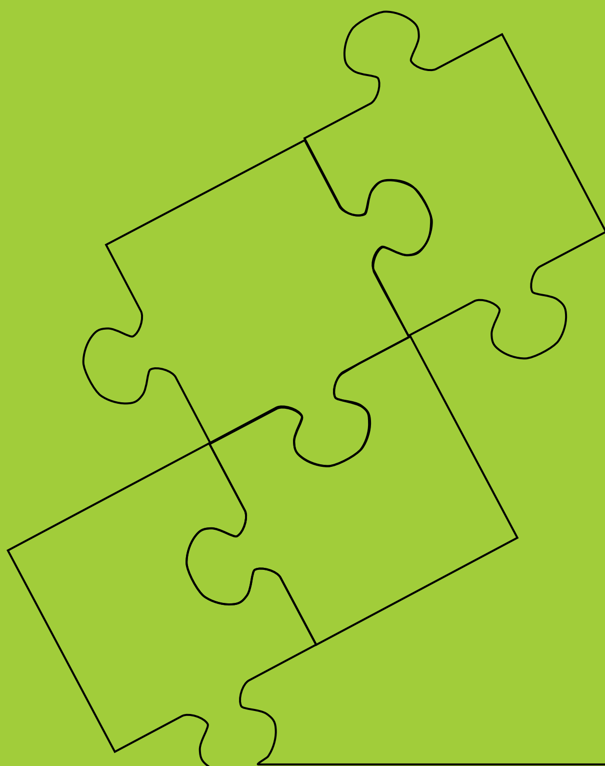
maintel

Annual Report & Accounts
Maintel Holdings Plc

2013



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Directors, Company details and advisers

Directors

J D S Booth	Chairman, Non-Executive Director
E Buxton	Chief Executive
A J McCaffery	Sales and Marketing Director
K Stevens	Operations 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
Tel: 0870 707 1182

Chairman's statement

I am pleased to be able to report another satisfactory year for the Maintel Group, with organic adjusted profit before tax increasing by 1%, and the recently acquired Datapoint companies contributing their maiden profit.

Group revenues increased by 10% in the year, to £31.1m (2012 - £28.2m), producing a 5% increase in adjusted profits to £5.23m (2012 - £4.97m) and adjusted earnings per share of 37.6p, a 7% improvement on the 35.1p reported for 2012.

A highlight of the year was the acquisition in mid-September of the UK and Ireland operations of the Datapoint group for a consideration of £3.5m, paid in cash and partly funded by borrowings. The aggregate unaudited revenue of these companies in the year to 30 June 2013 was £15.8m, although it is envisaged that revenues will be approximately £2.0m lower in the current financial year due to lower levels of non-recurring business and a degree of attrition.

The Datapoint acquisition brings with it new and exciting skill sets which are allowing us to develop our business in new sectors, including the contact centre market where Maintel already has a presence but Datapoint has a much greater depth of knowledge and experience. It also has a significant international customer base and an Irish office, which will bring further opportunities to the Group.

Revenues from Maintel's managed service and maintenance and equipment sales division excluding Datapoint were 4% down on 2012, partly due to two delayed projects and the full year effects of the high managed service attrition in 2012. Customers transitioning to newer technologies, however, have allowed further reductions in the cost base, so that divisional margins excluding Datapoint were maintained at 38% and gross profit was only £0.2m down on 2012. With Datapoint's contribution to the division, revenues increased by £3.1m or 17% to £21.8m.

The network services division once again showed steady growth with revenues up 3% at £6.9m, gross profit up 6% and margins improving again from 29% to 30%.

The mobile division saw revenues of £2.6m in 2013, a reduction of £0.3m, as the focus was on improving margins – which increased from 54% to 63% – rather than connection numbers. Nevertheless, new sales during the year were below expectations and this is being addressed in 2014 with the addition of new sales resource.

Cash generation from trading remained strong with adjusted net cash flow from operating activities (as described in the Strategic report) of £2.6m despite having paid £1.2m of exceptionally delayed supplier payments from 2012. We ended the year with £0.5m in cash. The Datapoint acquisition was partly financed by way of a £3.0m loan, of which £2.75m was outstanding at year end.

Given the Company's strong cash generation, the board intends over the next two years to increase its dividend payout ratio to around 50% of adjusted earnings per share which it considers will be more in line with its peer group. We therefore propose to pay a final dividend for 2013 of 9.0p, bringing the total payable for the year to 15.7p (2012: 7.3p and 13.6p), which will be paid on 24 April to shareholders on the register on 21 March.

Our medium term focus is to realise the potential of the Datapoint acquisition across a number of fronts, but we will remain alert to value enhancing acquisitions of businesses or customer bases as these arise. We look forward to the coming year with enthusiasm and confidence.

2013 has been particularly eventful for the Group with the acquisition of Datapoint and I thank my colleagues, longstanding and newly arrived, for their dedication and hard work during the year.

J D S Booth
Chairman
7 March 2014

Strategic report

Results for the year

2013 was another year of solid performance for Maintel, with revenue increasing by 10% to £31.1m and adjusted profits (as described below) by 5% to £5.232m (2012 – £4.970m), with a consequent increase in adjusted EPS of 7% to 37.6p (2012 – 35.1p).

Unadjusted profits were £3.643m in the year (2012 – £1.405m) and unadjusted EPS 25.0p (2012 – 3.4p), the 2013 figure being impacted by the £691,000 costs of the acquisition of the Datapoint companies (described below), and the 2012 figure by the expensing under accounting standards of contingent consideration payments relating to the acquisition of the mobile division in October 2011. Both years experienced the regular amortisation of intangible assets, the 2013 charge being higher with the addition of a charge in respect of Datapoint.

Revenue increased by 10% over the previous year to £31.1m (2012 – £28.2m) with Datapoint's £3.8m revenue more than compensating for a £0.9m (3%) reduction in the base Maintel revenue. As in 2012, most of the reduction was seen in the managed service and equipment division, in part due to the delay in earning revenue from two material signed contracts. Revenues in the mobile division also reduced but this was the result of an active policy of churning lower revenue customers, which translated into an increase in gross profit. The network services division continued its steady growth in the year. The Datapoint business brings with it an annualised contract base of c£8.2m, with £2.5m of this recognised in the period since acquisition, so that total recurring revenue (managed services, network services and mobile) increased by 10% in the year from £21.7m to £23.8m (77% of total revenues; 2012 – 77%).

	H1 2013 £000	H2 2013 £000	2013 £000	2012 £000	Increase
Revenue	13,565	17,559	**31,124**	28,171	10%
Profit before tax	2,000	1,643	**3,643**	1,405	259%
Add back customer relationship intangibles amortisation	359	539	**898**	731	
Exceptional items relating to the acquisition of Datapoint (note 11)	-	691	**691**	-	
Contingent consideration re Maintel Mobile treated as remuneration (note 12)	-	-	**-**	2,834	
Adjusted profit before tax	2,359	2,873	**5,232**	4,970	5%
Of which: Maintel^	2,359	2,668	**5,027**	4,970	1%
Datapoint^	-	205	**205**	-	
	2,359	2,873	**5,232**	4,970	5%
Basic earnings per share	14.4p	10.6p	**25.0p**	3.4p	
Diluted	14.2p	10.5p	**24.7p**	3.4p	
Adjusted earnings per share*	16.9p	20.7p	**37.6p**	35.1p	7%
Diluted	16.7p	20.4p	**37.1p**	34.7p	7%

^ Before management charges

* Adjusted profit after tax divided by weighted average number of shares (note 10).

Strategic report (continued)

The Group's cash flows remained robust, with adjusted (as explained on page 13) net cash flows from operating activities of £2.554m (2012 - £3.678m) in the period, the main reduction from last year being due to a £1.2m reversal of creditor payments deferred at 31 December 2012, paid in 2013. The Group ended the year with cash of £544,000. The Group borrowed £3.0m during the year to finance the acquisition of the Datapoint companies and £2.75m of this remained due at the year end.

Acquisition of the Datapoint companies

On 13 September 2013, the Group acquired Datapoint Customer Solutions Limited, Datapoint Global Services Limited and Datapoint Communications Limited ("Datapoint") for a consideration of £3.5m. This acquisition represents a key component of the Group's strategy to diversify its revenue base and significantly increase its presence in new markets.

The Datapoint companies provide managed services in Unified Communications to a base of approximately 100 customers, with a particularly strong presence in the contact centre sector. Other services include consulting, professional services and equipment sales. Whilst the core business acquired is UK and Ireland based, some customers have subsidiary operations in other countries, whose service is coordinated from the UK and Ireland operations.

Review of operations

The table below summarises the revenues of the three operational divisions of Maintel. The Datapoint results are reviewed by the board as part of the managed services and equipment division and aggregate figures will be reported in future periods, however they are stated separately in this report to show the organic movements year on year.

Revenue analysis (£000)	2013 Maintel	2013 Datapoint	2013 Total	2012	Increase/ (decrease)
Managed services related	11,966	2,511	14,477	12,246	18%
Equipment, installations and other	5,993	1,294	7,287	6,435	13%
Total managed services and equipment division	**17,959**	**3,805**	**21,764**	18,681	17%
Network services division	**6,938**	**-**	**6,938**	6,730	3%
Mobile division	**2,597**	**-**	**2,597**	2,941	(12)%
Intercompany	(175)	-	(175)	(181)	
Total Maintel Group	**27,319**	**3,805**	**31,124**	28,171	10%

Divisional performance is described further below.

Managed services and equipment division

The managed services and equipment division provides the management, maintenance, service and support of office-based voice and data equipment across the UK and Ireland on a contracted basis. It also supplies and installs voice and data equipment to managed services customers, both to our direct clients and into our partner customers. In previous reporting periods this division was referred to as the maintenance and equipment division, however an increasing proportion of the division's operations encompass the management of customers' systems and networks. This trend has been augmented by the inclusion of Datapoint's revenues within this division.

Excluding Datapoint the division's revenues were £17.959m in 2013, a reduction of 4% in the year with managed services related revenue down 2% and equipment sales down 7%. Both revenue streams were flat in H2 2013 compared with H1 2013. H2 equipment sales were adversely affected by two large projects being delayed by customers, though both of these will be fully installed during Q1 2014 and the pipeline for new orders remains very healthy. Despite competitive pressure, gross margins were maintained at 38% prior to inclusion of the lower margin Datapoint sales.

Managed services

(a) Maintel, excluding Datapoint

It was noted in the half year report that the transitioning of the customer base to newer IP technology was altering the managed services business model, with a higher proportion of third party and vendor software support contracts and network monitoring services resulting in the need for fewer lower skilled field engineers. As a result, Maintel (excluding Datapoint) engineer productivity improved with engineer numbers reducing from 87 at last year end to 79 at 31 December 2013.

It was noted at the half year that the higher than usual attrition rate of 2012 had resulted in a drop in managed services revenue. Despite much reduced attrition levels in 2013 this was not fully compensated for by new sales, and translated into a reduction in the annualised customer base from £12.3m at last year end, to £11.9m at 31 December 2013 and a consequent reduction in managed service revenues of 2% from the previous year.

(b) Datapoint

The Datapoint customer base had an annualised value of £8.2m at the year end. Synergies resulting from the joint servicing of the Datapoint and Maintel bases include duplicated management, sub-contracted support contracts which can be brought inhouse with the combined Group's extended skillsets, cost savings from joint purchasing and the termination in many cases of the parts replacement service currently outsourced by Datapoint. Progress in realising these synergies has been in line with expectations and further cost savings will be achieved over the course of 2014.

Equipment sales

(a) Maintel, excluding Datapoint report

The half year report noted that a significant project had been substantially completed in H1 2013, but had reduced the divisional margin to 36%. The predicted improvement in H2 margin was achieved through an increased weighting towards professional services projects, including the implementation of a large Avaya data network, the upgrading of an IP telephony infrastructure across multiple sites and a significant contact centre upgrade. H2 revenues were slightly ahead of H1 and divisional margins recovered such that gross margin for the year as a whole matched the 38% achieved in 2012. We have recently won two significant technology upgrade projects in the health and communications sectors involving multiple large contact centres implementing our new video conferencing proposition across multiple sites, which is an encouraging start to the new year.

(b) Datapoint

As with the base Maintel business, equipment, professional services and other revenues are derived from Datapoint's managed service customers almost as a matter of course, with £1.294m of such revenue earned in the period since acquisition. The table below shows Datapoint having a lower gross profit percentage than the base Maintel business, largely because of the more extensive use of sub-contracted support contracts used by Datapoint. As noted above, these arrangements will be under review during 2014.

Strategic report (continued)

Headcount	Average 2013	Average 2012	At 31 December 2013
Sales and customer service - Maintel	**53**	53	**52**
Sales and customer service - Datapoint*	**11**	-	**9**
Engineers - Maintel	**84**	90	**79**
Engineers - Datapoint*	**49**	-	**48**

* average since acquisition

Division gross profit (£000)	2013	2012	Increase/(decrease)
Maintel	**6,790 (38%)**	7,017 (38%)	(3)%
Datapoint	**1,254 (33%)**	-	-
Group	**8,044 (37%)**	7,017 (38%)	15%

Given the application of common resource across both managed service and equipment sales, it is not practical to quote definitive margin data on the separate business sectors; however management figures are used to monitor constituent elements 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 hosted IP telephony solutions. These services complement those offered by the managed service and equipment division and the mobile division.

Revenue analysis (£000)	2013	2012	Increase/(decrease)
Call traffic	**2,586**	2,656	(3)%
Line rental	**3,179**	2,979	7%
Data services	**809**	799	1%
Other	**364**	296	23%
Total network services	**6,938**	6,730	3%

	2013	2012	Increase
Division gross profit (£000)	**2,055 (30%)**	1,945 (29%)	6%

The network services division has again shown steady growth, with revenues up 3% and gross profit up 6% on 2012.

Call minutes billed continued to increase year on year as new customers were signed and attrition remained at its historically low levels. However, continued pressure on call rates, including the reduction in mobile termination rates, resulted in call revenue reducing by 3%. 2013 was the final year of these regulatory decreases in mobile termination rates which were initiated by Ofcom in 2011. Line rental revenues continued to grow, increasing by 7% in the year with a full year's revenues from a large contract signed during 2012 outweighing the proactive transitioning of some larger customers from old technology to newer SIP technology and consolidating their estates. Although data connectivity revenues were restricted to a headline 1% increase, the 2012 revenue included a large one-off hardware sale, so that the underlying growth rate excluding this contract was a healthier 9%. Within the other services category, both VoIP and inbound services revenues showed particularly strong growth in the year.

We have seen a continued increase in the number of new customers taking multiple products and existing customers being cross-sold network services, particularly in the maturing SIP technology for a range of Enterprise and SME clients and with notable wins for our hosted telephony services in the latter part of the year.

Each of the primary network services revenue streams saw an increase in margins during the year, with overall divisional gross margin increasing from 29% to 30%, through tight cost control and margin management particularly on the call traffic side of the business.

Mobile division

Maintel Mobile derives its revenues primarily from commissions received under its dealer agreements with Vodafone and O2, supplemented by revenue derived from ongoing customer monthly spend, with approximately 75% of connections at the end of 2013 under the Vodafone agreement and 25% under the O2 agreement.

£000	2013	2012	Increase/ (decrease)
Revenue	**2,597**	2,941	(12)%
Gross profit	**1,640 (63%)**	1,602 (54%)	2%

	At 31 December 2013	At 31 December 2012	Decrease
Number of customers	**952**	1,042	(9)%
Number of connections	**13,178**	13,859	(5)%

Whilst revenue in 2013 was down 12% on 2012, margins increased from 54% to 63%, so that gross profit increased by £38,000 or 2%. At 31 December 2013, the mobile division managed 13,178 (2012 - 13,859) connections, a decrease of 5% in the period, as we have continued to focus on margin rather than numbers of connections, proactively managing out many of the lower value customers from our base.

As noted in the half year report, revenue was affected by a mid term renewal cap imposed by one of our network suppliers in the first quarter of the year, which temporarily limited our ability to re-sign customers and so restricted this revenue stream.

With this restriction removed, H2 saw a creditable 12% improvement in revenue over H1, however new connections in the year didn't meet our expectations and this is a focus of our attention for 2014 and we have recruited additional sales resource to support this.

We did see an increase in the volume of upsells and bolt-on packages into the base – which attract higher margins – and this further supported the increase in the division's gross profit compared to the previous year. Cross-selling our mobile proposition into the customer base continues to gain traction and we signed two higher value contracts late in H2 in the IT and commodities sectors including one that added 666 connections, which started billing early in 2014.

As previously highlighted, one of our network suppliers has implemented changes to its commission arrangements from August 2013 which over the course of two years from that date will result in a reduction in recurring commissions from that supplier of approximately 10%.

Strategic report (continued)

Administrative expenses, excluding intangibles amortisation and non-trading adjustments

Administrative expenses (£000)	2013	2012	Increase/ (decrease)
Sales expenses	**2,408**	2,606	(8)%
Other administrative expenses (excluding intangibles amortisation, exceptional expenses, and in 2012 an adjustment to acquisition consideration)	**2,780**	2,837	(2)%
Maintel excluding Datapoint	**5,188**	5,443	(5)%
Datapoint administrative expenses	**1,148**	-	
Total other administrative expenses	**6,336**	5,443	16%

Total other administrative expenses excluding Datapoint were reduced by £255,000 (5%) in the year, with a saving from the departure in October 2012 of the vendor of the acquired mobile business, and a range of other cost savings secured during the year. The Datapoint administrative expenses are shown above from the date of acquisition.

The exceptional costs of £691,000 shown in the income statement relate to legal and professional fees incurred in respect of the acquisition of the Datapoint companies and £120,000 of redundancy costs resulting from the combining of certain operations following the acquisition.

The intangible amortisation charge increased in the year due to the charge applying to the Datapoint intangible acquired during the year. Impairment and amortisation charges are discussed further below.

The table below shows relevant headcount in relation to revenue in respect of the Maintel (excluding Datapoint) business.

	2013	2012	Increase/ (decrease)
Average Group headcount during the period	**176**	182	(3)%
Average sales and service headcount	**69**	69	-%
Average corporate and admin headcount	**23**	23	-%
Group revenue excluding Datapoint (£000)	**27,319**	28,171	(3)%

The reduction in average Group headcount above resulted from redundancies in the engineering force, as noted earlier.

Equivalent figures for Datapoint were:

	2013
Average Datapoint headcount since acquisition	72
Datapoint revenue since acquisition (£000)	3,805

Datapoint's higher revenue per head reflects its greater use of third party and manufacturer support contracts, as noted earlier, reflecting the greater complexity of the services it provides.

Interest

Interest receivable reduced from £9,000 to £2,000 in 2013, with average cash balances being lower in 2013 as described below, combined with the continuing low rates of interest achievable from acceptable financial institutions.

The Group recorded a £32,000 interest charge in 2013 (2012 - £Nil) on the borrowings secured to acquire the Datapoint companies.

Taxation

The consolidated statement of comprehensive income shows a tax rate of 27% (2012 – 74%). Each of the Group companies is taxed at 23.25% (2012 – 24.5%). Certain recurring expenses that are disallowable for tax raise the effective rate above this, partly offsetting Datapoint profits which are free of tax due to brought forward tax losses. The rate is inflated in the year by the £571,000 costs of the Datapoint acquisition not being an allowable deduction for tax, and in 2012 by a disallowable adjustment for £2.834m contingent consideration relating to the Maintel Mobile acquisition; excluding these the tax rate would be 23.2% in 2013 and 24.6% in 2012.

Dividends

A final dividend for 2012 of 7.3p per share (£779,000 in total) was paid on 25 April 2013, and an interim dividend for 2013 of 6.7p (£715,000) was paid on 11 October 2013.

It is proposed to pay a final dividend of 9.0p in respect of 2013 on 24 April to shareholders on the register at the close of business on 21 March, representing a 23% increase on the 2012 final dividend. The corresponding ex-dividend date will be 19 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 2013.

The Business model section below describes the board's dividend policy.

Consolidated statement of financial position

The consolidated statement of financial position remains sound, with £544,000 of cash at 31 December 2013 (2012 - £1.941m) and the £2.75m loan, £250,000 of the principal on the loan having been repaid in December 2013. Cash flow is described further below.

Trade receivables have increased by £1.724m in the year, the main reason being the inclusion of £1.187m of Datapoint trade receivables at the date of acquisition, and the increase in that balance to £2.211m at the year end due to the timing of invoicing of several larger customers. This is partly offset by Maintel's improved trade receivable position at the end of 2013, 2012 debtors having been artificially high due to back-billing.

Prepayments have increased by £1.445m, with the Datapoint acquisition accounting for £1.052m of this and most of the rest being increased accrued income due to late crediting to the mobile division by network services suppliers resulting in revenue being accrued.

Strategic report (continued)

The value of maintenance stock has increased by £62,000 in the year, to £640,000, primarily due to the maintenance stock acquired with Datapoint. The value of stock held for resale has increased from £114,000 to £205,000 reflecting different stages of invoicing and completion of cross-period installations year to year.

Trade payables have increased by only £398,000 since 31 December 2012, despite the addition of £1.294m of Datapoint payables at acquisition, primarily due to the reversal of the December 2012 delay in paying £1.165m to three suppliers for operational reasons, as highlighted in last year's report.

Other tax and social security liability has increased by £389,000 largely due to the Datapoint liability acquired.

Accruals have increased by £615,000 year on year, with the accruals related to Datapoint being only partly offset by the payment during the year of the final £900,000 Totility (now Maintel Mobile) consideration that was accrued at 31 December 2012.

Deferred managed service income has increased by £2.908m, with £3.191m attributable to Datapoint at year end, partly offset by a reduction in Maintel reflecting the slightly lower managed service base. Other deferred revenue has increased by £539,000, £459,000 attributable to Datapoint.

No significant expenditure has been required on plant and equipment during the period, with the depreciation charge including a £33,000 charge in respect of Datapoint; the main expenditure was as usual on IT and routine office refurbishment.

Intangible assets
The Group has two intangible asset categories: (i) an intangible asset represented by customer contracts and relationships acquired from District Holdings Limited, Callmaster Limited, Redstone, Maintel Mobile and Datapoint, and (ii) goodwill relating to the Maintel Network Services, District, Redstone, Maintel Mobile and Datapoint acquisitions.

Goodwill of £4.702m (2012 - £1.026m) is carried in the consolidated statement of financial position, which is subject to an impairment test at each reporting date. The £3.676m increase in the year relates to the acquisition of the Datapoint companies. No impairment has been charged to the consolidated statement of comprehensive income in 2013 (2012 - £Nil).

The intangible assets represented by purchased customer contracts and relationships were valued at £6.286m at 31 December 2013 (2012 - £3.489m). £3.695m of value was added in the year relating to the acquisition of the Datapoint companies. The intangible assets are subject to an amortisation charge of 17-20% of cost per annum in respect of managed service and maintenance contract relationships, and 14.2% per annum in respect of network services contracts and Maintel Mobile customer relationships, with £898,000 being amortised in 2013 (2012 - £731,000), the increase attributable to the Datapoint customer relationships acquired.

Cash flow
At 31 December 2013 the Group had cash and bank balances of £544,000 (2012 - £1.941m), all unrestricted save for the charge held by Lloyds Bank over the assets of the Group generally.

Net cash flows from operating activities in 2013 at £963,000 (2012 - £1.378m) were affected by non-recurring transactions, as they were in the previous year, as follows:

(a) At 31 December 2012, £900,000 was accrued in respect of the final payment due in respect of the consideration payable for the acquisition of Maintel Mobile. In the 2013 cash flow statement, this is shown as a working capital movement and is therefore adjusted below.

(b) The Group incurred an exceptional cost of £691,000 during 2013, £571,000 in respect of legal and professional fees and £120,000 in respect of redundancy costs, both in relation to the Datapoint acquisition.

(c) In 2012, £2.3m was paid during the year in respect of contingent consideration relating to the acquisition of Maintel Mobile and under accounting rules this was expensed in the income statement. This is also adjusted below.

In the Chairman's statement and Strategic report these payments have been added back to the cash flows shown in the statement of cash flows as follows, in order to give a more meaningful picture of the Group's operational cash flows:

		Unadjusted	Adjusted
Cash generated from operating activities	- 2013	£2.111m	£3.702m
	- 2012	£2.880m	£5.180m
Net cash flows from operating activities	- 2013	£0.963m	£2.554m
	- 2012	£1.378m	£3.678m

Adjusted cash generated from operating activities before tax reduced in the year to £3.702m (2012 – £5.180m), primarily due to the payment of £1.165m of deferred supplier payments noted earlier. Unadjusted cash generated from operations was £2.111m, with payment of £1.494m dividends, £1.148m in corporation tax, and £3.497m on the Datapoint acquisition less a net £2.750m of associated loan financing, producing a net overall outflow of £1.397m in the year (2012 – outflow of £1.012m).

The Group had no debt at 31 December 2012, but drew a loan from Lloyds Bank plc on 13 September 2013 to finance the acquisition of Datapoint; further details of the loan are given in note 19. At the same time, the Group secured an overdraft facility of £1m with Lloyds. The Group invests its surplus cash with mainstream banking organisations.

The Group established a revolving credit facility of £1.5m in October 2011 with J D S Booth, the Group's chairman, however no monies were drawn against this and the facility expired on 30 June 2013.

Business model and strategy
The Group's objective is to maximise shareholder returns over the short, medium and long term through the provision of telecoms-related products and services. Historically these services have been provided predominantly in the UK, however with the acquisition of the UK and Ireland operations of the Datapoint group in September 2013, the Group now also services a range of customers overseas.

The provision of these services is based around the Group's managed services and equipment division. Historically this division was known as the maintenance and equipment division, the bulk of its support revenues deriving from a break-fix contract with customers. However the signing of an increasing number of higher end customers requiring a more holistic, managed service, together with the acquisition of the Datapoint companies, has seen the balance of revenues move more to a managed service, and the maintenance element of the business has been renamed as such.

The provision of break-fix and managed services creates the opportunity to sell other services into clients, primarily equipment and professional services, and the Group combines these revenue streams into a single business unit. The Group operates two other business units – network services and mobile – whose services are cross-sold into the managed services base and to external clients, mostly in the SME sector.

Organic growth in each business unit is targeted each financial year, and is supplemented by the acquisition of complementary companies or client bases where clear shareholder value creation can be achieved. Acquisitions may be funded out of cashflow, borrowings or the issue of shares, dependent on a range of factors considered at the time.

Strategic report (continued)

Business model and strategy (continued)

The Group has historically paid dividends equivalent to approximately 40% of its adjusted earnings per share. To reflect the Group's confidence in future cash flows, the directors are of the view that this should be increased to approximately 50% over the course of the next two years. To mark a transition to this policy, the directors are proposing a final dividend of 9.0p for financial year 2013, which when combined with the interim 2013 dividend of 6.7p per share gives a full year dividend of 15.7p, equivalent to 42% of adjusted earnings per share.

Principal risks and uncertainties

The directors consider that the principal risks to the Group relate to technological advance, marketplace relationships and pricing strategies.

Telecommunications hardware has historically focused on a PBX core, which is gradually being replaced, at least at the higher end, by hosted and cloud based IP 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 unified communications and contact centre systems, and has had notable success with the transition to date. Managed service income from the new technology can be reduced when compared to traditional telephony although this is mitigated through reduced costs in delivering our service and promoting a managed service concept, retaining where possible the resultant enhanced calls and lines revenue and up-selling high value new products such as network monitoring, software assurance and mobile services. The acquisition of Datapoint, with its broader range of associated business application skills in the unified communications contact centre high growth space, will accelerate Maintel's ability to drive new revenue streams.

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 to include SIP trunking and hosted IP technology, which is gaining traction. In addition line rental and data revenues have continued to grow significantly during 2013. 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 has a close partner relationship with O2/Telefonica and to a diminishing extent Vodafone (incorporating Cable & Wireless Worldwide), such that these companies and their clients constitute a significant share of its managed service base. The extent of the relationship with O2 has grown with the acquisition of the Datapoint companies and the work they carry out for O2. Should the relationships be terminated, the managed service base would reduce to that extent over time, necessitating a commensurate reduction in costs. Partnerships with other integrators continue to be developed to reduce the percentage weighting of business with these partners.

Maintel Mobile is a dealer for its suppliers, primarily Vodafone and O2, and is reliant on its relationships with those companies. The Group more generally relies on its contracts with both suppliers and clients and, beyond contractual status, maintains strong relationships with them at various levels of the business, as well as striving to ensure that client expectations are met and, where possible, exceeded.

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

The pricing of the network services and mobile divisions' products and services can be affected by regulatory bodies in the UK and the EU. The company is also potentially subject to new pricing strategies by both competitors and suppliers, whether due to their own internal policies or in response to technological change. The company mitigates these risks by assessing anticipated regulations and pricing strategies and amending its own pricing policies accordingly.

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 ensures that there is continual investment in external and internal training of employees, and monitors the compliance with both statutory regulation and best practice with regard to gender, race, age and disability.

Periodic newsletters are distributed to employees, and a Group intranet is core to open communication amongst employees; this continues to be developed.

The Company established a Share Incentive Plan in 2006, allowing employees and directors to invest tax effectively in its shares, and so aligning employee interests with those of 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. A major consideration when replacing company cars is their impact on the environment, a focus on the replacements during 2013 being on energy saving technologies, with the new vehicles consequently attracting zero road tax. The Group also makes use of in-house video-conferencing facilities to reduce the need for regional meetings. Maintel Europe Limited has ISO14001:2004 accreditation for its environmental management systems.

Outlook

Overall, whilst competition levels remain high, we are seeing market conditions moderately improve with businesses engaging in discussions to increase investment in their communications infrastructure.

We remain alert and well positioned to consider further acquisitions in a market that we anticipate will see further consolidation. However our short-term focus will be on the integration and successful synergy realisation from Datapoint and realising the opportunity it has brought to the Group to diversify our revenues and significantly increase our presence in new markets.

Strategic report (continued)

Outlook (continued)

We remain cautiously optimistic in our outlook for the year ahead having started the new financial year on track, with confidence that our investment in the Datapoint business will deliver clear cost benefits and growth in due course. In the light of this outlook, the Board intends to increase the dividend pay out to approximately 50% of adjusted earnings per share over the course of the next two years.

On behalf of the board

E Buxton
Chief Executive
7 March 2014

Board of directors

John Booth, 55, Non-executive chairman

John was appointed chairman of Maintel in 1996. He is also chairman of Integrated Asset Management plc. He acts as a non-executive director of several other private companies and is a consultant to Herald Venture Partners. John's career has been spent in equity investment and broking where he has held various senior positions including Head of Equities at Bankers Trust and co-founder and executive chairman until 2011 of the Link Group which was acquired by ICAP plc in 2008.

Eddie Buxton, 53, Chief Executive

Eddie was appointed chief executive in 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, 47, 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. He is also a non-executive director of Nasstar Plc an AIM listed cloud computing provider.

Dale Todd, 55, 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.

Kevin Stevens, 48, Operations Director

Kevin was appointed to the Board on 1 January 2014. He joined the Group in June 2010 and has been a director of the main trading company, Maintel Europe Limited, since December 2011. He has worked in the Communications and IT industry since 1981, holding senior operations and general management positions with Genesis Telecommunications, Xpert Communications, Redstone and Westcon Convergence, with a focus on improving business operations, process and customer service.

Nicholas Taylor, 47, Non-executive director

Nicholas has extensive experience of working with growing organisations, principally in the media and communications industries. He has worked as a consultant and in-house, in both an executive and non-executive capacity and has held senior positions in both private and public businesses and in the not for profit sector. He is also non-executive Chairman of Linstock Communications, a public relations consultancy.

Report on corporate governance

As a company listed on the Alternative Investment Market of the London Stock Exchange, Maintel Holdings Plc is not required to comply with the 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. A description of the main governance policies and procedures adopted by the Group is set out below.

Board of directors

The board includes two non-executives - John Booth, who is chairman, and Nicholas Taylor. Although it is not considered necessary, given the Company's size and stage of development, to seek a further non-executive, the board is mindful of the potential benefits, and intends to recruit when a suitable candidate becomes available.

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. During 2013 Hopton Hill Limited, a company owned by Nicholas Taylor, provided consultancy support around the Datapoint acquisition; however, given the limited nature of the engagement, the Board does not consider it to have compromised his independence.

The board also consists of four executive directors, of whom Eddie Buxton is Chief Executive, Angus McCaffery is Sales and Marketing Director, Dale Todd is Finance Director and Kevin Stevens is Operations Director. Reflecting the growth in the Group and its focus on technological developments, Mr Stevens was appointed to the Board on 1 January 2014.

The directors' biographies on page 17 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 six 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. Although not required to retire this year in accordance with the articles, revised corporate governance guidance recommends that non-executive directors with more than 9 years service are re-elected annually, and John Booth, having been a director since 1996, also offers himself for re-election.

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

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

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

Audit committee

The audit committee is chaired by Nicholas Taylor with John Booth being the other member. The Board is satisfied that for the year under review and thereafter Mr Taylor has adequate recent and relevant commercial and financial knowledge and experience to chair the committee.

The remit of the committee is to:

- consider the continued appointment of the external auditors, and their fees and independence.
- liase with the external auditors in relation to the nature and scope of the audit.
- review the form and content of 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 to review the 6 monthly and annual financial statements and at these meetings in 2013 Eddie Buxton, Dale Todd (who acts as secretary to the committee) and the external auditors attended by invitation.

In 2013 it also formally met to review and update its remit and liased informally with the executive directors in relation to published financial information and other audit-related matters. Nicholas Taylor met with the external auditors in the absence of executive management.

The principal issues addressed by the Committee during the year were:

- The external auditors' year-end report for 2012, the review of the Group's preliminary results in 2013 and the disclosures in the 2012 annual report.
- The external audit plan for the 2012 financial statements which included a review of the audit objectives, scope, timetable and deliverables.
- The re-appointment of BDO LLP as external auditors, their independence and objectivity and their fee.
- Consideration of the external auditors' observations on the internal financial controls arising from their annual audit.

BDO LLP is retained to perform audit and audit-related work for the Group. The committee monitors the nature and extent of non-audit work undertaken by the auditors, including reviewing the letter of independence provided by the auditors annually which includes details of audit and non-audit work undertaken. The committee is satisfied that there are adequate controls in place to ensure auditor independence and objectivity. Details of audit and non-audit fees for the period under review are shown in note 6 of the financial statements.

Remuneration committee

The remuneration committee is chaired by Nicholas Taylor, its other member being John Booth. The committee meets at least once in respect of each financial year. The committee's report to shareholders on directors' remuneration is set out on page 22.

Report on corporate governance (continued)

Nomination committee
The nomination committee had two members during 2013, both non-executive, being John Booth, chairman, and Nicholas Taylor. The committee meets as required. It met once in 2013, to agree to recommend the appointment of Kevin Stevens as a director, to consider the appointment of a third non-executive director and to review and update its terms of reference, 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 the attendance of the directors at meetings of the board and the Remuneration and Audit Committees during the year.

	Number of meetings in the year	J Booth	E Buxton	A McCaffery	N Taylor	D Todd
Board	14	14	14	12	14	14
Audit committee	3	3	2	-	3	2
Remuneration committee	3	3	-	-	3	-

Relationship with shareholders
The Chairman's statement and the Strategic report on pages 4 to 16 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 on page 66.

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.

Internal control
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.

The key operational functions of the Group are subject to processes established and externally audited under ISO9001 and ISO27001, which the directors consider to be a valuable additional internal and external control tool of the business.

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 21 to the financial statements.

Going concern
The Group has a sound financial record including strong operating cash flows derived from a substantial level of recurring revenue across a range of sectors and as a consequence and after making enquiries and reviewing projections, 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 remuneration committee's remit is to measure the performance of, and determine remuneration policy relating to directors and senior employees, and to support this responsibility it has access to professional and other advice external to the Group. Taking these factors into account, it then makes recommendations to the board.

The committee consists of the two non-executive directors, Nicholas Taylor (chairman of the committee) and John Booth, and met three times during 2013, including one meeting to review its terms of reference.

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. In December 2013, recognising the increased responsibilities arising from the acquisition of Datapoint, the committee reviewed the directors' remuneration in comparison with market rates for companies with similar attributes.

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.

As a result of the market review, the basic salary of the executive directors was increased with effect from 1 January 2014.

(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

The executive directors 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

Executive directors' service agreements, which include details of remuneration, will be available for inspection at the annual general meeting. 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 and taking account of the directors' evolving responsibilities. Taking these factors into account, the remuneration of the non-executive directors also increased with effect from 1 January 2014. The non-executives receive no payment or benefits other than their fees.

Directors remuneration

The remuneration of the directors in office at 31 December 2013 was as follows:

	Salaries/fees £000	Benefits £000	Bonus £000	Pension contributions £000	Total 2013(1) £000	Total 2012(1, 2) £000
J D S Booth	34	-	-	-	34	34
N J Taylor (3)	20	-	-	-	20	20
E Buxton	140	12	36	4	192	189
A J McCaffery	160	19	20	4	203	193
W D Todd	138	12	30	-	180	170
	492	43	86	8	629	606

(1) Excluding social security costs in respect of the above amounting to £79,000 (2012 - £78,000).

(2) Including bonuses of £65,000, employer pension contributions of £8,000 and benefits of £43,000, so that salaries amounted to £490,000.

(3) In addition to his fees as a director stated above, the Company paid £44,000 plus £2,000 expenses to a company of which Mr Taylor is a shareholder and director in respect of consultancy services provided to the Company during the year.

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 25. These include holdings under the Company's Share Incentive Plan, to which all of the directors subscribe.

Report of the Remuneration committee (continued)

Share options
On 18 May 2009 the directors of the Company approved the adoption of the Maintel Holdings Plc 2009 Option Plan. The following options remain outstanding under the Plan:

Option holder	Number of shares	Date of grant	Option price	Expiry of option
Eddie Buxton	53,909	18 May 2009	100p	18 May 2019
Eddie Buxton	107,818	18 May 2009	200p	18 May 2019
Eddie Buxton	107,818	18 May 2009	300p	18 May 2019
Dale Todd	10,000	10 September 2009	150.5p	10 September 2019
Dale Todd	10,000	11 March 2011	200p	11 March 2021
Dale Todd	20,000	21 December 2011	265p	21 December 2021
Dale Todd	10,000	17 April 2013	345p	17 April 2023
Dale Todd	10,000	19 December 2013	525p	19 December 2023

All options have vested.

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year:

	2013 Number of options	2013 WAEP	2012 Number of options	2012 WAEP
Outstanding at the beginning of the year	309,545	220p	319,545	218p
Granted during the year	20,000	435p	-	-
Exercised during the year	-	-	(10,000)	145p
Outstanding at the end of the year	329,545	233p	309,545	220p

The Company's mid-market share price at 31 December 2013 was 580.5p per share, and the high and low prices during the year were 580.5p and 325p respectively.

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 and directors 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. At 31 December 2013 there were 88,039 shares held by the SIP, representing 0.8% of the issued share capital of the Company (2012 - 79,406 and 0.7%).

The Report of the Remuneration committee was approved by the board on 7 March 2014.

N J Taylor
Chairman of the Remuneration committee

Report of the directors for the year ended 31 December 2013

The directors present their annual report together with the audited financial statements for the year ended 31 December 2013.

Principal activities
The principal activities of the Group are the provision of contracted managed 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. In September 2013 the Company acquired the UK and Ireland subsidiaries of the Datapoint group of companies, one of which is registered in and operates from the Republic of Ireland.

Results and dividends
The consolidated statement of comprehensive income is set out on page 30 and shows the profit of the Group for the year.

During the year the Company paid a final dividend of 7.3p per ordinary share in respect of the 2012 financial year, amounting to £779,000 (2012 – 6.0p, amounting to £640,000), and an interim dividend in respect of 2013 of 6.7p per share, amounting to £715,000 (2012 – 6.3p and £672,000 respectively). The directors propose the payment of a final dividend in respect of 2013 of 9.0p per share. The cost of the proposed dividend, based on the number of shares in issue as at 7 March 2014, is £961,000.

Strategic report
A review of the business and future developments of the Group is set out in the Strategic report on pages 5 to 16.

Directors
The directors of the Company as at 31 December 2013 and their interests in the ordinary shares of the Company at that date were as follows:

	Number of 1p ordinary shares			
	2013		2012	
	Beneficial	Non-beneficial	Beneficial	Non-beneficial
J D S Booth	2,759,015	-	2,758,272	-
E Buxton	3,756	84,283	3,204	76,202
A J McCaffery	2,054,509	-	2,053,845	-
N J Taylor	14,759	80,280	14,062	72,344
W D Todd	6,821	81,218	16,157	73,249

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

Kevin Stevens was appointed to the Board on 1 January 2014 and on that date held 1,547 ordinary shares in the Company and was beneficially interested in a further 436 shares.

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 800 shares in total, including 47 in respect of Kevin Stevens. There were no other changes in the directors' shareholdings between 31 December 2013 and 7 March 2014.

Report of the directors for the year ended 31 December 2013 (continued)

Substantial shareholders
In addition to the directors' shareholdings, at 7 March 2014 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	1,616,747	15.1%
Marlborough Fund Managers Ltd	1,095,864	10.3%
Herald Investment Trust plc	760,000	7.1%
Octopus Investments Limited	631,920	5.9%
T Wat	340,203	3.2%

Share capital
Details of the share capital of the Company are shown in note 22 of the financial statements.

No shares were issued or repurchased during the year.

The existing authority for the repurchase of the Company's shares is for the purchase of up to 1,600,119 shares. A fresh authority, for the purchase of up to 1,600,119 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 21 of the financial statements.

Annual General Meeting
The Annual General Meeting of the company will be held at its offices on 17 April 2014 at 9.30am.

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
7 March 2014

Statement of directors' responsibilities

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

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

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

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

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

Website publication
The directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Independent auditors' report to the shareholders of Maintel Holdings Plc

We have audited the financial statements of Maintel Holdings Plc for the year ended 31 December 2013 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 Financial Reporting Council's (FRC'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 FRC's website at www.frc.org.uk/auditscopeukprivate.

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 2013 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 strategic report and 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
7 March 2014

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

Consolidated statement of comprehensive income for the year ended 31 December 2013

	Note	2013 £000	2012 £000
Revenue	3	**31,124**	28,171
Cost of sales		**19,526**	17,756
Gross profit		**11,598**	10,415
Administrative expenses			
Intangibles amortisation	13	**898**	742
Exceptional costs	11	**691**	-
Contingent consideration treated as remuneration	12	**-**	2,834
Other administrative expenses		**6,336**	5,443
		7,925	9,019
Operating profit	6	**3,673**	1,396
Financial income	7	**2**	9
Financial expense	7	**(32)**	-
Profit before taxation		**3,643**	1,405
Taxation	8	**978**	1,043
Profit and total comprehensive income attributable to owners of the parent		**2,665**	362
Earnings per share			
Basic	10	**25.0p**	3.4p
Diluted	10	**24.7p**	3.4p

The notes on pages 34 to 59 form part of these financial statements.

Consolidated statement of financial position at 31 December 2013

	Note	2013 £000	2013 £000	2012 £000	2012 £000
Non current assets					
Intangible assets	13		10,988		4,515
Property, plant and equipment	15		289		216
			11,277		4,731
Current assets					
Inventories	16	845		692	
Trade and other receivables	17	8,961		5,793	
Cash and cash equivalents		544		1,941	
Total current assets			**10,350**		**8,426**
Total assets			**21,627**		**13,157**
Current liabilities					
Trade and other payables	18		15,211		9,203
Current tax liabilities			638		665
Total current liabilities			**15,849**		**9,868**
Non current liabilities					
Deferred tax liability	20		149		581
Borrowings	19		1,750		-
Total net assets			**3,879**		**2,708**
Equity					
Issued share capital	22		107		107
Share premium	23		1,028		1,028
Capital redemption reserve	23		31		31
Retained earnings	23		2,713		1,542
Total equity			**3,879**		**2,708**

The financial statements were approved and authorised for issue by the board on 7 March 2014 and were signed on its behalf by:

W D Todd
Director

The notes on pages 34 to 59 form part of these financial statements.

Consolidated statement of changes in equity for the year ended 31 December 2013

	Share capital £000	Share premium £000	Capital redemption reserve £000	Retained earnings £000	Total £000
At 1 January 2012	107	1,013	31	2,492	3,643
Profit and total comprehensive income for the year	-	-	-	362	362
Dividend	-	-	-	(1,312)	(1,312)
Issue of new ordinary shares	-	15	-	-	15
At 31 December 2012	107	1,028	31	1,542	2,708
Profit and total comprehensive income for the year	-	-	-	2,665	2,665
Dividend	-	-	-	(1,494)	(1,494)
At 31 December 2013	107	1,028	31	2,713	3,879

The notes on pages 34 to 59 form part of these financial statements.

Consolidated statement of cash flows for the year ended 31 December 2013

	2013 £000	2012 £000
Operating activities		
Profit before taxation	**3,643**	1,405
Adjustments for:		
Intangibles amortisation	**898**	742
Depreciation charge	**135**	124
Interest receivable	**(2)**	(9)
Interest payable	**32**	-
Operating cash flows before changes in working capital	**4,706**	2,262
(Increase)/decrease in inventories	**(36)**	30
Increase in trade and other receivables	**(1,253)**	(1,774)
(Decrease)/increase in trade and other payables	**(1,306)**	2,362
Cash generated from operating activities	**2,111**	2,880
Tax paid	**(1,148)**	(1,502)
Net cash flows from operating activities	**963**	1,378
Investing activities		
Purchase of plant and equipment	**(89)**	(116)
Purchase price in respect of business combination	**(3,500)**	(986)
Net cash acquired with subsidiary undertaking	**3**	-
	(3,497)	(986)
Interest receivable	**2**	9
Net cash flows from investing activities	**(3,584)**	(1,093)
Financing activities		
Proceeds from borrowings	**3,000**	-
Repayment of borrowings	**(250)**	-
Interest payable	**(32)**	-
Issue of new ordinary shares	**-**	15
Equity dividends paid	**(1,494)**	(1,312)
Net cash flows from financing activities	**1,224**	(1,297)
Net decrease in cash and cash equivalents	**(1,397)**	(1,012)
Cash and cash equivalents at start of period	**1,941**	2,953
Cash and cash equivalents at end of period	**544**	1,941

The notes on pages 34 to 59 form part of these financial statements

Notes forming part of the financial statements for the year ended 31 December 2013

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 60.

(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 is recognised to the extent that it is probable that the economic benefits will flow to the Group and can be reliably measured.

Revenue represents sales to customers at invoiced amounts and commissions receivable from suppliers, 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 managed service contracts are deferred and released to the statement of comprehensive income on a straight line basis over the period covered by the invoice. Connection commissions received from mobile network operators are recognised (a) where commission is payable in advance, when the customer contract has been accepted by the network operator and is therefore legally binding, less an allowance for expected future clawbacks, and (b) where commission is payable on a monthly basis, in the month to which commission relates. Interest income is recognised on an accruals basis.

2 Accounting policies (continued)

(d) Intangible assets

Goodwill

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

For business combinations completed on or after 1 January 2010, the fair value of the consideration comprises 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 and carried at cost with any impairment in carrying value being charged to the consolidated statement of comprehensive income.

Other intangible assets

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

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

(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 through the consolidated statement of comprehensive income.

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 consolidated statement of comprehensive income and, in respect of goodwill impairments, are never reversed.

Notes forming part of the financial statements for the year ended 31 December 2013

2 Accounting policies (continued)

(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
Motor vehicles	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 nor 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 more probable than not that future taxable profits will be available against which the asset can be utilised.

Management judgment is used in determining the amount of deferred tax asset that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

The amount of the deferred tax asset or liability is measured on an undiscounted basis and 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.

2 Accounting policies (continued)

(i) Taxation (continued)

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) Borrowings

Interest bearing bank loans and overdrafts are initially recorded at the value of the amount received, net of attributable transaction costs. Interest bearing borrowings are subsequently stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowing using the effective interest method.

(l) Operating leases

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

(m) 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.

Notes forming part of the financial statements for the year ended 31 December 2013

2 Accounting policies (continued)

(n) 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.

(o) Accounting standards issued

There are no IFRSs that are effective for the first time during the financial year that have a material effect on the financial statements, nor are there any impending IFRSs that are expected to have a material effect on the Group's financial statements.

(p) Contingent consideration

Where payment of contingent consideration in respect of a business combination or acquisition of business and assets is dependent on the continued employment by the Group of the seller(s), the estimated contingent consideration is pro rated in accordance with the period of employment required of the seller and this amount is expensed in the income statement.

(q) Foreign currency

The presentation currency of the Group is sterling. All Group companies have a functional currency of sterling (other than Datapoint Communications Limited ("DCL") which has a functional currency of the Euro) consistent with the presentation currency of the Group's financial statements. Transactions in currencies other than sterling are recorded at the rates of exchange prevailing on the dates of the transactions.

On consolidation, the results of DCL are translated into sterling at rates approximating those ruling when the transactions took place. All assets and liabilities of DCL, including goodwill arising on its acquisition, are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of DCL at actual rate were not material in the year and are recognised in other comprehensive income.

3 Segment information

For management reporting purposes and operationally, the Group consists of three business segments: (i) telecommunications managed service and equipment sales, (ii) telecommunications network services, and (iii) mobile 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 Strategic report.
The Datapoint business is reported under the managed service and equipment segment as it is managed and measured as part of that segment.

Year ended 31 December 2013	Managed service and equipment £000	Network services £000	Mobile £000	Central/ inter-company £000	Total £000
Revenue	**21,764**	**6,938**	**2,597**	**(175)**	**31,124**
Operating profit before customer relationship intangibles amortisation and exceptional expenses	3,246	1,101	931	(16)	5,262
Customer relationship intangibles amortisation	(251)	(49)	-	(598)	(898)
Exceptional expenses	(120)	-	-	(571)	(691)
Operating profit	**2,875**	**1,052**	**931**	**(1,185)**	**3,673**
Interest (net)					(30)
Profit before taxation					3,643
Taxation					(978)
Profit and total comprehensive income for the period					2,665

Notes forming part of the financial statements for the year ended 31 December 2013

3 Segment information (continued)

Year ended 31 December 2013 (continued)

Revenue is wholly attributable to the principal activities of the Group and other than sales of £973,000 to EU countries and £151,000 to the rest of the world (2012 - £23,000 to EU countries), arises within the United Kingdom.

Managed services and equipment revenue consists of managed services related revenue of £14.477m and equipment, installation and other revenue of £7.287m (2012 - £12.246m and £6.435m). Network services revenue consists of call traffic revenue of £2.586m, line rental revenue of £3.179m, data services revenue of £0.809m and other revenue of £0.364m (2012 - £2.656m, £2.979m, £0.799m and £0.296m). Mobile revenue consists principally of commissions receivable from network operators.

Intercompany trading consists of telecommunications services, and recharges of sales, engineering and rent costs, £90,000 (2012 - £90,000) attributable to the managed services and equipment segment, £82,000 (2012 - £85,000) to the network services segment and £3,000 (2012 - £6,000) to the mobile segment.

In 2013 the Group had two customers (2012 - One) which accounted for more than 10% of its revenue, one accounting for £5.419m and the other £4.258m. The directors have noted that the value attributed to the customer reported last year was incorrect and should have been reported as £4.224m.

The board does not regularly review the aggregate assets and liabilities of the Company and its segments and accordingly an analysis of these is not provided.

	Managed service and equipment £000	Network services £000	Mobile £000	Central/ inter-company £000	Total £000
Other					
Capital expenditure	89	-	-	-	89
Depreciation	133	-	2	-	135
Amortisation	251	49	-	598	898

3 Segment information (continued)

Year ended 31 December 2012	Managed service and equipment £000	Network services £000	Mobile £000	Central/ inter-company £000	Total £000
Revenue	**18,681**	**6,730**	**2,941**	**(181)**	**28,171**
Operating profit before customer relationship and software intangibles amortisation and adjustments	3,272	983	813	(96)	4,972
Customer relationship and software intangibles amortisation	(264)	(59)	-	(419)	(742)
Operating profit before adjustments	3,008	924	813	(515)	4,230
Contingent consideration treated as remuneration (note 12)	-	-	-	(2,834)	(2,834)
Operating profit	**3,008**	**924**	**813**	**(3,349)**	**1,396**
Interest (net)					9
Profit before taxation					1,405
Taxation					(1,043)
Profit and total comprehensive income for the period					362
Other					
Capital expenditure	113	-	2	-	115
Depreciation	121	-	3	-	124
Amortisation	264	59	-	419	742

Notes forming part of the financial statements for the year ended 31 December 2013

4 Employees

	2013 Number	2012 Number
The average number of employees, including directors, during the year was:		
Corporate and administration	26	23
Sales and customer service	72	69
Technical and engineering	96	90
	194	182

	2013 £000	2012 £000
Staff costs, including directors, consist of:		
Wages and salaries	9,891	8,698
Social security costs	1,168	1,031
Pension costs	188	150
	11,247	9,879

In addition to the above, the comprehensive income statement in 2012 included £2.834m of contingent consideration in respect of the Maintel Mobile acquisition which was treated as a remuneration expense (see note 12).

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 £41,000 (2012 - £25,000) were payable to the schemes at the year end and are included in other payables.

5 Directors' remuneration

The remuneration of the Company directors was as follows:

	2013 £000	2012 £000
Directors' emoluments	621	598
Pension contributions	8	8
	629	606

Included in the above is the remuneration of the highest paid director as follows:

	2013 £000	2012 £000
Directors' emoluments	199	189
Pension contributions	4	4
	203	193

The Group paid contributions into defined contribution personal pension schemes in respect of 2 (2012 – 2) directors during the year.

Further details of director remuneration are shown in the Remuneration committee report on page 22.

6 Operating profit

	2013 £000	2012 £000
This has been arrived at after charging:		
Depreciation of property, plant and equipment	135	124
Amortisation of intangible fixed assets	898	742
Operating lease rentals		
- property	274	171
- plant and machinery	101	82
Fees payable to the Company's auditor for:		
- the audit of the Company's annual accounts	8	8
- due diligence	95	-
- audit of the Company's subsidiaries pursuant to legislation	95	63
- audit-related assurance services	18	11
- tax compliance services	6	4
Foreign exchange gain	4	-

7 Financial income and expense

	2013 £000	2012 £000
Interest receivable on bank deposits	2	9
Interest payable on bank loans	32	-

Notes forming part of the financial statements for the year ended 31 December 2013

8 Taxation

	2013 £000	2012 £000
UK corporation tax		
Corporation tax on profits of the period	1,114	1,159
Prior year adjustment	7	-
	1,121	1,159
Deferred tax	(143)	(116)
Taxation on profit on ordinary activities	978	1,043

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:

Profit before tax	3,643	1,405
Profit at the standard rate of corporation tax in the UK of 23.25% (2012 – 24.5%)	847	345
Effect of:		
Expenses not deductible for tax purposes	141	11
Capital allowances in excess of depreciation	(11)	-
No tax relief on contingent consideration treated as remuneration (note 12)	-	694
Prior year adjustment	7	-
Other timing differences	(6)	(7)
	978	1,043

9 Dividends paid on ordinary shares

	2013 £000	2012 £000
Final 2011, paid 26 April 2012 – 6.0p per share	-	640
Interim 2012, paid 5 October 2012 – 6.3p per share	-	672
Final 2012, paid 25 April 2013 – 7.3p per share	779	-
Interim 2013, paid 11 October 2013 – 6.7p per share	715	-
	1,494	1,312

The directors propose the payment of a final dividend for 2013 of 9.0p (2012 – 7.3p) per ordinary share, payable on 24 April 2014 to shareholders on the register at 21 March 2014. The cost of the proposed dividend, based on the number of shares in issue as at 7 March 2014, is £961,000 (2012 - £779,000).

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:

	2013 £000	2012 £000
Earnings used in basic and diluted EPS, being profit after tax	2,665	362
Adjustments:		
Amortisation of intangibles	898	731
Contingent consideration treated as remuneration (note 12)	-	2,834
Exceptional expenses (note 11)	691	-
Tax relating to above adjustments	(244)	(185)
Adjusted earnings used in adjusted EPS	4,010	3,742

	Number (000s)	Number (000s)
Weighted average number of ordinary shares of 1p each	10,675	10,671
Potentially dilutive shares	125	121
	10,800	10,792

Earnings per share		
Basic	25.0p	3.4p
Basic and diluted	24.7p	3.4p
Adjusted – basic but after the adjustments in the table above	37.6p	35.1p
Adjusted – basic and diluted after the adjustments in the table above	37.1p	34.7p

The adjustments above have been made in order to provide a clearer picture of the trading performance of the Group.

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.

Notes forming part of the financial statements for the year ended 31 December 2013

11 Exceptional expenses

Legal and professional fees of £571,000 were incurred in relation to the acquisition of the Datapoint companies in September 2013. Redundancy costs of £120,000 have been incurred as a result of synergies achieved following the acquisition. These costs, totalling £691,000, have been shown as exceptional expenses in the income statement as they are not normal operating expenses.

12 Business combinations

On 13 September 2013 the Company acquired the entire share capital of Datapoint Customer Solutions Limited, Datapoint Global Services Limited and Datapoint Communications Limited at the following provisional aggregate valuations:

	£000
Purchase consideration	
Cash	3,500
Assets and liabilities acquired	
Tangible fixed assets	119
Trade and other receivables	1,915
Cash	3
Trade and other payables	(6,314)
	(4,277)
Customer relationships	3,695
Deferred tax on customer relationships	(776)
Deferred tax asset relating to historic tax losses	1,065
Total assets and liabilities acquired	(293)
Fair value adjustment (see below)	117
Net assets and liabilities acquired	(176)
Goodwill	3,676

Cash flows arising from the acquisition were as follows:	**£000**
Purchase consideration settled in cash	(3,500)
Direct acquisition costs (note 11)	(571)
Cash balances acquired	3
	(4,068)

12 Business combinations (continued)

The Datapoint companies were acquired to complement and extend the Group's existing offerings of telecommunications and data services and enable further cross-selling to and from other Group operations, as further described in the Strategic report. The goodwill is attributable to the cross-selling opportunities and cost synergies that are expected to be achieved from sharing the expertise and resource of Maintel with that of Datapoint and vice versa.

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. A deferred tax liability of £776,000 has been recognised above which is being credited to the income statement pro rata to the amortisation of the customer relationships. The amortisation charge in 2013 is £180,000.

The fair value adjustment relates to the inventories held by Datapoint at the date of acquisition, revalued to their fair market value.

The Trade and other receivables are stated at gross valuation, no provisions being made against them.

Since their acquisition, the Datapoint companies have contributed the following to the results of the Group before exceptional redundancy costs of £69,000 and management charges of £100,000:

	£000
Revenue	3,805
Profit before tax	205

It would not be meaningful or practicable to estimate the revenue or profit of the Datapoint companies for calendar year 2013, because prior to its acquisition by Maintel they were part of another group which levied different intragroup charges, had a different management structure from that under Maintel's ownership and undertook a number of activities which have been terminated.

In 2012, £2.834m was expensed in the income statement in respect of contingent consideration relating to the acquisition of Maintel Mobile.

Notes forming part of the financial statements for the year ended 31 December 2013

13 Intangible assets

	Goodwill	Customer relationships	Computer software	Total
	£000	£000	£000	£000
Cost				
At 1 January 2012	1,343	5,859	91	7,293
Disposed of in the year	-	-	(91)	(91)
At 31 December 2012	1,343	5,859	-	7,202
Acquired in the year	3,676	3,695	-	7,371
At 31 December 2013	5,019	9,554	-	14,573
Amortisation and impairment				
At 1 January 2012	317	1,639	80	2,036
Amortisation in the year	-	731	11	742
In respect of disposals in the year	-	-	(91)	(91)
At 31 December 2012	317	2,370	-	2,687
Amortisation in the year	-	898	-	898
At 31 December 2013	317	3,268	-	3,585
Net book value				
At 31 December 2013	4,702	6,286	-	10,988
At 31 December 2012	1,026	3,489	-	4,515

13 Intangible assets (continued)

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

Goodwill

The carrying value of goodwill is allocated to the cash generating units as follows:

	2013	2012
	£000	£000
Network services division	202	202
Managed service and equipment division	3,949	273
Mobile division	551	551
	4,702	1,026

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 2013 (2012 - £Nil) and a carrying value of £202,000.

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 2013 (2012 - £Nil) and the carrying value is £145,000.

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 2013 (2012 - £Nil) and the carrying value is £128,000.

Goodwill of £551,000 arose on the Maintel Mobile acquisition in October 2011. This is assessed for impairment at the date of each consolidated statement of financial position. There has been no impairment of the goodwill in 2013 (2012 - £Nil) and the carrying value is £551,000.

Goodwill of £3.676m arose on the Datapoint acquisition in September 2013. This is assessed for impairment at the date of each consolidated statement of financial position. There has been no impairment of the goodwill in 2013 (2012 - £Nil) so the carrying value is £3.676m.

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, and with historical cash flows for the cash generating unit. 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. Sensitivity analysis using reasonable variations in the assumptions shows no indication of impairment.

£195,000 (gross) of the Goodwill in the balance sheet of Maintel Europe Limited is eligible for tax relief, with relief being claimed against £10,000 of amortisation in 2013 (2012 - £10,000), leaving a net balance of £165,000 available for future tax relief.

Fully amortised intangibles with a combined cost of £1.074m relating to the District Holdings Limited and Callmaster Limited acquisitions are included within intangibles and are still used within the business.

Notes forming part of the financial statements for the year ended 31 December 2013

14 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
Maintel Mobile Limited (previously Totility Limited)
Datapoint Customer Solutions Limited
Datapoint Global Services Limited
Datapoint Communications Limited

Each company is wholly owned and, other than Datapoint Communications Limited which is incorporated in the Republic of Ireland, is incorporated in England and Wales.

15 Property, plant and equipment

	Leasehold improvements	Office and computer equipment	Motor Vehicles	Total
	£000	£000	£000	£000
Cost or valuation				
At 1 January 2012	137	908	-	1,045
Additions	23	93	-	116
Disposals	-	(31)	-	(31)
At 31 December 2012	160	970	-	1,130
Additions	7	82	-	89
On acquisition of Datapoint	325	956	64	1,345
Disposals	-	(83)	-	(83)
At 31 December 2013	492	1,925	64	2,481
Depreciation				
At 1 January 2012	87	734	-	821
Provided in year	25	99	-	124
Disposals	-	(31)	-	(31)
At 31 December 2012	112	802	-	914
Provided in year	33	97	5	135
On acquisition of Datapoint	312	886	28	1,226
Disposals	-	(83)	-	(83)
At 31 December 2013	457	1,702	33	2,192
Net book value				
At 31 December 2013	37	221	31	289
At 31 December 2012	48	168	-	216

Notes forming part of the financial statements for the year ended 31 December 2013

16 Inventories

	2013 £000	2012 £000
Maintenance stock	640	578
Stock held for resale	205	114
	845	692
Cost of inventories recognised as an expense	3,829	4,144

Provisions of £48,000 were made against the maintenance stock in 2013, (2012 - £47,000), with no reversal of provisions having been made in either year.

17 Trade and other receivables

	2013 £000	2012 £000
Trade receivables	5,721	3,997
Other receivables	10	11
Prepayments and accrued income	3,230	1,785
	8,961	5,793

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

18 Trade and other payables

	2013 £000	2012 £000
Trade payables	2,819	2,421
Other tax and social security	1,325	936
Accruals	2,233	1,618
Other payables	575	416
Deferred managed service income	6,688	3,780
Other deferred income	571	32
Borrowings	1,000	-
	15,211	9,203

Deferred managed service income relates to the unearned element of managed service 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.

19 Borrowings

	2013 £000	2012 £000
Non-current bank loan - secured	1,750	-
Current bank loan - secured	1,000	-
	2,750	-

The bank loan is secured by a fixed and floating charge over the assets of the Company and its subsidiaries. Interest is payable at a variable rate of 3.05% per annum over LIBOR. The loan was drawn in September 2013 and is repayable in quarterly instalments over a 3 year period, the first instalment of £250,000 having been paid in December 2013. The directors consider that there is no material difference between the book value and fair value of the loan.

The Group has a £1.0m overdraft facility with Lloyds Bank plc which expires on 31 August 2014, which was not drawn upon as at 31 December 2013.

20 Deferred taxation

	Property, plant and equipment £000	Intangible assets £000	Tax losses £000	Other £000	Total £000
Net liability at 1 January 2012	7	705	-	(15)	697
(Credit)/charge to consolidated statement of comprehensive income	(8)	(111)	-	3	(116)
Net liability at 31 December 2012	(1)	594	-	(12)	581
Liability established against intangible assets acquired during the year	-	776	-	-	776
Asset relating to Datapoint tax losses	-	-	(1,065)	-	(1,065)
Charge/(credit) to consolidated statement of comprehensive income	4	(149)	-	2	(143)
Net liability at 31 December 2013	3	1,221	(1,065)	(10)	149

The deferred tax liability represents (a) a liability established under IFRS on the recognition of an intangible asset in relation to the Maintel Mobile and Datapoint acquisitions, and (b) the amount of depreciation provided in the accounts in excess of the tax value of capital allowances claimed, and is calculated using the tax rates at which the liabilities are expected to reverse.

Notes forming part of the financial statements for the year ended 31 December 2013

20 Deferred taxation (continued)

The deferred tax asset predominantly relates to the anticipated use in the future of tax losses within the Datapoint companies which were acquired during the year, based on estimates of those companies' future profitability and relevant tax rates. A change in tax rates in the future would increase or decrease the value of this asset.

The asset relating to the use of tax losses is based on the directors' judgment of a range of factors influencing their anticipated use. A further undiscounted deferred tax asset of £2.5m (2012 - £Nil) relating to tax losses has not been recognised on the grounds that there is insufficient evidence that the asset will be recoverable; use of these unrecognised losses would be increased by the Datapoint companies making more than the anticipated future profits and/or an increase in corporate tax rates.

Changes in tax rates and factors affecting the future tax charge
As a result of the Finance Bill 2013 enacted on 2 July 2013 the rate of income tax has been reduced to 21% for periods beginning after 1 April 2014 and again to 20% for periods beginning after 1 April 2015. Accordingly, deferred tax balances as at 31 December 2013 have been recognised at 21%, as they are expected to reverse materially before 1 April 2015.

21 Financial instruments

The Group's financial assets and liabilities mainly comprise cash, borrowings, trade and other receivables and trade and other payables, with smaller balances being recorded as other debtors and other creditors.

	Loans and receivables	
	2013	2012
	£000	£000
Current financial assets		
Trade receivables	5,721	3,997
Cash and cash equivalents	544	1,941
Other receivables	10	11
	6,275	5,949

	Financial liabilities measured at amortised cost	
	2013	2012
	£000	£000
Current financial liabilities		
Trade payables	2,819	2,421
Other payables	575	416
Secured bank loan	1,000	-
	4,394	2,837

21 Financial instruments (continued)

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. 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 other than cash was represented by the carrying value of trade and other receivables, against which £149,000 is provided at 31 December 2013 (2012 - £136,000). 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 2013 owed the Group £2.3m including VAT (2012 - £1.8m).

The movement on the provision is as follows:

	2013 £000	2012 £000
Provision at start of year	136	139
Provision used	(44)	(60)
Additional provision made	57	57
Provision at end of year	149	136

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:

	2013 £000	2012 £000
Up to 30 days overdue	1,653	1,289
31-60 days overdue	161	302
More than 60 days overdue	(125)	(35)
	1,689	1,556

Cash and cash equivalents at 2013 and 2012 year ends represented short term deposits with Lloyds Bank plc.

Notes forming part of the financial statements for the year ended 31 December 2013

21 Financial instruments (continued)

Foreign currency risk
The functional currency of all Group companies is Sterling apart from Datapoint Communications Limited, one of the Datapoint companies acquired during 2013, which is registered in and operates from the Republic of Ireland and whose functional currency is the Euro. The consolidation of the results of that company is therefore affected by movements in the Euro/Sterling exchange rate. In addition, all Datapoint companies invoice certain customers and are invoiced by certain suppliers in Euros or Dollars, and those transactions are affected by exchange rate movements during the year.

Interest rate risk
The Group has historically had no borrowings, but borrowed £3.0m and secured a £1.0m overdraft facility to finance the acquisition of the Datapoint companies. The interest rate charged is related to LIBOR and bank rate respectively and would therefore change as those rates changed. If interest rates had been 0.5% higher/ lower since the loan was drawn in September 2013, and all other variables were held constant, the Group's profit for the year would have been £4,000 higher/lower due to the variable interest element on the loan.

The Group invests its surplus cash in short term bank deposits at prevailing rates of interest. The Group's interest income (£2,000 in 2013, and £9,000 in 2012) is therefore dependent on those prevailing rates, which were at a historically low level during 2013 and 2012.

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 and this will continue to be optimised where possible.

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
Other than £1.75m of the bank loan which is repayable between one and two years, 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.

22 Share capital

	2013 £000	2012 £000
Authorised		
17,571,840 ordinary shares of 1p each	176	176
Allotted, called up and fully paid		
10,674,578 (2012 - 10,674,578) ordinary shares of 1p each	107	107

23 Reserves

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

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

The Group having no regulatory capital or similar 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 2013 of 9.0p per share; this dividend is not provided for in these financial statements.

24 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.

25 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 22 describes the options granted over the Company's ordinary shares.

In aggregate, options are outstanding over 3.1% 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.

Notes forming part of the financial statements for the year ended 31 December 2013

26 Operating leases

As at 31 December 2013, the Group had future minimum rentals payable under non-cancellable operating leases as set out below:

	2013 Land and buildings £000	2013 Other £000	2012 Land and buildings £000	2012 Other £000
The total future minimum lease payments are due as follow:				
Not later than one year	534	82	164	93
Later than one year and not later than five years	317	168	118	19
	851	250	282	112

The commitment relating to land and buildings is in respect of the Group's London, Dublin and Falkirk offices. The remaining commitment relates to other property, contract hired motor vehicles (which are typically replaced on a 3 year rolling cycle), and licencing of billing software.

27 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:

	2013 £000	2012 £000
Short term employment benefits	1,132	1,164
Contributions to defined contribution pension scheme	20	19
	1,152	1,183

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 2013 and 2012 amounted in aggregate to less than £1,500 in each case.

The Group traded during the year with The Imaginarium Studios Limited, a company in which J D S Booth is a director and shareholder and N J Taylor was a director until April 2013. Imaginarium purchased telecommunication services from the Group in the year amounting to £5,011 net of VAT (2012 - £6,181), of which £348 (2012 - £376) was owed at the year end and is included in trade debtors.

27 Related party transactions (continued)

The Company paid fees of £44,000 plus £2,000 expenses to Hopton Hill Limited, a company of which N J Taylor is a shareholder and director, in respect of consultancy services provided to the Company during the year in relation to the acquisition of the Datapoint companies.

The Group paid commissions in the year to J A Spens, a shareholder in the Company, amounting to £10,141 net of VAT (2012 - £14,719), of which £Nil (2012 - £Nil) was owed at the year end. These commissions relate to revenues earned by the Group following an introduction to a customer by Mr Spens.

The Group established a revolving credit facility of £1.5m in October 2011 with J D S Booth, the Group's chairman, however no monies were drawn against this and the facility expired on 30 June 2013.

28 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 13. 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. At 31 December 2013 the directors have also had to estimate the value of tax losses attributable to the Datapoint companies that might be used against future profits, shown in notes 12 and 20, which involves estimating the companies' profitability and future tax rates.

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.

Business combination and asset purchase consideration
In certain circumstances, there may be a contingency to the consideration paid on the acquisition of a company or business, and in such cases the directors have to use judgement on the likely outcome.

Company balance sheet at 31 December 2013 - prepared under UK GAAP

	Note	2013 £000	2013 £000	2012 £000	2012 £000
Fixed assets					
Investment in subsidiaries	5		12,831		9,331
Current assets					
Debtors	6	821		193	
Cash at bank and in hand		3		12	
		824		205	
Creditors: amounts falling due within one year	7	3,372		2,398	
Net current liabilities			(2,548)		(2,193)
Non-current liabilities					
Borrowings	8		(1,750)		-
Total assets less current liabilities			8,533		7,138
Capital and reserves					
Called up share capital	9		107		107
Share premium	10		1,028		1,028
Capital redemption reserve	10		31		31
Profit and loss account	10		7,367		5,972
Shareholders' funds			8,533		7,138

The financial statements were approved and authorised for issue by the board on 7 March 2014 and were signed on its behalf by:

W D Todd
Director

The notes on pages 61 to 65 form part of these financial statements.

Notes forming part of the Company financial statements at 31 December 2013

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.

(e) Contingent consideration

Where payment of contingent consideration in respect of a business combination or acquisition of business and assets is dependent on the continued employment by the Company of the seller(s), the estimated contingent consideration is pro rated in accordance with the period over which it is calculated.

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 £2,889,000 (2012 – £3,346,000).

Notes forming part of the Company financial statements at 31 December 2013 (continued)

4 Dividends paid on ordinary shares

	2013 £000	2012 £000
Final 2011, paid 26 April 2012 – 6.0p per share	-	640
Interim 2012, paid 5 October 2012 – 6.3p per share	-	672
Final 2012, paid 25 April 2013 – 7.3p per share	779	-
Interim 2013, paid 11 October 2013 – 6.7p per share	715	-
	1,494	1,312

The directors propose the payment of a final dividend for 2013 of 9.0p (2012 – 7.3p) per ordinary share, payable on 24 April 2014 to shareholders on the register at 21 March 2014.

5 Investment in subsidiaries

	Shares in subsidiary undertakings £000
Cost	
At 31 December 2012	9,411
Additions in the period	3,500
At 31 December 2013	12,911
Provision for impairment	
At 31 December 2012 and 31 December 2013	80
Net book value	
At 31 December 2013	12,831
At 31 December 2012	9,331

5 Investment in subsidiaries (continued)

On 13 September 2013 the Company acquired the entire share capital of Datapoint Customer Solutions Limited, Datapoint Global Services Limited and Datapoint Communications Limited (together "Datapoint") for a consideration of £3.5m, paid in cash.

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

Maintel Europe Limited
Maintel Voice and Data Limited
Maintel Mobile Limited (previously Totility Limited)
Datapoint Customer Solutions Limited
Datapoint Global Services Limited
Datapoint Communications Limited

Each company is wholly owned and, other than Datapoint Communications Limited which is incorporated in the Republic of Ireland, is incorporated in England and Wales.

6 Debtors

	2013 £000	2012 £000
Amounts owed by subsidiary undertakings	807	170
Other debtors	4	2
Prepayments and accrued income	2	2
Corporation tax recoverable	8	19
	821	193

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

7 Creditors

	2013 £000	2012 £000
Amounts due to subsidiary undertakings	2,351	1,488
Trade creditors	4	2
Accruals and deferred income	17	908
Borrowings	1,000	-
	3,372	2,398

Notes forming part of the Company financial statements at 31 December 2013 (continued)

8 Borrowings

	2013 £000	2012 £000
Non-current bank loans - secured	1,750	-
Current bank loans - secured	1,000	-
	2,750	-

The secured bank loan is secured by a fixed and floating charge over the assets of the Company and its subsidiaries. Interest is payable at a variable rate of 3.05% per annum over LIBOR. The loan was drawn in September 2013 and is repayable in quarterly instalments over a 3 year period, the first instalment of £250,000 having been paid in December 2013. The directors consider that there is no material difference between the book value and fair value of the loan.

The Company has a £1.0m overdraft facility with Lloyds Bank plc which expires on 31 August 2014, which was not drawn upon as at 31 December 2013.

9 Share capital

	2013 £000	2012 £000
Authorised		
17,571,840 ordinary shares of 1p each	176	176
Allotted, called up and fully paid		
10,674,578 (2012 - 10,674,578) ordinary shares of 1p each	107	107

The Remuneration Committee's report on page 22 of the consolidated accounts of Maintel Holdings Plc describes the options granted over the Company's ordinary shares.

10 Reconciliation of movement in shareholders' funds

	Share capital £000	Share premium £000	Capital redemption reserve £000	Retained earnings £000	Total £000
At 1 January 2012	107	1,013	31	3,938	5,089
Profit for year	-	-	-	3,346	3,346
Dividends paid	-	-	-	(1,312)	(1,312)
Issue of new ordinary shares	-	15	-	-	15
At 31 December 2012	107	1,028	31	5,972	7,138
Profit for year	-	-	-	2,889	2,889
Dividends paid	-	-	-	(1,494)	(1,494)
At 31 December 2013	107	1,028	31	7,367	8,533

11 Related party transactions

The Company established a revolving credit facility of £1.5m in October 2011 with J D S Booth, the Group's chairman, however no monies were drawn against this and the facility expired on 30 June 2013.

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

12 Contingent liability

On the drawdown of the loan during the year, and the signing of the overdraft facility, the Company entered into a cross guarantee with its subsidiary undertakings in favour of Lloyds Bank plc.

Notice of annual general meeting

(the following does not form part of the statutory financial statements)

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 17 April 2014, at 9.30 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 2013, 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 2013.

3. To re-elect Mr A McCaffery who is retiring as a director in accordance with Article 92.1 of the company's Articles of Association and who, being eligible, offers himself for re-election.

4. To re-elect Mr J D S Booth who is retiring as a non-executive director in accordance with good corporate governance practice, having been a director for more than nine years and who, being eligible, offers himself for re-election.

5. 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 6 will be proposed as an ordinary resolution and resolutions 7 and 8 as special resolutions:

6. That the directors be and are hereby generally and unconditionally authorised pursuant to Section 551 of the Companies Act 2006 ("the Act") to exercise all powers of the Company to allot and to make offers or agreements to allot relevant securities up to a maximum aggregate nominal amount of £35,581, 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.

7. 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 £10,674.

   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.

8. 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 1,600,119 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
21 March 2014

Registered office
61 Webber St
London SE1 0RF

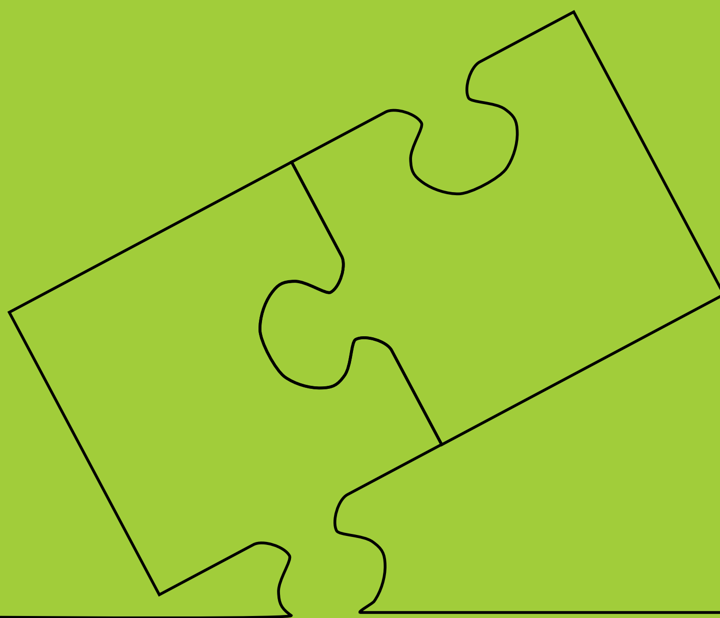
Notice of annual general meeting (continued)

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 6.00 pm on 14 April 2014. 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 14 April 2014, 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 14 April 2014 shall be disregarded in determining the rights of any person to attend and vote at the meeting.

3. In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that (i) if a corporate member has appointed the chairman of the meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that member at the meeting, then on a poll those corporate representatives will give voting directions to the chairman and the chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate member attends the meeting but the corporate member has not appointed the chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate members are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives – www.icsa.org.uk – for further details of this procedure. The guidance includes a sample form of representation letter if the chairman is being appointed as described in (i) above.



61 Webber Street
London
SE1 0RF

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