Annual Report & Accounts

Maintel Holdings Plc

2019

maintel

Maintel is a cloud and managed services company, focused on communication. Our people become trusted advisors for our clients, creating value by helping them improve their business through digital transformation.

We work with organisations to make their people more effective and productive with digital workplace technology; we help them to acquire, develop and retain their own customers through customer experience technology and we ensure they can always connect to their applications and their data through secure networks.

Overview 2019

"As highlighted in the Group's January trading statement, 2019 was a challenging year for Maintel. The delays to the award of the public sector procurement framework and the performance of some of our major channel partners, combined with wider economic and political uncertainty in the UK, resulted in a reduction in our support services revenue and a lower than expected performance in our technology division. Whilst impacting our FY19 performance, we do not expect these same issues to impact in FY20 following the General Election and resolution of the public sector procurement framework.

Operationally, the Group has made good progress against its strategic objectives, with continued growth in our key focus areas; for example, delivering 25% growth in the number of cloud seats on our ICON platform for the year. We have continued to invest throughout the year in our ICON cloud platform to enable us to scale and compete even more effectively in 2020, expanding vendor solutions, infrastructure, functionality and capability.

As a leading cloud, software and managed services company, Maintel will continue to focus on our key strategic vendors and partners through FY20 to ensure we offer our customers the latest solutions, services and products from market leading technology manufacturers, supported by our managed services and application development teams.

Having been with the business six months I am optimistic for its future and confident we would have seen a return to both organic revenue and EBITDA growth during this year, were it not for the interruptions to operations from COVID-19. We entered the year underpinned by a buoyant order book boosted by robust late Q4 performance including several large contract wins in December following the General Election and a healthy pipeline. The team and I are focussing on our key initiatives, continuing to invest in our ICON and Callmedia solution offerings, whilst further expanding our managed services offerings.

The COVID-19 situation clearly creates uncertainty for all businesses, including Maintel. While we saw some benefit in late Q1 and early Q2 assisting our customers with their response to the new working conditions, we have also seen some customers placing major projects on hold. Whilst approximately 70% of the Company's revenue for the full year was recurring, providing a base level of visibility for revenues this year, we have taken early and robust measures to protect Maintel, including cost-reduction and preservation of cash, while ensuring we are able to support our customers in full – many of whom are on the front-line of the COVID-19 effort. With the support of the Board, we remain confident that our fast response and ongoing management of the Coronavirus situation will leave the Company well positioned when the economic impacts begin to recede."

Ioan MacRae, CEO

↓10%	↓7%	↑25%	↑1%
£122.9m	**£11.8m**	**78,000**	**70%**
Group revenue (2018: £136.5m)	Group adjusted EBITDA[1] (2018: £12.7m)	Contracted cloud seats (2018: 61,900)	Recurring revenue (2018: 69%)

[1] Adjusted EBITDA is EBITDA of £11.7m (2018: £10.7m), adjusted for exceptional costs and share based payments (note 12).
[2] Adjusted earnings per share is basic earnings per share of 22.4p (2018: 14.4p), adjusted for acquired intangibles amortisation, exceptional costs, interest charge on deferred consideration, share based payments and deferred tax items related to loss reliefs from previous acquisitions and fixed assets acquired in prior years (note 11). The weighted average number of shares in the period was 14.3m (2018: 14.2m).

Chairman's statement

"The Company has experienced a year of continued transition where good progress has been made against our strategic objective of repositioning the business as a cloud and managed services provider, delivering significant growth of 25% in the number of cloud seats on our platform and increasing the proportion of total revenues generated from cloud and software customers to 22%."

John Booth
Chairman

The Company has experienced a year of continued transition where good progress has been made against our strategic objective of repositioning the business as a cloud and managed services provider, delivering significant growth in the number of cloud seats on our platform and increasing the proportion of total revenues generated from cloud and software. However, we faced a number of headwinds throughout the year with both macro-economic factors and contract losses suffered by some of our large channel partners hurting financial performance.

Group revenue reduced by 10% to £123m with gross profit declining by10% to £35m. Adjusted EBITDA declined by 7% to £11.8m, including a £1.0m increase resulting from IFRS16 adjustments. Adjusted earnings per share decreased 20% to 52.6p.

Our managed support base saw a reduction in revenue of 10% to £43m which was driven in part by some price erosion as customers downsized their estates as a result of their migration to cloud, and by two channel partners losing four major customer contracts with a resulting loss of revenue to Maintel.

Technology division revenues reduced by 13% to £37m (2018: £43m). This was driven by two main factors: the hiatus in public-sector procurement caused by the delay in the re-letting of the procurement framework RM1045 into the new framework RM3808; and a number of large projects being placed on hold by customers concerned about political and economic uncertainty.

Despite these external factors the number of subscribers on our ICON cloud platform climbed by 25% in the year, with new customers coming from both private and public sectors and incorporating our first cloud deals through channel. We also launched a mid-market offering, ICON Now, towards the end of the year and are pleased to report that this is already selling both through our direct sales team and via our channel.

Ioan MacRae joined us as CEO in October and with the support of the Board he has developed a plan to return the customer base to growth and to re-invigorate our approach to new business. We have invested significantly in developing our cloud and software portfolios for greater capability and scale and have a detailed plan to return to organic growth while continuing to deliver our strategic objectives of growing our cloud and managed service revenues from our ICON platform and improving our gross and EBITDA margins.

A very strong performance in Q4 orders, particularly following the General Election in December, provided us with a strong order book as we entered 2020 and Q1 saw a return to normal activity and levels of spending within the public sector, with a number of wins on the new framework.

It is clear that COVID-19 will have a significant impact on the business in 2020. While we have performed to plan in the first quarter, we know that in many cases our customers are putting major projects on hold to focus on their core activities and preserve working capital. Thanks to the early and decisive action of the management team, detailed elsewhere in this report and including reducing the salaries of almost all employees, including the Board, we are confident that the business will be responsive when economic activity returns to more usual levels.

Given the as yet unknown path of the pandemic, the Board has made the difficult decision not to declare a final dividend for the full year 2019. Until there is greater clarity on the duration of the pandemic and the extent of its impact on the Group and the wider economy, the Board feels it is prudent to pause returns to shareholders. This decision has not been taken lightly and will be reviewed as soon as conditions improve and financial performance permits.

We are proud of the work that Maintel is doing in the front-line of the UK's response to the Coronavirus threat, including supporting of many thousands of NHS workers, care providers, local authorities and police forces. On behalf of the Board and our shareholders I would like to thank our excellent staff for their continued commitment and hard work as we navigate these challenging times, and for their support as we reconfigure the business to face the future with confidence.

J D S Booth
Chairman

29 May 2020

Strategic Report

Maintel overview

Maintel in numbers

Financial

Revenue
£122.9m (-10%)

Adjusted EBITDA
£11.8m (-7%)

Adjusted EBITDA margin
9.6% (+0.3%)

Adjusted earnings per share
52.6% (-20%)

Net debt
£25.7m (+£0.2m)

Volumetric

Cloud seats
78,000 (+25%)

Revenues from cloud customers
£27m (+34%)

Managed service base
£40m (-10%)

Recurring revenues
70%

Company

591 people

4 locations

Top tier accreditations with Avaya, Cisco, Mitel & Extreme

Our Proposition

Maintel is a cloud, software and managed services company focussed on communications. Our people become trusted partners for our clients, creating value by helping them improve their business by:

- making their people more effective and efficient with digital workplace technology
- helping them to acquire, develop and retain their customers with customer experience technology
- securely connecting their employees to their applications and their data with secure connectivity

Although Maintel's historic roots are as a provider of on-premises technology and services, Maintel's lead offer is its ICON suite of cloud and managed services and now 22% of all revenues come from customers taking Maintel's cloud & software services. Maintel's ICON cloud services have seen significant growth in the year and are a key strategic focus for FY20 and beyond.

ICON

The ICON platform itself is a highly secure, highly available, highly scalable cloud and network platform hosted across four top-tier data centres in the UK. From the platform, we deliver these key services:

ICON Communicate

Enterprise class Unified Communications as a Managed Service

Highly secure, highly available, highly customisable, with ICON Communicate we can deliver the flexibility of on-premise technology with the benefits of a cloud delivery model, backed up by Maintel's renowned managed service capability.

ICON Contact

Contact Centre as a Service

Our cloud managed contact centre service offering deep application integration, self-service, comprehensive compliance and flexible technology and commercial options.

ICON Now

True Cloud Communications

Our Unified Communications as a Service offer for the mid-market. Highly capable, simple to use, contract and deploy.

ICON Secure

Managed Security as a Service

A suite of security services delivered from the cloud as a service and backed up with expertise from our Security Operations Centre.

ICON Connect

Cloud-optimised connectivity

Maintel's next-generation managed network service enabling users to access their applications and their data in the office, in the branch, on the move or in their homes.

Maintel overview continued

Maintel's Vendor Alliance Partners

Maintel is proud to work with world-class technology companies to deliver services to customers – either via the ICON cloud platform or on-premise. While there are a host of vendors required to deliver complete solutions to customers, there are four key strategic lead partners.

PARTNER	STATUS	FOCUS AREA	KEY POINTS
AVAYA	Avaya Edge Diamond Partner & DevConnect	CX & UC in Financial Services & utilities, cloud delivered via Maintel's ICON platform	• Maintel delivered UK's first cloud-deployed Aura deployment • Top 3 UK partner, most accredited partner in Europe
Mitel	Mitel Platinum Partner	UC & UCaaS in public sector markets and retail UCaaS in mid-market	• Awarded Mitel's International Cloud Partner of the Year
CISCO	Cisco Gold Partner & Master Cloud & Managed Services Partner	Lead partner for wired and wireless networking, security, WAN and SD-WAN	• Focus partner for SD-WAN • Focus partner for Security • Specialisations in Collaboration, Data Centre, Enterprise Networking and Security
Extreme Customer-Driven Networking	Black Diamond Partner	LAN and Wireless LAN in some public sector markets	• Fastest growing UK partner • Focus partner for public sector • UK&I Partner of the Year

Maintel's Intellectual Property

Maintel also has considerable intellectual property, typically deployed alongside and to enhance the offers from the key technology partners. This IP is in three categories: software products and services, tools to extend the customer experience, and tools to support and enhance Maintel's service delivery:

- **Maintel Software Products** – Callmedia is Maintel's multi-channel customer experience platform, traditionally deployed on-premise and now primarily as a cloud offer as ICON Contact. Since the period-end, Maintel has launched AI Chatbot capability, leveraging AI technology to provide a high-quality automated channel to customers for either full problem resolution, or to triage interactions before handing them off to a live agent

- **Experience enhancing products** – ICON Portal is a front-end interface for all support and in-life management interactions for customers, providing a single interface with a single logon where customers can access monitoring, status, ticketing, billing, order placement and management and other typical interactions. The first version of this portal has launched since the period end and we have an aggressive roadmap to add capability over FY20

- **Enhancing and supporting delivery** – Maintel has produced a set of tooling to automate the quoting, provisioning and support of its ICON Cloud services to support the significant scale we have planned for the cloud offer, to accelerate the time taken to quote and provision services and to simplify both implementation and in-life support

Our market & our customers

Maintel provides its cloud and managed communication services primarily to the UK public and private sectors.

Our core focus is on organisations with between 250 and 5,000 employees in the private, public and not-for-profit sectors with headquarters in the UK. Although we serve the whole market, we are particularly focussed on six key verticals:

Public & not-for-profit sector

Health

We are trusted by more than 40 health trusts to provide them with the mission critical communications services they use to ensure the effective operations of hospitals and community care services.

Examples
UCLH, Royal Brompton, South Lanarkshire, Betsi Cadwaladr

Local Government

We enable the staff of 35 unitary and other local authorities to better serve a combined total of 15 million citizens.

Examples
Durham County Council, South Lanarkshire Council, Powys County Council

Social Housing

We enable the smooth running of many UK housing associations, helping them to support the residents of more than 300,000 homes.

Examples
Amicus Horizon, Sanctuary Housing

We also have many customers in "Blue Light" emergency services (including control room systems), education, government agencies, large charities and some national government departments.

Private sector

Retail

We provide services to enable the smooth and secure running of almost 10,000 retail sites and numerous online brands, enabling them to minimise their costs, maximise their information security and better serve their customers.

Examples
JD Sports, Wiggle, Matalan

Financial Services

We help banks, insurers and service providers to securely serve their customers across any channel, providing the right blend of automation, self-service and personalised experience.

Examples
NFU Mutual, ING Bank, Bank of Montreal, Admiral Insurance

Utilities & Services

We help utility providers across energy, telecoms & water to provide their products and services to their customers.

Examples
SSE, Severn Trent Water, Biffa

We have private sector customers in many other industries, including transport & logistics, business process outsourcing, entertainment and leisure and professional services.

Maintel overview
continued

Channel Partners

Maintel also sells through a number of channel partners, helping them to expand their capabilities and their geographic reach.

We help a range of channel partners, enabling them to broaden their service portfolios, providing managed communications services to complement their existing offerings. Typically our channel partners are systems integrators or telecommunications providers seeking to provide a complete outsourced IT function to their multi-national or FTSE250 clients. Maintel Partner Services also provides European implementation, support and managed services for their typically US-based multi-national clients. Historically this channel has been a route to market for Maintel's on-premise product portfolio and integration, implementation and support services, but during FY19 we have deployed our first ICON Cloud Services and Callmedia software through channel. This will be a key focus for FY20 with channel recruitment underway.

Our people & culture

It is our people who serve our customers, who deliver our cloud and managed services and who add value to our clients, helping them to transform their businesses for the better. We're proud of our people – our most expensive and our most valuable asset – and know that in today's information economy we have to win the battle to both attract and retain our talent.

Our people strategy

Our people strategy is focussed on attracting, retaining and developing the talent we need to be successful, and enabling our people to be effective in work and to develop their careers with Maintel.

The people team supports the business in all aspects of talent management and has been bolstered in the last year with significant investment in Learning & Development with a strong focus on developing Maintel's leadership team to help us to enable our people to reach their full potential.

Our culture

Our culture is an important aspect of who we are – how we enable our people to reach their full potential, how we service our customers, and how we ensure we stay ahead of the curve in a rapidly developing technology sector.

Our values

Our values inform every aspect of how we work with each other and with our customers, how we act corporately and individually, and our tactical and strategic decision making. At Maintel, we are aligned to this established set of values:

We play it straight
Honesty, transparency and integrity in our dealings with each other, our partners and our customers

We enjoy what we do and work as a team
Enjoying being at work, being serious without taking ourselves too seriously. Valuing each and every individual, while putting what's right for the team first

We are pioneering
Being courageous and resourceful, developing our business by improving those of our customers, anticipating change and challenging the status quo.

We are empowered, and accept accountability
Doing what's right and taking responsibility. Being accountable for our targets, actions and commitments.

We are agile and flexible
Flexible and agile people, processes and services – able to adapt quickly.

We constantly learn and grow
Always learning – never standing still

Our future

These are exciting and fast moving times for the communications sector with a rapid pace of innovation in technology development and adoption.

We have an enviable client base of both public and private sector clients, which is driving much of our growth in cloud and other next-generation services. Approximately 55% of our cloud growth is coming from that installed base, with the balance from new customer acquisition, and we still have more than 75% of our managed services base to take on the cloud journey. With analyst reports for the UCaaS market typically estimating between 11%[1] and 25%[2] compound annual growth rate ("CAGR") to 2025, there is plenty of market to go after for our flagship ICON services.

Contact centre technology, driven by organisations wishing to differentiate themselves by offering an improved customer experience and by consumers wishing to interact with their suppliers and service providers via an increasing number of digital channels, is also experiencing significant growth, with CAGRs of 25.2%[3] and 25.9%[4] cited in two recent analyst reports. As with unified communications, contact centre operators are steadily migrating their technology to the cloud. Maintel's ICON Contact offer is positioned to support customers in that transition. The market is being further enriched by the use of Artificial Intelligence (AI) and Machine Learning technologies to improve outcomes for customers – either by ensuring the best possible match of available agents to queuing customers, or by supporting a significantly improved experience using self-service channels. AI is driving a lot of product evaluation and pilot projects.

Our secure connectivity offer is also positioned to capture three significant business trends: our ICON Connect service is optimised to support customers as they transition not just their communication services but all their business applications to the cloud. ICON Connect SD-WAN is positioned to take advantage of the 40% to 60% CAGRs being talked about by vendors – although as early stage technology, these figures represent growth from a low base, and much of it will be substitutional from traditional WAN technologies. Finally, ICON Secure's cyber security service serves a market currently seeing 10%[5] CAGR and in particular a Managed Security Services CAGR of 14%[6] to 2022.

Mergers & acquisitions

Maintel has made a number of significant acquisitions in recent years, bringing scale, capability, customers and talent into our organisation. Where appropriate we will continue to use acquisitions to bring us new capabilities and increase the base of customers for our managed services but our focus for FY20 is organic growth.

Investing in Maintel's future

As a pioneering company, we continually invest in ensuring our proposition is relevant and that our people are equipped with the skills they need to deliver today's services. In FY19 we significantly increased our investment in R&D carried out at our Maintel Technology Centre in Fareham. Our focus during the year has been:

- **Developing our Callmedia Customer Experience platform** – although well established, we have accelerated investment in this product to improve its suitability for cloud deployment and to take advantage of emerging technology such as conversational Artificial Intelligence (AI). We will maintain that increased level of investment throughout FY20, further facilitating the move to cloud, broadening the potential addressable market and, in H2, launching Callmedia as a true Contact Centre as a Service platform.
- **Improving our operational effectiveness** – the development of automated quoting and provisioning tools and providing enhanced portal access for customers across all our cloud, network and managed services.
- **Increasing the capacity of our core platforms** – as we continue to grow our cloud platform.
- **Enhancing the capability of our cloud services** – adding additional features and services to the existing ICON Services to ensure marketing competitiveness.

1 "2019-2025 UCaaS Report on Global and US Market, Status & Forecast, by Players, Types and Applications", QY Research, August 2019
2 "Global UCaaS Market Forecast 2019-2023", Orion Market Research, March 2019
3 "Cloud-based Contact Centre Market by Solution – Global forecast to 2022", Research & Markets, April 2019
4 "Cloud Based Contact Centre – Global Market Outlook (2018-2023)", Statistics, December 2018
5 "Cybersecurity Market by Solution .... And Region – Global Forecast to 2023", Markets & Markets, September 2019
6 "Global Managed Security Services Market Size, Status & Forecast 2025", QY Reports, May 2019

Glossary

Artificial Intelligence (AI)	The sub-set of computer science aimed at the development of computers capable of doing things that are normally done by people – in particular, things associated with people acting intelligently.
Contact Centre as a Service (CCaaS)	The implementation of a contact centre platform without the need to install any on-premise equipment or purchase technology up-front. CCaaS is typically provided on a "per user, per month" basis, but there are other models such a paying per transaction or perpetual licencing.
Customer Experience (CX)	The practice of using the experiences of customers as a competitive differentiator. Maintel's CX practice is primarily concerned with the design, implementation and support of technology to facilitate customer interactions via the contact centre or digital channels.
Machine Learning (ML)	The use of software to analyse very large data sets and use the analysis to answer questions and make decisions.
Software Defined Wide Area Network (SD-WAN)	The latest generation of wide area networking technology that enables centralised and simple configuration, connection irrespective of the underlying circuit or wireless technology, and a range of business-oriented networking services.
Unified Communications (UC)	Unified Communications is a suite of tools to allow team members to collaborate, including instant messaging (IM), presence, screen and document collaboration and both audio and video conferencing.
Unified Communications as a Services (UCaaS)	The implementation of unified communications tools without the need for an organisation to install any hardware or software on their premises or in their data centres. UCaaS is usually provided on a "pay as you go" basis with minimal up-front costs and the ability to flex the capacity of the service up and down during the term of the agreement.

Business review

New IFRS implementation

Maintel has adopted IFRS 16 – Leases for the financial year ending 31 December 2019, and it has chosen to use the modified retrospective approach to adoption which means there are no restatements to the prior year figures.

IFRS 16 introduces a single lessee accounting model, whereby the Group will recognise a lease liability and a right of use asset at 1 January 2019 for leases previously classified as operating and finance leases. Within the income statement rent expense is replaced by depreciation and interest expense.

The adoption of IFRS 16 has resulted in a right of use asset of £4.1m, with a corresponding lease liability of £4.4m, being recognised as at 31 December 2019.

In order to allow users of the accounts to see how the impact of IFRS 16 has affected adjusted EBITDA, we present a reconciliation below.

Results for the year

Despite the Group making strong progress in its transformation to a cloud and managed services business, delay in the re-letting of the public sector procurement frameworks and the loss of four major contracts from two channel partners, combined with the wider economic and political uncertainty in the UK, impacted financial performance in the period.

Revenues decreased 10% to £122.9m (2018: £136.5m) and adjusted EBITDA decreased by 7% to £11.8m (2018: £12.7m). The Group delivered adjusted profit before tax of £8.5m (2018: £10.8m). Adjusted earnings per share (EPS) decreased by 20% to 52.6p (2018: 65.5p) based on a weighted average number of shares in the period of 14.3m (2018: 14.2m).

On an unadjusted basis, the Group generated profit before tax of £1.8m (2018: £2.2m) and earnings per share of 22.4p (2018: 14.4p).This includes £0.4m of exceptional items (2018: £1.6m) (refer note 13) and intangibles amortisation of £6.7m (2018: £6.5m).

	Adjusted EBITDA		
	2019 £000	**2018 £000**	**Decrease**
Consistent with 2018 presentation and accounting policy	**10,810**	12,740	(15)%
Changes due to accounting policy – IFRS 16	**1,030**	-	
Consistent with 2019 presentation and accounting policy	**11,840**	12,740	(7)%

The adoption of IFRS 16 has reduced the apparent percentage decline of EBITDA influencing the current period (favourably) and not the comparator as this is not restated; if the effect of IFRS 16 was to be removed the percentage decline would be 15%.

Business review
continued

	2019 £000	2018 £000	(Decrease)/ increase
Revenue	**122,932**	136,459	(10)%
Profit before tax	**1,764**	2,248	(22)%
Add back intangibles amortisation	**6,674**	6,479	
Exceptional items mainly relating to the restructuring and reorganisation of the Group's operations	**385**	1,647	
Share based remuneration	**(274)**	392	
Adjusted profit before tax	**8,549**	10,766	(21)%
Adjusted EBITDA[(a)]	**11,840**	12,740	(7)%
Basic earnings per share	**22.4p**	14.4p	56%
Diluted	**22.2p**	14.1p	57%
Adjusted earnings per share[(b)]	**52.6p**	65.5p	(20)%
Diluted	**52.1p**	64.3p	(19)%

(a) Adjusted EBITDA is EBITDA of £11.7m (2018: £10.7m) less exceptional costs and share based remuneration (note 12)
(b) Adjusted profit after tax divided by weighted average number of shares (note 11)

Cash performance

The Group generated net cash flows from operating activities of £9.4m (2018: £8.6m) resulting in a strong cash conversion [(c)] of 88% for the full year (2018: 84%).

(c) calculated as operating cash flow (being adjusted EBITDA plus working capital) to adjusted EBITDA

Review of operations

ICON is Maintel's suite of cloud services, the main services being ICON Communicate (enterprise grade managed unified communications), ICON Now (Unified Communications as a Service), ICON Secure (network security) and ICON Connect (managed WAN). Elements of cloud services revenues are currently accounted for in both the managed services and technology division (under both managed services related and technology revenue lines), and the network services division (under the data connectivity services revenue line).

The following table shows the performance of the three operating segments of the Group.

Revenue analysis	2019 £000	2018 £000	Increase/ (decrease)
Managed services related	**42,910**	47,418	(10)%
Technology[(d)]	**36,943**	42,470	(13)%
Managed services and technology division	**79,853**	89,888	(11)%
Network services division	**37,649**	40,946	(8)%
Mobile division	**5,430**	5,625	(3)%
Total Maintel Group	**122,932**	136,459	(10)%

(d) Technology includes revenues from hardware, software, professional services and other sales

Gross profit for the Group decreased to £35.2m (2018: £39.1m) with a gross margin of 29% (2018: 29%). Detailed divisional performance is described further below.

Managed services and technology division

The managed services and technology division provides the management, maintenance, service and support of unified communications, contact centres and local area networking technology on a contracted basis, on customer premises and in the cloud. Services are provided both across the UK and internationally. The division also supplies and installs project-based technology, professional and consultancy services to our direct clients and through our partner relationships.

Revenue in this division decreased by 11% to £79.9m. Gross profit declined by 20% to £21.0m (2018: £26.4m) with Gross margin reducing to 26% from 29% in 2018.

As highlighted earlier in the report, the delay in the re-letting of the public sector framework combined with the macro economic uncertainty led to a reduction in technology revenue. The re-letting of the public sector procurement framework RM1045 into the new framework RM3808 was considerably delayed, resulting in a significant reduction in the number of bids available for the group to tender on. When the RM3808 framework was issued, Maintel was successful in achieving a space on all the lots for which we had applied, and the business did start to see bid activity resume. However, even those bids on which we were successful came too late in the year to have any impact on FY19 revenue.

There was, however, upside in the division due to an increase in professional services revenue, as we gained contract wins in our software and consultancy practice, including the development and rollout of a multilingual IVR across multiple countries for a global enterprise organisation.

Our managed services base declined by 10% over the year, partly as a result of customers moving to the cloud model, where traditional "support" is replaced by a managed services element, which is reported in our network services revenue line, and the impact of two of our large channel partners losing four major contracts between them. In addition, revenues have been impacted by several of our larger support customers upgrading from older legacy platforms to more modern, higher margin, software-based solutions. Although support revenues from the software-based solutions are lower than those generated from the traditional, legacy platform, the cost base associated with the new technology is significantly lower, and the shift will therefore result in higher margins.

While we have seen a lengthening of the sales cycle, particularly within larger organisations across both the public and private sectors, a strong close of orders in Q4 2019, including significant contracts from Vanquis Bank and Avon UK, has meant we exited the year with a healthy order book and growing sales pipeline.

	2019 £000	2018 £000	Decrease
Division revenue	**79,853**	89,888	(11)%
Division gross profit	**21,043**	26,364	(20)%
Gross margin (%)	**26%**	29%	

Business review
continued

Network services division

The network services division sells a portfolio of connectivity and communications services, including managed MPLS networks, SD-WAN services, security as a service, internet access services, dedicated access to public cloud services, SIP telephony services, inbound and outbound telephone calls and hosted IP telephony solutions. These services complement the on-premises and cloud solutions offered by the managed service and technology division and the mobile division's services.

Network services revenue decreased by 8%, with gross margins in the division growing by seven percentage points to 31% (2018: 24%), reflecting the significantly richer contributions from cloud service revenues.

Traditional fixed line revenues (shown above under call traffic and line rental) decreased by 11% to £14.0m (2018: £15.7m), which is a reflection of the overall market decline and a shift in focus of the Group to meet the higher demand for margin rich cloud and SIP services.

Data connectivity revenues declined by 6%, as a result of the tail of previously announced legacy contract terminations. On an underlying basis, excluding these legacy contracts, data revenues grew by 2% as a result of the strong progress made in cloud services. This growth is set to continue as we roll out 2 cloud contracts in H1 2020 for Vanquis Bank and Avon UK. The launch of our SD-WAN proposition has positioned Maintel as a credible data network provider and it has been well received by our customers.

ICON cloud services

The number of contracted seats on the ICON cloud platform increased by 25% in the year to 78,000 at the end of December. Revenue from cloud and software customers increased by 34% to £27.3m, representing 22% of Group revenue.

We are continuing to see larger and more mission critical communications installations move to the cloud, with new ICON Communicate deals across all our vendors in both high-profile private-sector deployments and mission-critical public sector environments. We have also seen our first wins on our ICON Now UCaaS service aimed at the less technically demanding projects in the 100 to 1,400 seat market with contracts signed both with direct customers and through channel partners.

We continue to invest in our growth areas of cloud and software and have grown the development teams based at our Technology Centre in Fareham, Hampshire. Key developments on the ICON platform include significant enhancements to our customer facing portal, additional capabilities on both the Avaya and Mitel variants of our ICON Communicate service, and more developments of our SD-WAN service, ICON Connect, which has enabled us to be awarded, just after the period end, Cisco Cloud and Managed Services Partner Master Status.

	2019 £000	2018 £000	Increase/ (decrease)
Call traffic	**5,083**	5,567	(9)%
Line rental	**8,589**	9,733	(12)%
Data connectivity services	**23,615**	25,215	(6)%
Other	**362**	431	(16)%
Total division	**37,649**	40,946	(8)%
Division gross profit	**11,715**	9,836	19%
Gross margin (%)	**31%**	24%	

	2019 £000	2018 £000	Decrease
Revenue	**5,430**	5,625	(3)%
Gross profit	**2,492**	2,918	(15)%
Gross margin (%)	**46%**	52%	
Number of customers	**848**	1,233	(31)%
Number of connections	**31,421**	31,935	(2)%

Key developments in our Maintel Software portfolio include a web-based management platform for our Callmedia Customer Experience (CX) product and an AI-driven chat-bot supporting high-quality customer interactions to be either fully or partially automated.

Mobile division

Maintel's mobile division generates revenue primarily from commissions received under its dealer agreements with O2 and from value added services such as mobile fleet management and mobile device management.

We have continued to focus on the mid-market and low-end enterprise segments where our full managed service wrap is particularly well suited. Consequently, we have seen a reduction in the number of connections and also a similar decrease in average revenue per connection of 2% from 2018.

As previously highlighted, we introduced a wholesale proposition during the year to better serve a segment of the mid-market and have won two significant new customers as a result.

Revenue fell 3% to £5.4m (2018: £5.6m) with gross margin at 46%. The mobile market is highly competitive, but our prospect pipeline remains healthy and growing across both brand new customers and the existing Group customer base, through cross-selling opportunities.

Other operating income

Other operating income of £1.0m (2018: £0.5m) includes monies associated with the recovery of 2 years' filings of R&D tax credits of £0.8m (2018: one year filing of £0.3m) and rental income from the sub-letting of a part of the Group's London and Haydock premises of £0.2m (2018: £0.2m).

Total administrative expenses for the Group decreased by 4% to £26.4m (2018: £27.6m) or 21% of total revenues (2018: 20%). Excluding the net effect of IFRS 16, administrative expenses decreased by 5%.

The Group's headcount as at 31 December 2019 was 591 (31 December 2018: 624), reflecting a reduction of 5% as a result of the Group's ongoing review of its operational structure.

Income relating to accounting for share options amounted to a £0.3m credit (2018: charge of £0.4m) due to the effect of the unwinding of unvested options accounted for in prior years.

The level of the Group's administrative expenses will continue to be tightly controlled in 2020 and we expect to deliver further cost savings in the period as our operational model continues to evolve.

Administrative expenses	2019 £000	2018 £000	Decrease
Total administrative expenses [e]	**26,407**	27,565	(4)%

(e) Excluding intangibles amortisation, exceptional expenses and share based remuneration

Business review
continued

Exceptional costs

Exceptional costs of £0.4m (2018: £1.6m) relate to £0.7m of staff-related restructuring costs associated with the ongoing review of the Group's operating cost base and system project integration costs, offset by a net credit resulting from certain true up adjustments relating to the Atos customer base acquisition of (£0.3m). A full breakdown is shown in note 13.

Interest

The Group recorded a net interest charge of £1.3m in the year (2018: £1.3m), which includes £0.2m relating to IFRS 16 (2018: £nil).

Taxation

The tax charge in the period benefitted from; (i) an increase in deferred tax assets of £0.6m, related to tax losses arising originally from the Intrinsic acquisition and £0.5m associated with tangible fixed assets acquired in prior years and; (ii) £0.3m credit resulting from aligning the streaming of treatment of losses with actual tax returns linked to the Datapoint acquisition. The combined effect of these two items led to an overall tax credit of £1.4m being recorded in the consolidated statement of comprehensive income (2018: charge of £0.2m).

Each of the Group companies is taxed at 19% (2018: 19%) with the exception of Maintel International Limited, which is taxed at 12.5% (2018: 12.5%).

Dividends and earnings per share

A final dividend for 2018 of 19.5p per share (£2.8m in total) was paid on 16 May 2019. An interim dividend for 2019 of 15.1p (£2.2m) was paid on 4 October 2019. The Board has decided not to declare a final dividend for 2019, leaving the total dividend payment for 2019 at 15.1p (2018: 34.5p).

Adjusted earnings per share of 52.6p (2018: 65.5p) benefitted from a true up exercise to align the streaming treatment of losses associated with the Datapoint acquisition with actual tax returns. The benefit of this exercise amounted to 2.3 pence per share.

On an unadjusted basis, basic earnings per share is at 22.4p (2018: 14.4p).

Consolidated statement of financial position

Net assets decreased by £1.1m in the year to £20.9m at 31 December 2019 (31 December 2018: £22.0m) with the key movements explained below.

Intangible assets valued at £63.8m, decreased by £5.6m, driven by capitalised development costs associated with the Group's ongoing investment in our contact centre software, Callmedia, offset by the amortisation charge in the year of £6.7m (2018: £6.5m).

A right of use asset of £4.1m (2018: nil) associated with adoption of IFRS 16 has been created (see note 22).

Inventories are valued at £3.2m, a decrease of £6.0m in the year, as a result of a reduction in the level of deferred costs associated with projects in progress at year-end 2018 not being replicated at year-end 2019.

Trade and other receivables decreased by £7.5m to £26.9m (2018: £34.4m) driven by lower revenues and associated billing activity in Q4 2019 compared to Q4 2018, resulting in reduced trade receivables of £4.7m and accrued income of £2.5m.

Trade and other payables decreased by £14.1m to £43.6m (2018: £57.7m) with the main factors being; (i) lower trade payables of £3.9m resulting from a lower level of project activity in Q4 2019 compared to Q4 2018 combined with a number of different supplier and delivery timing factors affecting the balance; (ii) a decrease in deferred managed service income of £4.3m driven by a decline in the managed service base and associated level of advance billings; and (iii) a reduction in other deferred income of £3.7m primarily as a result of a lower volume of projects in delivery phase compared to year-end 2018.

Non-current other payables are £2.9m (2018: £4.9m), a decrease of £2.0m due to a reduction in the deferred consideration relating to the acquisition of the customer base from Atos of £1.4m and a reclassification of dilapidations provisions under IFRS 16 of £0.7m.

Total lease liabilities of £4.4m have been created as result of adopting IFRS 16 (see note 23).

Cash flow

As at 31 December 2019 the Group had net debt of £25.7m, excluding issue costs of debt, (31 December 2018: £25.5m), equating to a net debt: adjusted EBITDA ratio of 2.2x (2018: 2.0x).

An explanation of the £0.2m increase in net debt is provided below.

The Group generated £9.7m (2018: £9.1m) of cash from operating activities (excluding acquisition costs of £nil (2018: £44,000)) and operating cash flow before changes in working capital of £11.1m (2018: £11.1m).

Cash conversion in 2019 remained strong at 88%(c), improving from 84% conversion level delivered in 2018.

Capital expenditure of £1.9m was incurred relating to the ongoing investment in the ICON platform and IT infrastructure and continued development of Callmedia, the Group's contact centre product (2018: £0.3m – net of £1.5m of proceeds received from disposal of a freehold property).

A more detailed explanation of the working capital movements is included in the analysis of the consolidated statement of financial position.

Further details of the Group's revolving credit and overdraft facilities are given in note 22.

	2019 £000	2018 £000
Cash generated from operating activities before acquisition costs	**9,741**	9,135
Taxation paid	**(328)**	(442)
Capital expenditure less proceeds of sale	**(1,902)**	(265)
Interest paid	**(1,102)**	(1,161)
Free cash flow	**6,409**	7,267
Dividends paid	**(4,953)**	(4,841)
Payments in respect of business combination	**(679)**	(181)
Acquisition costs paid	**-**	(44)
Proceeds from borrowings	**500**	-
Repayments of borrowings	**-**	(9,500)
Lease liability payments	**(1,200)**	-
Issue of ordinary shares	**235**	-
Increase / (decrease) in cash and cash equivalents	**312**	(7,299)
Cash and cash equivalents at start of period	**(3,988)**	3,311
Exchange differences	**(20)**	-
Cash and cash equivalents at end of period	**(3,696)**	(3,988)
Bank borrowings	**(22,000)**	(21,500)
Net debt excluding issue costs of debt and IFRS 16 liabilities	**(25,696)**	(25,488)
Adjusted EBITDA	**11,840**	12,740

(c) calculated as operating cash flow (being adjusted EBITDA plus working capital) to adjusted EBITDA

Business review
continued

Risk management

The Board has overall responsibility for setting the risk appetite for the business and for ensuring that the Group's ongoing risk profile aligns with this. The Board is also responsible for identifying the business risks and uncertainties faced by the Group that could have a material adverse effect on the business, most of which are beyond its control, and for determining the appropriate course of action to manage these. It reviews a dynamic risk report at its monthly Board meetings, the process behind which is monitored by the Audit and Risk committee. The most significant current risks and uncertainties are described below; the extent of the impact of each would naturally depend on the precise nature and duration of the event. This list is not exhaustive and there may be risks and uncertainties of which we are currently unaware, or which we currently believe are immaterial, that could have an adverse effect on the business.

Nature of risk	How do we mitigate the risk?	Trend
Disruptive technology changes the landscape of the market and the Group may not keep pace with product and service innovation.	Maintel has a dedicated product function to ensure that the Group's product and service portfolio remains competitive. We have also re-structured the business to ensure focus on accelerating developments, including those of the ICON platform.	
A catastrophic event – for example a power outage or pandemic – means that the Group is unable to service its customers.	All employees are able to work remotely, and the Group's operational and administrative servers are located and managed such that damage from an outage is minimised. A business continuity plan is in place which is reviewed regularly and enhanced from the results of testing. The Group is also increasingly moving to cloud based systems which are more readily available for a response to a catastrophic event. A fuller explanation of the Group's response to the Covid-19 pandemic can be found on page 22.	
Cyber-attacks on Maintel, customer or supplier systems rendering them unusable temporarily or permanently.	The Group has a dedicated security team, a specialist Security Operations Centre (SOC) and has invested significantly in training, systems and tools to ensure Maintel and its customer systems are secured. Customer networks and data are completely segregated from the Group's and data and systems are replicated in more than one location. Maintel holds several security accreditations including Cyber Essentials Plus, ISO 27001 and PCI DSS, all of which entail extensive external auditing of the Group's systems and processes. Maintel is also covered by cyber threat insurance. While there is evidence that some cyber criminals are looking to exploit the COVID-19 pandemic, the Company is well placed to resist such threats.	

Nature of risk	How do we mitigate the risk?	Trend
The Group has inherited a range of systems and processes from recent acquisitions, some of which are antiquated and lacking in integration. Inefficiencies may cause loss of profits through errors or the additional resource required to manage the systems.	The major systems and processes inherited from the acquisitions have been replaced. A new integrated system was successfully implemented in 2019, with the last of the inherited systems due to be replaced in 2020.	↓
Loss of key supplier through its business failure or termination of relationship with Maintel.	The Group has a multi-vendor strategy to reduce this risk and has defined product managers who work closely with each supplier to maintain constructive relationships and promptly identify potential issues, formalised by monthly internal review meetings. We have not identified any immediate elevation of supplier failure risk as a result of the COVID-19 pandemic or, at the time of writing, seen any disruption in our supply chains.	↔
Loss of major customer through its business failure or termination of relationship with Maintel or Maintel's partners.	The impact of this risk is partly mitigated by the fact that no customer provides more than 10% of the Group's revenue. We have developed various initiatives to manage this risk including executive sponsorship and improved account management and engagement. We are actively monitoring customer churn and continuing to develop our customer offering and service delivery. However, we acknowledge that some of our customers may come under financial stress as a result of the COVID-19 pandemic (those in the retail sector, for example) and so we consider this risk to have been raised since last year. As always, we are maintaining regular contact with all our customers in order to identify and respond to particular risks as early and beneficially as possible.	↑

↔ Risk unchanged from last year

↓ Risk reduced compared with last year

↑ Risk increased compared with last year

The Group's approach to financial risk management is further explained in note 24 to the financial statements.

Business review
continued

COVID-19

The Group has robust business continuity plans in place to enable us to continue our operations in the face of various adverse scenarios. These have been fully implemented in response to the COVID-19 pandemic and are working well. Since late March, the vast majority of our employees, except for a small number of staff based in our warehouses and some on-site support personnel supporting front-line operations, are working remotely, fully supporting our customers to ensure they have flexible and remote working solutions in place to protect their operations.

While demand for the Group's services in the first quarter of 2020 was in line with expectations, we are now seeing both an increase in demand for cloud services but also some delay in the rollout of other, particularly on-premise, projects. There is also evidence that some customers are delaying placing orders in response to COVID-19.

The unknown duration and extent of the macro and micro economic consequences of the pandemic makes predicting future near term demand for the Group's offering difficult at this stage. The Board has moved swiftly to implement measures to reduce the Group's cost base and preserve cash (see below).

Enabling organisations to facilitate flexible and remote co-working with business continuity support and delivery is a core competency for Maintel and we are engaged in many projects with clients in both public and private sectors, helping them to keep critical services running and to increase remote-working capacity through this period.

Cash preservation

The Board has taken steps to conserve cash and maintain a satisfactory liquidity position. In particular, the Group has taken the following actions to date:

- The Group has successfully completed an amendment and extension of its existing bank facilities with the National Westminster Bank Plc. The revised facility of £34.5m provides the Group with more flexible covenants and additional funding headroom (this includes a Government backed CLBILs loan of £4.5m, repayable in October 2021);
- The Executive Management Team had already started a process before the pandemic, which is now well underway, to restructure our business to match our future business expectations and the needs of our customers, given the changing technology landscape;
- The Board and workforce have taken a 20% salary reduction for a three-month period from 1 April 2020; the situation will be reviewed at the end of this period;
- We welcome the action taken by the UK Government to preserve employment. While many of our employees are designated key workers, a small number have been furloughed and the Board continues to review the Group's participation in the Government's job retention scheme and to consider accessing other Government support if appropriate;
- We have minimised all other costs and expenditure;
- We made a decision not to declare a final dividend for the full year 2019 and it is the Board's intention to review returns to shareholders when conditions improve and financial performance permits, as detailed in the Chairman's statement.

The Board considers that these measures are in the best interests of all our stakeholders and will best ensure the long-term viability of the business. We continue to monitor the situation closely and stand ready to take further measures if required.

Brexit

The impact of Brexit is one that we consider regularly as political discussions develop, with its nature still not fully certain. The issues that could impact Maintel are not regarded as significant risks to the business, the directors' current views being as follows:

Sales to the EU

The Group made a total of £4.3m of sales to EU countries in 2019; £0.8m of that derived from our Irish-registered subsidiary, Maintel International Limited ("MIL"), the remaining £3.5m attributable to the UK registered Maintel Europe Limited ("MEL"), which sold to 12 EU countries. It is currently anticipated that it would be beneficial to register for VAT in some of those latter countries to expedite input VAT recovery, however the quantum of that VAT is low.

Customs

Our principal suppliers have confirmed that they do not envisage any significant price changes resulting from a customs agreement between the EU and the UK, due to the sourcing of their products from outside the EU. For the same reason, they do not anticipate any supply chain interruption. Of its EU sales, only a relatively small element consists of equipment that might be subject to customs implications.

Employees

The Group has 4 EU nationals employed by MEL. The current expectation is that these employees will be able to continue to live and work in the UK post-Brexit.

Exchange rate

The Brexit process itself may result in volatility in the value of sterling. This would have an effect on:

- The purchase price of the Group's purchases. It is envisaged that these price movements would be passed on to customers and that competitors would do likewise.
- MEL's invoicing to its EU customers is predominantly in Euros, so that exchange rate movements will impact the sterling value recognised by the Group.
- MIL's functional currency is the Euro. Movements in the Sterling/Euro exchange rate will affect the conversion of both MIL's profits (€0.1m 2019) and balance sheet (£0.1m net assets at 31 December 2019).

Outlook

Despite an encouraging start to the year and a good close to our first quarter, the degree of uncertainty introduced by the Coronavirus pandemic with its unknown duration and the extent of its macro and micro economic consequences makes it difficult to accurately predict business levels for the financial year 2020 and as a result we have withdrawn our financial guidance and will update the market when the Board has further clarity.

However, we believe Maintel to be extremely well positioned in the market once the current situation abates: our proposition is aligned to our customers' and prospects' needs to support remote and flexible working, to provide great experiences to their own customers either digitally or physically, and to provide them with secure and reliable connectivity to their applications – while lowering their overall expenditure on IT and communications.

Maintel's high visibility of earnings thanks to almost 70% of revenues being contracted and recurring in nature provides confidence and security, and despite the current COVID-19 lockdown we are continuing to work closely with our customers to ensure they have flexible working solutions in place to protect their operations, in addition to offering renewed incentives for accelerating their move to the cloud.

While the economic position for the UK remains uncertain, Maintel is well placed to continue to serve its customers, to help them transform their organisations, and has a healthy and attractive future.

Business review
continued

Dividend policy

Since the Group's January trading statement, the Board has continued to monitor the impact of COVID-19 on the business. Given that the extent of the impact and the duration of the pandemic remains unknown at this stage, the Board has implemented a range of short-term measures to protect cash and maintain strength of balance sheet, including reducing salaries of the Board and staff. In light of this, the Board has made the prudent, but difficult, decision not to declare a final dividend for the full year 2019. This leaves the total dividend paid by the company for FY 2019 at 15.1p (2018: 34.5 pence per share).

Furthermore, the Board has decided to pause returns to shareholders going forward until there is more clarity on the duration of the pandemic and the extent of its impact on the Group. This decision has not been taken lightly, and it is the Board's intention to review returns to shareholders when conditions improve and financial performance permits.

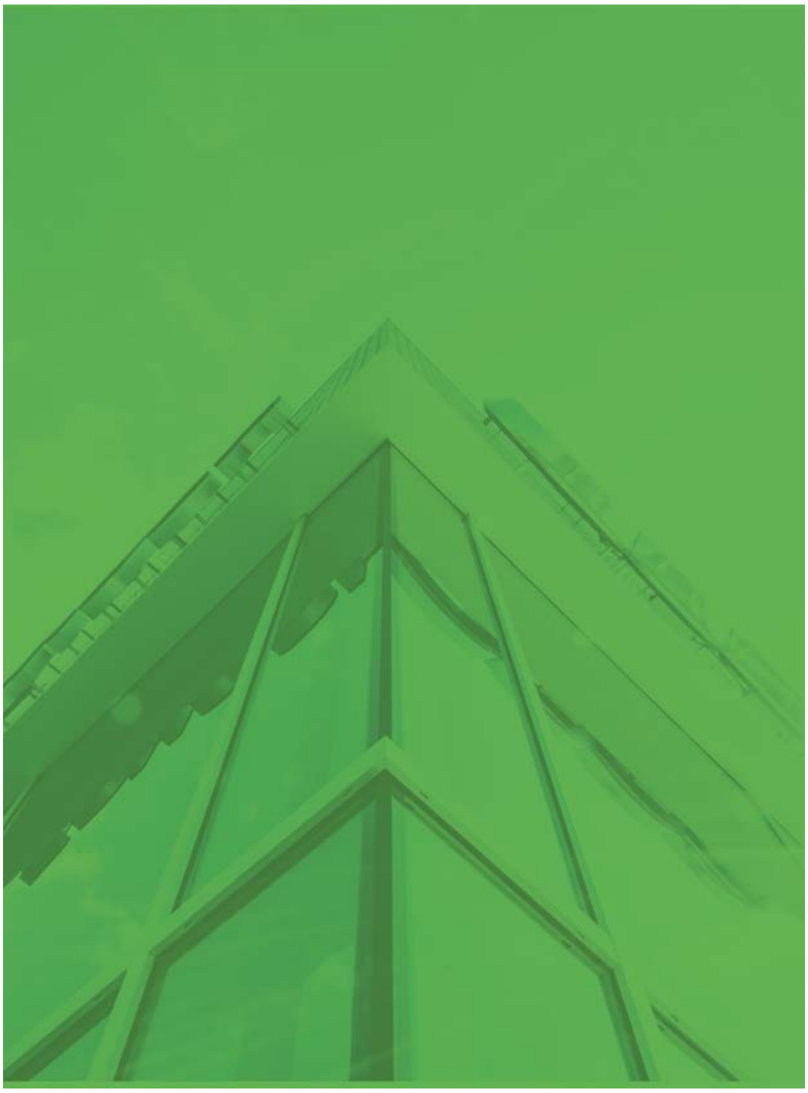
Banking facilities

On 26 May 2020, the Group agreed to extend and amend its existing facilities agreement with the National Westminster Bank Plc ("NWB"). The revised facility totals £34.5m, consisting of a £30m committed revolving credit facility ("RCF") and a £4.5m amortising term loan issued under the Coronavirus Large Business Interruption Loan scheme ("CLBILS") by the British Business Bank, with a maturity date of 27 October 2021. Interest terms for the RCF are on a ratchet to LIBOR according to the Group's net leverage ratio, whilst on the term loan they are linked to the base rate plus a fixed margin. This amended facility has a more flexible covenant package and provides greater funding headroom than the previous facility.

On behalf of the Board

Ioan MacRae
Chief Executive Officer

29 May 2020



Corporate Governance

The board's overriding objective is to produce long-term value for its shareholders.

We believe that a sound and well understood governance structure is essential in achieving that objective and to maintain the integrity of the Group in all its actions, to enhance performance and to impact positively on our shareholders, staff, customers, suppliers and other stakeholders.

Board of directors

John Booth

Non-executive chairman

Appointed: 7 June 1996

Committee membership:
N (chairman) A R

Previous experience:
John's career has been spent in equity investment and broking where he has held several senior positions including Head of Equities at Bankers Trust and co-founder and Executive Chairman of the Link Group, acquired by ICAP Plc in 2008. He has extensive venture capital experience and holds a number of non-executive directorships in investment management

External appointments
John is Chairman of the London Theatre Company, Natilik Ltd and Rinkit Ltd, a non-executive director of several private companies in investment management and a consultant to Herald Venture Partners. He is also Chairman of The Prince's Trust and a trustee of The Tate Gallery and several other charities.

Annette Nabavi

Senior independent non-executive director

Appointed: 30 June 2014

Committee membership:
R (chairman) A N

Previous experience:
Annette's earlier career was spent in strategy consulting and banking. She has held the positions of Global head of telecoms business development at ING Barings, Managing director of XchangePoint Holdings Ltd and she was a Senior partner at the PA Consulting Group where she focussed on strategy and marketing in the TMT sector.

External appointments
Annette is a non-executive director on the Boards of IPSE (Association of Independent Professionals and the Self Employed) and Gemserv Ltd, a director of Women in Telecoms & Technology (WiTT) Ltd and a member of the Advisory Board of the National Science and Media Museum. Annette also occasionally undertakes corporate finance advisory work with AHV Associates LLP.

Nicholas Taylor

Independent non-executive director

Appointed: 1 January 2006

Committee membership:
A (chairman) N R

Previous experience:
Nick has extensive experience of working with growing organisations, principally in the media and communications industries. Having started his career as a management consultant working for a US strategy boutique, he went on to hold several senior positions – including both CFO and CEO – spanning private and quoted businesses as well as the not-for-profit sector.

External appointments
Nick undertakes a variety of consultancy work through his company, Hopton Hill Ltd, and is a non-executive director of Zinc Media Group Plc and was until recently non-executive chairman of Focus Group, a telecoms business.

Ioan MacRae

Chief executive officer

Appointed: 14 October 2019

Committee membership:
none

Previous experience:
Ioan has significant sales and management expertise in the technology sector which is coupled with considerable experience in leading businesses through periods of sustained growth.
Prior to joining Maintel, Ioan was Managing director for the UK and Ireland of Avaya, a global leader in communications, and he has held other senior leadership positions in the industry both within the UK and internationally including General Manager, UK, Ireland and Greece for the Westcon Group.

External appointments
None

Board committees:
- N Nominations
- A Audit and Risk
- R Remuneration

Angus McCaffery

Non-executive director

Appointed: 7 June 1996

Committee membership:
none

Previous experience:
Angus co-founded Maintel in 1991 and was the Group sales and marketing director until this role was assumed by Stuart Legg in 2014. From 2014 to May 2019, he focused on finding larger organic and inorganic opportunities as well as maintaining relationships with our larger partners and overall development. He was appointed a Non-executive director in May 2019.

External appointments:
No relevant external appointments.

Kevin Stevens

Chief operating officer

Appointed: 1 January 2014

Committee membership:
none

Previous experience:
Kevin 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, efficiencies, process and customer service.

External appointments:
No relevant external appointments.

Stuart Legg

Group sales director

Appointed: 7 April 2016

Committee membership:
none

Previous experience:
Stuart has over 23 years' experience in the telecommunications industry, focusing on delivering applications for Nortel, Cisco and Avaya portfolios. He was part of the senior management team who sold Mettoni to Enghouse in 2010 and was a Board member of Proximity prior to its acquisition by the Company in 2014.

External appointments:
No relevant external appointments.

Mark Townsend CA

Chief financial officer

Appointed: 7 April 2016

Committee membership:
none

Previous experience:
Mark is a Chartered Accountant having qualified with Price Waterhouse (now PWC) in 1988. He has extensive operational and commercial experience across FMCG, retail, construction and rental sectors. Previously he was group finance director at Livingston Ltd. During his time there, he assisted in a successful sale of the business to a PE-backed acquirer. Prior to Livingston he was group finance director at Brogan Group for 5 years and has held senior finance positions with Oriflame Cosmetics SA and Pitney Bowes Ltd.

External appointments:
No relevant external appointments.

Report on corporate governance

Chairman's introduction

The Board's overriding objective is to produce long-term value for its shareholders while remaining cognisant of the legitimate interests of its other stakeholders.

We believe that a sound and well understood governance structure is essential in achieving that objective and to maintain the integrity of the Group in all its actions, to enhance performance and to impact positively on our shareholders, staff, customers, suppliers and other stakeholders.

After due consideration, Maintel has adopted the QCA Corporate Governance Code ("the Code") as the benchmark for measuring our adherence to good governance principles. These principles provide us with a clear framework for assessing our performance as a Board and as a company, and the report below shows how we apply the Code's ten guiding principles in practice. More detailed descriptions of the Group's corporate governance processes are given later in this report and in the report of the directors.

The ten Principles of the Code and the Company's application of them

1. Establish a strategy and business model which promote long-term value for shareholders

The Group's strategy and business model are detailed in the Maintel Overview section, in particular on pages 6-9.

The principal risks and uncertainties affecting the Group are shown on pages 20-23.

2. Seek to understand and meet shareholder needs and expectations

Twice-yearly meetings are held with larger shareholders following results announcements, with a developing programme of contact and meetings with existing and prospective shareholders outside of the reporting seasons. The Company's broker also provides formal (after the twice-yearly meetings) and informal ad hoc feedback on shareholder and prospective shareholder views.

The Group's broker also produces research following the two results announcements and any other significant announcements.

The Company's AGM provides the opportunity for an exchange of views with private as well as institutional shareholders.

Trading updates and other announcements are made to the market via the Regulatory News Service as required.

The Company's website includes contact details for the Chairman, Chief Executive Officer and Chief Financial Officer and the Senior Independent Director makes herself available to institutional investors should they require an alternative communications route to the Group.

3. Take into account wider stakeholder and social responsibilities and their implications for long-term success

The directors consider the following to be the key stakeholders in the business.

Shareholders
As noted under Principle 2 above, the directors maintain contact with key shareholders with a view to understanding their needs and maximising their long-term returns.

Employees
Details of methods of engagement are given on page 45.

Customers
The Group's product and service offerings are described in the Maintel Overview section on pages 6-12, and these are sold by both a new business sales team and account managers who service existing customers. In addition to other contact points such as project managers for installations and customer service teams, communication with customers and prospects also occurs via social media feeds, blogs, events, conferences and exhibitions. Key customers and partners have an allocated executive sponsor

and, following his appointment as Chief Executive Officer, Ioan MacRae and other members of the executive team met with major customers and partners to understand their business needs and how they can best work with the Group.

Suppliers
Contacts are maintained at senior level with all the Group's main suppliers. The Group also employs product managers to monitor the changing products and services of the suppliers and manage relationships with them.

Other
The Group is cognisant of its social responsibilities and reports on its environmental actions on pages 46-47.

4. Embed effective risk management, considering both opportunities and threats, throughout the organisation

The Board annually reassesses its risk appetite across eight areas of operations:

- Financial
- Health & Safety
- Environmental
- IT security
- Legal and regulatory compliance
- Strategic suppliers and partners
- Sales and competition
- HR/personnel

This exercise determines the risk profile the business is prepared to apply to achieve medium- to long-term success, and the Board's monthly review of the Group's risk register is undertaken in light of this risk appetite.

The Audit and Risk committee is responsible for the monitoring of risk, including reviewing the effectiveness of the risk management process annually; its report on pages 35-36 further describes its responsibilities and actions taken during 2019.

The principal risks affecting the Group are described on pages 20-22.

5. Maintain the Board as a well-functioning, balanced team led by the chair

The structure of the Board of Directors is described on pages 33-34.

A review by the Nomination committee in February 2020 of the Board's effectiveness concluded that an established, experienced and balanced Board is in place, with a non-executive chairman, three non-executive directors and four executive directors. It also concluded that a third-party review of Board effectiveness was not required at this time.

The Remuneration committee sets each executive director personal and Group profitability targets annually and measures performance against both these and effectiveness generally. Led by the Senior Independent Director (SID), the non-executive directors also meet without the Chairman present to discuss his performance.

Each non-executive director must be able to devote sufficient time to the role in order to discharge his or her responsibilities effectively. The Chairman assesses the time commitment of the NEDs as part of the annual review of their effectiveness, and the SID reviews the time commitment of the Chairman.

The annual review of the schedule of matters reserved for the Board was also undertaken by the Board, in January 2020.

The directors are agreed that, as described in the Board of directors section on pages 33-34, the non-executive directors exercise independent judgement, challenge the executive directors effectively, and that they commit sufficient time to the fulfilment of their duties as directors of the Company.

Terms of reference of the Remuneration, Nomination and Audit and Risk committees are summarised on pages 35-43 and on the Company's website, maintel.co.uk. The directors believe that, given the external roles they hold and have held, together with the knowledge and insight gained as directors of Maintel,

Report on corporate governance continued

the members of each committee have the appropriate experience to fulfil their committee responsibilities.

The directors' attendance at Board and committee meetings during 2019 can be found on page 36.

6. Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities

The directors' biographies on pages 28 and 29 show the depth of skills and experience of each director, which the Board believes represents an appropriate balance.

The Board believes that its members are able to keep abreast of technological change with attendance at industry events and regular interaction with suppliers, customers and counterparts in other TMT companies, supported by a management team with frontline technical capabilities. Non-technical expertise is maintained and developed through attendance at financial, legal and other corporate events and regular liaison with advisers, together with input from senior internal sources including the Company Secretary.

New directors receive an induction on their appointment to the Board which covers amongst other things the activities of the Group and its key business and financial risks, the terms of reference of the Board and its committees and the latest financial performance of the Group. During the year, Ioan MacRae joined the Board and his induction programme focused on enhancing his understanding of Maintel and our business, including our markets, customers, competition, business opportunities and risks as well as his duties and responsibilities as a director and Maintel's governance structure.

7. Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement

Board effectiveness is evaluated in several ways. The Nomination committee meets annually to review the structure, size, composition and effectiveness of the Board, and is also responsible for making recommendations on changes to Board membership. The Chairman and Chief Executive Officer also discuss the performance of the Board as a whole, while the Remuneration committee reviews the performance of the executive directors individually against annual and triennial performance objectives defined for the purposes of bonus eligibility and option exercise criteria; the latter are described in the Remuneration committee report on page 38. Bonus eligibility is dependent on Group financial performance combined with individual role-specific objectives which are tailored to Group requirements for that year.

The Board does not consider that any executive director is indispensable, with a sound second tier of operational management capable of assuming operational duties in the absence of a Board member and succession planning at all levels being a key component of our People Strategy.

Directors retire in accordance with the Company's articles of association on a three-year rotational basis and in accordance with corporate governance recommendations if these require a shorter period, their reappointment being subject to shareholder approval.

8. Promote a corporate culture that is based on ethical values and behaviours

The Board recognises the importance of establishing and maintaining a consistent, positive corporate culture, aligned to the Maintel Values. The Group promotes a defined set of Maintel Values, framing the culture of the Group in a range of areas. These values are designed to be applied to all aspects of the Group's operations, are regularly communicated to staff, enshrined in the Company Handbook and set out separately on the Group intranet.

Key elements of the values include integrity, creativity and agility in customer delivery, and personal development in an enjoyable work environment, which the Board considers particularly important to the ongoing profitability and growth of the Group by way of attracting and retaining satisfied customers and employees. The values also allow other stakeholders to assess the quality and aspirations of the Group.

The directors are committed to nurturing an open and communicative culture which encourages employee participation in the exchange of ideas, information and suggestions. The culture is also conveyed throughout the Group by way of regular employee newsletters and an employee forum, together with interactive presentations by the executive directors to employees across the Group's four offices.

As required by law, the Group adheres to Anti-bribery and Anti-slavery legislation; it is also ISO14001-cerfified and reports on its environmental policies on page 46.

9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board

The Board has overall responsibility for all aspects of the business. The Chairman is responsible for overseeing the running of the Board, ensuring that no individual or group dominates the Board's decision-making, and that the non-executive directors are properly briefed on all operational and financial matters. The Chairman has overall responsibility for corporate governance. The Chief Executive Officer is responsible for the management of the Group. The Board has delegated the day-to-day running of the Group to the Chief Executive Officer within certain limits, above which matters must be escalated to the Board for determination. The SID's role is to act as a sounding Board for the Chairman, to serve as an intermediary for the other directors where necessary and to be available to shareholders should they have concerns they have been unable to resolve through normal channels, or when such channels would be inappropriate.

The Board is supported by a Remuneration committee, a Nomination committee and an Audit and Risk committee, whose terms of reference are reviewed annually. Further information on the roles of these committees, together with reports of their activities during the year, are included on pages 35-43.

Other structures and processes underpinning the governance of the Group and its compliance with the Code are described throughout this report:

- Schedule of Matters reserved for the Board (Principle 5)
- Terms of Reference of Remuneration committee, Nomination committee and Audit and Risk Committee (Principle 5)
- Risk appetite (Principle 4)
- Maintel Values (Principle 8)
- Anti-bribery policy (Principle 8)
- Anti-slavery policy (Principle 8)
- ISO14001:2004 (Principle 8), ISO9001, ISO20000, ISO18001and ISO27001
- Shareholder communications

All governance policies are subject to annual review.

10. Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

The descriptions of the Group's application of Principles 2 and 3 on page 30 explain the primary modes of communication with its shareholders and other stakeholders. The Strategic Report on pages 2-24 provides details of the Group's performance.

All corporate announcements including our Corporate Governance Statement can be found on the Company website, maintel.co.uk/investors, as are all Annual Reports and Interim Statements.

Board of Directors

The Group is led by the Board which comprises the Chairman (John Booth), four executive directors and three non-executive directors, the latter being Annette Nabavi, Nicholas Taylor and Angus McCaffery (formerly an executive director of the Company). The Chairman is responsible for the effective running of the Board, which reviews its effectiveness on an ongoing basis. The Chief Executive Officer is ultimately responsible for all operational matters and the financial performance of the Group. Annette is the senior independent director.

Report on corporate governance continued

The non-executive directors are independent of management and are free from any business or other relationship which could materially interfere with the exercise of their independent judgement. The Board is satisfied that the broad range and depth of experience of each of the non-executive directors underpins their individual strength of character and ability to exercise independent judgement and apply unbiased rigour to Board decisions. It is also satisfied that they commit sufficient time to the fulfilment of their duties as directors of the Company.

The Board acknowledges that the shareholdings and length of service might be seen to compromise the independence of three of the non-executive directors, as suggested by the report prepared by ISS in advance of the 2019 AGM. The Board also acknowledges that Angus's former employment might be seen to compromise his independence. The Board has considered the issue of independence at length and has taken soundings from institutional investors and concluded that all three non-executives act independently and are demonstrably able to challenge the rest of the Board. Further, the Board considers that the longevity of tenure of some of the directors gives them valuable understanding of the business and industry, and that the non-executive directors' shareholdings align their interests with those of other shareholders.

The executive directors are Ioan MacRae (Chief Executive Officer), Stuart Legg (Group Sales and Marketing Director), Kevin Stevens (Chief Operating Officer) and Mark Townsend (Chief Financial Officer).

The directors' biographies on pages 28-29 demonstrate the experience they bring to the Group.

The Board meets regularly, normally monthly, and reviews performance and assesses future strategy for the operating activities and for the Group as a whole. It operates to a schedule of matters specifically reserved for its decision. This schedule requires that specific matters are referred to the Board for consideration and approval, including those relating to the overall leadership and management of the Group, budgets, strategy, performance against objectives, significant capital expenditure and contracts, external financial reporting, dividend and treasury policies, overall systems of internal controls and risk management, remuneration and governance, along with any significant proposed changes to business operations or to the structure or capital of the Company. The full schedule of matters reserved for the Board's decision is available from the Company Secretary.

During the year, the Chairman also held meetings with the other non-executive directors in the absence of the executive directors, and with the Chief Executive Officer in the absence of the other non-executive directors. The non-executive directors also met in the absence of the Chairman.

The directors are required by the Company's articles to retire on a three-year rotational basis, and to stand for reappointment by shareholders at the AGM. Although not required to retire this year in accordance with the articles, corporate governance guidance recommends that non-executive directors with more than 9 years' service are re-elected annually, and John, Angus and Nick offer themselves for re-election. The Board's view is that all three directors bring a valuable perspective to the Board, exercise independent judgement and effectively challenge as well as support the executive directors. Ioan, who joined the Board in October 2019, will offer himself for election.

In accordance with its articles, the Company provides an indemnity to all the Company's directors in respect of all losses arising out of or in connection with the execution of their powers, duties and responsibilities as directors. The Group also maintained insurance cover during the year for its directors and officers and those of subsidiary companies under a directors' and officers' liability insurance policy against liabilities that may be incurred by them while carrying out their duties. In each case, the directors remain liable in the event of their negligence, default, breach of duty or breach of trust.

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

The following Board committees deal with specific aspects of the Group's affairs, reporting their deliberations and conclusions to the Board as appropriate.

Audit and Risk committee

Membership of the Audit and Risk committee is restricted to non-executive directors and comprises Nicholas Taylor (Chairman), John Booth and Annette Nabavi.

The Board is satisfied that for the year under review and thereafter, Nick has adequate recent and relevant commercial and financial knowledge and experience to chair the committee. It also considers that Annette and John have such knowledge and experience.

The remit of the committee includes:

- considering the continued appointment of the external auditors, and their fees, terms of engagement and independence, including the appointment of the auditors to undertake non-audit work;
- liaising with the external auditors in relation to the nature and scope of the audit;
- reviewing the form and content of the financial statements and any other financial announcements issued by the Group, including consideration of significant issues, judgements, policies and disclosures;
- reviewing any comments and recommendations received from the external auditors and considering any other matters which might have a financial impact on the Group;
- reviewing the Group's risk management reporting processes that identify, report and monitor corporate level risks and considering annually the requirement for an internal audit function; and
- reviewing the Group's statements on internal control systems and risk management processes.

The Audit and Risk committee met four times during 2019. Attendees at committee meetings included the Chief Financial Officer, Chief Executive Officer, Group Financial Controller and representatives of the external auditors. All of these attended at the invitation of the chairman of the committee to facilitate the conduct of the meetings. In 2019, the committee also liaised informally with the executive directors in relation to published financial information including the adoption of IFRS 16 and other audit-related matters. The committee also met with the external auditors during the year in the absence of executive management.

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

- the external auditors' year-end report for 2018, their observations on the internal financial controls arising from the annual audit, the review of the Group's 2018 results and the disclosures in the 2018 annual report;
- the announcement of the half-year results;
- the external audit plan for the 2019 financial statements, which included a review of the audit objectives, scope, timetable and deliverables;
- the appointment of RSM UK Audit LLP as external auditors in respect of the 2019 results, their independence and objectivity and their fees, oversight of arrangements to familiarise RSM UK Audit LLP with the Group's operations, controls and processes;
- regularly reviewing the output and operation of the risk reporting process and undertaking the annual review of the risk reporting process; and
- undertaking the annual review of the need for an internal audit function.

The auditors are 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

Report on corporate governance continued

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 7 of the financial statements.

Remuneration committee

Annette Nabavi is chair of the Remuneration committee, its other members being John Booth and Nicholas Taylor. The committee met seven times during the year. The committee's report to shareholders on directors' remuneration is set out on page 38.

Nomination committee

John Booth is chair of the Nomination committee, its other members being Annette Nabavi and Nicholas Taylor. The committee's terms of reference include:

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

The committee met two times during 2019.

In light of the departure of Eddie Buxton as Chief Executive Officer, the Committee considered the skills and experience desired in his successor and prepared a candidate profile and carried out a search for suitable candidates.

The criteria for the selection of the new Chief Executive Officer included:

- leadership of a business of scale;
- a track record of driving strategic growth; and
- an understanding and appreciation of the Company's culture and values.

The search generated an impressive field of candidates and Ioan MacRae stood out for his extensive knowledge of the sector, his strong leadership skills and track record of leading successful businesses through times of transition and high growth at Avaya and Westcon Group. Equally importantly, he understood and was excited by the dynamic, people-oriented culture at Maintel and its importance to our Company's future success.

Board attendances

The following table shows the attendance of the directors at meetings of the Board and the Audit and risk, Remuneration and Nomination committees during the year.

	Board	Audit and Risk committee	Remuneration committee	Nomination committee
Number of meetings in the year	13	4	7	2
J Booth	13	4	7	2
E Buxton (resigned as a director on 4 October 2019)	8	–	5	–
S Legg	11	–	–	–
I MacRae (appointed 14 October 2019)	4	–	1	–
A McCaffery	12	–	–	–
A Nabavi	12	4	7	2
K Stevens	13	–	–	–
N Taylor	12	4	6	2
M Townsend	12	–	–	–

In addition to the regular monthly meetings, additional meetings were held during the year relating to the approval of the 2018 year end and 2019 interim results, the approval of the issuing of a trading update and the change of Chief Executive Officer and the resignation (subsequently rescinded) of the Chief Financial Officer.

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 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 key operational functions of the Group are subject to processes established and externally audited under ISO9001, ISO20000, ISO18001 and ISO27001, which the directors consider to be a valuable additional internal and external control tool of the business.

Conflicts of interest

The Group has established procedures for the disclosure and review of any conflicts, or potential conflicts, of interest which the directors may have and for the authorisation of such conflict matters by the Board. The Board considers that these procedures are operating effectively.

Report of the Remuneration committee

On behalf of the Board, I have pleasure in presenting the report of the Remuneration committee for 2019. This year has been one of change at Maintel. The Chairman's statement on pages 2-3 provides an overview of the changes and the Company's strategy can be found on pages 6-24.

The information in this report is structured as follows:

- details of how the current remuneration policy has been applied in 2019
- how the remuneration policy will be applied in 2020; and
- an analysis of the remuneration policy and its alignment to Group strategy, setting out the key elements of this policy.

The Remuneration committee is committed to structuring senior executive remuneration that is competitive, incentivises and rewards good performance, and that will help the Company continue to grow profitably, thereby creating value for shareholders. Each year the remuneration framework and the packages of the directors are reviewed to ensure they continue to attract, retain and motivate executives and drive towards this objective.

The committee's remit is to determine and agree with the Board:

- the broad policy regarding remuneration of the executive directors and certain senior managers;
- the individual remuneration and incentive packages for executive directors; and
- in consultation with the Chief Executive Officer, the remuneration packages for key senior managers including the share incentive plans and performance related pay schemes and oversight of the benefit structures across the Group.

The committee has access to independent, professional advice as necessary, at the Company's expense.

During the year, the membership of the committee comprised three non-executive directors: Annette Nabavi (chair), John Booth and Nicholas Taylor. The committee met on seven occasions in 2019.

Application of the remuneration policies in 2019

In October 2019, Ioan MacRae was appointed Chief Executive Officer, replacing Eddie Buxton. Ioan was appointed following a search by the Nomination committee to ensure that we brought in a person with the correct skills and experience to take the business forward. The appointment of a new Chief Executive Officer necessitated a change to the chief executive remuneration package. As part of the search process the committee used appropriate benchmark data to ensure that we could attract and retain the best candidate. Ioan was appointed CEO with a salary of £220,000, a joining bonus of £22,000 for 2019, a maximum potential annual bonus of £100,000 for 2020, increasing to a maximum potential bonus of 50% of salary in 2021, and an LTIP award of an option over 100,000 shares in order to provide a performance linked equity incentive and align his interests with that of the shareholders.

Eddie Buxton's six months' notice period began on 1 September 2019. He left the business on 31 December 2019 and received a payment in lieu of notice for the remaining two months of his notice period from 1 January 2020 to 29 February 2020. Eddie also received a payment of £100,000 by way of compensation for the termination of his employment. The Committee determined that the option over 3,409 shares, awarded to him in April 2016 and which vested in April 2019, should remain exercisable by him for six months after 31 December 2019. All other options lapsed in full on leaving. All benefits ceased on 31 December 2019, except for his private medical cover which continues until 19 January 2021. His remuneration terms on leaving were in line with the remuneration policy.

The Committee also undertook a benchmarking exercise related to the Chief Financial Officer's (CFO) remuneration as part of the search process for a new CFO following the resignation of Mark Townsend in March 2019. Whilst Mark revoked his resignation in July 2019, as a result of this exercise, with effect from 1 February 2019 his salary was increased by 2% (in line with Company policy) to £174,420. He was also issued with 14,591 ordinary shares and a further 10,000 ordinary shares will be allotted in June 2020. He was also granted an option over 15,000 ordinary shares under the LTIP (in line with the award to the other directors). His maximum annual bonus has increased to 35% of base salary, based on agreed objectives (changed from 20%).

The committee believes that these changes were necessary in order for the Company to remain competitive in terms of director remuneration, and appropriate relative to the market, given the Company's size, value and position.

In line with the general Company-wide salary increase, it was decided to increase the base pay of all the executive directors, except Kevin Stevens, by 2% with effect from 1 February 2019. Kevin's salary was increased by 6.5% to reflect the increased responsibility he has taken on as Chief Operating Officer. The fees for the non-executive directors were increased by 2% (in line with Company policy).

Short term performance for senior executives is incentivised using an annual bonus scheme based on the achievement of both financial and non-financial goals. Executive directors' bonuses for 2019 were set at between 10% and 50% of base salary. Based on the financial performance achieved in 2019, no annual bonuses have been paid. The Sales director also receives commission payments based on a sales target commission plan.

Long term performance for senior executives has, over the last 3 years, been incentivised by way of an LTIP granting nominal cost options which vest based on the achievement of specific criteria. The Company has also issued market value options, with no performance criteria attached, to some of its senior management team. All share-based incentives offered to executive directors and senior managers have three-year performance periods and are subject to continuing employment. Further information can be found on page 42.

How the remuneration policy will be applied in 2020

The committee has reviewed salary levels in the light of inflation, market comparators, individual and collective performance, as well as any changes in role or responsibility by any of the executive directors and agreed a median salary increase of 1.4% for the executive directors, below the overall Company-wide salary increase of 2%.

Annual bonus targets have been the subject of review and we have concluded that these will continue to be based on specific KPIs that the Group is using to underpin its growth. These include measures to increase the Group's productivity, customer feedback metrics and metrics which measure progress in our cloud-based offerings. In all cases a threshold based on financial performance (based on predetermined levels of EBITDA and revenue) must be achieved before bonuses are eligible to be paid.

Although contractually set at 50% of salary, Ioan MacRae's annual bonus in 2020 will be capped at £100,000. In addition, the variable element related to annual bonus (as opposed to commission) for Stuart Legg has been increased to 20% of salary and is subject to the achievement of financial thresholds.

We have also reviewed the LTIP awards for 2020. The Committee has decided to continue to incentivise senior executives, using market value options rather than nominal cost options linked to long term criteria because of the issues around setting long term conditions which are fair and meaningful. All options will continue to be subject to a three-year vesting period. We feel this will be both a simpler and a fairer approach and executive directors will be completely aligned in their long-term incentive to achieve share price increases. Details of the LTIP awards made in 2019 and 2020 can be found on page 42.

Report of the Remuneration committee continued

Remuneration policy analysis

The Group operates in large competitive markets with areas of significant growth potential. The Group's executive director remuneration policy is designed to attract and retain directors of the calibre required to maintain the Group's position in its marketplace.

The key features of remuneration and the policy for each element of the packages for executive directors are shown in the table below:

Element of remuneration	Purpose and link to strategy	Policy and approach
Base salary	To pay a competitive sustainable level of fixed remuneration, taking into account experience and personal contribution to the Group's strategy. Intended to attract and retain the talent (management and technical) required to execute the strategy.	Reviewed annually by the committee in January. Salary increases will normally be in line with pay review levels across the whole Group. However, reference is also made to changes in role and responsibility and to comparisons with companies of similar size and complexity.
Benefits	These complement an executive's basic salary and are designed to ensure the well-being of employees.	Benefits comprise pension contribution (typically 3% of basic salary), car allowance, and membership of private health, permanent health and life assurance schemes.
Bonus	A cash bonus designed to incentivise specific short-term goals and objectives, both financial and non-financial.	Goals and objectives are set individually with a significant weight being put on meeting annual budget in terms of both revenue and adjusted EBITDA targets. Other objectives include KPIs designed to increase the overall productivity of the Group and KPIs focussed on ensuring the Group's move to cloud-based solutions is achieved. Executive directors' bonuses are set at between 20% and 50% of base salary. All the KPIs and financial targets must be met for an executive director to receive a full bonus.
Long term incentive plan (LTIP)	To encourage and reward delivery of the Group's long-term growth objectives and provide alignment with shareholders through the use of share-based incentives.	All share-based incentives offered to executive directors have 3-year vesting schedules. Share-based incentives going forward will be based on market value options which ensures that executive directors' incentives will be completely aligned with the achievement of share price increases. The plan rules include amongst other things claw-back and malus provisions and a limitation to ensure that new shares issued, when aggregated with all other employee share awards, must not exceed 10% of issued share capital over any ten-year period. When granting options, the committee considers the potential value that will be created under the performance conditions attached to the grant.

The Remuneration committee considers that the levels of bonus and LTIP payable are sufficient, but not excessive, to motivate the directors whilst being proportionate to the long-term value created for the benefit of shareholders.

Details of LTIP awards granted during the year can be found on page 42.

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

The non-executive directors each have a contract terminable on 3 months' notice.

The level of remuneration of the non-executive directors is recommended by the executive directors to the Board 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 was reviewed in February 2020 and it was agreed that their fees would not increase. The non-executives receive no payment or benefits other than their fees.

Details of directors' remuneration in 2019

The remuneration of the directors in office during the year was as follows:

	Salaries/ fees	Benefits	Bonus/ commissions[6]	Pension contributions	Total 2019[1]	Total 2018[1]
Non-executive directors						
J D S Booth	48	–	–	1	**49**	48
A J McCaffery[2]	55	5	–	2	**62**	114
A P Nabavi	36	–	-	-	**36**	35
N J Taylor	36	-	-	1	**37**	35
Executive directors						
I MacRae[3]	71	-	-	1	**72**	-
E Buxton[4]	181	388	-	5	**574**	255
S Legg	173	10	123	6	**312**	319
K Stevens	164	11	-	5	**180**	171
M Townsend[5]	174	67	-	10	**251**	192
	938	**481**	**123**	**31**	**1,573**	**1,169**

[1] Excluding social security costs in respect of the above amounting to £144,000 (2018: £147,000).

[2] Angus McCaffery was appointed a Non-executive director in May 2019, having previously been an executive director.

[3] Ioan MacRae joined the Board on 14 October 2019. Ioan received a joining bonus of £22,000 which has been included as part of his salaries/fees, in addition to his salary of £49,000.

[4] Eddie Buxton resigned as a director on 4 October 2019. This represents his remuneration up to this date. In addition to a salary of £181,000, Eddie also received a payment of £100,000 by way of compensation for the termination of his employment. Details of the post-termination payments he received can be found on page 38. He also exercised options over 100,000 ordinary shares in 2019, resulting in a gain of £377,500 which is included in his benefits.

[5] Mark Townsend exercised options over 409 ordinary shares and was awarded 14,591 ordinary shares in 2019, resulting in a gain of £67,034 which is included in his benefits.

[6] No bonus was paid to any executive director in respect of 2019 or 2018 performance except commissions paid to Stuart Legg amounting to £123,000

Report of the Remuneration committee continued

Share scheme interests awarded in 2019 and 2020

The following awards were made under the 2015 LTIP. The annual awards of market priced options under the LTIP were made on the same terms to each executive director and the new Chief Executive on joining.

Directors	Number of shares	Award date	Option price
Ioan MacRae	100,000	14/10/19	£4.30
Mark Townsend	15,000	19/07/19	£4.46
Stuart Legg	15,000	26/04/19	£5.05
Kevin Stevens	5,000	26/04/19	£5.05

Directors	Number of shares	Award date	Option price
Ioan MacRae	5,000	18/02/20	£2.63
Mark Townsend	5,000	18/02/20	£2.63
Stuart Legg	5,000	18/02/20	£2.63
Kevin Stevens	5,000	18/02/20	£2.63

The awards were made as market value priced options and the exercise price was determined by reference to the previous dealing day's closing middle market price. The awards are not subject to the achievement of performance conditions. The awards are subject to vesting periods of three years starting from the award dates.

Statement of Directors' Shareholding and Share Interests at 31 December 2019

		Options			
	Beneficially owned shares	With performance conditions[4]	Without performance conditions[5]	Vested and unexercised	Exercised during the year
Executive Directors					
Ioan MacRae[1]			100,000		
Eddie Buxton[2]	105,662			3,409	100,000
Mark Townsend[3]	23,624	10,000	15,000	3,409	409
Stuart Legg	1,076	10,000	15,000	12,009	
Kevin Stevens	4,329	5,000	5,000	29,242	
Non-Executive Directors					
John Booth[6]	3,332,123				
Angus McCaffery	2,200,677				
Annette Nabavi	198				
Nicholas Taylor	17,257				

[1] Ioan MacRae was awarded options over 100,000 ordinary shares on his appointment on 14 October 2019.

[2] Eddie Buxton resigned as a director on 4 October 2019. This represents his share interests at this date.

[3] In addition to his shareholding in above table,10,000 Ordinary shares will be awarded to Mark Townsend in June 2020. Further information on this award can be found on page 39.

[4] Full vesting of the above nominal cost options for the respective recipients is conditional as follows:

- Mark Townsend was awarded nominal cost options over 10,000 shares in April 2018, full vesting of which is subject to two performance conditions being satisfied: (a) a minimum EPS growth in the period before the option vests, and (b) a minimum increase in the Company's share price between the three months preceding grant and the three months preceding vesting.
- Stuart Legg was awarded nominal cost options over 25,000 shares in April 2017, full vesting of which is subject to three performance conditions being satisfied: (a) a minimum EPS growth in the period before the option vests, (b) the Company's EV/EBITDA ratio being in excess of its peer group for the majority of the six months before the option vests, and (c) achievement of the Group sales revenue target as set in the budget agreed by the Board each year. None of the conditions have been achieved and consequently none of these options vested on 10 April 2020. Stuart was also awarded options over 10,000 shares in April 2018, full vesting of which is subject to three performance conditions being satisfied: (a) a minimum EPS growth in the period before the option vests, (b) a minimum increase in the Company's share price between the three months preceding grant and the three months preceding vesting, and (c) achievement of the Group sales target agreed by the Board each year.

- Kevin Stevens was awarded a nominal cost option over 5,000 shares in April 2017, full vesting of which is subject to three performance conditions being satisfied: (a) a minimum EPS growth in the period before the option vests, (b) the Company's EV/EBITDA ratio being in excess of its peer group for the majority of the six months prior to the option vesting, and (c) delivery of defined transformation projects during 2017. These conditions have been partially achieved and consequently 833 of these options vested on 10 April 2020. Kevin was also awarded options over 5,000 shares in April 2018, full vesting of which is subject to two performance conditions being satisfied: (a) a minimum EPS growth in the period before the option vests, and (b) a minimum increase in the Company's share price between the three months preceding grant and the three months preceding vesting.

[5] Ioan MacRae, Mark Townsend, Stuart Legg and Kevin Stevens were each awarded options over 5,000 shares in February 2020, in addition to the options disclosed on page 42. Further information on these awards can be found on page 42.

[6] John Booth also holds 4,000 non-beneficial shares which are held in a charitable foundation of which he is a trustee.

The report of the Remuneration committee was approved by the Board on 29 May 2020.

Annette P Nabavi
Chair of the Remuneration committee

Report of the directors

The directors present their annual report together with the audited financial statements for the year ended 31 December 2019.

Strategic report

The Maintel overview, Chairman's statement and Business review on pages 2-24 comprise the Strategic report, which is incorporated in the Directors' report by reference. The Business review also contains an indication of likely future developments for the business.

Results and dividends

The consolidated statement of comprehensive income is set out on page 56 and shows the profit of the Group for the year.

During the year the Company paid a final dividend of 19.5p per ordinary share in respect of the 2018 financial year, amounting to £2.8m (2017: 19.1p, amounting to £2.7m), and an interim dividend in respect of 2019 of 15.1p per share, amounting to £2.2m (2018: 15p and £2.2m respectively). No final dividend for the full year 2019 is proposed.

Directors

The directors of the Company during the year and their interests in the ordinary shares of the Company at 31 December 2019 can be found on page 42. Stuart Legg and Kevin Stevens acquired 286 shares through the Share Incentive Plan since the year end. There have been no other changes in the directors' shareholdings.

Directors' duties

Engaging with our stakeholders and acting in a way that promotes the long-term success of the Company, while taking into account the impacts of business decisions on our stakeholders, are central to the directors' strategic thinking and duties in accordance with Section 172 of the Companies Act 2006 (s.172 CA)

The directors consider, both individually and together, that they have acted in the way that they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, having regard to the stakeholders and matters set out in s.172 CA in the decisions taken during the year.

As part of their induction, directors are briefed on their duties and they can access professional advice on these, either from the Company Secretary or, if they judge it necessary, from an independent adviser. It is important to recognise that in a large organisation such as Maintel, the directors fulfil their duties partly through a governance framework that delegates day-to-day decision-making to managers and details of this can be found in our Governance Report on pages 30-37.

The following paragraphs summarise how the directors fulfil their duties:

Risk management

Maintel provides business-critical services to its clients. It is therefore vital that we effectively identify, evaluate, manage and mitigate the risks we face, and that we continue to evolve our approach to risk management.

For details of our principal risks and uncertainties, and on how we manage our risk environment, please see pages 20-22 and the Audit and Risk Committee Report on page 35.

Responsible business

The Board's intention is to behave responsibly and ethically at all times, in line with our Company values, and to ensure that our management teams operate the business in a responsible manner and to the highest standards of business conduct and good governance. For further details on our people, please see page 32.

Business relationships

Our strategy prioritises organic growth, driven by cross-selling and up-selling services to existing clients and bringing new clients into the Group. To do this, we need to develop and maintain strong client relationships. We value and have continued to strengthen how we engage with our suppliers during the year.

For further details on how we work with our clients and suppliers, please see pages 6-10.

Shareholders

The Board is committed to openly engaging with our shareholders, as we recognise the importance of a continuing effective dialogue, whether with major institutional investors or private shareholders. It is important to us that shareholders understand our strategy and objectives, so these must be explained clearly, feedback heard and any issues or questions raised properly considered.

For further details on how we engage with our shareholders, please see page 30.

Substantial shareholders

In addition to the directors' shareholdings, at 29 May 2020 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	2,236,561	15.62
Canaccord Genuity Wealth Management[1]	1,387,810	9.69
Herald Investment Trust Plc[2]	804,217	5.62
Elitetele.Com Plc	718,614	5.02
M R Riley	648,900	4.53
Chelverton Asset Management	593,961	4.15
Barclays Wealth	442,703	3.09

[1] Formerly Hargreave Hale

[2] John Booth is a shareholder in Herald Investment Trust Plc, which has notified the Company of an interest in 804,217 1p ordinary shares; this is in addition to Mr Booth's beneficial holding on page 42.

Share capital

Details of the share capital of the Company are shown in note 25 of the financial statements.

125,000 shares were issued in the year for consideration of £235,000 (2018: Nil). No shares were repurchased during the year (2018: Nil).

The existing authority for the repurchase of the Company's shares is for the purchase of up to 2,128,139 shares. A fresh authority, for the purchase of up to 2,146,877 shares, will be sought at the forthcoming annual general meeting.

Employees

Maintel's success is dependent on the knowledge, experience and engagement of its employees. Its ability to attract and retain those people is key and therefore the Group is committed to providing a competitive total employment package that includes both financial and non-financial rewards, to align employee interests with those of the Group.

The investment in a Learning and Development function 18 months ago demonstrates the Group's ongoing commitment to its employees' careers and to developing high performing teams to support long term success. This programme of work includes a clear focus on leadership development to underpin talent management and succession planning across the Group.

Report of the directors continued

Full and fair consideration is given to applications for employment from disabled persons, having regard to their aptitudes and abilities and to their training and career development. This includes, where applicable and possible, the retraining and retention of staff who become disabled during their employment.

The approach to communication with employees is reviewed on a regular basis to ensure relevance of both delivery methods and content of information. This currently includes channels such as face to face updates from the Executive Management Team, a monthly update which is emailed to all employees and regular team and individual meetings with employees.

Two-way communication is key to the success of the Group and an employee forum developed in previous years is now a well-established mechanism to achieve this, accompanied by an annual employee survey, with action taken on the results where practicable.

The Company established a Share Incentive Plan in 2006, allowing employees and executive 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.

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. Post year end an amendment and extension to the Group's existing banking facilities was signed, providing the Group with additional liquidity and more flexible covenants than the previous facility. The revised agreement provides a facility of £34.5m, made up of a revolving credit facility ("RCF") of £30m and a £4.5m amortising term loan issued under the Coronavirus Large Business Interruption Loan Scheme ("CLBILS") by the British Business Bank, with a maturity date of 27 October 2021. The key covenants that will prevail over this period include net leverage ratio, minimum liquidity and interest cover tests.

As highlighted in the risk management section (see pages 20-23) the Board has put robust business continuity plans in place to ensure continuity of trading and operations and has taken significant steps to preserve working capital and maintain a satisfactory liquidity position. Management has modelled the expected impact of the COVID-19 pandemic on its revenues, costs and cash flow. The Board has reviewed the model in detail and believes that the Group has sufficient headroom in its agreed funding arrangements to withstand a greater negative impact on its cash flow than it currently expects. It has also identified further cost savings that could be made, beyond those already made or planned, should they prove necessary.

However, the directors are mindful of the uncertainties created by the current pandemic and the impact this may have on the trading performance of the Group and, consequently, its ability to comply with its banking covenants. As a result, at the date of approval of the financial statements the potential impact of COVID-19 indicates the existence of a material uncertainty which may cast doubt on the Groups' ability to continue as a going concern. Therefore, while the Board acknowledges that uncertainty around the medium-term impact of the pandemic means that actual performance could fall short of management forecasts to such an extent that, despite activating further mitigating measures, the forecast headroom on the banking covenants proved insufficient, 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.

Environment

The Group acknowledges its responsibilities for 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. The Group also makes use of in-house collaboration tools to reduce the need for regional meetings and operates flexible working practices where possible, reducing the environmental impact of commuting. Positive experience of an increase in these activities during the COVID-19 pandemic suggests they will continue at a higher level after the end of the pandemic than before. The Group has ISO14001:2004 accreditation for its environmental management systems.

Financial instruments

Details of the use of financial instruments by the Group are contained in note 24 of the financial statements.

Annual General Meeting

The Annual General Meeting of the Company will be held at its Fareham offices on 30 June at 10.00 am.

Auditors

All 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.

On behalf of the Board

Ioan MacRae
Director

29 May 2020

Statement of directors' responsibilities

Directors' responsibilities

The directors are responsible for preparing the annual report and 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.

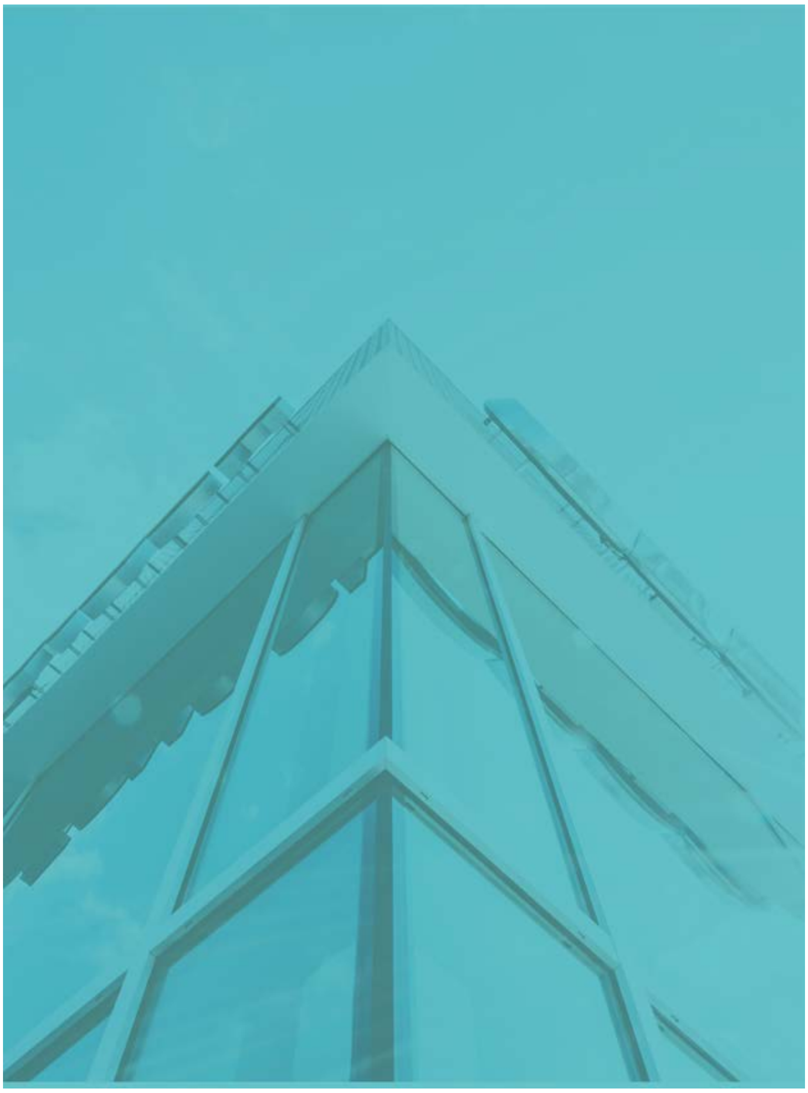
In preparing these financial statements, the directors are required to:

- 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 (FRS101 in the case of the Parent company), subject to any material departures disclosed and explained in the financial statements; and
- 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.



Financial Statements

Independent Auditor's Report

to the members of Maintel Holdings Plc

Opinion

We have audited the financial statements of Maintel Holdings Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2019 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows, the company balance sheet, the company statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2019 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to SME listed entities and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 2(c) in the financial statements, which indicates that the company may be adversely affected by the growing impact of the Covid-19 (Coronavirus) outbreak. Whilst the directors are taking action to mitigate the impact, given the unpredictable nature and impact of the outbreak, and how rapidly the responses to the outbreak are changing, the directors are unable to predict the full extent of the impact with regards to the going concern basis of accounting and its related disclosures. As stated in note 2(c), these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Summary of our audit approach

Key audit matters	**Group** • Revenue recognition • Valuation of intangibles • Going concern
Materiality	**Group** • Overall materiality: £450,000 (2018: £500,000) • Performance materiality: £337,500 (2018: £318,000) **Parent Company** • Overall materiality: £432,000 (2018: £425,000) • Performance materiality: £323,000 (2018: £318,000)
Scope	Our audit procedures covered 100% of revenue, total assets and profit before tax.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the group financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the group financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the Material uncertainty related to going concern section we have determined the matters described below to be the key audit matters to be communicated in our report.

Revenue recognition

Key audit matter description	The Group has a number of revenue streams. Details of the accounting policies applied during the period are given in note 2 (c). Management make judgements in relation to revenue recognition for Managed Services and Technology sales under IFRS 15. These include determining Maintel's performance obligations in its contracts with customers and whether as at the reporting date, the group has completed its performance obligations such that: • Revenues on technology sales for supply and installation projects are recognised at a point in time where Maintel has completed its performance obligations. • Revenues for managed services should be recognised over time. Revenue recognition should only commence after the group has completed installation works and the technology equipment is fully operational in the customer's business We consider there to be a significant risk around the completeness and existence of some elements of revenue. We also consider there to be a risk of misstatement of the financial statements related to transactions occurring close to the year end, as transactions could be recorded in the wrong financial period (cut-off).
How the matter was addressed in the audit	• In order to address the risks associated with these revenue streams we reviewed a sample of contracts to assess whether: • revenue had been recognised in accordance with the Group's accounting policy and IFRS 15 requirements; • revenue was recognised appropriately based on whether Maintel had completed its performance obligations under the contract prior to the reporting date or not by reference to its obligations stated in the customer contracts, correspondence with customers on supply and installation works and discussions with project managers; and • any other terms within the contract had any material accounting or disclosure implications.

Valuation of intangibles

Key audit matter description	The Group has completed a number of past acquisitions. The recoverability of the goodwill and intangibles assets arising on acquisitions is dependent on individual cash-generating units to which the goodwill and intangible assets are allocated generating sufficient cash flows in the future. Due to the inherent uncertainty involved in forecasting future cash flows and selection of an appropriate discount rate, which are the basis of the assessment of recoverability, this is considered a key audit matter. Refer to note 14 to the financial statements for the disclosures relating to the goodwill and the related impairment calculations.

Independent Auditor's Report

to the members of Maintel Holdings Plc

How the matter was addressed in the audit	Our audit procedures included reviewing the discounted cash flow models, testing and challenging the judgements and assumptions used by management in their assessment of whether goodwill had been impaired and assessing management's sensitivity analysis on the cash flow model. We have used our knowledge of comparable companies and market data to challenge the assumptions and inputs in determining the discount rate used to calculate the present value of projected future cash flows. We have assessed the validity of the model and challenged the valuation model and the basis of management's impairment considerations. We assessed management's earnings assumptions in the models compared to current year performance and forecasted performance for the next financial year. We have reviewed management's sensitivity analysis of key assumptions, including the revenue growth forecasts and the discount rate. We have further considered whether the disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions were adequate and properly reflected the risks inherent in the valuation of the cash generating units.

Our application of materiality

When establishing our overall audit strategy, we set certain thresholds which help us to determine the nature, timing and extent of our audit procedures. When evaluating whether the effects of misstatements, both individually and on the financial statements as a whole, could reasonably influence the economic decisions of the users we take into account the qualitative nature and the size of the misstatements. Based on our professional judgement, we determined materiality as follows:

	Group	Parent Company
Overall materiality	£450,000 (2018: £500,000)	£432,000 (2018: £425,000)
Basis for determining overall materiality	5% of EBITDA	1% of Net assets
Rationale for benchmark applied	Profit measure used for the trading activities of the Group .	Parent company is a holding company so net assets used as the benchmark
Performance materiality	£337,500 (2018: £318,000)	£323,000 (2018: £318,000)
Basis for determining performance materiality	75% of overall materiality	75% of overall materiality
Reporting of misstatements to the Audit Committee	Misstatements in excess of £32,000 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.	Misstatements in excess of £21,500 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

The group consists of 3 components, all of which are based in the UK and Republic of Ireland.

Full scope audits were performed for all 3 components.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 48, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: http://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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.

David Clark (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
25 Farringdon Street
London EC4A 4AB

Date : 29 May 2020

Consolidated statement of comprehensive income

for the year ended 31 December 2019

	Note	2019 £000	2018 £000
Revenue	4	122,932	136,459
Cost of sales		(87,682)	(97,341)
Gross profit		35,250	39,118
Other operating income		1,035	476
Administrative expenses			
Intangibles amortisation	14	(6,674)	(6,479)
Exceptional items	13	(385)	(1,647)
Share based remuneration		274	(392)
Other administrative expenses		(26,407)	(27,565)
		(33,192)	(36,083)
Operating profit	7	3,093	3,511
Financial expense	8	(1,329)	(1,263)
Profit before taxation		1,764	2,248
Taxation expense	9	1,434	(206)
Profit for the year		3,198	2,042
Other comprehensive expense for the year			
Exchange differences on translation of foreign operations		(3)	-
Total comprehensive income for the year		3,195	2,042
Earnings per share (pence)			
Basic	11	22.4p	14.4p
Diluted	11	22.2p	14.1p

The notes on pages 61 to 86 form part of these consolidated financial statements

Consolidated statement of financial position

at 31 December 2019

	Note	31 December 2019 £000	31 December 2019 £000	31 December 2018 £000	31 December 2018 £000
Non current assets					
Intangible assets	14		63,817		69,389
Right of use assets	17		4,087		-
Property, plant and equipment	16		1,514		2,046
			69,418		71,435
Current assets					
Inventories	18	3,243		8,267	
Trade and other receivables	19	26,921		34,352	
Income tax		177		-	
Total current assets			30,341		42,619
Total assets			99,759		114,054
Current liabilities					
Trade and other payables	20	43,564		57,725	
Lease liabilities	23	987		-	
Borrowings	22	3,696		3,988	
Income tax		-		814	
Total current liabilities		48,247			62,527
Non current liabilities					
Other payables	20	2,898		4,943	
Lease Liabilities	23	3,367		-	
Deferred tax	21	2,537		3,307	
Borrowings	22	21,883		21,295	
Total non-current liabilities			30,685		29,545
Total liabilities			78,932		92,072
Total net assets			20,827		21,982
Equity					
Issued share capital	25		143		142
Share premium	26		24,588		24,354
Other reserves	26		67		70
Retained earnings	26		(3,971)		(2,584)
Total equity			20,827		21,982

The consolidated financial statements were approved and authorised for issue by the Board on 29 May 2020 and were signed on its behalf by:

Mark Townsend
Director

The notes on pages 61 to 86 form part of these consolidated financial statements

Consolidated statement of changes in equity

for the year ended 31 December 2019

	Note	Share capital £000	Share premium £000	Other reserves £000	Retained earnings £000	Total £000
At 1 January 2018		142	24,354	70	(178)	24,388
Profit for the year		-	-	-	2,043	2,043
Total comprehensive income for the year		-	-	-	2,043	2,043
Dividends paid	10	-	-	-	(4,841)	(4,841)
Share based remuneration		-	-	-	392	392
At 31 December 2018 (as previously reported)		142	24,354	70	(2,584)	21,982
Change in accounting policy	2	-	-	-	642	642
Balance at 1 January 2019 (as restated)		142	24,354	70	(1,942)	22,624
Profit for the year		-	-	-	3,198	3,198
Other comprehensive income:						
Foreign currency translation differences		-	-	(3)	-	(3)
Total comprehensive income for the year		-	-	(3)	3,198	3,195
Dividends paid	10	-	-	-	(4,953)	(4,953)
Issue of new ordinary shares	1	1	234	-	-	235
Share based remuneration		-	-	-	(274)	(274)
At 31 December 2019		143	24,588	67	(3,971)	20,827

The notes on pages 61 to 86 form part of these consolidated financial statements.

Consolidated statement of cash flows

for the year ended 31 December 2019

	2019 £000	2018 £000
Operating activities		
Profit before taxation	1,764	2,248
Adjustments for:		
Intangibles amortisation	6,674	6,479
Share based payment (credit) / charge	(274)	392
Loss on sale of property, plant and equipment	99	21
Exceptional non cash items	(407)	-
Depreciation of plant and equipment	695	711
Depreciation of right of use asset	1,267	-
Interest payable	1,329	1,263
Operating cash flows before changes in working capital	11,147	11,114
Decrease in inventories	5,025	2,274
Decrease / (increase)in trade and other receivables	7,237	(125)
(Decrease) in trade and other payables	(13,668)	(4,172)
Cash generated from operating activities (see sub analysis below)	9,741	9,091
Tax paid	(328)	(442)
Net cash flows from operating activities	9,413	8,649
Investing activities		
Purchase of plant and equipment	(759)	(1,264)
Purchase of intangible assets	(1,143)	(501)
Proceeds from the disposal of asset held for sale	-	1,500
Purchase price in respect of business combination	(679)	(2,158)
Net cash acquired with subsidiary undertaking	-	1,977
	(679)	(181)
Net cash flows from investing activities	(2,581)	(446)

Consolidated statement of cash flows

for the year ended 31 December 2019
continued

	2019 £000	2018 £000
Financing activities		
Proceeds from borrowings	500	-
Lease liability repayments	(1,200)	-
Issue of ordinary shares	235	-
Repayment of borrowings	-	(9,500)
Interest paid	(1,102)	(1,161)
Equity dividends paid	(4,953)	(4,841)
Net cash flows from financing activities	(6,520)	(15,502)
Net increase / (decrease) in cash and cash equivalents	312	(7,299)
Bank overdrafts / Cash and cash equivalents at start of year	(3,988)	3,311
Exchange differences	(20)	-
Bank overdrafts at end of year	(3,696)	(3,988)

The following cash and non-cash movements have occurred during the year in relation to financing activities from non-current liabilities.

Reconciliation of liabilities from financing activities

Non-current loans and borrowings (Note 22).

	2019 £000	2018 £000
At 1 January 2019	21,295	30,707
Cash Flows	500	(9,500)
Non-cash movements (Amortised debt issue costs)	88	88
At 31 December 2019	21,883	21,295

Lease liabilities (Note 23)

	2019 £000
At 1 January 2019	5,320
Non-cash movements	234
Cash flows	(1,200)
At 31 December 2019	4,354
Current	987
Non-current	3,367

The notes on pages 61 to 86 form part of these consolidated financial statements.

Notes forming part of the consolidated financial statements

for the year ended 31 December 2019

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 160 Blackfriars Road, London SE1 8EZ.

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"), IFRIC interpretations and with those parts of the Companies Act 2006 applicable to companies preparing their accounts in accordance with adopted IFRSs.

(b) Basis of consolidation

The consolidated financial statements present the results of the Company and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between Group companies are therefore eliminated in full.

Where the Company has control over an investee, it is classified as a subsidiary. The Company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

The consolidated financial statements incorporate the results of business combinations using the acquisition method. In the consolidated statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The acquisition related costs are included in the consolidated statement of comprehensive income on an accruals basis. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained.

(c) 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. Post year end an amendment and extension to the Group's existing banking facilities was signed, providing the Group with additional liquidity and more flexible covenants than the previous facility. The revised agreement provides a facility £34.5m, made up of a revolving credit facility ("RCF") of £30m and a £4.5m amortising term loan issued under the Coronavirus Large Business Interruption Loan Scheme ("CLBILS") by the British Business Bank, with a maturity date of 27 October 2021. The key covenants that will prevail over this period include net leverage ratio, minimum liquidity and interest cover tests.

As highlighted in the risk management section (see pages 20-23) the Board has put robust business continuity plans in place to ensure continuity of trading and operations and has taken significant steps to preserve working capital and maintain a satisfactory liquidity position. Management has modelled the expected impact of the COVID-19 pandemic on its revenues costs and cash flow. The Board has reviewed the model in detail and believes that the Group has sufficient headroom in its agreed funding arrangements to withstand a greater negative impact on its cash flow than it currently expects. It has also identified further cost savings that could be made, beyond those already made or planned, should they prove necessary.

However, the directors are mindful of the uncertainties created by the current pandemic and the impact this may have on the trading performance of the Group and, consequently, its ability to comply with its banking covenants. As a result, at the date of approval of the financial statements the potential impact of COVID-19 indicates the existence of a material uncertainty which may cast doubt on the Groups' ability to continue as a going concern. Therefore, while the Board acknowledges that uncertainty around the medium-term impact of the pandemic means that actual performance could fall short of management forecasts to such an extent that, despite activating further mitigating measures, the forecast headroom on the banking covenants proved insufficient, 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.

(d) 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.

Managed services and technology

Managed services revenues are recognised over time, over the relevant contract term, on the basis that the customer

Notes forming part of the consolidated financial statements

for the year ended 31 December 2019
continued

simultaneously receives and consumes the benefits provided by the Group's performance of the services over the contract term. Where the Group's performance of its obligations under a contract exceeds amounts received, accrued income or a trade receivable is recognised depending on the Group's billing rights. Where the Group's performance of its obligations under a contract is less than amounts received, deferred income is recognised.

Technology revenues for contracts with customers, which include both supply of technology goods and installation services, represent in substance one performance obligation and result in revenue recognition at a point in time, when the Group has fulfilled its performance obligations under the relevant customer contract. Under these contracts, the Group performs a significant integration service which results in the technology goods and the integration service being one performance obligation. Over the course of the contract, the technology goods, which comprise both hardware and software components are customised through the integration services to such an extent that the final customised technology goods installed on completion are substantially different to their form prior to the integration service. Revenue is recognised when the integrated technology equipment and software has been installed and accepted by the customer.

Network services

Revenues for network services are comprised of call traffic, line rentals and data services, which are recognised over time, for services provided up to the reporting date, on the basis that the customer simultaneously receives and consumes the benefits provided by the Group's performance of the services over the contract term. Amounts received in advance of the performance of the call traffic, line rentals and data services are recognised as performance obligations and released to revenue as the Group performs the services under the contract. Where the Group's performance of its obligations under a contract are less than amounts received, deferred income is recognised.

Mobile

Connection commission received from the mobile network operators on fixed line revenues, are allocated primarily to two separate performance obligations, being (i) the obligation to provide a hardware fund to end users for the supply of handsets and other hardware kit - revenues are recognised under these contracts at a point in time when the hardware goods are delivered to the customer and the customer has control of the assets; and (ii) ongoing service obligations to the customer - revenues are spread over the course of the customer contract term. In the case of (i) revenues are recognised based on the fair value of the hardware goods provided to the customer on delivery and for (ii) the residual amounts, representing connection commissions less the hardware revenues are recognised as revenues over the customer contract term.

Customer overspend and bonus payments are recognised monthly at a point in time when the Group's performance obligations have been completed; these are also payable by the network operators on a monthly basis.

(e) Leased assets

The Group applies IFRS 16 via the modified retrospective approach from 1 January 2019. Comparative figures have not been restated. The policy applies to leased properties, motor vehicles and certain office and computer equipment.

When the Group enters into a lease, a lease liability and a right of use asset is created.

A lease liability shall be recognised at the transition date and will be measured at the present value of the remaining lease payments discounted using the Groups' incremental borrowing rate at the date of initial application. In determining the lease term, hindsight will be applied in respect of leases which contain an option to terminate the lease. The lease liability is subsequently increased for a constant periodic rate of interest on the remaining balance of the lease liability and reduced for lease payments. Interest on the lease liability is recognised in the income statement

A right of use asset shall be recognised at the transition date. The right of use asset will be measured at an amount equal to the lease liability adjusted by the amount of any prepaid or accrued lease payments relating to that lease, recognised in the statement of financial position immediately before the date of initial application. The right of use asset will subsequently be measured at cost less accumulated depreciation and any accumulated impairment losses. The depreciation policy for leased property, motor vehicles and office and computer equipment is on a straight-line basis over the shorter of the lease term and the useful life of the asset.

Where leases are 12 months or less or of low value, payments made are expensed evenly over the period of the lease.

The discount rate of 3.5% has been applied, being the Group's incremental borrowing rate.

Rentals receivable under operating leases are credited to the consolidated statement of comprehensive income on a straight-line basis over the term of the lease. The aggregate cost of lease incentives offered is recognised as a reduction of the rental income over the lease term on a straight-line basis.

(f) Employee benefits

The Group contributes to a number of defined contribution pension schemes in respect of certain of its employees, including those established under auto-enrolment legislation. The amount charged in the consolidated 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.

(g) Redundancy costs

Redundancy costs are those costs incurred from the date of communication of the restructuring decision and the at risk consultation process has been started with the relevant employee or group of employees affected.

(h) Interest

Interest income and expense is recognised using the effective interest rate basis.

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

- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting 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 probable that future taxable profits and taxable temporary differences will be available against which the asset can be utilised.

Management judgement 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.

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) 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 consolidated financial statements.

(k) 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; the fair value of the consideration comprises the fair value of assets given. 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.

Customer relationships

Customer relationships are stated at fair value where acquired through a business combination, less accumulated amortisation.

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

Product platform

The product platform is stated at fair value where acquired through a business combination less accumulated amortisation.

The product platform is amortised over its estimated useful life of eight years.

Notes forming part of the consolidated financial statements

for the year ended 31 December 2019
continued

Brand

Brands are stated at fair value where acquired through a business combination less accumulated amortisation.

Brands are amortised over their estimated useful lives, being eight years in respect of the ICON brand.

Software (Microsoft licences and Callmedia)

Software is stated at cost less accumulated amortisation. Where these assets have been acquired through a business combination, the cost is the fair value allocated in the acquisition accounting.

Software is amortised over its estimated useful life of (i) three years in respect of the Microsoft licences, (ii) five years in respect of the Callmedia software and capitalised systems software development costs.

(l) 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 in the administrative expenses line in the consolidated statement of comprehensive income and, in respect of goodwill impairments, the impairment is never reversed.

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.

(m) 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, other than freehold land, over their expected useful lives, at the following rates:

Office and computer equipment	-	25% straight line
Motor vehicles	-	25% straight line
Leasehold improvements period of the lease	-	over the remaining
Freehold building (2018 only)	-	2.5% straight line

Property, plant and equipment acquired in a business combination is initially recognised at its fair value.

(n) 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.

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short term deposits with an original maturity of three months or less, held for meeting short term commitments.

(p) Financial assets and liabilities

The Group's financial assets and liabilities mainly comprise cash, borrowings, trade and other receivables and trade and other payables.

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

The Group reviews the amount of credit loss associated with its trade receivables based on forward looking estimates that take into account current and forecast credit conditions. The Group has applied the Simplified Approach applying a provision matrix based on number of days past due to measure lifetime expected credit losses and after taking into account customer sectors with different credit risk profiles and current and forecast trading conditions. Trade and other payables are not interest bearing and are stated at their amortised cost.

(q) 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 consolidated statement of comprehensive income over the period of the borrowing using the effective interest method.

(r) Foreign currency

The presentation currency of the Group is Sterling. All Group companies have a functional currency of Sterling (other than Maintel International Limited ("MIL") which has a functional currency of the Euro) consistent with the presentation currency of the Group's consolidated 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 MIL are translated into Sterling at rates approximating those ruling when the transactions took place. All assets and liabilities of MIL, including goodwill arising on its acquisition, are translated at the rate ruling at the reporting date. Exchange differences on retranslation of the foreign subsidiary are recognised in other comprehensive income and accumulated in a translation reserve.

(s) Accounting standards issued

IFRS 16 Leases

Previous accounting policy

Operating leases

Where substantially all of the risks and rewards incidental to ownership are not transferred to the Group (an "operating lease"), the total rentals payable under the lease are charged to the consolidated statement of comprehensive income on a straight-line basis over the lease term. The aggregate benefit of lease incentives is recognised as a reduction of the rental expense over the lease term on a straight-line basis.

Rentals receivable under operating leases are credited to the consolidated statement of comprehensive income on a straight-line basis over the term of the lease. The aggregate cost of lease incentives offered is recognised as a reduction of the rental income over the lease term on a straight-line basis.

Policy applied from 1 January 2019 – see note 2(d)

(t) Share-based payments

The Group uses the Black Scholes Model to calculate the appropriate charge for options issued.

Where employees are rewarded using equity settled share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the instrument granted to the employee. This fair value is appraised at the grant date.

All equity-settled share-based payments are ultimately recognised as an expense in the income statement with a corresponding credit to reserves.

If vesting periods apply, the expense is allocated over the vesting periods, based on the best available estimate of the number of share options expected to vest. Estimates are revised subsequently if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current year. No adjustment is made to any expense recognised in prior years if share options that have vested are not exercised.

(u) Standards in issue but not yet effective

At the date of authorisation of these financial statements there were amendments to standards which were in issue but which were not yet effective and which have not been applied. The principal ones were:

Amendments to References to the Conceptual Framework in IFRS Standards (effective 1 January 2020)

Amendment to IFRS 3 Business Combinations (effective 1 January 2020, not yet endorsed by EU)

Amendments to IAS 1 and IAS 8: Definition of Material (effective 1 January 2020)

Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform (effective 1 January 2020)

The directors do not expect the adoption of these amendments to standards to have a material impact on the financial statements.

3. 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 of non-current assets

The Group is required to test, on an annual basis, whether goodwill has suffered any impairment. The Group is also required to test other finite life intangible assets for impairment where impairment indicators are present. The recoverability of assets subject to impairment reviews is assessed based on whether the carrying value of assets can be supported by the net present value of future cash flows derived from such assets, using cash flow projections which have been discounted at an appropriate rate. In calculating the net present value of the future cash flows, certain assumptions are required to be made in respect of uncertain matters.

In particular, management exercises estimation in determining assumptions for revenue growth rates and gross margins for future periods which are important components of future cash flows, and also in determining the appropriate discount rates which are used across the Group's cash generating units (refer to note 14).

Notes forming part of the consolidated financial statements

for the year ended 31 December 2019
continued

4. Segment information

Year ended 31 December 2019

For management reporting purposes and operationally, the Group consists of three business segments: (i) telecommunications managed service and technology 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 chief operating decision maker has been identified as the Board, which assesses the performance of the operating segments based on revenue and gross profit.

	Managed service and technology £000	Network services £000	Mobile £000	Total £000
Revenue	79,853	37,649	5,430	122,932
Gross profit	21,043	11,715	2,492	35,250
Other operating income				1,035
Other administrative expenses				(26,407)
Share based remuneration				274
Intangibles amortisation				(6,674)
Exceptional costs				(385)
Operating profit				3,093
Interest payable				(1,329)
Profit before taxation				1,764
Taxation expense				1,434
Profit after taxation				3,198

Revenue is wholly attributable to the principal activities of the Group and other than sales of £4.3m to EU countries and £0.7m to the rest of the world (2018: £4.7m to EU countries, and £0.8m to the rest of the world), arises within the United Kingdom.

In 2019 the Group had no customer (2018: None) which accounted for more than 10% of its revenue.

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

	Managed service and technology £000	Network services £000	Mobile £000	Central/ inter-company £000	Total £000
Other					
Intangibles amortisation	-	-	-	(6,674)	(6,674)
Exceptional costs	(385)	-	-	-	(385)

Year ended 31 December 2018

	Managed service and technology £000	Network services £000	Mobile £000	Total £000
Revenue	89,888	40,946	5,625	136,459
Gross profit	26,364	9,836	2,918	39,118
Other operating income				476
Share based remuneration				(27,565)
Other administrative expenses				(392)
Intangibles amortisation				(6,479)
Exceptional costs				(1,647)
Operating profit				3,511
Interest payable				(1,263)
Profit before taxation				2,248
Taxation expense				(206)
Profit after taxation				2,042

	Managed service and technology £000	Network services £000	Mobile £000	Central/ inter-company £000	Total £000
Other					
Intangibles amortisation	-	-	-	(6,479)	(6,479)
Exceptional costs	(1,647)	-	-	-	(1,647)

5. Employees

The average number of employees, including directors, during the year was:

	2019 Number	2018 Number
Corporate and administration	100	93
Sales and customer service	215	220
Technical and engineering	284	292
	599	605

Staff costs, including directors, consist of:

	£000	£000
Wages and salaries	33,504	33,427
Social security costs	3,696	3,726
Pension costs	874	809
	38,074	37,961

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 £188,000 (2018: £166,000) were payable to the schemes at the year-end and are included in other payables.

Notes forming part of the consolidated financial statements

for the year ended 31 December 2019
continued

6. Directors' remuneration

The remuneration of the Company directors was as follows:

	2019 £000	2018 £000
Directors' emoluments	1,108	1,138
Pension contributions	31	31
	1,139	1,169

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

	2019 £000	2018 £000
Directors' emoluments	306	314
Pension contributions	6	5
	312	319

The Group paid contributions into defined contribution personal pension schemes in respect of 8 directors during the year, 4 of whom were auto-enrolled at minimal contribution levels, and 2 were on both defined contributions and auto-enrolment schemes (2018: 7, 3 auto-enrolled).

Further details of director remuneration are shown in the Remuneration committee report on page 38.

7. Operating profit

	2019 £000	2018 £000
This has been arrived at after charging/(crediting):		
Depreciation of property, plant and equipment	695	711
Depreciation of right of use assets	1,267	-
Amortisation of intangible fixed assets	6,674	6,479
Operating lease rentals payable:		
- property	-	1,104
- plant and machinery	-	315
Other income:		
- Operating lease rentals receivable – property	(251)	(154)
- Research and development expenditure credit	(784)	(321)
Fees payable to the Company's auditor for the audit of the parent and consolidated accounts	44	53
Fees payable to the Company's auditor for other services:		
- due diligence and other acquisition costs	-	4
- audit of the Company's subsidiaries pursuant to legislation	95	112
- audit-related assurance services	27	41
- tax compliance services	44	19
Fees payable to other auditors	65	-
Foreign exchange movement	-	10
Loss on sale of property plant and equipment	99	21

8. Financial income and expense

	2019 £000	2018 £000
Interest payable on bank loans	1,029	1,179
Interest payable on deferred consideration	135	84
Interest expense on leases	165	-

9. Taxation

	2019 £000	2018 £000
UK corporation tax		
Corporation tax on profits of the year	52	924
Adjustment for prior year	(716)	(491)
	(664)	433
Deferred tax (note 22)		
Current year	(843)	(678)
Adjustment for prior year	73	451
Taxation on profit on ordinary activities	(1,434)	206

The standard rate of corporation tax in the UK for the year was 19.00%, and therefore the Group's UK subsidiaries are taxed at that rate. Reductions in UK tax rate to 19% with effect from 1 April 2018 and 17% from 1 April 2020 were substantively enacted on 15 September 2018. 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:

	2019 £000	2018 £000
Profit before tax	1,764	2,248
Profit at the standard rate of corporation tax in the UK of 19% (2018: 19.%)	335	427
Effect of:		
(Income) / expenses not deductible for tax purposes	(277)	54
Adjustments relating to prior years	(643)	(41)
Benefit for losses utilised in the year not recognised for tax previously	(854)	(500)
Capital allowances (in excess of) / less than depreciation	-	135
Effects of change in tax rates	-	(1)
Effects of overseas tax rates	(6)	(7)
Other timing differences not recognised for tax	11	-
Increase in deferred tax liability relating to intangible assets	-	139
	(1,434)	206

Prior year adjustments crediting corporation tax of £716,000 include a credit of £960,000 relating to the use of tax losses within the Datapoint companies which were acquired in 2013, offset by a charge of £244,000 relating to the release of a prior year tax asset in the Company, relating to expenses incurred in the prior year which have been subsequently group relieved in the current year.

Notes forming part of the consolidated financial statements

for the year ended 31 December 2019
continued

Prior year adjustments debiting deferred tax of £73,000 include a charge of £632,000 being the release of a deferred tax asset in respect of the use of tax losses within the Datapoint companies, and a charge of £59,000 relating to the fair value adjustment of customer relationship assets acquired from Atos in the prior year, offset by the creation of a deferred tax asset of £500,000 relating to tangible fixed assets acquired in prior years.

10. Dividends paid on ordinary shares

	2019 £000	2018 £000
Final 2017, paid 11 May 2018 – 19.1 p per share	-	2,712
Interim 2018, paid 4 October 2018 – 15.0 p per share	-	2,129
Final 2018, paid 16 May 2019 – 19.5p per share	2,790	-
Interim 2019, paid 4 October 2019 – 15.1p per share	2,163	-
	4,953	4,841

The directors have decided not to recommend a final dividend for 2019 (2018: 19.5p). The cost of the final dividend for 2018 was £2,790,000.

11. Earnings per share

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

	2019 £000	2018 £000
Earnings used in basic and diluted EPS, being profit after tax	3,198	2,042
Adjustments:		
Intangibles amortisation (note 14)	5,965	6,099
Exceptional costs (note 13)	385	1,647
Tax relating to above adjustments	(1,258)	(1,518)
Share based remuneration	(274)	392
Deferred tax charge on utilisation of Datapoint tax losses	-	475
Increase in deferred tax asset in respect to Datapoint tax losses	-	(500)
Deferred tax charge on utilisation of Intrinsic tax losses	532	-
Interest charge on deferred consideration	135	84
Prior year adjustments	(315)	-
Benefit for losses utilised in the year not recognised for tax previously	(854)	-
Deferred tax charge on capital allowances acquired from Azzurri	-	441
Increase / (decrease) in deferred tax liability on intangible assets	-	139
Adjusted earnings used in adjusted EPS	7,514	9,301

Intrinsic has brought forward historic tax losses, which the Group will benefit from in respect of its 2019 taxable profits. A deferred tax asset of £606,000 was recognised in the year in respect of its tax losses, and a deferred tax charge of £532,000 was calculated on a streamed basis and was recognised in the income statement for 2019. As this does not reflect the reality and benefit to the Group of the non-taxable profits, the net deferred tax credit is adjusted above.

	2019 Number (000s)	2018 Number (000s)
Weighted average number of ordinary shares of 1p each	14,290	14,197
Potentially dilutive shares	136	274
	14,426	14,471
Earnings per share		
Basic	22.4p	14.4p
Diluted	22.2p	14.1p
Adjusted - basic but after the adjustments in the table above	52.6p	65.5p
Adjusted - diluted after the adjustments in the table above	52.1p	64.3p

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.

12. Earnings before interest, tax, depreciation and amortisation (EBITDA)

	2019 £000	2018 £000
Profit before tax	1,764	2,248
Net interest	1,329	1,263
Depreciation of property, plant and equipment	695	711
Depreciation of right of use assets	1,267	-
Amortisation of intangible fixed assets	6,674	6,479
EBITDA	11,729	10,701
Share based remuneration	(274)	392
Exceptional costs (note 13)	385	1,647
Adjusted EBITDA	11,840	12,740

Notes forming part of the consolidated financial statements

for the year ended 31 December 2019
continued

13. Exceptional costs

Most of the exceptional costs incurred in the year were related to the restructuring and reorganisation of the Group's operational structure, covering associated legal and professional fees, redundancy costs, integration project costs and corporate restructuring fees. These and the other costs analysed below have been shown as exceptional costs in the income statement as they are not normal operating expenses:

	2019 £000	2018 £000
Property-related legal and professional costs	63	5
(Provision releases) / costs relating to the closure of properties	(120)	142
Acquisition and restructuring related redundancy costs	457	1,129
Remeasurement of deferred consideration to fair value (see note 20)	(746)	-
Impairment of customer relationship asset (see note 14)	339	-
Costs relating to an onerous property lease	23	245
Fees and integration costs relating to the acquisition of a customer base	-	44
Net effect of the release of provisions relating to acquisitions	44	
Systems integration costs	163	76
Other legal and professional costs	110	6
Costs relating to Director's share options	52	-
	385	1,647

14. Intangible assets

	Goodwill £000	Customer relationships £000	Brands £000	Product platform £000	Software £000	Total £000
Cost						
At 1 January 2018	39,980	36,882	3,480	1,299	3,771	85,412
Acquired in the year	477	7,336	-	-	-	7,813
Additions	59	-	-	34	467	560
At 31 December 2018	40,516	44,218	3,480	1,333	4,238	93,785
Additions	-	-	-	148	995	1,143
Transfer from plant, property and equipment	-	-	-	291	192	483
Fair value adjustment	-	(339)	-	-	-	(339)
At 31 December 2019	**40,516**	**43,879**	**3,480**	**1,772**	**5,425**	**95,072**
Amortisation and Impairment						
At 1 January 2018	317	15,045	885	270	1,400	17,917
Amortisation in the year	-	5,223	410	167	679	6,479
At 31 December 2018	317	20,268	1,295	437	2,079	24,396
Amortisation in the year	-	5,093	410	226	945	6,674
Transfer from plant, property and equipment	-	-	-	99	86	185
At 31 December 2019	**317**	**25,361**	**1,705**	**762**	**3,110**	**31,255**
Net book value						
At 31 December 2019	40,199	18,518	1,775	1,010	2,315	63,817
At 31 December 2018	**40,199**	**23,950**	**2,185**	**896**	**2,159**	**69,389**

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

During the year the fair value of customer relationships relating to certain UK customer contracts acquired from Atos in the prior year was adjusted by £339,000.

Certain assets misclassified in prior years as plant, property and equipment amounting to £300k were reclassified to intangible in the year

Notes forming part of the consolidated financial statements

for the year ended 31 December 2019
continued

Goodwill

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

	2019 £000	2018 £000
Network services division	21,134	21,134
Managed service and technology division	15,758	15,758
Mobile division	3,307	3,307
	40,199	40,199

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 of the net assets for that unit; where the recoverable amount of the cash generating unit is less than the carrying amount of the net assets, an impairment loss is recognised. Projected operating margins for this purpose are based on a five-year horizon which use the approved budget amounts for year 1 and 3% rate of growth thereafter, and a pre-tax discount rate of 14% is applied to the resultant projected cash flows. For the comparative period, the same assumptions were used. The Group's impairment assessment at 31 December 2019 indicates that there is significant headroom for each unit.

The discount rate is based on conventional capital asset pricing model inputs and varies to reflect the relative risk profiles of the relevant cash generating units. Sensitivity analysis using reasonable variations in the assumptions shows no indication of impairment.

15. Subsidiaries

The Company owns investments in subsidiaries including a number which did not trade during the year. The following were the principal subsidiary undertakings at the end of the year:

Maintel Europe Limited
Maintel International Limited

Maintel Europe Limited provides goods and services in the managed services and technology and network services sectors. Maintel Europe Limited is the sole provider of the Group's mobile services. Maintel International Limited provides goods and services in the managed services and technology sector predominantly in Ireland.

In addition the following subsidiaries of the Company were dormant as at 31 December 2019:

Maintel Voice and Data Limited
Maintel Finance Limited
District Holdings Limited
Intrinsic Technology Limited (hived up into Maintel Europe Limited on 1 January 2018)
Warden Holdco Limited
Warden Midco Limited
Datapoint Global Services Limited
Maintel Network Solutions Limited
Datapoint Customer Solutions Limited
Maintel Mobile Limited
Azzurri Communications Limited

Each subsidiary company is wholly owned and, other than Maintel International Limited, is incorporated in England and Wales. Maintel International Limited is incorporated in the Republic of Ireland.

Each subsidiary, other than Maintel International Limited, has the same registered address as the parent. The registered address of Maintel International Limited is Beaux Lane House, Mercer Street Lower, Dublin 2.

16. Property, plant and equipment

	Leasehold Improvements £000	Office and computer equipment £000	Motor vehicles £000	Total £000
Cost or valuation				
At 1 January 2018	1,799	9,508	47	11,354
Transfer	54	-	-	54
Additions	-	1,264	-	1,264
Disposals	(19)	(3,349)	-	(3,368)
At 31 December 2018	**1,834**	**7,423**	**47**	**9,304**
Additions	-	759	-	759
Disposals	(925)	(546)	-	(1,471)
Transferred to intangible fixed assets	-	(483)	-	(483)
Transferred to right of use assets	-	(263)	-	(263)
At 31 December 2019	**909**	**6,890**	**47**	**7,846**
Depreciation				
At 1 January 2018	1,269	8,568	47	9,884
Transfer	54	-	-	54
Fair value adjustment	(113)	69	-	(44)
Disposals	(5)	(3,342)	-	(3,347)
Provided in year	71	640	-	711
At 31 December 2018	1,276	5,935	47	7,258
Fair value adjustment	-	-	-	-
Disposals	(925)	(445)	-	(1,370)
Transferred to Intangible fixed assets	-	(185)	-	(185)
Transferred to right of use assets	-	(66)	-	(66)
Provided in year	93	602	-	695
At 31 December 2019	**444**	**5,841**	**47**	**6,332**
Net book value				
At 31 December 2019	465	1,049	-	1,514
At 31 December 2018	**558**	**1,488**	**-**	**2,046**

Notes forming part of the consolidated financial statements

for the year ended 31 December 2019
continued

17. Right of use assets

	Land and buildings £000	Office and computer equipment £000	Motor vehicles £000	Total £000
Cost				
At 1 January 2019 – recognition on transition to IFRS 16	4,487	404	296	5,187
Additions	-	189	44	233
At 31 December 2019	**4,487**	**593**	**340**	**5,420**
Depreciation				
At 1 January 2019 – recognition on transition to IFRS 16	-	66	-	66
Charge for the year	951	187	129	1,267
At 31 December 2019	**951**	**253**	**129**	**1,333**
Net book value				
At 1 January 2019	**4,806**	**338**	**296**	**5,440**
At 31 December 2019	**3,536**	**340**	**211**	**4,087**

18. Inventories

	2019 £000	2018 £000
Maintenance stock	1,364	1,511
Stock held for resale	1,879	6,756
	3,243	8,267
Cost of inventories recognised as an expense	20,263	26,052

Provisions of £333,000 were made against the maintenance stock in 2019 (2018: £610,000).

19. Trade and other receivables

	2019 £000	2018 £000
Trade receivables	15,690	20,444
Other receivables	691	920
Prepayments and accrued income	10,540	12,988
	26,921	34,352

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

In adopting IFRS 9, the Group now reviews the amount of credit loss associated with its trade receivables based on forward looking estimates that take into account current and forecast credit conditions as opposed to relying on past historical default rates. In adopting IFRS 9 the Group has applied the Simplified Approach applying a provision matrix based on number of days past due to measure lifetime expected credit losses and after taking into account customer sectors with different credit risk profiles and current and forecast trading conditions.

Movements in contract assets and liabilities were as follows:

– Accrued income decreased from £2.7m in 2018 to £1.9m at the reporting date;

– Deferred Income decreased from £26.7m in 2018 to £18.7m at the reporting date; and

– Deferred costs net of accrued costs have increased from £5.1m in 2018 to £6.0m at the reporting date.

The corresponding adjustments for these movements represents revenues and costs recognised in the income statement in FY 2019, as a result of the completion of some large technology projects which were in progress at the FY 2018 reporting date.

20. Trade and other payables

Current trade and other payables	2019 £000	2018 £000
Trade payables	10,905	14,797
Other tax and social security	3,321	3,885
Other payables	4,816	3,992
Accruals	4,795	7,485
Provision for dilapidations and deferred rent incentive	-	247
Deferred managed service income (note 2(c))	14,283	18,495
Other deferred income (note 2(c))	4,454	8,185
Deferred consideration in respect of business combination	990	639
	43,564	57,725

Non-current other payables	2019 £000	2018 £000
Deferred consideration in respect of business combination	2,403	3,825
Provision for dilapidations and deferred rent incentive	-	695
Intangible licences and other payables	125	379
Advanced mobile commissions	370	44
	2,898	4,943

During the year, the fair value of the total consideration for the acquisition of certain UK customer contracts from Atos on 1 July 2018 was reduced by £0.7m through price adjustment mechanisms. Deferred consideration included within other payables has been adjusted accordingly.

Notes forming part of the consolidated financial statements

for the year ended 31 December 2019
continued

21. Deferred taxation

	Property, plant and equipment £000	Intangible assets £000	Tax losses £000	Other £000	Total £000
Net liability at 1 January 2018	(1,580)	4,905	(1,057)	(8)	2,260
Liability established against intangible assets acquired during the year	-	1,412	-	-	1,412
Charge/(credit) to consolidated statement of comprehensive income	441	(1,232)	475	-	(316)
Adjustment to prior year to consolidated statement of comprehensive income	-	-	451	-	451
Credit to consolidated statement of comprehensive income in respect of anticipated further use of tax losses	-	-	(500)	-	(500)
Net liability at 31 December 2018	(1,139)	5,085	(631)	(8)	3,307
Charge/(credit) to consolidated statement of comprehensive income	365	(1,134)	-	-	(769)
Adjustment to prior year to consolidated statement of comprehensive income	(500)	(58)	631	-	73
Credit to consolidated statement of comprehensive income in respect of anticipated further use of tax losses	-	-	(74)	-	(74)
Net liability at 31 December 2019	**(1,274)**	**3,893**	**(74)**	**(8)**	**2,537**

The deferred tax liability represents a liability established under IFRS on the recognition of an intangible asset in relation to the Maintel Mobile, Datapoint, Proximity, Azzurri, Intrinsic and Atos acquisitions.

The deferred tax asset relates to (a) the anticipated use in the future of tax losses within Intrinsic which was acquired in 2017, based on estimates of that companies' future profitability and relevant tax rates, and (b) the amount of the tax value of capital allowances claimed below depreciation provided in the accounts at the reporting date, and is calculated using the tax rates at which the liabilities are expected to reverse.

Changes in tax rates and factors affecting the future tax charge

As described in note 9, the corporation tax rate reduced from 20% to 19% with effect from 1 April 2018. The deferred tax liability balance at 31 December 2019 has been calculated on the basis that the associated assets and liabilities will unwind at the rate prevailing at the time of the amortisation charge.

22. Borrowings

	2019 £000	2018 £000
Current bank overdraft – secured	3,696	3,988
Non-current bank loan – secured	21,883	21,295

On 8 April 2016, the Group entered into new facilities with the National Westminster Bank Plc to support the acquisition of Azzurri. These consisted of a revolving credit facility totalling £36m (the "RCF") in committed funds on a reducing basis for a five year term (with an option to borrow up to a further £20m in uncommitted accordion facilities).

On 1 August 2018, the acquisition of the entire share capital of Intrinsic Technology Limited was completed for a consideration of £4.9m on a cash-free, debt-free basis. The acquisition was funded by an extension to, and drawdown under, the Company's existing RCF with the National Westminster Bank Plc. As a result, the RCF increased by £6m to £42m.

Under the terms of the facility agreement, the committed funds reduce to £31m on the three year anniversary, and to £26m on the four year anniversary from the date of signing.

The non-current bank loan above is stated net of unamortised issue costs of debt of £0.1m (31 December 2018: £0.2m).

The facilities are secured by a fixed and floating charge over the assets of the Company and its subsidiaries. Interest is payable on amounts drawn on the revolving credit facility and overdraft facility at a covenant-depending tiered rate of 1.70 % to 2.85% per annum over LIBOR, with a reduced rate payable on undrawn facility.

Covenants based on adjusted EBITDA to net finance charges, net debt to EBITDA and operating cashflow to debt service ratios are tested on a quarterly basis. The company was in compliance with its covenants ratios tests throughout the year ended 31 December 2019.

The directors consider that there is no material difference between the book value and fair value of the loan.

On the 26 May 2020 the Group entered into an amendment and extension of its current facility with its incumbent lender, the National Westminster Bank Plc (see note 31).

Notes forming part of the consolidated financial statements

for the year ended 31 December 2019
continued

23. Lease liabilities

	2019 £000
Maturity analysis – contractual undiscounted cash flows	
In one year or less	1,174
Between one and five years	3,131
In five years or more	460
Total undiscounted lease liabilities at 31 December 2019	4,765
Lease liabilities included in the statement of financial position	4,354
Current	987
Non-current	3,367
Amounts recognised in the comprehensive income statement	
Interest expense on lease liabilities	
Expenses relating to short term leases	165
Amounts recognised in the statement of cash flows	98
Total cash outflow	1,200

During the years ended 31 December 2019 and 31 December 2018 there were no variable lease payments not included in the measurement of lease liabilities and there were no sale and leaseback transactions. Income from subleasing right of use assets in the year was £251,000

Reconciliation of operating lease commitments

At 31 December 2018 and 1 January 2019

	Operating lease commitments at 31 December 2018 £000	Incremental borrowing rate at 1 January 2019 £000	Discounted lease commitment at 1 January 2019 £000	Lease liability recognised at 1 January 2019 £000	Difference at 1 January 2019 £000
Land and buildings	5,344	3.5%	4,840	4,665	175
Other	463	3.5%	441	436	5
Total	**5,807**		**5,281**	**5,101**	**180**

The difference of £175k on land and buildings includes a short-term operating lease and non-lease components which were previously included within operating lease commitments at 31 December 2018.

24. Financial instruments

The Group's financial assets and liabilities mainly comprise cash, borrowings, trade and other receivables and trade and other payables.

	Financial assets measured at amortised cost 2019 £000	2018 £000
Current financial assets		
Trade receivables	15,690	20,444
Accrued income	1,929	2,686
Other receivables	691	920
	18,310	24,050

	Financial liabilities measured at amortised cost 2019 £000	2018 £000
Non-current financial liabilities		
Other payables	495	423
Secured bank loan	21,883	21,295
Deferred consideration in respect of business combination	2,403	3,825
Lease liabilities	3,367	-
	28,148	25,543
Current financial liabilities		
Trade payables	10,905	14,797
Short-term borrowings	3,696	3,988
Other payables	4,816	3,992
Accruals.	4,795	7,485
Deferred consideration in respect of business combination	990	639
Lease liabilities	987	-
	26,189	30,901

The Group held the following foreign currency denominated financial assets and financial liabilities

	Assets		Liabilities	
	2019 £000	2018 £000	2019 £000	2018 £000
US Dollars	120	806	950	2,701
Euros	371	344	6	66
	491	1,150	956	2,767

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.

Notes forming part of the consolidated financial statements

for the year ended 31 December 2019
continued

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 was represented by the carrying value of trade and other receivables, against which £336,000 is provided at 31 December 2019 (2018: £439,000). The provision represents an estimate of potential bad debt 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 2019 owed the Group £0.8m including VAT (2018: £2.1m). The Group's customers are spread across a broad range of sectors and consequently it is not otherwise exposed to significant concentrations of credit risk on its trade receivables.

The movement on the provision for trade receivables is as follows:

	2019 £000	2018 £000
Provision at start of year	439	337
IFRS 9 alignment	-	108
Provision created	225	228
Provision reversed	(328)	(234)
Provision at end of year	336	439

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 has applied the Simplified Approach applying a provision matrix based on number of days past due to measure lifetime expected credit losses and after taking into account customer sectors with different credit risk profiles and current and forecast trading conditions. The Group's provision matrix is as follows:

	Current	< 30 days	31–60 days	> 60 days	Total
31 December 2019					
Expected credit loss % range	0%-1%	2%-5%	3%-10%	5%-30%	
Gross debtors (£'000)	11,485	3,129	550	862	16,026
Expected credit loss rate (£'000)	(75)	(54)	(38)	(169)	(336)
Accrued income	1,929	-	-	-	1,929
					17,619

	Current	< 30 days	31–60 days	> 60 days	Total
31 December 2018					
Expected credit loss % range	0%-1%	2%-5%	3%-10%	5%-30%	
Gross debtors (£'000)	16,826	3,025	753	279	20,883
Expected credit loss rate (£'000)	(171)	(83)	(76)	(109)	(439)
Accrued income	2,686	-	-	-	2,686
					23,130

Receivables are grouped based on the credit terms offered. The probability of default is determined at the year-end based on the aging of the receivables and historical data about default rates on the same basis. That data is adjusted if the Company determines that historical data is not reflective of expected future conditions due changes in the nature of its customers and how they are affected by external factors such as economic and market conditions.

Foreign currency risk

The functional currency of all Group companies is Sterling apart from Maintel International Limited, 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, some Group companies transact with certain customers and suppliers in Euros or dollars, and those transactions are affected by exchange rate movements during the year but are not deemed material in a Group context.

Interest rate risk

The Group had total borrowings of £25.7m at 31 December 2019 (2018: £25.5m). The interest rate charged is related to LIBOR and bank rate respectively and will therefore change as those rates change. If interest rates had been 0.5% higher/lower during 2019, and all other variables were held constant, the Group's profit for the year would have been £156,000 (2018: £192,000) higher/lower due to the variable interest element on the loan.

Liquidity risk

Liquidity risk represents the risk that the Group will not be able to meet its financial obligations as they fall due. This risk is managed by balancing the Group's cash balances, banking facilities and reserve borrowing facilities in the light of projected operational and strategic requirements.

The following table details the contractual maturity of financial liabilities based on the dates the liabilities are due to be settled:

Financial liabilities:

	0 to 6 months £000	6 to 12 months £000	2 to 5 Years £000	Total £000
Trade payables	10,905	-	-	10,905
Other payables	3,928	888	495	5,311
Accruals	4,795	-	-	4,795
Borrowings (including future interest)	438	422	26,395	27,255
Deferred consideration	492	498	2,403	3,393
At 31 December 2019	20,558	1,808	29,293	51,659

	0 to 6 months £000	6 to 12 months £000	2 to 5 Years £000	Total £000
Trade payables	14,797	-	-	14,797
Other payables	4,067	303	44	4,414
Accruals	6,914	192	379	7,485
Borrowings (including future interest)	449	415	26,267	27,131
Deferred consideration	64	575	3,825	4,464
At 31 December 2018	26,291	1,485	30,515	58,291

Market risk

As noted above, the interest payable on borrowings is dependent on the prevailing rates of interest from time to time.

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, translation reserve 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.

Notes forming part of the consolidated financial statements

for the year ended 31 December 2019
continued

25. Share capital

	Allotted, called up and fully paid			
	2019 Number	**2018 Number**	**2019 £000**	**2018 £000**
Ordinary shares of 1p each	14,322,059	14,197,059	143	142

The Company adopted new Articles on 27 April 2016, which dispensed with the need for the Company to have an authorised share capital.

125,000 shares were issued in the year for consideration of £235,000 (2018: Nil). No shares were repurchased during the year (2018: Nil).

26. Reserves

Share premium, translation reserve, and retained earnings represent balances conventionally attributed to those descriptions.

Other reserves include a capital redemption reserve of £31,000 (2018: £31,000) and a translation reserve of £39,000 (2018: £39,000).

The capital redemption reserve represents the nominal value of ordinary shares repurchased and cancelled by the Company and is non-distributable 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 have proposed that there will be no final dividend in respect of 2019.

27 Share Incentive Plan

The Company established the Maintel Holdings Plc Share Incentive Plan ("SIP") in 2006, which was updated in 2016. The SIP is open to all employees and executive directors with at least 6 months' continuous service with a Group company, and allows them 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 and directors 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.

28 Share based payments

On 18 May 2009 the directors of the Company approved the adoption of the Maintel Holdings Plc 2009 Option Plan and on 20 August 2015 they approved the Maintel 2015 Long-term Incentive Plan.

The Remuneration committee's report on page 38 describes the options granted over the Company's ordinary shares.

In aggregate, options are outstanding over 3.0% 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.

29. Operating leases

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

	2019 Land and buildings £000	2019 Other £000	2018 Land and buildings £000	2018 Other £000
The total future minimum lease payments are due as follow:				
Not later than one year	22	125	1,130	239
Later than one year and not later than five years	-	125	3,326	224
Later than five years	-	-	888	-
	22	250	5,344	463

The commitment relating to land and buildings is in respect of the Group's London, Aldridge, Haydock, Blackburn and Fareham offices and Haydock warehouse facility. The remaining commitment relates to contract hired motor vehicles (which are typically replaced on a 3-year rolling cycle), office equipment, datacentre space rental, licencing of billing software and office supplies.

Part of the London premises, has been sublet, with future minimum rentals receivable under non-cancellable operating leases as set out below:

	2019 Land and buildings £000	2018 Land and buildings £000
The total future minimum lease payments are due as follow:		
Not later than one year	133	234
Later than one year and not later than five years	-	376
	133	610

30. Related party transactions

Transactions with key management personnel

Key management personnel comprise the directors and executive officers. The remuneration of the individual directors is disclosed in the Remuneration committee report. The remuneration of the directors and other key members of management during the year was as follows:

	2019 £000	2018 £000
Short term employment benefits	1,416	1,767
Social security costs	181	203
Contributions to defined contribution pension schemes	47	68
	1,644	2,038

Other transactions

The Group traded in the year with A J McCaffery, transactions in 2019 and 2018 amounting in aggregate to less than £1,500. The Group traded with K Stevens in 2018, transactions amounting to less than £1,000 (2019: Nil).

In 2019, the Group provided telecommunications services to Focus 4 U Limited, amounting to £2,000 (2018: £2,000) and to Zinc Media Group Plc £3,000 (2018: £9,000) companies of which N J Taylor is a director.

Notes forming part of the consolidated financial statements

for the year ended 31 December 2019
continued

31. Post balance sheet events

On 26 May 2020, the Group signed an amendment and extension to its current bank facilities with the National Westminster Bank Plc ("NWB").The current facilities due to expire 8 April 2021 have been extended to 27 October 2021. The revised facility has been increased to £34.5m consisting of a revolving credit facility ("RCF") of £30m in committed funds on a reducing basis and a £4.5m amortising term loan issued under the Coronavirus business interruption loan scheme ("CLBILS") by the British Business Bank, with a maturity date of 27 October 2021. Interest terms for the RCF are on a ratchet to LIBOR according to the Group's net leverage ratio, whilst on the term loan are linked to the base rate plus a fixed margin.

There are no other events subsequent to the reporting date which would have a material impact on the financial statements

Company balance sheet

at 31 December 2019 - prepared under FRS101

Company number 3181729	Note	2019 £000	2019 £000	2018 £000	2018 £000
Fixed assets					
Investment in subsidiaries	4		49,560		54,466
Current assets					
Debtors	5	14,147		6,780	
Cash at bank and in hand		-		-	
			14,147		6,780
Creditors: amounts falling due within one year					
Creditors	6	1,224		1,203	
Short – term borrowings	7	4,794		4,569	
Net current assets			8,129		1,008
Creditors: amounts falling due after one year					
Borrowings	7		21,883		21,295
Total assets less current liabilities			35,806		34,179
Capital and reserves					
Called up share capital	8		143		142
Share premium			24,588		24,354
Capital redemption reserve			31		31
Profit and loss account			11,044		9,652
Shareholders' funds			35,806		34,179

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 £6.6m (2018: £6.0m). The auditors' remuneration for audit services to the Company in the year was £15,000 (2018: £15,000).

The Company financial statements were approved and authorised for issue by the Board on 29 May 2020 and were signed on its behalf by:

Mark Townsend
Director

The notes on pages 89 to 93 form part of these financial statements.

Company statement of changes in equity

for the year ended 31 December 2019 - prepared under FRS101

	Note	Share capital £000	Share premium £000	Capital redemption reserve £000	Profit and loss account £000	Total £000
At 1 January 2018		142	24,354	31	8,059	32,586
Profit and total comprehensive income for year		-	-	-	6,042	6,042
Dividends paid	3	-	-	-	(4,841)	(4,841)
Grant of share options		-	-	-	392	392
At 31 December 2018		142	24,354	31	9,652	34,179
Profit and total comprehensive income for year		-	-	-	6,619	6,619
Dividends paid	3	-	-	-	(4,953)	(4,953)
Issue of new ordinary shares		1	234	-	-	235
Grant of share options		-	-	-	(274)	(274)
At 31 December 2019		143	24,588	31	11,044	35,806

The notes on pages 89 to 93 form part of these financial statements.

Notes forming part of the Company financial statements

at 31 December 2019

1. Accounting policies

The Company financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework.

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 have been prepared in accordance with FRS 101 and the Companies Act 2006.

(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.

(c) 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. Post year end an amendment and extension to the Group's existing banking facilities was signed, providing the Group with additional liquidity and more flexible covenants than the previous facility. The revised agreement provides a facility £34.5m, made up of a revolving credit facility ("RCF") of £30m and a £4.5m amortising term loan issued under the Coronavirus Large Business Interruption Loan Scheme ("CLBILS") by the British Business Bank, with a maturity date of 27 October 2021. The key covenants that will prevail over this period include net leverage ratio, minimum liquidity and interest cover tests.

As highlighted in the risk management section (see pages 20-23) the Board has put robust business continuity plans in place to ensure continuity of trading and operations and has taken significant steps to preserve working capital and maintain a satisfactory liquidity position. Management has modelled the expected impact of the COVID-19 pandemic on its revenues costs and cash flow. The Board has reviewed the model in detail and believes that the Group has sufficient headroom in its agreed funding arrangements to withstand a greater negative impact on its cash flow than it currently expects. It has also identified further cost savings that could be made, beyond those already made or planned, should they prove necessary.

However, the directors are mindful of the uncertainties created by the current pandemic and the impact this may have on the trading performance of the Group and, consequently, its ability to comply with its banking covenants. As a result, at the date of approval of the financial statements the potential impact of COVID-19 indicates the existence of a material uncertainty which may cast doubt on the Groups' ability to continue as a going concern. Therefore, while the Board acknowledges that uncertainty around the medium-term impact of the pandemic means that actual performance could fall short of management forecasts to such an extent that, despite activating further mitigating measures, the forecast headroom on the banking covenants proved insufficient, 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.

(d) Taxation

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

(e) Dividends

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

Notes forming part of the Company financial statements

at 31 December 2019
continued

(f) Disclosure exemptions adopted

In preparing these financial statements the Company has taken advantage of disclosure exemptions conferred by FRS101. Therefore, these financial statements do not include:

- certain comparative information as otherwise required by EU endorsed IFRS;
- certain disclosures regarding the Company's capital;
- a statement of cash flows;
- the effect of future accounting standards not yet adopted;
- the disclosure of the remuneration of key management personnel; and
- disclosure of related party transactions with other wholly owned members of the Group headed by Maintel Holdings Plc.

In addition, and in accordance with FRS101 further disclosure exemptions have been adopted because equivalent disclosures are included in the consolidated financial statements of Maintel Holdings Plc. These financial statements do not include certain disclosures in respect of:

- share based payments
- impairment of assets
- disclosures required in relation to financial instruments and capital management

(g) Judgements and key areas of estimation uncertainty

The Company makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The principal use of estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year relates to the potential impairment of the carrying value of investments.

The Company assesses at each reporting date whether there is an indication that its investments 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 14 of the consolidated accounts. These estimates include the asset's future cash flows and an appropriate discount to reflect the time value of money. The range of estimates reflects the relative risk profiles of the relevant cash generating units.

2. Employees

Staff costs, including directors, consist of:

	2019 £000	2018 £000
Wages and salaries	1,164	1,271
Social security costs	151	164
Pension costs	33	35
	1,348	1,470

	2019 Number	2018 Number
The average number of employees, including directors, during the year was:	9	9

3. Dividends paid on ordinary shares

Details of dividends paid and payable are shown in note 10 of the consolidated financial statements.

4. Investment in subsidiaries

	Shares in subsidiary undertakings £000
At 1 January 2018 and 31 December 2018	54,546
Reclassified to amounts owed by subsidiary undertakings	(4,906)
At 31 December 2019	49,640
Provision for impairment	
At 1 January 2018, 31 December 2018 and 31 December 2019	80
Net book value	
At 31 December 2019	49,560
At 31 December 2018	49,560

Details of the Company's subsidiaries are shown in note 15 of the consolidated financial statements.

5. Debtors

	2019 £000	2018 £000
Amounts owed by subsidiary undertakings	14,037	6,477
Other tax and social security	95	8
Prepayments and accrued income	15	14
Corporation tax recoverable	-	281
	14,147	6,780

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

6. Creditors

	2019 £000	2018 £000
Amounts due to subsidiary undertakings	836	1,047
Trade creditors	61	41
Accruals and deferred income	327	115
	1,224	1,203

Notes forming part of the Company financial statements

at 31 December 2019
continued

7. Borrowings

	2019 £000	2018 £000
Current bank overdraft – secured	4,794	4,569
Non-current bank loans – secured	21,883	21,295

On 8 April 2016 the Group entered into new facilities with the National Westminster Bank Plc to support the acquisition of Azzurri. These consisted of a revolving credit facility totalling £36.0m (the "RCF") in committed funds on a reducing basis for a five year term (with an option to borrow up to a further £20.0m in uncommitted accordion facilities).

On 1 August 2018, the acquisition of the entire share capital of Intrinsic Technology Limited was completed for a consideration of £4.9m on a cash-free, debt-free basis. The acquisition was funded by an extension to, and draw-down under, the Company's existing RCF with the National Westminster Bank Plc. As a result the RCF was increased by £6m to £42m.

Under the terms of the facility agreement, the committed funds reduce to £31.0m on the three year anniversary, and to £26.0m on the four year anniversary from the date of signing.

The non-current bank loan above is stated net of unamortised issue costs of debt of £0.1m (31 December 2018: £0.2m).

The facilities are secured by a fixed and floating charge over the assets of the Company and its subsidiaries. Interest is payable on amounts drawn on the revolving credit facility and overdraft facility at a covenant-depending tiered rate of 1.70 % to 2.85% per annum over LIBOR, with a reduced rate payable on undrawn facility.

Covenants based on adjusted EBITDA to net finance charges, net debt to EBITDA and operating cashflow to debt service ratios are tested on a quarterly basis. The company was in compliance with its covenants ratios tests throughout the year ended 31 December 2019.

The directors consider that there is no material difference between the book value and fair value of the loan.

On the 26 May 2020 the Group entered into an amendment and extension of its current facility with its incumbent lender, the National Westminster Bank Plc (see note 11).

8. Share capital

	Allotted, called up and fully paid			
	2019 Number	2018 Number	2019 £000	2018 £000
Ordinary shares of 1p each	14,322,059	14,197,059	143	142

The Company adopted new Articles on 27 April 2018, which dispensed with the need for the Company to have an authorised share capital.

125,000 shares were issued in the year for consideration of £235,000 (2018: Nil). No shares were repurchased during the year (2018: Nil).

9. Related party transactions

Transactions with other Group companies have not been disclosed as permitted by FRS101, as the Group companies are wholly owned.

10. Contingent liabilities

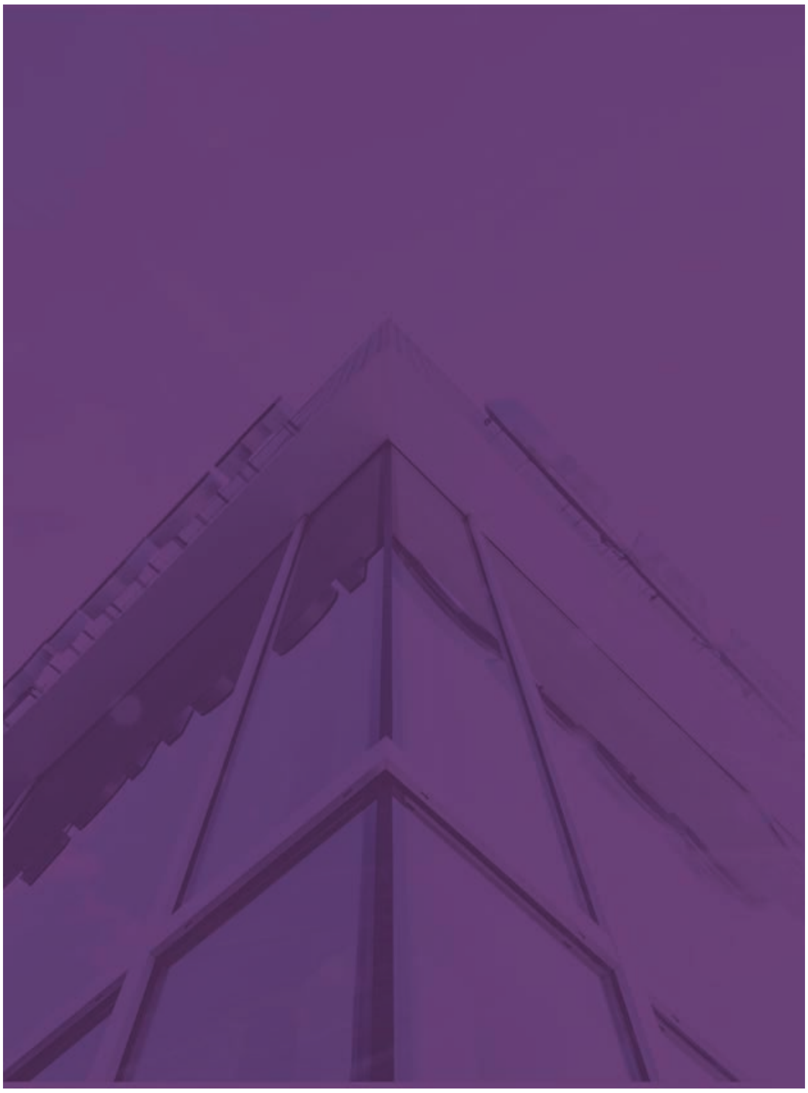
As security on the Group's loan and overdraft facilities, the Company has entered into a cross guarantee with its subsidiary undertakings in favour of the National Westminster Bank Plc. At 31 December 2019 each subsidiary undertaking had a net positive cash balance.

The Company has entered into an agreement with Maintel Europe Limited, guaranteeing the performance by Maintel Europe Limited of its obligations under the lease on its London premises.

11. Post balance sheet events

On 26 May 2020, the Company signed an amendment and extension to its current bank facilities with the National Westminster Bank Plc ("NWB").The current facilities due to expire 8 April 2021 have been extended to 27 October 2021. The revised facility has been increased to £34.5m consisting of a revolving credit facility ("RCF") of £30m in committed funds on a reducing basis and a £4.5m amortising term loan issued under the Coronavirus business interruption loan scheme ("CLBILS") by the British Business Bank, with a maturity date of 27 October 2021. Interest terms for the RCF are on a ratchet to LIBOR according to the Group's net leverage ratio, whilst on the term loan are linked to the base rate plus a fixed margin.

There are no other events subsequent to the reporting date which would have a material impact on the financial statements.



Directors, Company details and advisers

Directors

J D S Booth	Chairman, non-executive director
I G MacRae	Chief executive officer
S D Legg	Group sales and marketing director
A J McCaffery	Non-executive director
A P Nabavi	Non-executive director
K Stevens	Chief operating officer
N J Taylor	Non-executive director
M V Townsend	Chief financial officer

Secretary and registered office

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Company number

3181729

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Nominated broker and nominated adviser

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Designed and Printed by Perivan

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