are growing.

Aside from the two major customers which cancelled in 2008, attrition in the division remained at its historically low levels, providing a solid base from which to enter 2010. The H2 2009 network services profit was 18% up on the first half and two more large contracts were signed in Q4 2009.

Administrative expenses, excluding goodwill impairment and intangibles amortisation

Administrative expenses (£000)	**2009**	2008
Sales expenses	**2,080**	2,114
Other administrative expenses (excluding goodwill impairment and intangible amortisation)	**2,372**	2,302
Total other administrative expenses	**4,452**	4,416

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

Sales and administrative costs continue to be closely controlled and rose by less than 1% in the year. The table below shows relevant headcount in relation to revenue.

	2009	2008
Average Group headcount during the period	**153**	162
Average sales and service headcount	**53**	58
Average corporate and admin headcount	**21**	20
Group revenue (£000)	**19,394**	19,415

Interest

Net interest receivable fell from £68,000 to £12,000 in 2009. The share buybacks in late 2008 and in March 2009 reduced the Group's cash reserves significantly at the time and, together with the poor rates of interest achievable on low risk deposits, this has resulted in minimal interest income in the period.

Taxation

The consolidated statement of comprehensive income shows a tax rate of 28.8% (2008 – 31.2%). The two main trading companies are taxed at 28.0% (2008 – 28.5%). Disallowables raise the effective rate above this, as does an element of the goodwill impairment charge which does not attract tax relief. This last factor reduced in 2009 helping to lower the effective rate compared to the previous year.

Dividends

A final dividend for 2008 of 3.1p per share (£334,000 in total) was paid on 29 April 2009, and an interim 2009 dividend of 3.1p per share (£334,000) was paid on 2 October 2009.

It is proposed to pay a second interim dividend of 4.1p in respect of 2009, together with a one off special interim dividend of 2.9p, payable on 25 March to shareholders on the register at the close of business on 12 March. In accordance with accounting standards, these dividends are not accounted for in the financial statements for the period under review as they had not been committed as at 31 December 2009.

Consolidated statement of financial position

The consolidated statement of financial position remains sound, with £2.5m of cash and no debt, facilitating continued growth from existing resources.

Trade receivables and trade payables have reduced by £372,000 and £317,000 respectively since 31 December 2008 partly due to the reduction in equipment sales and good collections in December 2009.

The value of maintenance stock has reduced by £71,000 in the year, to £604,000, due to minimal purchases of additional parts in the year following two years of significant investment, whilst normal half yearly provisioning has continued to be applied. The value of stock held for resale has increased from £61,000 to £114,000 as a result of more installations spanning the year end.

Deferred income has increased by £182,000, mostly due to the increase in maintenance revenues and deposits taken, although the increase has been curtailed by a major customer being invoiced on terms more favourable than the Group's standard annually in advance.

No significant expenditure has been required on plant and equipment during the period, with additions broadly matching depreciation.

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 the acquisition of the District group in 2006.

Intangible assets
The Group has three intangible assets: goodwill arising on the acquisition of Maintel Network Services Limited, an intangible asset represented by customer contracts and relationships acquired from District Holdings Limited and Callmaster Limited, and goodwill relating to the District acquisition.

The Maintel Network Services goodwill is subject to an impairment test at each reporting date. Impairment of £30,000 has been charged to the consolidated statement of comprehensive income in 2009 (2008 - £62,000), and the carrying value is £202,000 at 31 December 2009.

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 was amortised in 2009 (2008 - £263,000), leaving a carrying value of £568,000. These assets are also subject to an impairment test each year, however no additional charge was required at 31 December 2009 or 2008.

The goodwill relating to the District acquisition is subject to an impairment test at each reporting date, and has not been subject to an impairment charge in 2009 (2008 - £58,000), leaving a carrying value of £145,000.

Purchase of own shares

Further to the authority granted at the last two AGMs, the Company repurchased and cancelled 40,000 of its own shares during 2009, at a price of 76p, and a total cost of £30,000.

The share price at 31 December 2009 was 145p.

Cash flow

At 31 December 2009 the Group had cash and bank balances of £2.506m (2008 - £1.010m), all of it unrestricted. Cash generated from operating activities in the year was £2.917m, out of which £668,000 was paid in dividends, and £549,000 in corporation tax.

The Group has no debt and invests its surplus cash with mainstream 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 sells and maintains the new breed of telephone system (IPPBX), and has had notable success with the transition to date. Maintenance income from the 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.

Certain customers are gradually adopting VoIP technology which has a potential threat to the reselling of call minutes. Recognising this potential risk, the Group has expanded its product portfolio with, for example, the launch of SIP trunking and hosted IP technology. In addition line rental revenues have continued to grow significantly during 2009. The development of VoIP is constantly monitored so that the Group may take advantage of profitable business models as and when they appear.

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 Worldwide, such that Cable & Wireless Worldwide constitutes a significant share 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. Partnerships with other integrators are being developed which are expected to reduce this share.

Principal risks (continued)

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 if cost effective.

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 its sales pipeline and costs closely.

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 will insure its network services debt where deemed 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 previously supplied by Nortel.

Nortel has been acquired by Avaya, which has indicated that certain Nortel products will be discontinued in the medium term. 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 and the purchase of equipment from alternative manufacturers. 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. The directors have plans to grow the Group's Avaya capabilities further in response to Nortel's acquisition.

Outlook

With a number of larger maintenance orders taken during 2009 contributing a full year's revenue in 2010, together with both maintenance and equipment orders ahead of target so far in 2010, the maintenance and equipment division has had a promising start to the year. The network services division is also seeing growth though at a slower rate, however investment has been made in additional sales resource which is expected to have a positive impact from the middle of the year.

With costs remaining tightly controlled, we are confident of making further progress during 2010.

E Buxton
Chief Executive

3 March 2010

Board of directors

John Booth, 51
Non-executive chairman

John was appointed chairman of Maintel in 1996. He is also chairman of Integrated Asset Management plc and Jazz FM. He acts as a non-executive director of several other private companies and as a 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, 49
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, 43
Sales and marketing director

Angus has over 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, 51
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, 43
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 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, Angus McCaffery is Sales and Marketing Director and Dale Todd is Finance Director.

The directors' biographies on page 9 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 Dale Todd retires by rotation at the forthcoming annual general meeting and he offers himself for re-election at the meeting.

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 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 12.

Nomination committee

The nomination committee had two members during 2009, both non-executive, being John Booth, chairman, and Nicholas Taylor. The committee meets as required under the terms of its remit, which 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 3 to 8 include a detailed review of the business and future developments.

In addition to regular financial reporting, significant matters relating to trading or development of the business are released to the market by way of Stock Exchange announcements.

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. The Group's approach to financial risk management is further explained in note 16 to the financial statements.

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 8.

The Group has sound financial resources and a substantial level of recurring revenue across a range of sectors and as a consequence and 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, and has access to professional and other advice external to the Group. Taking these factors into account, it 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 2010 with increases of between 1.4% and 7.1% being awarded.

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 and Dale Todd are eligible to receive bonuses, dependant on Group profitability.

(d) Share options

Eddie Buxton and Dale Todd were granted share options during 2009, details of which are shown below.

Directors' service agreements

Each executive director has a six month rolling service agreement.

Non-executive directors

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

The remuneration of the non-executive directors is agreed 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

The remuneration of the directors in office at 31 December 2009 was as follows:

	Salaries/ fees £000	Benefits £000	Bonus £000	Pension contributions £000	**Total 2009 (1) £000**	Total 2008 (1,2) £000
J D S Booth	31	-	-	-	**31**	31
N J Taylor	18	-	-	-	**18**	18
E Buxton(3)	115	11	23	2	**151**	-
A J McCaffery	121	17	-	4	**142**	136
W D Todd	115	12	11	-	**138**	129
	400	40	34	6	**480**	314

(1) Social security costs in respect of the above amounted to £55,000 (2008 - £36,000).
(2) Including employer pension contributions of £4,000 and benefits of £29,000, so that salaries amounted to £281,000.
(3) Mr Buxton was appointed on 2 February 2009.

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 14.

Share options

On 18 May 2009 the directors of the Company approved the adoption of the Maintel Holdings Plc 2009 Option Plan.

On the same date, the directors granted to Eddie Buxton, the Company’s Chief Executive Officer:

(a) an option over 53,909 shares, which has vested and equates to 0.5% of the issued share capital of the Company, with an exercise price of £1.00.

(b) an option over the number of shares (if any) that Mr Buxton acquires in the market during the first year of his employment with the Company, with an exercise price of the higher of (a) the prevailing market price at the time of purchase by Mr Buxton, and (b) £1, up to a maximum of 107,818 shares, which equates to 1.0% of the issued share capital of the Company. Mr Buxton acquired no shares during the requisite period and so this option has now lapsed.

(c) an option over 107,818 shares, which equates to 1.0% of the issued share capital of the Company, with an exercise price of £2.00. This option will vest and may be exercised after 18 months’ continuous employment with the Company or, if earlier, from the first date after 18 May 2009 that the mid market price of the Company’s ordinary shares is £2.00.

(d) an option over 107,818 shares, which equates to 1.0% of the issued share capital of the Company, with an exercise price of £3.00. This option will vest and may be exercised after 3 years’ continuous employment with the Company or, if earlier, from the first date after 18 May 2009 that the mid market price of the Company’s ordinary shares is £3.00.

In each case, the option expires on 18 May 2019.

On 10 September 2009 the directors granted to Dale Todd, the Company’s Finance Director, an option over 10,000 shares, which equates to 0.09% of the issued share capital of the Company, with an exercise price of 150.5p. The option vests and may be exercised from the date of grant, and expires on 10 September 2019.

On 23 December 2009 the directors granted to Dale Todd an option over a further 10,000 shares, with an exercise price of 145p. The option vests and may be exercised from the date of grant, and expires on 23 December 2019.

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 3 March 2010.

N J Taylor
Chairman of the Remuneration committee

Report of the directors
for the year ended 31 December 2009

The directors present their annual report together with the audited financial statements for the year ended 31 December 2009.

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 provision of fixed line and mobile call services, line rentals, broadband, data networks and other telecommunications products.

Results and dividends

The consolidated statement of comprehensive income is set out on page 20 and shows the profit of the Group for the year.

During the year the Company paid a final dividend of 3.1p per ordinary share in respect of the 2008 financial year, amounting to £334,000 (2008 – 3.0p and £364,000 respectively) and an interim dividend in respect of 2009 of 3.1p per share, amounting to £334,000 (2008 – 2.5p and £300,000 respectively). The directors propose the payment of a second interim dividend in respect of 2009 of 4.1p per share together with a one off special interim dividend of 2.9p per share.

Business review

A review of the business and future developments of the Group is set out in the Business review on pages 3 to 8.

Directors

The directors of the Company as at 31 December 2009 and their interests in the ordinary shares of the Company at that date were as follows:

Number of 1p ordinary shares

	2009		2008	
	Beneficial	**Non-beneficial**	Beneficial	Non-beneficial
J D S Booth	**2,755,380**	**-**	2,751,745	-
E Buxton (appointed 2 February 2009*)	**-**	**52,152**	-	-
A J McCaffery	**2,166,232**	**-**	2,162,688	-
N J Taylor	**11,329**	**47,823**	7,747	27,269
W D Todd	**3,544**	**48,608**	-	28,016

* Mr Buxton held no shares at the date of appointment

J D S Booth is a shareholder in Herald Investment Trust plc which holds 760,000 1p ordinary shares in the Company; this is in addition to Mr Booth's beneficial holding above.

The non-beneficial holdings above relate to holdings of the Share Incentive Plan, of which the respective directors are trustees.

Since the year end, the Share Incentive Plan has sold a net 723 shares in total. There were no other changes in the directors' shareholdings between 31 December 2009 and 3 March 2010.

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 3 March 2010 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	1,562,330	14.5%
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 2009 was 145p per share, and the high and low prices during the year were 156p and 77.5p 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 40,000 of its own 1p ordinary shares during 2009, at a price of 76p each at a total cost of £30,000, the directors considering that such purchases were in the best interests of the shareholders. The purchases represent 0.4% of the Company's issued share capital as at 31 December 2009. The existing authority is for the purchase of up to 1,622,187 shares, none of which has been utilised since being approved. A fresh authority, in the amount of 1,616,191 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 (2008 – £nil) during the year. No contributions were made to political organisations (2008 - £nil).

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 2009 was 29 days (2008 – 37 days). The Company's average creditor payment period at 31 December 2009 was 27 days (2008 – 83 days), these figures being due to the irregular nature of the Company's creditor payments.

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 LLP as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

E Buxton
Director

3 March 2010

Statement of directors' responsibilities

Directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. The directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

The directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company'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 Company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Independent auditor's report

to the shareholders of Maintel Holdings Plc

We have audited the financial statements of Maintel Holdings Plc for the year ended 31 December 2009 which comprise the consolidated statement of financial position and company balance sheet, the consolidated statement of comprehensive income, the consolidated statement of cash flows, the consolidated statement of changes in equity and the related notes. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with chapter 3 of part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2009 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company's financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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

Scott McNaughton
For and on behalf of BDO LLP, statutory auditor
London

3 March 2010

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated statement of comprehensive income

for the year ended 31 December 2009

	Note	2009 £000	2008 £000
Revenue	2	**19,394**	19,415
Cost of sales		**12,279**	13,095
Gross profit		**7,115**	6,320
Administrative expenses			
Goodwill impairment	10	**30**	120
Intangibles amortisation	10	**263**	263
Other administrative expenses		**4,452**	4,416
		4,745	4,799
Operating profit	5	**2,370**	1,521
Financial income	6	**12**	69
Financial charges	6	**-**	(1)
Profit before taxation		**2,382**	1,589
Taxation	7	**685**	495
Profit and total comprehensive income attributable to owners of the parent		**1,697**	1,094
Earnings per share			
Basic and diluted	9	**15.7p**	9.2p

The notes on pages 24 to 41 form part of these financial statements.

Consolidated statement of financial position

at 31 December 2009

	Note	2009 £000	2009 £000	2008 £000	2008 £000
Non current assets					
Intangible assets	10		**990**		1,208
Property, plant and equipment	12		**192**		200
			1,182		1,408
Current assets					
Inventories	13	**718**		736	
Trade and other receivables	14	**2,956**		3,164	
Cash and cash equivalents		**2,506**		1,010	
Total current assets			**6,180**		4,910
Total assets			**7,362**		6,318
Current liabilities					
Trade and other payables	15		**5,069**		5,173
Current tax liabilities			**380**		193
Total current liabilities			**5,449**		5,366
Non current liabilities					
Deferred tax liability	17		**47**		98
Total net assets			**1,866**		854
Equity					
Issued share capital	18		**108**		108
Share premium	19		**628**		628
Capital redemption reserve	19		**28**		28
Retained earnings	19		**1,102**		90
Total equity			**1,866**		854

The financial statements were approved and authorised for issue by the Board on 3 March 2010 and were signed on its behalf by:

W D Todd
Director

The notes on pages 24 to 41 form part of these financial statements.

Consolidated statement of changes in equity

for the year ended 31 December 2009

	Share capital £000	Share premium £000	Capital redemption reserve £000	Retained earnings £000	Total £000
At 1 January 2008	124	628	12	1,442	2,206
Profit and total comprehensive income 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
Profit and total comprehensive income for year	-	-	-	1,697	1,697
Dividend	-	-	-	(668)	(668)
Share based payment credit	-	-	-	13	13
Movements in respect of purchase of own shares	-	-	-	(30)	(30)
At 31 December 2009	108	628	28	1,102	1,866

The notes on pages 24 to 41 form part of these financial statements.

Consolidated statement of cash flows

for the year ended 31 December 2009

	2009 £000	2008 £000
Operating activities		
Profit before taxation	**2,382**	1,589
Adjustments for:		
Goodwill impairment	**30**	120
Intangibles amortisation	**279**	263
Share based payments	**13**	-
Depreciation charge	**103**	118
Interest received	**(12)**	(69)
Other interest paid	**-**	1
Loss on disposal of plant and equipment	**-**	2
Operating cash flows before changes in working capital	**2,795**	2,024
Decrease in inventories	**18**	93
Decrease in trade and other receivables	**208**	764
Decrease in trade and other payables	**(104)**	(852)
Cash generated from operating activities	**2,917**	2,029
Tax paid	**(549)**	(638)
Net cash flows from operating activities	**2,368**	1,391
Investing activities		
Purchase of plant and equipment	**(95)**	(115)
Purchase of software licence	**(91)**	-
Proceeds from disposal of plant and equipment	**-**	3
Interest received	**12**	69
Net cash flows from investing activities	**(174)**	(43)
Financing activities		
Other interest paid	**-**	(1)
Repurchase of own shares for cancellation	**(30)**	(1,782)
Equity dividends paid	**(668)**	(664)
Net cash flows from financing activities	**(698)**	(2,447)
Net decrease in cash and cash equivalents	**1,496**	(1,099)
Cash and cash equivalents at start of period	**1,010**	2,109
Cash and cash equivalents at end of period	**2,506**	1,010

The notes on pages 24 to 41 form part of these financial statements

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 2006 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 42.

(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 statement of comprehensive income and consolidated statement of financial position from the effective date of acquisition. Uniform accounting policies are adopted in each subsidiary for the purposes of consolidation. The results of disposed subsidiaries are included in the statement of comprehensive income 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.

As permitted by IFRS 1, business combinations prior to 1 January 2006 have not been restated under an IFRS basis.

(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 statement of comprehensive income 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 acquired, 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 statement of comprehensive income.

Other intangible assets

Intangible assets are stated at cost less accumulated amortisation and consist of customer relationships and software licences. 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. Software licences are amortised over the three year period of the licence.

(e) Impairment of non-current 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 statement of comprehensive income and, in respect of goodwill impairments, are never reversed.

(f) Property, plant and equipment

Property, plant and equipment is stated at 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:

Office and computer equipment	25% straight line
Leasehold improvements	over the remaining period of the lease

(g) Inventories

Inventories comprise (i) maintenance stock, being replacement parts held to service customers' telecommunications systems, and (ii) stock held for resale, 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.

(h) 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 statement of cash flows.

(i) 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 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 date of the consolidated statement of financial position 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.

(j) 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.

(k) Operating leases

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

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

1 Accounting policies (continued)

(l) 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 statement of comprehensive income 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.

(m) Dividends

Dividends unpaid at the reporting 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.

(n) Accounting standards issued

A number of accounting standards became effective during the year, the only one affecting the Group being IAS 1 (revised) "Presentation of financial statements", resulting in revised titles for the Group's primary financial statements.

Of the new standards and interpretations issued by the IASB and IFRIC effective for future periods, only IFRS 3 (revised) is considered likely to affect the Group.

IFRS 3 (revised) "Business combinations" (effective from 1 July 2009) alters the treatment of deferred consideration and acquisition-related costs in respect of acquisitions occurring after adoption of the standard. It has not been adopted early in these financial statements.

2 Segment information

For management reporting purposes and operationally, the Group consists of two business segments: (i) telephone maintenance and equipment sales, and (ii) telephone network services. Each segment applies its respective resources across inter-related revenue streams which are reviewed by management collectively under the following headings.

	Year ended 31 December 2009			
	Maintenance and equipment £000	Network services £000	Central/ intercompany £000	Total £000
Revenue	13,861	5,703	(170)	19,394

Other than sales of £51,000 to EU countries, revenue is wholly attributable to the principal activities of the Group and arises predominantly within the United Kingdom.

Maintenance and equipment revenue consists of maintenance related revenue of £10.289m and equipment, installation and other revenue of £3.572m (2008 - £9.157m and £4.702m). Network services revenue consists of call traffic revenue of £2.826m, line rental revenue of £2.048m and other revenue of £0.829m (2008 - £3.405m, £1.645m and £0.628m).

Intercompany trading consists of telecommunications services, and recharges of sales, engineering and rent costs, £69,000 attributable to the Maintenance and equipment segment and £101,000 to the Network services segment.

In 2009 the Group had one customer (2008 – None) which accounted for more than 10% of its revenue, totalling £2.876m.

	Maintenance and equipment £000	Network services £000	Central/ intercompany £000	Total £000
Operating profit	2,211	426	(267)	2,370
Interest (net)				12
Profit before taxation				2,382
Taxation				(685)
Profit and total comprehensive income for the period				1,697
Statement of financial position				
Assets	4,955	1,156	1,251	7,362
Liabilities	(4,732)	(948)	184	(5,496)
Total	223	208	1,435	1,866

All assets and liabilities are located in the UK.

	Maintenance and equipment £000	Network services £000	Central/ intercompany £000	Total £000
Other				
Capital expenditure	95	91	-	186
Depreciation	103	-	-	103
Amortisation and impairment	22	64	223	309

2 Segment information (continued)

	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

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.

Intercompany trading consists of telecommunications services, and recharges of sales, engineering and rent costs, £67,000 attributable to the Maintenance and equipment segment and £55,000 to the Network services segment.

	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 and total comprehensive income for the period				1,094
Statement of financial position				
Assets	4,594	1,308	416	6,318
Liabilities	(4,462)	(1,158)	156	(5,464)
Total	132	150	572	854

All assets and liabilities are located in the UK.

	Maintenance and equipment £000	Network services £000	Central/ intercompany £000	Total £000
Other				
Capital expenditure	115	-	-	115
Depreciation	118	-	-	118
Amortisation and impairment	22	48	313	383
One-off professional fees	-	-	49	49

3 Employees

	2009 Number	2008 Number
The average number of employees, including directors, during the year was:		
Corporate and administration	**21**	20
Sales and customer service	**53**	58
Technical and engineering	**79**	84
	153	162

	2009 £000	2008 £000
Staff costs, including directors, consist of:		
Wages and salaries	**6,906**	7,050
Social security costs	**774**	794
Pension costs	**127**	120
	7,807	7,964

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 £127,000 (2008 - £120,000). Contributions totalling £24,000 (2008 - £22,000) were payable to the schemes at the year end and are included in creditors.

4 Directors' remuneration

	2009 £000	2008 £000
The remuneration of the Company directors was as follows:		
Directors' emoluments	**486**	447
Pension contributions	**6**	8
	492	455

Included in the above is the remuneration of the highest paid director as follows:		
Directors' emoluments	**149**	137
Pension contributions	**2**	4
	151	141

The Group paid contributions into defined contribution personal pension schemes in respect of 2 (2008 – 2) directors during the year.

5 Operating profit

	2009 £000	2008 £000
This has been arrived at after charging/(crediting):		
Depreciation of property, plant and equipment	**103**	118
Amortisation of intangible fixed assets	**279**	263
Goodwill impairment charge	**30**	120
Loss on disposal of plant and equipment	**-**	2
Operating lease rentals		
- property	**191**	183
- plant and machinery	**65**	115
Auditors' remuneration		
- audit services – Company	**8**	7
- other services relating to taxation – Group	**3**	6
- other services relating to audit of subsidiary undertakings - Group	**48**	51
- other services – Group	**12**	25
Leasing income	**(3)**	(8)

6 Financial income and expense

	2009 £000	2008 £000
Finance income		
Bank and other interest received	**12**	69
Finance expense		
Other interest payable	**-**	1

7 Taxation

	2009 £000	2008 £000
UK corporation tax		
Corporation tax on profits of the period	**736**	536
Deferred tax	**(51)**	(41)
Taxation on profit on ordinary activities	**685**	495

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:

	2009 £000	2008 £000
Profit before tax	**2,382**	1,589
Profit at the standard rate of corporation tax in the UK of 28.0% (2008 – 28.5%)	**667**	453
Effect of:		
Expenses not deductible for tax purposes	**8**	11
Goodwill impairment	**5**	31
Share based payment expense not deductible	**4**	-
Adjustment in respect of prior period	**1**	-
	685	495

8 Dividends paid on ordinary shares

	2009 £000	2008 £000
Final 2007, paid 30 April 2008 – 3.0p per share	-	364
Interim 2008, paid 10 October 2008 – 2.5p per share	-	300
Final 2008, paid 29 April 2009 – 3.1p per share	334	-
Interim 2009, paid 2 October 2009 – 3.1p per share	334	-
	668	664

The directors propose the payment of a second interim dividend for 2009 of 4.1p (2008 – equivalent final dividend of 3.1p) per ordinary share, together with a one off special interim dividend of 2.9p per share, payable on 25 March 2010 to shareholders on the register at 12 March 2010.

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:

	2009 £000	2008 £000
Earnings used in basic and diluted EPS, being profit after tax	1,697	1,094
Goodwill impairment and intangibles amortisation, less tax thereon	215	305
One-off professional costs, less tax thereon	-	35
Adjusted earnings	1,912	1,434

	Number (000s)	Number (000s)
Weighted average number of ordinary shares of 1p each	10,790	11,832
Potentially dilutive shares	8	-
	10,798	11,832

Earnings per share		
Basic	15.7p	9.2p
Basic and diluted	15.7p	9.2p
Adjusted – as above but excluding goodwill impairment, intangibles amortisation and one-off professional costs, less tax thereon	17.7p	12.1p
Adjusted and diluted	17.7p	12.1p

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.

During 2009 the Company repurchased and cancelled 40,000 of its ordinary shares, at a price of 76p each and a total cost of £30,000, representing 0.4% of the Company's issued share capital as at 31 December 2009.

In calculating diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Group has one category of potential ordinary share, being those share options granted to employees where the exercise price is less than the average price of the Company's ordinary shares during the period.

10 Intangible assets

	Goodwill £000	Customer relationships £000	Computer Software £000	Total £000
Cost				
At 1 January 2008 and 31 December 2008	664	1,413	-	2,077
Acquired in year	-	-	91	91
At 31 December 2009	664	1,413	91	2,168
Amortisation and impairment				
At 1 January 2008	167	319	-	486
Amortisation in the year	-	263	-	263
Impairment in the year	120	-	-	120
At 31 December 2008	287	582	-	869
Amortisation in the year	-	263	16	279
Impairment in the year	30	-	-	30
At 31 December 2009	317	845	16	1,178
Net book value				
At 31 December 2009	347	568	75	990
At 31 December 2008	377	831	-	1,208

A three year licence of billing software was purchased in the year, at a cost of £91,000. The licence is amortised over this period and is subject to an annual impairment review.

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

The carrying value of goodwill is follows:

	2009 £000	2008 £000
Pinnacle Voice and Data Limited (now incorporated in Maintel Voice and Data Limited)	**202**	232
District Holdings Limited (now incorporated in Maintel Europe Limited and Maintel Voice and Data Limited)	**145**	145
	347	377

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 £30,000 in 2009 (2008 - £62,000), 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 the date of each consolidated statement of financial position 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. There has been no impairment of the goodwill in 2009 (2008 - £58,000).

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 2009 amortisation charge is therefore £193,000 (2008 - £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 2009 amortisation charge is £70,000 (2008 - £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 2008	64	44	834	7	949
Additions	3	-	112	-	115
Disposals	-	(44)	(100)	(7)	(151)
At 31 December 2008	67	-	846	-	913
Additions	2	-	93	-	95
Disposals	-	-	(91)	-	(91)
At 31 December 2009	69	-	848	-	917
Depreciation					
At 1 January 2008	64	44	632	1	741
Provided in year	1	-	116	1	118
Disposals	-	(44)	(100)	(2)	(146)
At 31 December 2008	65	-	648	-	713
Provided in year	3	-	100	-	103
Disposals	-	-	(91)	-	(91)
At 31 December 2009	68	-	657	-	725
Net book value					
At 31 December 2009	1	-	191	-	192
At 31 December 2008	2	-	198	-	200

13 Inventories

	2009 £000	2008 £000
Maintenance stock	**604**	675
Stock held for resale	**114**	61
	718	736

14 Trade and other receivables

	2009 £000	2008 £000
Trade receivables	**1,890**	2,262
Other receivables	**72**	17
Prepayments and accrued income	**994**	885
	2,956	3,164

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

15 Trade and other payables

	2009 £000	2008 £000
Trade payables	**865**	1,182
Other tax and social security	**627**	641
Accruals	**471**	428
Other payables	**26**	24
Deferred maintenance income	**2,952**	2,852
Other deferred income	**128**	46
	5,069	5,173

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

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.

	Loans and receivables	
	2009 £000	2008 £000
Current financial assets		
Trade receivables	**1,890**	2,262
Cash and cash equivalents	**2,506**	1,010
Other receivables	**72**	17
	4,468	3,289

	Financial liabilities measured at amortised cost	
	2009 £000	2008 £000
Current financial liabilities		
Trade payables	**865**	1,182
Other payables	**26**	24
	891	1,206

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 reporting date, the largest exposure was represented by the carrying value of trade and other receivables, against which £110,000 is provided at 31 December 2009 (2008 - £99,000). The provision represents an estimate of potential bad debt, goodwill credits and additional costs to completion 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 receivable included in trade and other receivables at 31 December 2009 owed the Group £486,000 including VAT (2008 - £286,000).

The movement on the provision is as follows:

	2009 £000	2008 £000
Provision at start of year	**99**	112
Provision used	**(34)**	(34)
Additional provision made	**45**	21
Provision at end of year	**110**	99

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 not requiring impairment as follows:

	2009 £000	2008 £000
Up to 30 days overdue	**630**	947
31-60 days overdue	**72**	195
More than 60 days overdue	**33**	114
	735	1,256

Cash and cash equivalents at 2009 and 2008 year ends represented short term deposits with LloydsTSB and Abbey.

Foreign currency risk

The functional currency of all Group companies 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 2009 was £1,000 (2008 – £1,000). 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 (£12,000 in 2009, and £69,000 in 2008) is therefore dependent on those prevailing rates, which were at a historically low level during 2009.

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 continue to be exerted on working capital as a result of the current economic environment however these have been, and will continue to 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 consolidated statement of financial position and the fair values of the Group's financial instruments.

Capital risk management

The Group's objective when managing capital is to safeguard its ability to continue as a going concern in order to provide returns to shareholders. Capital comprises all components of equity – share capital, capital redemption reserve, share premium and retained earnings. In order to maintain or adjust the capital structure, the Group will consider the appropriateness of issuing shares, repurchasing shares, amending its dividend policy and borrowing, as is deemed appropriate in the light of changing economic circumstances.

17 Deferred tax liability

	Property, plant and equipment £000	Intangible assets £000	Other £000	Total £000
At 1 January 2008	(30)	183	(14)	139
Charge/(credit) to consolidated statement of comprehensive income	3	(58)	14	(41)
At 31 December 2008	(27)	125	-	98
Charge/(credit) to consolidated statement of comprehensive income	7	(58)	-	(51)
At 31 December 2009	(20)	67	-	47

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% (2008: 28%).

18 Share capital

	2009 £000	2008 £000
Authorised		
17,571,840 ordinary shares of 1p each	**176**	176
Allotted, called up and fully paid		
10,781,800 (2008 - 10,821,800) ordinary shares of 1p each	**108**	108

Pursuant to the authority granted at the last two AGMs, the Company repurchased and cancelled 40,000 of its own 1p ordinary shares during 2009, at a price of 76p each and a total cost of £30,000. The purchase represents 0.4% of the Company's issued share capital as at 31 December 2009.

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.

The directors propose the payment of a second interim dividend in respect of 2009 of 4.1p per share together with a one off special interim dividend of 2.9p per share; these dividends are 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 Share based payments

On 18 May 2009 the directors of the Company approved the adoption of the Maintel Holdings Plc 2009 Option Plan.

The Remuneration Committee's report on page 12 describes the options granted over the Company's ordinary shares during the year.

In aggregate, options are outstanding over 2.69% of the current issued share capital. The number of shares under option and the vesting and exercise prices may be adjusted at the discretion of the Remuneration Committee in the event of a variation in the issued share capital of the Company.

The total charge to the consolidated statement of comprehensive income arising from the granting of these options is £13,000. The fair value of the options was calculated using a combination of the Black Scholes and Monte-Carlo models, using the following inputs:

Volatility	19.3%
Dividend yield	5.71%
Risk free rate	2.61%-2.90%
Vesting period	0-2.71 years
Expected life	5-6.36 years
Exercise price	£1.00-£3.00
Share price	98p
Fair value of options at measurement date	0.08p-8.03p

22 Operating leases

As at 31 December 2009, the Group had future minimum rentals payable under non-cancellable operating leases as set out below:

	2009 Land and buildings £000	**2009 Other £000**	2008 Land and buildings £000	2008 Other £000
The total future minimum lease payments are due as follow:				
Not later than one year	**48**	**29**	191	37
Later than one year and not later than five years	**-**	**-**	48	4
	48	**29**	239	41

The commitment relating to land and buildings is in respect of the Group's London offices, the current 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. The office lease has been renewed in 2010 for a term of 4½ years in normal circumstances, at a rental of £139,550 in year one and £149,550 thereafter.

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:

	2009 £000	2008 £000
Short term employment benefits	**812**	784
Contributions to defined contribution pension scheme	**13**	14
Share based payments	**13**	-
	838	798

On 3 October 2008, the Company purchased 750,000 shares from Tim Mason, a director of the Company at that time, 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 £1,318 (2008 - £19,694) net of VAT, of which £128 (2008 - £133) was owed at the year end and is included within trade creditors. Sales during the year amounted to £43 (2008 - £89), of which £5 (2008 - £Nil) was owed at the year end.

The Group provided services to A J McCaffery during the year amounting to £734 (2008 - £993) net of VAT, of which £Nil (2008 - £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 £11,789 net of VAT (2008 - £17,099), of which £1,545 (2008 - £263) 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 consolidated statement of comprehensive income 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	
	2009 £000	2008 £000
Maintenance contracts		
One year longer contract length	**Nil**	Nil
One year shorter contract length	**159**	119
Network services contracts		
One year longer contract length	**Nil**	Nil
One year shorter contract length	**Nil**	Nil

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. At 31 December 2008 and 2009, there were no significant contracts in progress, and so no sensitivity analysis is provided at these dates.

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.

Maintel Holdings Plc Company balance sheet

at 31 December 2009 - prepared under UK GAAP

	Note	2009 £000	2009 £000	2008 £000	2008 £000
Fixed assets					
Investment in subsidiaries	5		**2,323**		2,323
Current assets					
Debtors	6	**196**		205	
Cash at bank and in hand		**791**		510	
		987		715	
Creditors: amounts falling due within one year	7	**306**		1,062	
Net current assets/(liabilities)			**681**		(347)
Total assets less current liabilities			**3,004**		1,976
Capital and reserves					
Called up share capital	8		**108**		108
Share premium	9		**628**		628
Capital redemption reserve	9		**28**		28
Profit and loss account	9		**2,240**		1,212
Shareholders' funds			**3,004**		1,976

The financial statements were approved and authorised for issue by the Board on 3 March 2010 and were signed on its behalf by:

W D Todd
Director

The notes on pages 43 to 45 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 2006. 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.

(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) 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.

(d) 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 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 S408 of the Companies Act 2006 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 £1,713,000 (2008 – £1,865,000).

4 Dividends paid on ordinary shares

	2009 **£000**	2008 £000
Final 2007, paid 30 April 2008 – 3.0p per share	**-**	364
Interim 2008, paid 10 October 2008 – 2.5p per share	**-**	300
Final 2008, paid 29 April 2009 – 3.1p per share	**334**	-
Interim 2009, paid 2 October 2009 – 3.1p per share	**334**	-
	668	664

The directors propose the payment of a second interim dividend for 2009 of 4.1p (2008 – equivalent final dividend of 3.1p) per ordinary share, together with a one off special interim dividend of 2.9p per share, payable on 25 March 2010 to shareholders on the register at 12 March 2010.

5 Investment in subsidiaries

	Shares in subsidiary undertakings £000
Cost	
At 31 December 2008 and 31 December 2009	2,403
Provision for impairment	
At 31 December 2008 and 31 December 2009	80
Net book value	
At 31 December 2008 and 31 December 2009	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

	2009	2008
	£000	£000
Amounts owed by subsidiary undertakings	**182**	165
Other debtors	**3**	10
Prepayments and accrued income	**2**	11
Corporation tax recoverable	**9**	19
	196	205

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

7 Creditors

	2009 £000	2008 £000
Amounts due to subsidiary undertakings	**291**	1,027
Trade creditors	**7**	27
Accruals and deferred income	**8**	8
	306	1,062

8 Share capital

	2009 £000	2008 £000
Authorised		
17,571,840 ordinary shares of 1p each	**176**	176
Allotted, called up and fully paid		
10,781,800 (2008 - 10,821,800) ordinary shares of 1p each	**108**	108

Pursuant to the authority granted at the last two AGMs, the Company repurchased and cancelled 40,000 of its own 1p ordinary shares during 2009, at a price of 76p each and a total cost of £30,000. The purchase represents 0.4% of the Company's issued share capital as at 31 December 2009.

The Remuneration Committee's report on page 12 of the consolidated accounts of Maintel Holdings Plc describes the options granted over the Company's ordinary shares during the year.

9 Reconciliation of movement in shareholders' funds

	Share capital £000	Share premium £000	Capital redemption reserve £000	Retained earnings £000	Total £000
At 1 January 2008	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
Profit for year	-	-	-	1,713	1,713
Dividends paid	-	-	-	(668)	(668)
Share based payment credit	-	-	-	13	13
Movements in respect of purchase of own shares	-	-	-	(30)	(30)
At 31 December 2009	108	628	28	2,240	3,004

It is proposed to pay a second interim dividend for 2009, of 4.1p per share, together with a one off special interim dividend of 2.9p per share, on 25 March 2010; these dividends are 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 that time, 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.

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 22 April 2010, 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 2009, together with the Report of the directors and the Independent auditors report thereon.
2. To approve the report of the Remuneration committee for the year ended 31 December 2009.
3. To re-elect Mr W D Todd, who retires by rotation, as a director of the Company.
4. To re-appoint BDO 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 5 will be proposed as an ordinary resolution and resolutions 6 and 7 as special resolutions:

5. That the directors be and are hereby generally and unconditionally authorised pursuant to Section 551 of the Companies Act 2006 ("the Act") to exercise all powers of the Company to allot and to make offers or agreements to allot relevant securities up to a maximum aggregate nominal amount of £35,938, 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.
6. That, subject to the passing of the previous resolution, the directors be and are hereby empowered pursuant to Section 570 of the Act to allot equity securities as defined in Section 560 of the Act for cash as if Section 561 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 £10,781.

   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.

7. That the Company is, pursuant to Section 701 of the Act, hereby generally and unconditionally authorised to make market purchases (within the meaning of Section 693) of up to a maximum of 1,616,191 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.

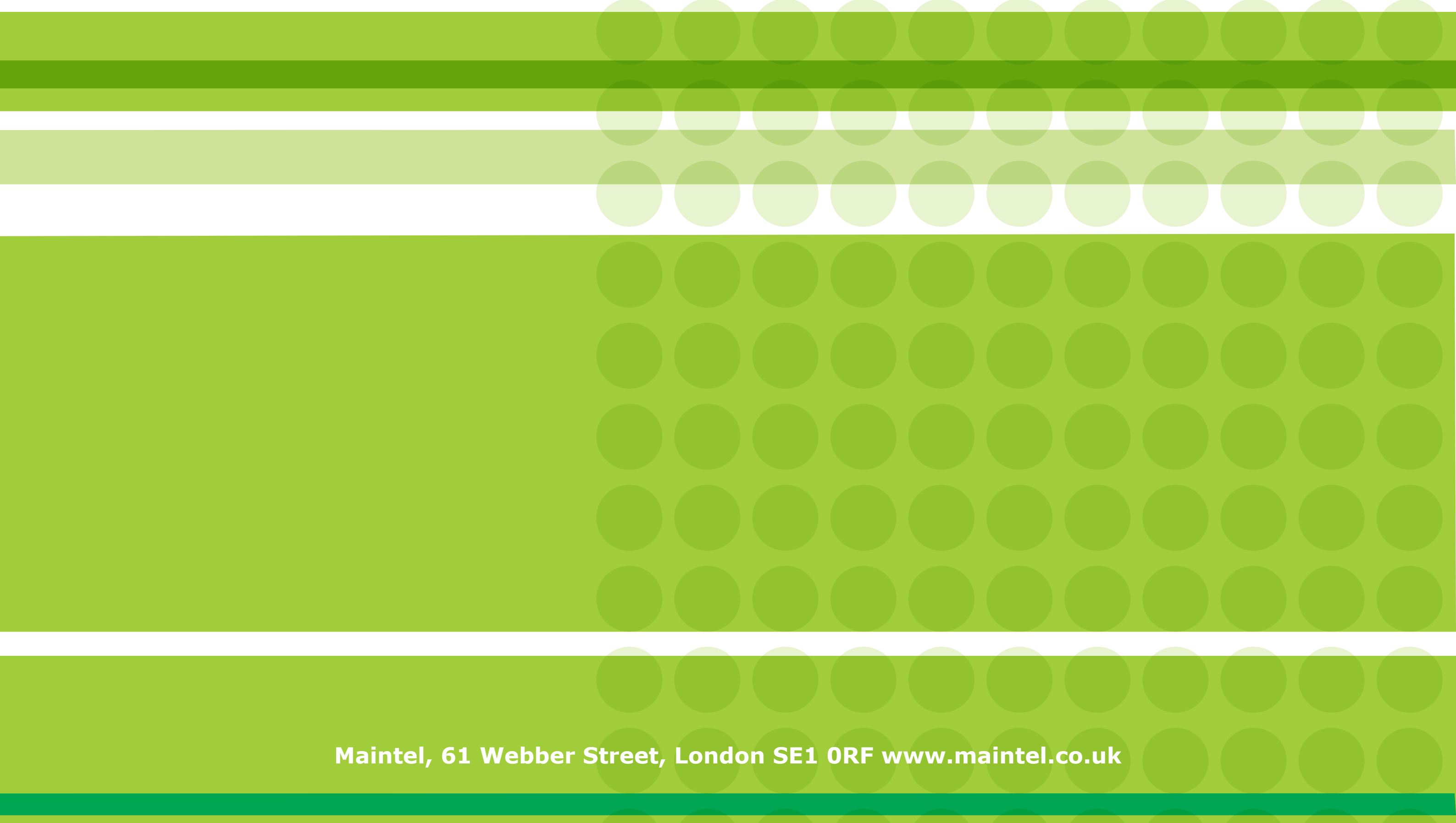
By order of the Board

W D Todd
Company Secretary
18 March 2010

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 20 April 2010, 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 20 April 2010 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.


Maintel, 61 Webber Street, London SE1 0RF www.maintel.co.uk