



maintel[®]

annual report & accounts **2010**

Maintel Holdings Plc

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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

finnCap Limited, 60 New Broad Street, London EC2M 1JJ

Registrars

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

Chairman's statement

Maintel Holdings' revenues rose by 13% during 2010 to £22.0m (2009 – £19.4m) and adjusted profit before tax by 14% to £3.046m (2009 – £2.675m) giving an increase in adjusted earnings per share of 15% to 20.3p (2009 – 17.7p).

Our maintenance base ended the year at a record £13.2m (2009 – £10.3m) having grown by 28%, boosted by two substantial pieces of new business from our largest customer, a new partnership with Westcon which brought in £600,000 of annualised revenues and the acquisition towards the end of the year of a £2m maintenance base from Redstone which we believe will deliver significant incremental earnings in the future. Equipment sales rebounded strongly from 2009 levels showing a 32% increase which included one very large order at lower than average margin but a good spread of smaller projects which fulfilled our margin targets. Network services revenues increased only slightly during the year, with call rates remaining highly competitive. However, line rental and data showed promising returns and we continue to broaden our product offering to access new revenue streams.

Aside from organic growth which continues to be a priority, we remain vigilant for acquisitions that fulfil our valuation criteria as industry consolidation continues apace. Equally we are always pleased to work closely with a range of longstanding partners including some of the biggest companies in our industry to whom we supply complementary services and we expect further growth in this area in the year ahead as various new relationships bear fruit.

The Company continues to be strongly cash generative. We repurchased 295,000 shares during the year, equivalent to 3% of the outstanding share capital, and following our acquisition in October of the Redstone businesses for £1.6m net we ended the year with cash balances of £2.5m and no debt. We are proposing a final dividend of 4.6p payable on 28 April 2011 to shareholders on the register at 25 March 2011.

It falls to me to thank on behalf of shareholders our loyal and energetic staff for their work and commitment during the year and to wish them well for the challenges and opportunities ahead.

J D S Booth

Chairman

10 March 2011

Results

As anticipated in the half-year statement, revenue and profit improved further in the second half of the year, reflecting the continued growth in the maintenance base and higher levels of equipment sales derived from the base.

Adjusted profit before tax for the year was £3.046m, a 14% increase on 2009, with unadjusted profit before tax increasing by 12% to £2.673m.

The Company repurchased 295,000 shares in the year (3% of the year end share capital), mostly in Q3, and this, combined with the increased profitability, has enhanced adjusted EPS by 15% from 17.7p in 2009 to 20.3p in 2010. Basic EPS increased by 13%, from 15.7p in 2009 to 17.8p in 2010.

	H1 2010 £000	H2 2010 £000	2010 £000	2009 £000
Revenue	10,580	11,428	22,008	19,394
Profit before tax	1,350	1,323	2,673	2,382
Add back goodwill impairment and customer relationship intangibles amortisation	132	171	303	293
Add back non-trading accounting adjustments re Redstone acquisition	-	70	70	-
Adjusted profit before tax	1,482	1,564	3,046	2,675
Basic and diluted earnings per share	9.0p	8.8p	17.8p	15.7p
Adjusted basic and diluted earnings per share	9.8p	10.5p	20.3p	17.7p

Group revenues increased by £2.614m, or 13%, in the year. The two major new contracts from the Group's largest customer noted in the interim report were supplemented by 6 months' revenue from a partnership agreement with Westcon and continuing higher levels of equipment sales, including a large supply and installation contract referred to at the half year.

Network services revenues increased marginally in the year, with low attrition being matched by low new sales, the investment made in the division during the year having been less effective than anticipated.

At the end of June, the Group entered into a three year partnership agreement with Westcon Convergence UK (the "Westcon partnership") which effectively added approximately £600,000 of annualised revenue and 1,400 customers to the maintenance base, with Maintel being the preferred maintainer to any new customers Westcon signs. Under the agreement, a team of Avaya engineers joined Maintel from Westcon, significantly accelerating our development of a product expertise which gained dramatically in importance when Avaya acquired Nortel in 2009. While the cost of the engineers means that the partnership adds more to our strategic strength than our short term profitability, it provides instant access to a new market at negligible risk or cost. A consequential benefit has been the ability to bring in house some previously outsourced Avaya contracts, reducing our third party support costs.

In addition, the Group acquired certain business and assets from Redstone Converged Solutions Limited and Marcom Communications Limited (a Redstone subsidiary) (together the "Redstone acquisition") at the end of October, for a net cash consideration of £1.6m. Approximately £1.7m annualised of maintenance contracts were acquired as part of the agreement, and Maintel also agreed to supply certain customers of Redstone with maintenance services for approximately £280,000 per annum. After redundancies, a net 18 Redstone/Marcom employees were retained by Maintel. Due to the acquired customers' billing cycles, the Redstone acquisition is not expected to reach full cash generation potential until Q3 2011. In 2010 it contributed, before redundancy costs, an approximate £50,000 profit to Group results including £105,000 of deferred income net of deferred costs for which no cash flows will be received by the Group; assuming no significant excess of attrition over new sales in the acquired base, the acquisition should contribute progressively more to operating cash flows during 2011 until peaking in Q3. A further £141,000 of deferred income less deferred costs will be recognised in 2011. The Group incurred £222,000 in redundancy costs in 2010 in respect of the acquisition, £175,000 of which is covered by an indemnity from Redstone. The £175,000 indemnity has been treated as a deduction from consideration for the purposes of calculating goodwill, and the £175,000 costs being expensed as incurred in 2010. The £175,000 indemnity, and the £105,000

Results (continued)

deferred income less costs adjustment noted above, have been added back in calculating adjusted profit, as this represents a more accurate picture of underlying trading.

Recurring revenue (maintenance and network services) increased again in the year to £17.5m (79% of total revenues) (2009 – £16.0m and 82%), providing good visibility of revenues notwithstanding the effects of attrition.

Revenue analysis (£000)	2010	2009
Maintenance related	11,678	10,289
Equipment, installations and other	4,713	3,572
Total maintenance and equipment division	16,391	13,861
Network services division	5,816	5,703
Intercompany	(199)	(170)
Total Maintel Group	22,008	19,394

Cash generated from operating activities continued to be strong, at £4.117m, in 2010 (2009 – £2.917m). Cash balances were £2.459m at the year end (2009 – £2.506m) after the £1.6m net cash cost of acquiring the Redstone base, dividend payments of £1.173m, £822,000 tax and the £487,000 cost of buying back shares. 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 by 18% in the year as shown in the table above, maintenance related revenue growing by 13% and equipment sales by 32%.

Maintenance

Maintenance revenues increased by £1,389,000 in the year, with two significant orders from the Group's largest customer, one going live in February and the other in July. Revenues also benefited from the commencement of the Westcon partnership (initially around £600,000 of annualised maintenance revenues) at the end of June and the acquisition of the Redstone base (c£2m annualised maintenance revenues) at the end of October, both of which are contributing maintenance revenues in line with expectations. The maintenance base stood at a record of more than £13m at the year end.

As envisaged, we have received increasing levels of business during the year from our relationships with larger integrators, and further relationships continue to be forged, whilst at the other end of the scale the direct sales team continues to sign up traditional SME and larger customers, albeit at lower levels than experienced historically, all of which helps provide a balance to the base.

It was noted at the half year that attrition was running slightly ahead of recent years, but this position reversed in H2, so that the rate for the year was virtually identical to that of 2009.

Equipment sales

Following a drop in equipment sales revenue in 2009 attributed to the economic environment, this has increased by £1,141,000 in the year, despite a conscious and continuing policy to generally avoid such sales if they do not meet margin criteria. £622,000 of the increase, however, is attributable to a single project which was low risk and at a lower than usual, but acceptable, margin and which has led to a further £250,000 extension to that order in 2011. There were a number of medium-sized sales in the year, but a large proportion of equipment sales is of low unit value and is a function of the increased size of the maintenance base and which could reasonably be deemed recurring revenue. Overall equipment sales margin percentage was below budget due to the large contract, but not significantly so.

The increase in the sales and customer service headcount shown below has primarily arisen from the transfer to the Group of Redstone employees and the enhancement of resource to maintain a quality service to the increased customer base. The increase in engineer headcount is in the main the result of the acquisition of Avaya skills through the Westcon partnership and the Redstone acquisition.

Business review

(continued)

	Average 2010	Average 2009	At 31 December 2010
Headcount			
Sales and customer service*	49	44	56
Engineers*	86	79	100
* excluding redundant Redstone employees			
		2010	2009
Division gross profit (£000)		6,496 (40%)	5,828 (42%)

The division's gross profit margin dropped by 2 percentage points in the year, the equipment sales at lower margin noted above being the main contributory factor, although the division was also affected by a full year's support charge from a manufacturer and by the effects of some renegotiated customer contracts, in particular the framework agreement with the Group's largest customer, although this latter cost is also expected to result in improved contract security and greater exposure to new business opportunities.

The percentage margin in the second half was also affected by the Westcon partnership agreement and Redstone acquisitions, where low levels of profitability were expected initially post-completion, but will improve in 2011 as the negative effects of deferred maintenance income not acquired unwind.

Net margin (operating profit as a percentage of revenue) from the division fell from 16.0% in 2009 to 14.4%, in sympathy with gross margin but partly due to the two Redstone accounting adjustments (the inclusion of the £105,000 deferred income less deferred costs, and the £175,000 redundancy cost) which increased revenue and administration costs; excluding these adjustments, net margin was 14.9%.

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 services which includes telephone line rental, inbound and outbound telephone calls, data connectivity, Internet access and IP telephony solutions. These services complement the services offered by the maintenance and equipment division.

Revenue analysis (£000)	2010	2009
Call traffic	2,690	2,826
Line rental	2,282	2,048
Data services	594	538
Other	250	291
Total network services	5,816	5,703
Division gross profit (£000)	1,545 (27%)	1,400 (25%)

The division's revenue increased by £113,000 or 2% with the switch from call traffic to line rental continuing the trend of the last few years, and data services revenues increasing by a further 10% in the year.

The reduction in call traffic revenue is a consequence of reduced fixed line traffic volumes generally, a continuing effect of the economic environment impacting on call volumes, the effects of cancellations by some medium-sized customers in late 2009 and H1 2010 and reduced call minute rates. The signing of a major line rental customer in mid-2009 has helped contribute to the increase in line rental revenues and BT's recently announced increase in its line rental estate is an encouraging indicator for this revenue stream.

2010 has also seen increasing uptake in the division's IP-based telephony solutions including SIP trunking and hosted PBX solutions, which is a trend that we expect to continue alongside the more traditional services.

Network services division (continued)

Although line rental revenues attract around half the margin of call traffic, the entire revenue increase translated to margin increase due to year on year improvements in call traffic and data services margins, as a result of improved buy-in rates and the continuing focus on improving processes and rationalising suppliers.

Attrition in the division remained at its historically low levels during the year, although this was balanced by a relatively subdued level of new sales, partially reflecting our focus on good margin, low risk prospects in the current economic environment.

Administrative expenses, excluding goodwill impairment and intangibles amortisation

Administrative expenses (£000)	2010	2009
Sales expenses	2,304	2,080
Other administrative expenses (excluding goodwill impairment, intangibles amortisation and £175,000 Redstone redundancy charge in 2010)	2,456	2,356
Redstone redundancy charge	175	-
Total other administrative expenses	4,935	4,436

Sales expenses increased by £224,000 or 11% in the year, as a senior sales person was recruited, certain Redstone employees were retained and commissions were paid on increased revenues. Administrative costs remain tightly controlled and rose by £100,000 or 4% in the year, £28,000 being an increase in the holiday pay accrual arising from the increased employee numbers, and £26,000 being the costs of the Redstone acquisition.

Impairment and amortisation charges are discussed below.

The table below shows relevant headcount in relation to revenue.

	2010	2009
Average Group headcount during the period*	165	153
Average sales and service headcount*	58	53
Average corporate and admin headcount*	21	21
Group revenue (£000)	22,008	19,394

* excluding redundant Redstone employees

Interest

Net interest receivable increased from £12,000 to £29,000 in 2010, with average cash balances being higher in 2010 despite share buybacks in September and the Redstone acquisition at the end of October.

Taxation

The consolidated statement of comprehensive income shows a tax rate of 28.6% (2009 – 28.8%). The two main trading companies are taxed at 28.0% (2009 – 28.0%). Disallowables raise the effective rate above this, as did an element of the goodwill impairment charge in 2009 which did not attract tax relief.

Dividends

A second interim dividend for 2009 of 4.1p per share (£441,000 in total) was paid on 25 March 2010, together with a special interim dividend for 2009 of 2.9p per share (£312,000), and an interim dividend for 2010 of 3.9p (£420,000) was paid on 1 October 2010.

It is proposed to pay a final dividend of 4.6p in respect of 2010 on 28 April to shareholders on the register at the close of business on 25 March. The corresponding ex-dividend date will be 23 March. In accordance with accounting standards, this dividend is not accounted for in the financial statements for the period under review as it had not been committed as at 31 December 2010.

Consolidated statement of financial position

The consolidated statement of financial position remains sound, with £2.459m of cash and no debt, facilitating continued growth from existing resources.

Trade receivables have increased by £459,000 over the year, with higher levels of billing in Q4 2010 compared with Q4 2009, including the effects of Westcon and Redstone billing. Trade payables have increased by £399,000 largely due to the increase in cost of sale relating to equipment sales. These factors, plus the NI/PAYE effect of increased staff levels have resulted in an increase in tax and social security liability at the year end compared with the previous year.

The value of maintenance stock has increased by £17,000 in the year, to £621,000, due to the acquisition of £95,000 of stock from Redstone, net of regular provisioning being applied. As part of the agreement signed with Westcon, the Group took ownership of Avaya maintenance stock from Westcon which, not being material, has been incorporated in the Group's maintenance stock at nil value. The value of stock held for resale has increased from £114,000 to £380,000 as a result of a higher number of installations spanning the year end.

Deferred maintenance income has increased by £748,000, due to the increase in the maintenance base over the year, including the effects of the Westcon partnership and Redstone acquisition including £141,000 in respect of the performance obligation liability adjustment. Other deferred income has increased by £204,000 mirroring the increase in stock arising from more installation projects spanning the year end.

No significant expenditure has been required on plant and equipment during the period, with additions broadly matching depreciation, and the spend in the year weighted to improving IT security and resiliency.

Intangible assets

The Group has four intangible assets – (i) goodwill relating to the acquisition of Maintel Network Services Limited, (ii) an intangible asset represented by customer contracts and relationships acquired from District Holdings Limited, Callmaster Limited and Redstone, (iii) goodwill relating to the District and Redstone acquisitions, and (iv) a licence for billing software.

£128,000 was added to Goodwill during the year, in respect of the Redstone acquisition. Goodwill is subject to an impairment test at each reporting date. No impairment has been charged to the consolidated statement of comprehensive income in 2010 (2009 – £30,000), and the carrying value is £475,000 at 31 December 2010 (2009 – £347,000).

The intangible assets represented by purchased customer contracts and relationships were supplemented by the addition of contracts valued at £1.448m arising from the Redstone acquisition during the year. The intangible assets are subject to an amortisation charge of 17–20% of cost per annum in respect of maintenance contract relationships and 14.2% per annum in respect of network services contracts. £303,000 was amortised in 2010 (2009 – £263,000), leaving a carrying value of £1.713m (2009 – £568,000).

The billing software is amortised over a three year period and is subject to an annual impairment review. The amortisation charge in the period was £32,000, leaving a carrying value of £43,000 (2009 – £75,000).

Purchase of own shares

Further to the authority granted at the last two AGMs, the Company repurchased and cancelled 295,000 of its own shares during 2010, at prices between 140p and 165p each and a total cost of £487,000.

The share price at 31 December 2010 was 250p.

Cash flow

At 31 December 2010 the Group had cash and bank balances of £2.459m (2009 – £2.506m), all of it unrestricted. Cash generated from operating activities in the year was £4.117m, out of which £1.173m was paid in dividends, £487,000 on share buy backs, £822,000 in corporation tax and a net £1.6m on the Redstone acquisition.

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 ongoing 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 replacement 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.

VoIP technology is a potential threat to the reselling of call minutes with a particular type of customer. 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 2010. 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 have begun to reduce the percentage weighting, with the Redstone acquisition having the same effect by increasing the size of the base.

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.

Outlook

While we see the 2011 economic environment remaining difficult as the government's policy to reduce the structural deficit continues to have an impact on company investment and cost reduction activity, Maintel is well placed to continue its growth in this environment, with the maintenance and equipment division expected to advance on a number of fronts during 2011, including the further development of partner business, the development of the Westcon partnership and the Redstone base, and progression into the Avaya marketplace capitalising on the investments in resource and critical mass established during 2010.

The enhanced engineering skills gained from recent acquisitions, especially in the areas of IP and data will allow Maintel to accelerate its growth in these areas to supplement its traditional maintenance revenues.

The network services division is expected to see slower growth in the year, with the main focus being on the maintenance and equipment division, although farming of the Westcon and Redstone bases is expected to produce positive results.

The Group is therefore well positioned to make further progress during the current year.

E Buxton

Chief Executive

10 March 2011

Board of directors

John Booth, 52**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 chairman of the Link Group which was acquired by ICAP plc in 2008.

Eddie Buxton, 50**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, 44**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, 52**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, 44**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.

As a company listed on the Alternative Investment Market of the London Stock Exchange, Maintel Holdings Plc is not required to comply with the UK Corporate Governance 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 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 Angus McCaffery 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, Angus McCaffery 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 13.

Nomination committee

The nomination committee had two members during 2010, both non-executive, being John Booth, chairman, and Nicholas Taylor. The committee meets as required under the terms of its remit, which includes:

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

Board attendances

The following table shows attendance of the directors at meetings of the Board and the Audit Committee during the year.

	Number of meetings in the year	J Booth	E Buxton	A McCaffery	N Taylor	D Todd
Board	16	14	16	15	15	16
Audit committee	2	2	2	2	2	2

Meetings of the Remuneration committee were held in December 2009 and January 2011.

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 as required.

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 17 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.

Report of the Remuneration committee

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 2011 with increases of between 6.2% and 14.8% 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 and other performance criteria.

(d) Share options

Eddie Buxton and Dale Todd have been granted share options, 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 2010 was as follows:

	Salaries/ fees £000	Benefits £000	Bonus £000	Pension contributions £000	Total 2010 ⁽¹⁾ £000	Total 2009 ^(1,2) £000
J D S Booth	31	-	-	-	31	31
N J Taylor	19	-	-	-	19	18
E Buxton ⁽³⁾	127	12	30	4	173	151
A J McCaffery	135	18	-	4	157	142
W D Todd	124	12	20	-	156	138
	436	42	50	8	536	480

(1) Excluding social security costs in respect of the above amounting to £62,000 (2009 - £55,000).

(2) Including bonuses of £34,000, employer pension contributions of £6,000 and benefits of £40,000, so that salaries amounted to £400,000.

(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 15.

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, with an exercise price of £1.00.
- (b) an option over the number of shares (if any) that Mr Buxton acquired in the market during the first year of his employment with the Company. Mr Buxton acquired no shares during the requisite period and so this option lapsed during 2010.
- (c) an option over 107,818 shares, which has vested, with an exercise price of £2.00.
- (d) an option over 107,818 shares, 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, with an exercise price of 150.5p. The option vested 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 vested 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 10 March 2011.

N J Taylor

Chairman of the Remuneration committee

Report of the directors

for the year ended 31 December 2010

The directors present their annual report together with the audited financial statements for the year ended 31 December 2010.

Principal activities

The principal activities of the Group are the provision of contracted maintenance services, the sale and installation of telecommunications systems and the provision of fixed line, mobile and data telecommunications services, predominantly to the enterprise business sector.

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 second interim dividend of 4.1p per ordinary share in respect of the 2009 financial year, amounting to £441,000 (2009 – an equivalent final dividend of 3.1p and £334,000 respectively), a special interim dividend in respect of 2009 of 2.9p per share, amounting to £312,000, and an interim dividend in respect of 2010 of 3.9p per share, amounting to £420,000 (2009 – 3.1p and £334,000 respectively). The directors propose the payment of a final dividend in respect of 2010 of 4.6p 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 2010 and their interests in the ordinary shares of the Company at that date were as follows:

	Number of 1p ordinary shares			
	2010		2009	
	Beneficial	Non-beneficial	Beneficial	Non-beneficial
J D S Booth	2,756,717	-	2,755,380	-
E Buxton	1,998	64,921	-	52,152
A J McCaffery	2,167,436	-	2,166,232	-
N J Taylor	12,590	61,329	11,329	47,823
W D Todd	4,748	62,171	3,544	48,608

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 purchased a net 1,747 shares in total. There were no other changes in the directors' shareholdings between 31 December 2010 and 10 March 2011.

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 19.

Report of the directors

for the year ended 31 December 2010 (continued)

Substantial shareholders

In addition to the directors' shareholdings, at 10 March 2011 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	1,573,100	15.0%
Herald Investment Trust plc	760,000	7.2%
Octopus Investments Limited	631,920	6.0%
Marlborough Special Situations Fund	532,500	5.1%
T Wat	380,203	3.6%

The Company's mid-market share price at 31 December 2010 was 250p per share, and the high and low prices during the year were 130p and 252.5p 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 295,000 of its own 1p ordinary shares during 2010, at prices between 140p and 165p each at a total cost of £487,000, the directors considering that such purchases were in the best interests of the shareholders. The purchases represent 2.8% of the Company's issued share capital as at 31 December 2010. The existing authority is for the purchase of up to 1,616,191 shares and the unutilised authority is in respect of 1,336,191 shares. A fresh authority, for the purchase of up to 1,571,971 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 17 of the financial statements.

Donations

The Group made charitable contributions of £5,000 (2009 – £2,000) during the year. No contributions were made to political organisations (2009 – £Nil).

Report of the directors

for the year ended 31 December 2010 (continued)

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 2010 was 38 days (2009 – 29 days). The Company's average creditor payment period at 31 December 2010 was 9 days (2009 – 27 days), these figures being due to the irregular nature of the Company's creditor payments.

Annual General Meeting

The Annual General Meeting of the Company will be held at its offices on 21st April 2011 at 10.45am. The notice convening the meeting is set out on pages 46 to 47 of this report.

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

10 March 2011

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 2010 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 consolidated 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 and express an opinion on 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

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

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 2010 and of the group's profit for the year then ended;
- the consolidated 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.

Anthony Perkins (senior statutory auditor)

For and on behalf of BDO LLP, statutory auditor
London

10 March 2011

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

	Note	2010 £000	2009 £000
Revenue	3	22,008	19,394
Cost of sales		14,094	12,279
Gross profit		7,914	7,115
Administrative expenses			
Goodwill impairment	11	-	30
Intangibles amortisation	11	335	279
Other administrative expenses		4,935	4,436
		5,270	4,745
Operating profit	6	2,644	2,370
Financial income	7	29	12
Profit before taxation		2,673	2,382
Taxation	8	765	685
Profit and total comprehensive income attributable to owners of the parent		1,908	1,697
Earnings per share			
Basic and diluted	10	17.8p	15.7p

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

	Note	2010 £000	2010 £000	2009 £000	2009 £000
Non current assets					
Intangible assets	11		2,231		990
Property, plant and equipment	13		202		192
			2,433		1,182
Current assets					
Inventories	14	1,001		718	
Trade and other receivables	15	3,561		2,956	
Cash and cash equivalents		2,459		2,506	
Total current assets			7,021		6,180
Total assets			9,454		7,362
Current liabilities					
Trade and other payables	16		6,971		5,069
Current tax liabilities			366		380
Total current liabilities			7,337		5,449
Non current liabilities					
Deferred tax liability	18		3		47
Total net assets			2,114		1,866
Equity					
Issued share capital	19		105		108
Share premium	20		628		628
Capital redemption reserve	20		31		28
Retained earnings	20		1,350		1,102
Total equity			2,114		1,866

The financial statements were approved and authorised for issue by the Board on 10 March 2011 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 2010

	Share capital £000	Share premium £000	Capital redemption reserve £000	Retained earnings £000	Total £000
At 1 January 2009	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
Profit and total comprehensive income for year	-	-	-	1,908	1,908
Dividend	-	-	-	(1,173)	(1,173)
Movements in respect of purchase of own shares	(3)	-	3	(487)	(487)
At 31 December 2010	105	628	31	1,350	2,114

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

	2010 £000	2009 £000
Operating activities		
Profit before taxation	2,673	2,382
Adjustments for:		
Goodwill impairment	-	30
Intangibles amortisation	335	279
Share based payments	-	13
Depreciation charge	101	103
Interest received	(29)	(12)
Operating cash flows before changes in working capital	3,080	2,795
(Increase)/decrease in inventories	(188)	18
(Increase)/decrease in trade and other receivables	(431)	208
Increase/(decrease) in trade and other payables	1,656	(104)
Cash generated from operating activities	4,117	2,917
Tax paid	(822)	(549)
Net cash flows from operating activities	3,295	2,368
Investing activities		
Purchase of plant and equipment	(111)	(95)
Purchase of software licence	-	(91)
Purchase price in respect of business combination	(1,600)	-
Interest received	29	12
Net cash flows from investing activities	(1,682)	(174)
Financing activities		
Repurchase of own shares for cancellation	(487)	(30)
Equity dividends paid	(1,173)	(668)
Net cash flows from financing activities	(1,660)	(698)
Net (decrease)/increase in cash and cash equivalents	(47)	1,496
Cash and cash equivalents at start of period	2,506	1,010
Cash and cash equivalents at end of period	2,459	2,506

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

1 General information

Maintel Holdings Plc is a public limited company incorporated and domiciled in the UK, whose shares are publicly traded on the Alternative Investment Market (AIM). Its registered office and principal place of business is 61 Webber Street, London SE1 0RF.

2 Accounting policies

The principal policies adopted in the preparation of the consolidated financial statements 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. Interest income is recognised on an accruals basis.

(d) Intangible assets

Goodwill

Goodwill represents the excess of the cost of a business combination over the acquisition date fair value of the identifiable assets, liabilities and contingent liabilities acquired.

For business combinations completed prior to 1 January 2010, cost comprises the fair value of assets given, plus any direct costs of acquisition.

For business combinations completed on or after 1 January 2010, cost comprised the fair value of assets given. Contingent consideration is included in cost at its acquisition date fair value and, in the case of contingent consideration classified as a financial liability, remeasured subsequently through profit or loss. For business combinations completed on or after 1 January 2010, direct costs of acquisition are recognised immediately as an expense.

Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to the consolidated 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 or six 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 and any impairment in value. 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.

(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.

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.

2 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 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 and interpretations became effective during the year and in 2009, the only ones affecting these financial statements being as follows:

- IFRS 3 (revised) "Business combinations" alters the treatment of deferred consideration and acquisition-related costs in respect of acquisitions occurring after adoption of the standard. The adoption of the standard has reduced profits by £26,000 in the current year as direct costs of acquisition have been classified in administrative expenses.
- IFRS improvement has been adopted in relation to non-disclosure of segment assets and liabilities under IFRS 8 as they are not reported to the board.

There are no impending IFRSs that are expected to have a material effect on the Group's financial statements.

3 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 these headings. The businesses of each segment and a further analysis of revenue are described under their respective headings in the Business review.

	Year ended 31 December 2010			
	Maintenance and equipment £000	Network services £000	Central/ intercompany £000	Total £000
Segment revenue before adjustment	16,286	5,816	(199)	21,903
Redstone deferred income less costs	105	-	-	105
Revenue	16,391	5,816	(199)	22,008
Operating profit before customer relationship intangibles amortisation and Redstone adjustments	2,491	540	(14)	3,017
Customer relationship intangibles amortisation	(62)	(48)	(193)	(303)
Operating profit before adjustments	2,429	492	(207)	2,714
Redstone redundancy costs	(175)	-	-	(175)
Redstone deferred income less costs	105	-	-	105
Operating profit	2,359	492	(207)	2,644
Interest (net)				29
Profit before taxation				2,673
Taxation				(765)
Profit and total comprehensive income for the period				1,908

Revenue is wholly attributable to the principal activities of the Group and other than sales of £10,000 to other EU countries arises predominantly within the United Kingdom.

Maintenance and equipment revenue consists of maintenance related revenue of £11.678m and equipment, installation and other revenue of £4.713m (2009 – £10.289m and £3.572m). Network services revenue consists of call traffic revenue of £2.690m, line rental revenue of £2.282m and other revenue of £0.844m (2009 – £2.826m, £2.048m and £0.829m).

Intercompany trading consists of telecommunications services, and recharges of sales, engineering and rent costs, £48,000 attributable to the Maintenance and equipment segment and £151,000 to the Network services segment.

In 2010 the Maintenance and equipment division had one customer (2009 – One) which accounted for more than 10% of its revenue, totalling £5.201m (2009 – £2.876m).

	Year ended 31 December 2010			
	Maintenance and equipment £000	Network services £000	Central/ intercompany £000	Total £000
Other				
Capital expenditure	111	-	-	111
Depreciation	101	-	-	101
Amortisation and impairment	62	80	193	335

3 Segment information (continued)

	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
Operating profit before goodwill impairment and customer relationship intangibles amortisation	2,233	490	(44)	2,679
Goodwill impairment and customer relationship intangibles amortisation	(22)	(64)	(223)	(309)
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

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

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.

	Year ended 31 December 2009			
	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

4 Employees

	2010 Number	2009 Number
The average number of employees, including directors, during the year was:		
Corporate and administration	21	21
Sales and customer service	58	53
Technical and engineering	86	79
	165	153
	2010 £000	2009 £000
Staff costs, including directors, consist of:		
Wages and salaries	7,665	6,906
Social security costs	856	774
Pension costs	143	127
	8,664	7,807

The above numbers are exclusive of employees redundant (weighted average numbers 1, 1 and 2 respectively) following the Redstone acquisition, and exclude the costs of redundancy.

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. Pension contributions totalling £26,000 (2009 – £24,000) were payable to the schemes at the year end and are included in other payables.

5 Directors' remuneration

	2010 £000	2009 £000
The remuneration of the Company directors was as follows:		
Directors' emoluments	527	486
Pension contributions	8	6
	535	492
Included in the above is the remuneration of the highest paid director as follows:		
Directors' emoluments	169	149
Pension contributions	4	2
	173	151

The Group paid contributions into defined contribution personal pension schemes in respect of 2 (2009 – 2) directors during the year.

6 Operating profit

	2010 £000	2009 £000
This has been arrived at after charging:		
Depreciation of property, plant and equipment	101	103
Amortisation of intangible fixed assets	335	279
Goodwill impairment charge	-	30
Operating lease rentals		
- property	158	191
- plant and machinery	65	65
Auditors' remuneration		
- audit services – Company	8	8
- other services relating to taxation – Group	9	3
- other services relating to audit of subsidiary undertakings – Group	53	48
- other services – Group	3	12

7 Financial income

	2010 £000	2009 £000
Bank and other interest received	29	12

8 Taxation

	2010 £000	2009 £000
<i>UK corporation tax</i>		
Corporation tax on profits of the period	808	736
Deferred tax	(43)	(51)
Taxation on profit on ordinary activities	765	685

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:

	2010 £000	2009 £000
Profit before tax	2,673	2,382
Profit at the standard rate of corporation tax in the UK of 28% (2009 – 28%)	749	667
Effect of:		
Expenses not deductible for tax purposes	20	8
Goodwill impairment	(4)	5
Share based payment expense not deductible	-	4
Adjustment in respect of prior period	-	1
	765	685

9 Dividends paid on ordinary shares

	2010 £000	2009 £000
Final 2008, paid 29 April 2009 – 3.1p per share	-	334
Interim 2009, paid 2 October 2009 – 3.1p per share	-	334
Second interim 2009, paid 25 March 2010 – 4.1p per share	441	-
Special interim 2009, paid 25 March 2010 – 2.9p per share	312	-
Interim 2010, paid 1 October 2010 – 3.9p per share	420	-
	1,173	668

The directors propose the payment of a final dividend for 2010 of 4.6p (2009 – equivalent second interim dividend of 4.1p) per ordinary share, payable on 28 April 2011 to shareholders on the register at 25 March 2011.

10 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:

	2010 £000	2009 £000
Earnings used in basic and diluted EPS, being profit after tax	1,908	1,697
Goodwill impairment, intangibles amortisation, non-trading accounting effects of the Redstone acquisition, less tax thereon	265	215
Adjusted earnings	2,173	1,912
	Number (000s)	Number (000s)
Weighted average number of ordinary shares of 1p each	10,693	10,790
Potentially dilutive shares	25	8
	10,718	10,798
Earnings per share		
Basic	17.8p	15.7p
Basic and diluted	17.8p	15.7p
Adjusted – as above but excluding goodwill impairment, intangibles amortisation and non-trading accounting effects of the Redstone acquisition	20.3p	17.7p
Adjusted and diluted	20.3p	17.7p

The adjustment above in respect of goodwill impairment, intangibles amortisation, the non-trading accounting effects of the Redstone acquisition and tax thereon has been made in order to provide a clearer picture of the trading performance of the Group.

During 2010 the Company repurchased and cancelled 295,000 of its ordinary shares, at prices between 140p and 165p each and a total cost of £487,000, representing 2.8% of the Company's issued share capital as at 31 December 2010.

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 potentially dilutive 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.

11 Intangible assets

	Goodwill £000	Customer relationships £000	Computer Software £000	Total £000
<i>Cost</i>				
At 1 January 2009	664	1,413	-	2,077
Acquired in year	-	-	91	91
At 31 December 2009	664	1,413	91	2,168
Acquired in year	128	1,448	-	1,576
At 31 December 2010	792	2,861	91	3,744
<i>Amortisation and impairment</i>				
At 1 January 2009	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
Amortisation in the year	-	303	32	335
At 31 December 2010	317	1,148	48	1,513
<i>Net book value</i>				
At 31 December 2010	475	1,713	43	2,231
At 31 December 2009	347	568	75	990

On 29 October 2010 certain business and assets of Redstone Converged Services Limited and Marcom Communications Limited were acquired at the following valuations:

	£000 (provisional)
<i>Purchase consideration</i>	
Net consideration in cash	1,600
Indemnity received for redundancy costs	(175)
Net consideration	1,425
<i>Assets and liabilities acquired</i>	
Customer contracts	1,448
Stock	95
Performance obligation liability	(246)
	1,297
Goodwill	128

The business and assets have been acquired in order to further enhance the Group's maintenance base, and in particular its development of its Avaya capabilities. The Group acquired no shares in either company as part of the acquisition.

The customer relationships are estimated to have a useful life of six years based on the directors' experience of comparable contracts and are therefore amortised over that period and are subject to an annual impairment review. The amortisation charge in 2010 is £40,222. £105,000 of the revenue from the performance obligation liabilities (being the net of the liability to service customers for which the Group has received no payment and equivalent deferred costs) has been included in revenue in 2010, and the remainder will be included in 2011. Certain of the figures above are provisional pending the nature and value of contracts being verified given the number of contracts acquired, however any adjustments are not expected to be significant. Costs related to the Redstone acquisition amounted to £26,000. It is impractical to estimate the results of the acquisition had it been effected on 1 January 2010 due to the lack of certain management information for that period and the fact that the acquired business and assets formed only part of the entities from which they were purchased. Post-acquisition it contributed, before redundancy costs, an approximate £50,000 profit to Group results including £105,000 of deferred income net of deferred costs.

A three year licence of billing software was purchased in 2009, 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 allocated to the cash generating units as follows:

	2010 £000	2009 £000
Maintel Voice and Data Limited	202	202
Maintel Europe Limited	273	145
	475	347

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 no charge in 2010 (2009 – £30,000).

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. There has been no impairment of the goodwill in 2010 (2009 – £Nil).

Goodwill of £128,000 arose on the Redstone acquisition in October 2010. This is assessed for impairment at the date of each consolidated statement of financial position. There has been no impairment of the goodwill in 2010.

For the purposes of the impairment review of goodwill, the net present value of the projected future cash flows of the relevant cash generating unit are compared with the carrying value. Projected operating margins for this purpose are based on a five year horizon and 3% rate of growth, and a discount rate of 10% is applied to the resultant projected cash flows; the discount rate is based on conventional capital asset pricing model inputs.

12 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.

13 Property, plant and equipment

	Leasehold improvements £000	Office and computer equipment £000	Total £000
<i>Cost or valuation</i>			
At 1 January 2009	67	846	913
Additions	2	93	95
Disposals	-	(91)	(91)
At 31 December 2009	69	848	917
Additions	27	84	111
Disposals	-	(76)	(76)
At 31 December 2010	96	856	952
<i>Depreciation</i>			
At 1 January 2009	65	648	713
Provided in year	3	100	103
Disposals	-	(91)	(91)
At 31 December 2009	68	657	725
Provided in year	4	97	101
Disposals	-	(76)	(76)
At 31 December 2010	72	678	750
<i>Net book value</i>			
At 31 December 2010	24	178	202
At 31 December 2009	1	191	192

14 Inventories

	2010 £000	2009 £000
Maintenance stock	621	604
Stock held for resale	380	114
	1,001	718

15 Trade and other receivables

	2010	2009
	£000	£000
Trade receivables	2,349	1,890
Other receivables	184	72
Prepayments and accrued income	1,028	994
	3,561	2,956

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

16 Trade and other payables

	2010	2009
	£000	£000
Trade payables	1,264	865
Other tax and social security	1,011	627
Accruals	636	471
Other payables	28	26
Deferred maintenance income	3,700	2,952
Other deferred income	332	128
	6,971	5,069

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.

17 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	
	2010 £000	2009 £000
<i>Current financial assets</i>		
Trade receivables	2,349	1,890
Cash and cash equivalents	2,459	2,506
Other receivables	184	72
	4,992	4,468

	Financial liabilities measured at amortised cost	
	2010 £000	2009 £000
<i>Current financial liabilities</i>		
Trade payables	1,264	865
Other payables	28	26
	1,292	891

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 £120,000 is provided at 31 December 2010 (2009 – £110,000). 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 2010 owed the Group £191,000 including VAT (2009 – £486,000).

The movement on the provision is as follows:

	2010 £000	2009 £000
Provision at start of year	110	99
Provision used	(23)	(34)
Additional provision made	33	45
Provision at end of year	120	110

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:

	2010 £000	2009 £000
Up to 30 days overdue	525	630
31–60 days overdue	278	72
More than 60 days overdue	30	33
	833	735

Cash and cash equivalents at 2010 and 2009 year ends represented short term deposits with LloydsTSB and Santander.

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 2010 was £Nil (2009 – £1,000). The Group therefore has no exposure to currency risk.

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 (£29,000 in 2010, and £12,000 in 2009) is therefore dependent on those prevailing rates, which were at a historically low level during 2009 and 2010.

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 may 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. Typically returns to shareholders will be funded from retained profits, however in order to take advantage of the opportunities available to it from time to time, 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 such opportunities and changing economic circumstances.

18 Deferred tax liability

	Property, plant and equipment £000	Intangible assets £000	Total £000
At 1 January 2009	(27)	125	98
Charge/(credit) to consolidated statement of comprehensive income	7	(58)	(51)
At 31 December 2009	(20)	67	47
Charge/(credit) to consolidated statement of comprehensive income	14	(58)	(44)
At 31 December 2010	(6)	9	3

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 27% (2009 – 28%).

19 Share capital

	2010 £000	2009 £000
Authorised		
17,571,840 ordinary shares of 1p each	176	176
Allotted, called up and fully paid		
10,486,800 (2009 – 10,781,800) ordinary shares of 1p each	105	108

Pursuant to the authority granted at the last two AGMs, the Company repurchased and cancelled 295,000 of its own 1p ordinary shares during 2010, at prices between 140p and 165p each and a total cost of £487,000. The purchase represents 2.8% of the Company's issued share capital as at 31 December 2010.

20 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 final dividend in respect of 2010 of 4.6p per share; this dividend is not provided for in these financial statements.

21 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.

22 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 13 describes the options granted over the Company's ordinary shares.

In aggregate, options are outstanding over 2.76% 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 in 2009 arising from the granting of these options was £13,000 (2010 – Nil). 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

23 Operating leases

As at 31 December 2010, the Group had future minimum rentals payable under non-cancellable operating leases as set out below:

	2010 Land and buildings £000	2010 Other £000	2009 Land and buildings £000	2009 Other £000
The total future minimum lease payments are due as follow:				
Not later than one year	155	50	48	29
Later than one year and not later than five years	196	84	-	-
	351	134	48	29

The commitment relating to land and buildings is in respect of the Group's London offices, the primary lease on which expires in September 2014 in normal circumstances, with a tenant's break option in March 2013, at an annual rental of £139,550 to 31 March 2011 and £149,550 thereafter. The remaining commitment relates to contract hired motor vehicles, which are typically replaced on a 3 year rolling cycle.

24 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:

	2010	2009
	£000	£000
Short term employment benefits	978	812
Contributions to defined contribution pension scheme	16	13
Share based payments	-	13
	994	838

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 A J McCaffery and Maybank Marketing, a company indirectly associated with A J McCaffery. Transactions in 2010 and 2009 amounted in aggregate to less than £1,500 in each case.

The Group paid commissions in the year to J A Spens, a shareholder in the Company, amounting to £10,921 net of VAT (2009 – £11,789), of which £31 (2009 – £1,545) was owed at the year end and is included in trade creditors.

25 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 11. These estimates include the asset's future cash flows and an appropriate discount to reflect the time value of money. The directors do not consider that in the normal course of events there is a likelihood that an impairment charge would be required.

Fair value of intangible assets acquired in business combinations

The valuation of intangible and certain other assets and liabilities on their acquisition requires management estimates and judgements similar to those used in assessing their impairment as described above.

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.

Receivables

Receivables are recognised to the extent that they are judged recoverable. The directors believe that the current provision for the impairment of receivables is adequate based on their historic experience and current knowledge of customers and amounts due.

Maintel Holdings Plc Company balance sheet

at 31 December 2010 – prepared under UK GAAP

	Note	2010 £000	2010 £000	2009 £000	2009 £000
Fixed assets					
Investment in subsidiaries	5		2,323		2,323
Current assets					
Debtors	6	182		196	
Cash at bank and in hand		1,175		791	
		1,357		987	
Creditors: amounts falling due within one year					
	7	295		306	
Net current assets			1,062		681
Total assets less current liabilities			3,385		3,004
Capital and reserves					
Called up share capital	8		105		108
Share premium	9		628		628
Capital redemption reserve	9		31		28
Profit and loss account	9		2,621		2,240
Shareholders' funds			3,385		3,004

The financial statements were approved and authorised for issue by the Board on 10 March 2011 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 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 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 5 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 £2,041,000 (2009 – £1,713,000).

4 Dividends paid on ordinary shares

	2010 £000	2009 £000
Final 2008, paid 29 April 2009 – 3.1p per share	-	334
Interim 2009, paid 2 October 2009 – 3.1p per share	-	334
Second interim 2009, paid 25 March 2010 – 4.1p per share	441	-
Special interim 2009, paid 25 March 2010 – 2.9p per share	312	-
Interim 2010, paid 1 October 2010 – 3.9p per share	420	-
	1,173	668

The directors propose the payment of a final dividend for 2010 of 4.6p (2009 – equivalent second interim dividend of 4.1p) per ordinary share, payable on 28 April 2011 to shareholders on the register at 25 March 2011.

5 Investment in subsidiaries

	Shares in subsidiary undertakings £000
<i>Cost</i>	
At 31 December 2009 and 31 December 2010	2,403
<i>Provision for impairment</i>	
At 31 December 2009 and 31 December 2010	80
<i>Net book value</i>	
At 31 December 2009 and 31 December 2010	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

	2010 £000	2009 £000
Amounts owed by subsidiary undertakings	173	182
Other debtors	2	3
Prepayments and accrued income	4	2
Corporation tax recoverable	3	9
	182	196

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

7 Creditors

	2010 £000	2009 £000
Amounts due to subsidiary undertakings	284	291
Trade creditors	1	7
Accruals and deferred income	10	8
	295	306

8 Share capital

	2010 £000	2009 £000
Authorised		
17,571,840 ordinary shares of 1p each	176	176
Allotted, called up and fully paid		
10,486,800 (2009 – 10,781,800) ordinary shares of 1p each	105	108

Pursuant to the authority granted at the last two AGMs, the Company repurchased and cancelled 295,000 of its own 1p ordinary shares during 2010, at prices between 140p and 165p each and a total cost of £487,000. The purchase represents 2.8% of the Company's issued share capital as at 31 December 2010.

The Remuneration Committee's report on page 13 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 2009	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
Profit for year	-	-	-	2,041	2,041
Dividends paid	-	-	-	(1,173)	(1,173)
Movements in respect of purchase of own shares	(3)	-	3	(487)	(487)
At 31 December 2010	105	628	31	2,621	3,385

It is proposed to pay a final dividend for 2010, of 4.6p per share, on 28 April 2011; this dividend is not provided for in these financial statements.

10 Related party transactions

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 21 April 2011, 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 2010, 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 2010.
3. To re-elect Mr A J McCaffery, 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 £34,956, 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 £10,486.

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 1,571,971 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
25 March 2011

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 19 April 2011, 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 19 April 2011 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.

