2020
Annual Report & Accounts

Maintel Holdings Plc

Contents

Overview 2020

Ioan MacRae, CEO

"In common with companies across the globe, 2020 presented a challenge like no other to our customers, our staff and our company. So many organisations in both the public and private sectors depended on Maintel to keep their mission critical operations functioning. In the public sector that includes front line hospital trusts, police control rooms, fire services, care home operators, local authorities, government agencies and social housing providers – and in the private sector financial services organisations, high street household name retailers and utility organisations, providing critical national infrastructure services.

I am immensely proud of the role that Maintel has played in supporting our customers during the pandemic, and of the fantastic response from our colleagues who made the transition to remote working while continuing to work incredibly hard to ensure that our customers could do the same. Worthy of special recognition is our field-based engineering team who continued to provide onsite technical support, in particular to NHS Trusts, throughout the pandemic.

As a result of the pandemic we have understandably seen certain customers delay new orders to preserve cash flows whilst uncertainty around the macroeconomic outlook remained. Furthermore, certain project work was delayed due to difficulties with site access during the lockdowns. Inevitably this had a significant impact on both revenue and EBITDA in the period. Revenue was also affected by the full year impact of the loss of several legacy contracts in 2019 within our channel partner network, as previously announced.

Notwithstanding these challenges, the business achieved a huge amount during the period, with the meeting of KPIs such as reaching over 100,000 cloud seats, showing a positive momentum in line with our new strategy. We continued to invest in the Group's transformation to a cloud first business, launching four significant new product sets and undertaking a significant restructure from the Board down.

As a result of the restructure, a process which commenced prior to the pandemic but which we accelerated as a consequence of it, we have achieved a significant, underlying annualised reduction in OPEX of £3m and a business which is leaner, stronger, more efficient and better positioned to take advantage of the opportunities available and changing customer requirements.

This year has started promisingly and in line with management's expectations; we enter the second half of the year with a healthy orderbook. We have continued to simplify the business and focus on our cloud offering, announcing the sale of the Managed Print Service business in March, the proceeds of which have been used to reduce net debt.

I firmly believe that the business is in a strong position to deliver organic growth on a like for like basis in both revenue and EBITDA in FY 2021."

↓ 13%

£106.4m

Group revenue
(2019: £122.9m)

↓ 20%

£9.5m

Group adjusted EBITDA[1]
(2019: £11.8m)

↑ 31%

102,000

Contracted cloud seats
(2019: 78,000)

↑ 3pp

73%

Recurring revenue
(2019:70%)

Notes
1 Adjusted EBITDA is EBITDA of £7.3m (2019: £11.7m), adjusted for exceptional costs and share based payments (note 12).

Chairman's statement

John Booth, Chairman

In a challenging year, Maintel has continued to invest in future growth and accelerate its transition to a cloud and managed service provider, focused on supporting its customers, many of them on the front line of response to the COVID-19 pandemic.

The combined impact of the pandemic and the lower managed services support base entering the year resulted in a 13% reduction in Group revenue to £106.4m and a consequent 20% reduction in adjusted EBITDA. The lower EBITDA margin was driven by the significant reduction in higher margin technology revenue in the period as project work was delayed as customers sought to preserve cash. Adjusted earnings per share decreased 39% to 31.9p with a basic loss per share of 12.1p. The period-end net debt position showed a significant reduction to £22.3m.

Our managed support base saw a reduction in revenue of 17% to £35.6m, predominantly due to contract losses already announced in 2019 but only fully realised in 2020. There was in addition some price erosion and substitution as customers migrated to cloud. Our technology division revenues were the hardest hit by the pandemic with a reduction of 23% to £29m.

The number of subscribers on our ICON and public cloud platforms increased by 31% to a record 102,000 (2019: 78,000) with revenue from cloud and software customers now totalling £27.2m, accounting for 26% of Group revenue. The revenue benefit from the additional contracted seats will be realised in 2021 and beyond as these roll out.

Our new CEO, who joined us in October 2019, has delivered a significant restructuring of the Group including the senior executive team. This has reduced headcount by 6%, removing £3m of annualised costs. The new structure is more efficient, aligned to our key verticals and well positioned to capitalise on the investments which we have continued to make in our product portfolio and intellectual property.

We were grateful for the support of the Government through the difficult stages of the pandemic, using the furlough scheme to retain key staff for whom on-premise project work was simply not available for periods of the year. We also deferred the payment of VAT in Q2 2020 (due to be paid in full by February 2022) and took advantage of the CLBILS scheme as part of the refinancing agreement we concluded in May 2020.

I am pleased to be able to report that our rejuvenated sales team reached its sales target in the fourth quarter for the first time in several quarters, and that order intake post period end in 2021 has been strong. Given the continuing economic uncertainty, the Board is not recommending a dividend at this stage and will review this decision later in the year.

Following the announcement that Annette Nabavi has decided to retire as a non-executive director following this year's Annual General Meeting, I would like to thank Annette for her significant contribution to Maintel over the past 7 years. We wish her all the very best in her future ventures.

Maintel is proud of its engagement in the front line of pandemic response, and the Board is immensely grateful to our staff who have worked so tirelessly in difficult and unusual circumstances this year. We remain confident in the new leadership team's plan to re-engineer and build the Group for a cloud-first world and in our return to organic growth.

John Booth
Chairman

1 June 2021

Strategic Report

Maintel overview

Key Performance Indicators

Revenue

£106.4m
(2019: £122.9m)

-13%

2020	£106.4m
2019	£122.9m
2018	£136.5m

The total of sales from all customers and partners in all markets. The prime indicator of the size of our Company.

Recurring Revenue %

73%
(2019: 70%)

+3pp

2020	73%
2019	70%
2018	69%

The percentage of overall revenue that is contracted and recurring. A good indicator of visibility and predictability of earnings.

Gross Margin %

29%
(2019: 28.7%)

+0.03pp

2020	29.0%
2019	28.7%
2018	28.7%

Gross Margin %

Adjusted EBITDA

£9.5m
(2019: £11.8m)

-20%

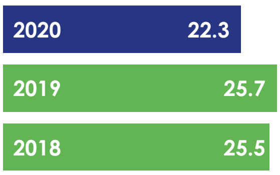
2020	£9.5m
2019	£11.8m
2018	£12.7m

Adjusted EBITDA is EBITDA adjusted for exceptional costs and share based payments. A great indicator of trading performance.

Net Debt

£22.3m
(2019: £25.7m)

-£3.4m

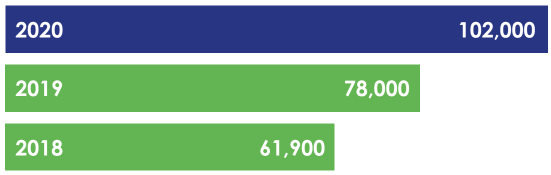


The net position of cash debt at year-end (December 31st 2020). A measure of control over the Group's liquidity.

Cloud Seats

102,000
(2019: 78,000)

+31%



The total number of contracted cloud seats across all the Group's cloud offers. A vital measure of the Group's transformation to a next-generation cloud business.

Customer Satisfaction Score

4.27
(2019: 3.91)

+9%

A key measure of customer satisfaction taken as the average of hundreds of sampled responses each month.

Net Promoter Score

41.6
(New Metric- no comparator)

n/a

This is a new metric for Maintel – no historic data is available.

An internationally recognised metric which provides a good indication of the quality of customer experience provided.

Maintel overview continued

Our Proposition

Maintel is a cloud 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-premise technology and services, Maintel's flagship offer is its ICON suite of cloud and managed services and now more than 25% of all revenues come from customers taking Maintel's cloud & software services. Maintel's cloud communications services have seen significant (31%) growth in seat count and 44% growth in subscription revenue in the year and are a key strategic focus for FY21 and beyond.

Digital Workplace

Customer Experience

Secure Connectivity

ICON

The ICON platform itself is a highly secure, highly available, highly scalable multi-cloud and network platform, hosted across four top-tier data centres and complemented by Amazon Web Services (AWS) 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 six 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**	Maintel's 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
GENESYS	**Partner**	Enterprise Contact Centre as a Service (CCaaS)	• Former UK&I Partner of the year • Former Gold Partner Exec Council Member
RingCentral	**Partner**	Public Cloud Unified Communications as a Service (UCaaS) across all sectors	• Strong relationships both direct and in partnership with Avaya • Focus partner for public sector

As cloud-adoption has accelerated, particularly through the COVID-19 pandemic, there has been a greater acceptance of public-cloud services amongst our key markets, and Maintel has strengthened its public cloud communications offers through relationships with leaders in this space. Genesys and RingCentral are global leaders in Contact Centre as a Service (CCaaS) and Unified Communications as a Service (UCaaS) respectively – with both services available across all customer segments.

This new relationship with RingCentral, combined with the increased focus on the existing relationship with Genesys, means that Maintel is able to deliver on its core offer of delivering transformational cloud communication services that meet the needs of all customers – whether that is the flexibility and scalability afforded by the public cloud offers, or the high-availability, dependability and compliance advantages of the ICON Virtual Private Cloud services.

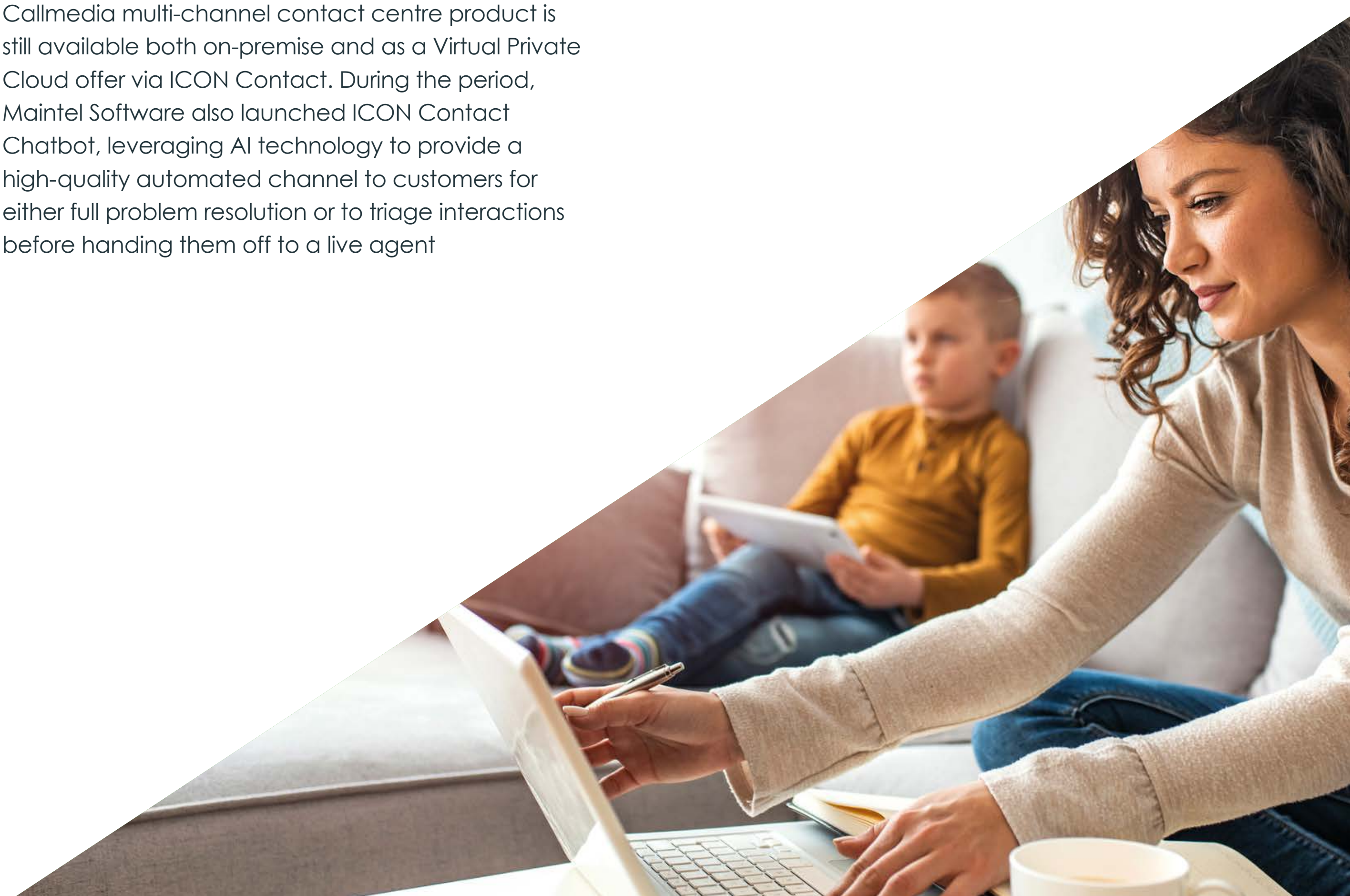
Maintel's Intellectual Property

Maintel also has considerable intellectual property, typically deployed alongside and to enhance the offers from the key technology partners. This Intellectual Property (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 CX Now is Maintel's multi-channel Contact Centre as a Service offer, delivered as a public-cloud service – and developed in-house by Maintel Software. Launched in 2020 Q4, Callmedia CX Now is built upon more than a decade of experience in delivering hosted multi-channel contact centre services – but is developed from the ground up to make use of the latest technology: using a per-customer routing engine and database to ensure flexibility and privacy, behind a multi-tenanted voice platform hosted in AWS to deliver an agent experience that is purely browser-based, flexible and scalable. The established Callmedia multi-channel contact centre product is still available both on-premise and as a Virtual Private Cloud offer via ICON Contact. During the period, Maintel Software also launched ICON Contact Chatbot, 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 was launched in the first quarter of 2020 since the period end and we have an aggressive roadmap to add capability over FY21

- **Enhancing and supporting delivery** – Maintel has produced a set of tools 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.



Maintel overview continued

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
Optivo, 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 serve their customers better.

Examples
JD Sports, Wiggle, Matalan

Financial Services

We help banks, insurers and service providers to serve their customers securely 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.

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 partners' typically US-based multi-national clients. This channel continues to transform towards cloud and software services, and in FY20 one of Maintel's largest cloud deals came via a channel partner, for an 8,000 seat private healthcare deployment.

Although Maintel's principal activities are within the UK, the Group has a subsidiary based in the Republic of Ireland (Maintel International Limited) which serves a number of customers both in the Republic of Ireland and the EU.

Our people & culture

It is our people 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 & recruitment 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.

Maintel overview continued

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 10.5%[1] and 11.6%[2] compound annual growth rate (CAGR) to 2025, there is plenty of market to go after for our flagship ICON services. During FY20 we added global UCaaS leader RingCentral to our portfolio, further widening the addressable market for our Digital Workplace pillar.

Uptake in 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 21.1%[3] and 29%[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 and for 2021 we also have Callmedia CX Now for the sub 250 seat opportunities to 500 seats, and Genesys cloud for the larger and more complex customers. The Customer Experience (CX) 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 high growth rates, with CAGRs of 34.5%[5] and 60%[6] cited in recent reports. As an 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%[7] CAGR and in particular a Managed Security Services CAGR of 14%[8] 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 FY21 is a return to organic growth.

1 "Unified Communication as a Service (UCaaS) Market Size, Share & Industry Analysis…2019-2026", Fortune Business Insights, June 2020
2 "Forecast: Unified Communications, Worldwide, 2018-2025, 1Q21", Gartner, March 2021
3 "Contact Center Software Market Size, Share & Trends Analysis Report…., 2021-2028", Grand View Research, January 2021
4 "Forecast Analysis: Contact Center, Worldwide", Gartner, January 2021
5 "Software-Defined Wide Area Network Market by Components, Deployment Type and Region – Global Forecast to 2025", Markets & Markets, August 2020
6 "Software-Defined Wide Area Network Market Size by Component, Service, By Deployment Model, Industry…Competitive Market Share & Forecast, 2020-2026", Global Market Insights – Pretty Wadhwani, Sachin Kasnale, May 2020
7 "Cybersecurity Market by Solution…. And Region – Global Forecast to 2023", Markets & Markets, September 2020
8 "Global Managed Security Services Market Size, Status & Forecast 2025", QY Reports, May 2020

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. Throughout FY20 we continued to fund our investment in R&D at our Maintel Technology Centre in Fareham. Our focus during the year has been:

- The development and launch of our Contact Centre as a Service (CCaaS) offer, Callmedia CX Now. This builds on our years of experience in delivering hosted multi-channel contact centre services with a modern, public cloud platform to enable our customers' agents to manage their customers' experiences across channels using only an internet connection and a web browser. During the year we also released an AI Chatbot service (based on Google's CCAI technology) and a number of enhancements across the ICON Contact service.
- The development and launch, in conjunction with our partner Cisco, of a suite of services for home and remote working under the banner of "Secure Homeworker". These services enable organisations to continue to operate securely, productively and with high availability with staff based in any location.
- 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. We have added capabilities across our ICON Communicate and ICON Now services from the portal, as well as enabling customers to monitor the progress of in-flight projects and orders.
- 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 market competitiveness.

Glossary

Artificial Intelligence (AI)	The sub-set of computer science aimed at the development of software 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 as 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 Service (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

Results for the year

Revenues decreased 13% to £106.4m (2019: £122.9m) and adjusted EBITDA decreased by 20% to £9.5m (2019: £11.8m). Recurring revenue as a % of total revenue (being all revenue excluding one-off projects) increased to 73% (2019: 70%) as a result of the reduction in technology and installation revenues and the increase in cloud revenue.

Gross profit for the Group decreased to £30.9m (2019: £35.2m) with gross margin increasing to 29.0% (2019: 28.7%).

The Group delivered adjusted profit before tax of £6.3m (2019: £8.5m). Adjusted earnings per share (EPS) decreased by 39% to 31.9p (2019: 52.6p) based on a weighted average number of shares in the period of 14.3m (2019: 14.3m).

On an unadjusted basis, the Group generated a loss before tax of £2.2m (2019: profit before tax of £1.8m) and loss per share of 12.1p (2019: earnings per share of 22.4p). This includes £2.5m of exceptional items (2019: £0.4m) (refer note 13) and intangibles amortisation of £6.3m (2019: £6.7m).

Cash performance

The Group generated net cash flows from operating activities of £9.6m (2019: £9.7m) resulting in a strong cash conversion[c] of 123% for the full year (2019: 88%). Net cash flows from operating activities included a £2.9m working capital benefit arising from HMRC's COVID-19 VAT deferral scheme. Excluding this benefit underlying cash conversion was 92%(c).

(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 and cloud revenue lines). Cloud services revenues accounted for 26% of total Group revenues in the period (2019: 22%). Despite the macroeconomic conditions, cloud services revenues remained flat at £27.3m (2019: £27.3m), demonstrating the high quality, recurring nature of this revenue stream.

	2020 £000	2019 £000	(Decrease)/ increase
Revenue	**106,430**	122,932	(13)%
(Loss) / profit before tax	**(2,232)**	1,764	
Add back intangibles amortisation	**6,286**	6,674	
Exceptional items mainly relating to the restructuring and reorganisation of the Group's operations	**2,482**	385	
Share based remuneration	**(259)**	(274)	
Adjusted profit before tax	**6,277**	8,549	(27)%
Adjusted EBITDA[a]	**9,522**	11,840	(20)%
Basic (loss)/ earnings per share	**(12.1p)**	22.4p	-
Diluted	**(12.1p)**	22.2p	-
Adjusted earnings per share[b]	**31.9p**	52.6p	(39)%
Diluted	**31.8p**	52.1p	(39)%

(a) Adjusted EBITDA is EBITDA of £7.3m (2019: £11.7m) less exceptional costs and share based remuneration (note 12)

(b) Adjusted profit after tax divided by weighted average number of shares (note 11)

Business review continued

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

Revenue analysis	2020 £000	2019 £000	(Decrease)/ increase
Managed services related	**35,614**	42,910	(17)%
Technology[(d)]	**28,617**	36,943	(23)%
Managed services and technology division	**64,231**	79,853	(20)%
Network services division	**36,201**	37,649	(4)%
Mobile division	**5,998**	5,430	10%
Total Maintel Group	**106,430**	122,932	(13)%

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

As part of the Group's ongoing review of its operational structure, it was decided to outsource our logistics and stock replenishment functions to a leading third-party logistics provider, with a 5 year contract being signed in December 2020. The commercial agreement included the sale of the Group's spare parts and project inventory for £1.3m generating a profit on sale of £0.3m. Excluding the stock sale, technology revenues declined by 26%.

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 20% to £64.2m, with professional services particularly impacted by the effect of the two lockdowns on the Group's ability to access sites to deliver projects. Gross profit declined by 16% to £17.6m (2019: £21.0m) with gross margin increasing to 27% (2019: 26%).

Technology revenues fell by 23% in the period as an initial Q1 revenue boost, caused by increased demand for certain technologies as customers invested in remote working solutions and disaster recover capabilities, was offset by project delays as a result of the two nationwide lockdowns.

However, a strong close of orders in Q4 2020, including significant contracts from Matalan, West Yorkshire Fire & Rescue Service, Liverpool City Council, Stevenage Borough Council, North Ayrshire Council, Electricity North West, SSE and Lycatel, meant we exited the year with a healthy order book and growing sales pipeline.

	2020 £000	2019 £000	Decrease
Division revenue	**64,231**	79,853	(20)%
Division gross profit	**17,620**	21,043	(16)%
Gross margin (%)	**27%**	26%	

Our managed services base declined by 14% in the period, driven by the contract losses reported in 2019 as a result of channel partners restructuring their operations, alongside a degree of price erosion from some customers downsizing their estates and some customers transitioning from our on-premise solutions to our cloud-based platforms where traditional "support" is replaced by a longer term, recurring managed services element, which is reported in network services. In addition, our cost-per-copy revenues within our document solutions business were much reduced as a result of the lockdowns and associated increase in home working.

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-premise and cloud solutions offered by the managed service and technology division and the mobile division's services.

Network services revenue decreased by 4%, with gross margins reducing to 29% from 31% in the prior year, which was helped by some catch-up billing.

Traditional fixed line revenues (shown above under call traffic and line rental) decreased by 12% to £12.1m (2019: £13.7m), which is a reflection of the overall market decline and some reduction in call volumes during the lockdown periods, as well as a shift in the focus of the Group to meet the higher demand for margin rich cloud and SIP services. There was a net increase in circuits within our SIP subscription base of 18%.

Data connectivity revenues declined by 11%, impacted by the tail of previously announced legacy contract terminations. On an underlying basis, excluding these legacy contracts, data revenues declined by 4%. Our SD-WAN proposition, which was launched in FY19, has been instrumental in securing both new WAN business and contract extensions within our existing network base. However there has been a delay to the rollout of these projects, and therefore revenue, as a result of the pandemic and customers looking to defer spend on new projects and upgrades until they have more certainty over cash flows.

	2020 £000	2019 £000	Increase/ (decrease)
Call traffic	**4,507**	5,083	(11)%
Line rental	**7,583**	8,589	(12)%
Data connectivity services	**17,088**	19,122	(11)%
Cloud	**6,476**	4,493	44%
Other	**547**	362	51%
Total division	**36,201**	37,649	(4)%
Division gross profit	**10,669**	11,715	(9)%
Gross margin (%)	**29%**	31%	

The number of contracted seats across our cloud communication services increased by 31% in the year to 102,000 at the end of December, although challenges in accessing customer sites, and COVID-19 related delays in contract awards meant that much of this was still in WIP at the year-end. Revenue from cloud and software customers amounted to £27.7m (2019: £26.9m), with a 44% growth in our recurring cloud subscription services to £6.5m (2019: £4.5m).

The majority of the new seat growth came from our flagship ICON Communicate service and included a number of NHS Foundation Trusts, financial services firms, a large county council and a number of legal

Business review continued

firms. We continue to see significant demand for the Virtual Private Cloud service that ICON Communicate offers – with very high (99.999%) core availability, guaranteed UK data sovereignty and allowing customers to manage platform change and evolution at their own pace. We have also seen notable wins on our ICON Now UCaaS platform, where smaller organisations value the commercial flexibility it brings, with short term commitments, mixed bundles of user types and the ability to flex not just up, but down.

The changes accelerated by the global pandemic have also driven a rise in the acceptance of public cloud services – previously more the domain of the SME and mid-market organisations – and we have responded accordingly with the addition of three key public cloud communications services into the portfolio.

ICON Teams Connector allows customers to add telephony support to Microsoft Teams while also supporting critical business applications such as contact centre, call recording and integration with key back-office telephony. Launched at the end of the first half of the year, there are now four customers on this service and a strong pipeline.

RingCentral Office is a leader in Gartner's Unified Communications as a Service (UCaaS) Magic Quadrant. Maintel has two offers: "Avaya Cloud Office" – in partnership with Avaya, offering public cloud UCaaS to existing Avaya UC users; and a direct relationship with RingCentral for customer acquisition in both the public and private sectors. We won our first customers on both variants during the fourth quarter and the relationship is now a key part of our cloud go to-market offering.

Genesys Cloud is a leader in Gartner's Contact Centre as a Service (CCaaS) Magic Quadrant and has been in Maintel's portfolio for some time, but with a renewed emphasis for 2021.

During the fourth quarter, we also released our **Callmedia CX Now** CCaaS product which is suitable for contact centres with fewer than 250 concurrent agents. Two customers are now deployed on this new service.

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 – bringing the product management and R&D teams together under the Chief Technology Officer Dan Davies.

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.

Revenue increased by 10% to £6.0m (2019: £5.4m) with gross profits increasing by 4%, albeit at an overall lower blended margin of 43% compared to 2019. However average revenue per connection grew by 13% from 2019.

Maintel's mobile proposition continues to be multi-faceted: a vendor agnostic portfolio ensures that we are always in a position to cater for our customers' requirements. Our mobile go to market proposition remains focused on the mid-market enterprise space (100 – 2,000 connections) where we had another great year in both retaining and winning net new customers. The decline in customers overall is a result of our proactive shift away from SME customers.

	2020 £000	2019 £000	Increase/ (decrease)
Revenue	**5,998**	5,430	10%
Gross profit	**2,595**	2,492	4%
Gross margin (%)	**43%**	46%	
Number of customers	**811**	848	(4)%
Number of connections	**30,758**	31,421	(2)%

O2 continues to be our core partner and route to market. In addition to O2 we made the strategic decision to move away from Vodafone Distribution to Vodafone Direct which enhances our commercial offering as well as increasing our ability to serve our customers more effectively and efficiently. Lastly, our own ICON Mobilise Wholesale offering is ideal for customers who require an agile solution that caters for unique billing, network and commercial requirements.

The Mobile division had a strong year with some significant net new logo wins from Hitachi Rail, the British Standards Institute and Kobolt Music on the O2 network as well as JD Sports via ICON Mobilise, which is our largest customer on our Wholesale offering. These customers represent a combined 4,500 connections between them. The pipeline for Mobile is healthy and we expect to grow revenues further as we move through 2021.

Other operating income

Other operating income of £0.6m (2019: £1.0m) includes monies associated with the recovery of one year's filing of R&D tax credits of £0.5m (2019: two year's filing of £0.8m) and rental income from the sub-letting of a part of the Group's London and Haydock premises of £0.1m (2019: £0.2m).

Other administrative expenses

Other administrative expenses for the Group decreased by 10% to £23.9m (2019: £26.4m). This was driven in the main by a 6% reduction in the Group's headcount which stood at 559 at 31 December 2020 (31 December 2019: 596) as the Group completed a programme of reorganisation and right sizing of the business. This programme will deliver c.£3m of annualised savings. Support received from the Government's Job Retention Scheme in the year amounted to £0.4m (2019: £Nil).

Income relating to share based remuneration amounted to a £0.3m credit (2019: £0.3m) 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 2021 and we expect to deliver further cost savings in the period as our operational model continues to evolve.

Exceptional costs

Exceptional costs of £2.5m (2019: £0.4m) relate to £1.7m of staff-related restructuring costs associated with the ongoing review of the Group's operating cost base and the recognition of costs associated with an onerous property lease including impairment of the lease of £0.6m. A full breakdown is shown in note 13.

Interest

The Group recorded a net interest charge of £1.3m in the year (2019: £1.3m), which includes £0.2m relating to IFRS 16 (2019: £0.2m).

Taxation

The tax credit in the period of £0.5m (2019: £1.4m) is driven by the net effect of deferred tax on PPE and intangibles of £0.7m offset by other debit movements of £0.2m.

Other administrative expenses	2020 £000	2019 £000	Decrease
Other administrative expenses	**23,879**	26,407	(10)%

Business review continued

Dividends and earnings per share

In line with the announcement made on 1 June 2020, the Board has made the decision to pause dividend payments until there is more certainty around the ongoing impact of the pandemic. As such, the Board will not declare a final dividend for 2020 leaving the total dividend payment for 2020 at nil pence per share (2019: 15.1p).

Adjusted earnings per share is at 31.9p, a reduction of 39% on prior year (2019: 52.6p). On an unadjusted basis, basic loss per share is at 12.1p (2019: earnings per share 22.4p).

Consolidated statement of financial position

Net assets decreased by £2.0m in the year to £18.8m at 31 December 2020 (31 December 2019: £20.8m) with the key movements explained below.

Intangible assets valued at £59.6m, decreased by £4.2m, driven by capitalised development costs associated with the Group's ongoing investment in our contact centre software, Callmedia and ICON platform of £1.2m (2019: £1.0m) and a 3 year renewal of the Group's Microsoft licence requirements of £0.7m, offset by the amortisation charge in the year of £6.7m (2019: £6.5m).

Right of use assets amounted to £3.8m (2019: £4.1m) including an onerous lease impairment of £0.4m (see note 17).

Inventories are valued at £1.9m, a decrease of £1.3m mainly due to the sale of the Group's consumable and spares inventory in December 2020, excluding document solutions related inventory, as part of the outsourcing of the Group's logistics and distribution activities to a third party.

Trade and other receivables decreased by £4.2m to £22.8m (2019: £26.9m) driven by lower revenues and associated billing activity in Q4 2020 compared to Q4 2019, resulting in reduced trade receivables of £2.5m and accrued income of £1.8m.

Non-current accrued income per note 19 of £1.0m (2019: nil) relates to the sale of the Group's consumable and spares inventory to a third party logistics provider on repayment terms over 3 years.

Trade and other payables decreased by £1.9m to £41.7m (2019: £43.6m) with the main factors being (i) lower trade payables of £1.5m resulting from a lower level of project activity in Q4 2020 compared to Q4 2019 combined with a number of different supplier and delivery timing factors affecting the balance; (ii) a decrease in deferred managed service income of £1.1m, driven by a decline in the managed service base and associated level of advance billings; and (iii) a reduction in other deferred income of £1.9m primarily as a result of a lower volume of projects in delivery phase compared to year-end 2019 offset by (iv) the impact of deferred VAT on other taxes and social security of £2.2m.

Borrowings of £22.3m represent the Group's drawn down debt and overdraft facility which has been reclassified to current liabilities as the current facilities agreement expires in October 2021. At 31 December 2019 the Group's borrowings of £21.9m, excluding overdraft, were classified as non-current liabilities (see note 22).

Non-current other payables of £2.2m (2019: £2.9m) includes deferred consideration relating to the previous acquisition of the customer base from Atos of £1.2m (2019: £2.4m).

Cash flow

As at 31 December 2020 the Group had net debt of £22.3m, excluding issue costs of debt, (31 December 2019: £25.7m), equating to a net debt: adjusted EBITDA ratio of 2.3x (2019: 2.2x).

An explanation of the £3.4m decrease in net debt is provided below.

	2020 £000	2019 £000
Cash generated from operating activities before acquisition costs	**9,573**	9,741
Taxation paid	**(158)**	(328)
Capital expenditure	**(2,650)**	(1,902)
Issue costs of debt	**(53)**	-
Interest paid	**(1,105)**	(1,102)
Free cash flow	**5,607**	6,409
Dividends paid	**-**	(4,953)
Payments in respect of business combination	**(1,096)**	(679)
Proceeds from borrowings	**4,500**	500
Repayments of borrowings	**(8,000)**	-
Lease liability payments	**(1,174)**	(1,200)
Issue of ordinary shares	**-**	235
(Decrease)/increase in cash and cash equivalents	**(163)**	312
Cash and cash equivalents at start of period	**(3,696)**	(3,988)
Exchange differences	**14**	(20)
Cash and cash equivalents at end of period	**(3,845)**	(3,696)
Bank borrowings	**(18,500)**	(22,000)
Net debt excluding issue costs of debt and IFRS 16 liabilities	**(22,345)**	(25,696)
Adjusted EBITDA	**9,522**	11,840

The Group generated £9.6m (2019: £9.7m) of cash from operating activities and operating cash flow before changes in working capital of £7.4m (2019: £11.1m).

Cash conversion in 2020 remained strong at 123%[c], including a £2.9m working capital benefit arising from the HMRC VAT deferral scheme, improving from the 88% conversion level delivered in 2019.

Capital expenditure of £2.7m (2019: £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, along with a 3-year renewal of the Group's Microsoft licence requirements.

Payments in respect of business combinations of £1.1m (2019: £0.7m) relate to the deferred consideration amounts due associated with the acquisition of a customer base from Atos in 2018.

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.

(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 24.	↑
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
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 as a result of Brexit.	⟷
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 business has robust business continuity plans in place which enable us to continue our operations in the face of various adverse scenarios. These were implemented in response to the instruction to "work from home" in the first lockdown period and have functioned well. Since late March 2020, 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, have been working remotely, fully supporting our customers to ensure they have flexible and remote working solutions in place to protect their own operations.

While demand for the Group's services in the first quarter of 2020 was in line with expectations, quarter 2 saw significant reductions in both technology and professional services demand, as customers placed projects on hold in anticipation of an uncertain future. We also saw a drop-off in "cost per copy" revenue from our Managed Print Services division as a result of many workplaces being largely empty.

The board took a number of actions to conserve cash and maintain a satisfactory liquidity position.

- The Group successfully completed an amendment and extension of its existing bank facilities with the National Westminster Bank Plc. The revised facility of £34.5m provided 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 to restructure our business to match our future business expectations and the needs of our customers, given the changing technology landscape. This was completed in the third quarter of 2020, with an annualised cost reduction effect across all phases of the restructuring of £3m
- The Board and workforce took a 20% salary reduction for a three-month period from 1 April 2020
- While many of our employees are designated key workers, a small number were furloughed while restrictions meant that there was no on-site work possible
- The Board 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 outlined in the 2019 Chairman's statement

Enabling organisations to facilitate flexible and remote co-working with business continuity support and delivery is a core competency for Maintel and we remain 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.

Brexit

The Board continued to monitor the potential impact of Brexit throughout the year and, since the end of the transition arrangements at the end of December, has continued to monitor throughout 2021. As expected, the impacts have been minimal, with some minor disruption to maintenance stock from one of our providers initially, which was resolved in February 2021.

Outlook

Although we remain mindful of the potential effect of the pandemic on project deliveries through the year, for example in the event of further lock-downs, we are confident of a return to organic growth on a like-for-like basis (i.e. excluding the contribution from Agilitas stock sale and the Managed Print Services business) in both revenue and EBITDA in 2021.

Performance in Q1 2021, and throughout Q2 to date, was in line with our expectations and, notwithstanding the national lockdown in Q4 2020 and again in Q1 2021, our sales order intake has remained strong, resulting in a healthy orderbook as we enter the second half of the year.

The business remains highly cash generative, and we will continue to implement our transformation strategy as we focus on the transition to a cloud first and managed service business, with a focus on retaining tight control of our cost base and further reducing leverage whilst continuing to invest for growth through the launch of new products and establishment of new partnerships.

Continuing our cloud first and managed service transformational strategy - which started during 2020 but continues through to 2022 - we will focus on three strategic imperatives:

- **Control** – getting better control of our forecasting, our predictability, our debt and our costs
- **Focus** – ensuring we are focussed on our core proposition and skills
- **Invest** – continuing to invest in our technology, portfolio, people and skills

The disposal of our Managed Print Services business in April 2021 was in line with our cloud first strategy.

Control

The changes we made in our organisational structure in July 2020 – particularly in our sales and operations functions – have provided significantly improved visibility of our sales and project pipeline and forecasts, as well as removing significant operational cost. In the first two quarters since implementation, we have delivered on-budget performances for both revenue & EBITDA and sales order intake.

Having right-sized our cost-base, we continue to manage our Opex carefully, and have rationalised our property estate further. The sale of our Managed Print Services business in April 2021 has further reduced our debt, with the Group agreeing to extend and amend its existing facilities agreement with the National Westminster Bank Plc – giving us further control over our future.

Focus

Maintel's acquisitive legacy has created a business with a very broad set of capabilities – not all of which are now relevant to our future as a cloud and managed communication services provider. We have taken a number of steps to outsource, partner and cease non-core activities to enable us to maintain a key focus on what is important:

- The outsourcing of our logistics function in December 2020 provided us with world-class logistics capabilities without the management distraction or overhead of managing the function and maintaining the necessary premises. It also enabled us to realise the sale of some maintenance stock, which contributed £1.3m to our technology revenue in Q4 2020
- The sale of our Managed Print Services business to Corona Corporate Services in April 2021 further enables us to focus on our core cloud and managed communication services
- We have augmented our services capability through an extended partnership arrangement with Allvotec, allowing us to provide a far greater range of on-premise and remote services to our customers, all of which are now across a far wider solution portfolio, leaving us with a variable cost model for services and further reducing the need to carry non-core skillsets
- We continue to review, update and amend our vendor portfolio, to ensure we have the correct solutions and services to support our key verticals

Business review continued

Invest

Throughout FY20 we continued to invest in our portfolio of products and services, our people, and our intellectual property. Elsewhere in this report we mention strategic new partnerships with both RingCentral and Genesys – both global leaders in their markets of UCaaS and CCaaS respectively. We have also launched multiple new products – ICON Teams connector, enabling the use of Microsoft Teams; Secure Homeworker, providing a suite of remote and branch working services for the modern distributed workforce; Callmedia CX Now, our own CCaaS service for the lower end of mid-market, developed in-house by Maintel Software - and we have continued to develop our ICON platform for both capability and capacity, in particular extending the capabilities of ICON Portal - the tool with which our customers can now engage with us digitally, which is now being used by 300 of our customers.

Dividend policy

Given the uncertainty around the duration and likely impact of the pandemic in early 2020, and the range of other cost saving measures being implemented across the business, including reducing salaries from the Board down, the Board made the difficult decision to pause dividends. In light of the ongoing disruption to trading and the financial impact caused by the pandemic, the Board has again made the difficult decision not to propose a final dividend for the full year 2020 (total FY2020 dividend nil pence per share (2019: 15.1 pence per share)).

It remains the Board's intention to review returns to shareholders when conditions improve and financial performance permits.

Post year end events

On 30 April 2021 the disposal of our Managed Print Services business unit to Corona Corporate Services was completed for a consideration of £4.5m payable in cash on completion, subject to a customary working capital adjustment. The Company has used the proceeds from the disposal to strengthen the Company's balance sheet through a further reduction in its debt position.

Banking facilities

On 14 May 2021, the Group signed an amendment and extension to its current bank facilities with the National Westminster Bank Plc ("NWB"). The current facilities, which were previously due to expire 27 October 2021, have been extended for a further 12 months to 27 October 2022. The revised facility consists of a revolving credit facility ("RCF") of £25.3m in committed funds on a reducing basis to term with the existing £4.5m amortising term loan issued under the Coronavirus business interruption loan scheme ("CLBILS") by the British Business Bank remaining unchanged, maturing on 27 October 2021. Interest terms for the RCF are linked to SONIA plus a fixed margin, whilst on the term loan are linked to the base rate plus a fixed margin.

Section 172 statement

A director of a company must act in a way that they consider, in good faith, would most likely promote the success of the company for the benefit of its members as a whole, taking into account the factors listed in section 172 of the Companies Act 2006 (s.172 CA).

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 s.172 CA. We are aware that each stakeholder group requires a tailored engagement approach in order to foster effective and mutually beneficial relationships. Our understanding of stakeholders is then factored into boardroom discussions, regarding the potential long-term impacts of our strategic decisions on each group, and how we might best address their needs and concerns.

Throughout this Annual Report, including particularly the Corporate Governance Report, we provide examples of how we:

- Take into account the likely consequences of long-term decisions;
- Foster relationships with stakeholders;
- Understand the importance of engaging with our employees;
- Understand our impact on our local community and the environment; and
- Demonstrate the importance of behaving responsibly.

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 32-41.

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 22-23, the Audit and Risk Committee Report on page 34 and the Remuneration Committee Report on page 42.

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 35.

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 8-10.

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 32.

Business review continued

Employees

The Board understands how vital our employees are to the success of our business. During 2020, the Board engaged with employees through regular consultations and CEO updates, in addition to providing our staff a voice on matters that concern them through a directly elected employee forum. Maintel also maintains a whistleblowing procedure and a prevention of modern slavery policy.

For further details on how we engage with our employees, please see page 33.

On behalf of the Board

Ioan MacRae
Chief executive officer

1 June 2021

Corporate Governance

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 Gemserv Ltd and EFI Group Ltd, and a director of Women in Telecoms & Technology (WiTT) Ltd.

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.

Board committees:
N Nomination
A Audit and Risk
R Remuneration

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
No relevant external appointments

Dan Davies

Chief technology officer

Appointed: 11 September 2020

Committee membership:
none

Previous experience:
Dan was previously Director of Sales Operations at Maintel and Product & Solutions Director at both Maintel and Proximity Communications. Dan has a background in networking, customer experience and unified communications and following is appointment at Chief Technology Officer in January 2020, was appointed to the board in September 2020.

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

Our purpose

The Board's overriding objective is to produce long-term value for its shareholders. We believe that this can best be achieved by understanding and recognising, alongside our shareholders' goals, the legitimate interests of our other stakeholders, and by ensuring that our conduct is in tune with the environmental and social concerns of society at large.

We believe that a sound and well understood governance structure is essential in achieving these objectives. The Board sets strategy and reviews operational performance in order to ensure that the Group's actions are consistently geared towards achieving them.

In 2018 Maintel adopted the QCA Corporate Governance Code ("the Code") as a benchmark for measuring our adherence to good governance principles. The Code sets out ten principles, which provide a framework for assessing our performance as a Board and as a company:

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 4-14.

The principal risks and uncertainties affecting the Group are shown on pages 22-23.

2. Seek to understand and meet shareholder needs and expectations

The Board is committed to providing shareholders with clear information on Maintel's financial position and strategy. We believe that a relationship of mutual trust between shareholders and the Board is essential for a well-governed company to achieve its business objectives.

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. During 2020, many of these meetings were held virtually as a result of the COVID-19 restrictions.

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

The Company's AGM usually provides the opportunity for an exchange of views with private as well as institutional shareholders. Although we were unable to hold an open AGM in 2020 due to the restrictions in place arising from the COVID-19 pandemic, we aim to hold an open AGM at the earliest opportunity, and the Board remains committed to providing an AGM for meaningful dialogue with its wider shareholder base.

Trading updates and other announcements are made to the market via the Regulatory News Service as required. Financial reports and other key documents are available on the Company's website.

The website also includes contact details for the Chairman, Chief Executive 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 a range of stakeholders essential to the Group's success: our shareholders, who share in the success of the company through dividends and through share price appreciation, and on whose long-term support the company depends; our employees, whose talent, dedication and commitment both to the Company and its customers is essential for all aspects of our business operations; our customers – both direct and indirect – whom the Company exists to serve; our suppliers, who play a critical part in the products and services provided by the company – be that via technology or carrier capacity; and the wider society in which all our stakeholders exist.

Shareholders
As noted under Principle 2 above, the directors maintain contact with shareholders with a view to understanding their needs and maximising their long-term returns. In light of the uncertainty resulting from the arrival of COVID-19, the Board took the difficult decision to suspend the payments of dividends – a decision which gave particular focus to shareholder relations in 2020.

Employees
Maintel's success is dependent on the knowledge, skill and engagement of its employees and in 2020 COVID-19 placed considerable additional burdens on our workforce. Most of our colleagues had to adapt to working from home at short notice. Some were furloughed. Many more agreed to reduced working hours and reduced earnings. Some, engaged in servicing our NHS customer base and other essential services even at the height of the pandemic, were working in extremely difficult circumstances and in high infection-risk environments. Some roles were regrettably made redundant as a result of the pandemic's impact on the Group's trading experience.

Consequently, there has been an even greater emphasis than usual on staff welfare and staff communications – at a time when remote working made both inherently more difficult. Our regular internal communications channels, which include a quarterly e-mail update and direct consultation with a directly elected employee forum, were bolstered by an enhanced programme of online town hall meetings and video updates from the CEO and other members of the executive management team. The Group's employee representative and engagement forum, "Maintel Matters", met virtually at regular intervals throughout the year, with regular attendance by the executive directors. At these forums, employee views on proposed actions were sought and gained – informing Board decision making on matters such as the use of furlough, the reduced working week, appropriate measures required to support home working and the support for employees managing multiple responsibilities such as childcare, support for schooling at home, the care of elderly and vulnerable relatives, and in some cases severe illness and bereavement as a result of the pandemic.

Additional information about the Group's employment policies can be found on page 49.

Customers
The Group's product and service offerings are described in the Maintel Overview section on pages 4-14, 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. During 2020 the Company launched a new website with better access to relevant information for customers and prospects. A customer newsletter is sent regularly to all subscribing customers keeping them informed of important updates and developments and key customers have an allocated executive sponsor.

With the impact of the pandemic rendering traditional forms of customer meeting impossible, the Board took steps to ensure that strong lines of communication were kept with major customers. An Executive Sponsorship programme was re-invigorated, driven principally by the executive directors, allowing the Group to communicate its activities and offers directly to the senior decision makers within the most significant customers, and hearing first-hand how those customers were themselves responding to the pandemic and using that feedback to inform decision making around product portfolio, managed service offerings and staffing levels.

Our success depends on our ability to provide the products and services that our clients need – when they need them. Those needs are not static, and the Group has placed additional emphasis in recent years on developing a more holistic approach to understanding our customers' businesses so that we can offer them business-enabling solutions rather than just technology. In 2020 this meant helping our customers to adapt to a remote workforce, providing secure homeworking and dispersed contact centre solutions among others. To assist with this, the Company developed a COVID-19 section of the website to provide customers with guidance on

Report on corporate governance continued

managing the transition to remote and COVID-Secure working, and also ran a number of webinars providing specific guidance throughout the year.

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 existing and potential new suppliers and manage relationships with them. Key suppliers have an allocated executive sponsor, and throughout the year regular virtual communication was in place to ensure good operations between the Company and its business partners for managing both the pandemic and preparation for any Brexit contingency planning. These key relationships enabled the executive directors to inform the Board about the view of the market from the perspective of suppliers, and also represented a major part of the data reviewed at the Board's Annual Strategic Review in September 2020.

Other

The Board recognises the responsibilities it has not only to those stakeholders with whom it interacts directly but also to the wider social ecosystems in which it operates. Global challenges, whether short-term such as COVID-19 or long-term such as global warming, require all citizens – corporate and individual – to play their part. We are proud in the role that Maintel was able to play in 2020 to support its NHS clients and other frontline services.

We are also committed to minimising our carbon footprint and wider impact on the environment, as evidenced by our ISO14001:2004 accreditation for environmental management systems. The increased use of homeworking and videoconferencing that were a response to COVID-19 will not be fully reversed when the pandemic is behind us. In 2020 the Board resolved to review both its real estate footprint and its employee car allowance policy in 2021 (the Company's own vehicle fleet has already been substantially reduced); both initiatives will allow the Group to reduce its carbon footprint.

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 39-40 further describes its responsibilities and actions taken during 2020. The Board was encouraged by the way in which this overall risk management process proved able to respond to the rapid arrival of COVID-19. Although the virus itself was unanticipated, the Company had a robust disaster recovery plan in place which included all of the tools needed to address the move to remote working, while the risk management framework easily accommodated management of the risks specific to an infectious virus.

The principal risks affecting the Group are described on pages 22-23.

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 38-39.

The Nomination committee met following the resignations of two executive directors to consider the makeup of the board. It concluded that an established, experienced and balanced Board was in place, with a non-executive chairman, two non-executive directors and two executive directors still in place – but that the Board would benefit from more technical knowledge. This was resolved in September 2020 with the appointment of Dan Davies, the executive Chief Technology Officer, to the Board.

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 Company has effective procedures in place to monitor and deal with conflicts of interest. The Board is aware of the other commitments and interests of its Directors, and changes to these commitments and interests are reported to and, where appropriate, agreed with the rest of the Board.

The annual review of the schedule of matters reserved for the Board was also undertaken by the Board, in February 2021.

The directors are agreed that, as described in the Board of directors section on pages 38-39, 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. To that end, the Board is satisfied that it complies with the Code's recommendation that the Board contain at least two independent non-executive directors.

Terms of reference of the Remuneration, Nomination and Audit and Risk committees are summarised on pages 39-41 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, the members of each committee have the appropriate experience to fulfil their committee responsibilities.

The record of directors' attendance at Board and committee meetings during 2020 can be found on page 40.

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

The directors' biographies on pages 30 and 31 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 schedule of matters reserved for the board, the terms of reference of the committees and the latest financial performance of the Group. During the year, Dan Davies joined the Board on his promotion to Chief Technology Officer, a role that the Nomination Committee considered to be central to the strategic development of the Group and his induction included a detailed introduction to the responsibilities of a Company Director.

Report on corporate governance continued

The Company has employed the services of ONE Advisory Limited to assist the Board and senior management with advice on the AIM Rules, QCA Code compliance and the maintenance of good standards of governance.

The Board regularly reviews the appropriateness and opportunity for continuing professional development whether formal or informal.

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 performance objectives defined for the purposes of bonus eligibility criteria; the latter are described in the Remuneration committee report on page 42. Bonus eligibility is dependent on Group financial performance combined with individual role-specific objectives which are tailored to Group requirements for that year.

In February 2021 the Board carried out a formal evaluation process involving both the executive and non-executive members and a number of improvement projects are underway, focussed on succession planning and broadening the diversity of both the Board and the Executive Management Team.

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 offices. With so many people working from home during 2020, these sessions continued online; those employees who could joined the sessions live but they were also recorded for employees to view after the event. Answers to questions posed were circulated across the Group by email.

As required by law, the Group adheres to Anti-bribery and Anti-slavery legislation; it is also ISO14001:2015 certified, has been awarded Eco Vadis Silver Medal for sustainability and reports on its environmental policies on page 49.

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 the Company's governance, including overseeing the running of the Board, and ensuring that no individual or group dominates the Board's decision-making. The Chief Executive is responsible for the management of the Group. The Board has delegated the day-to-day running of the Group to the Chief Executive within certain limits, above which matters must be escalated to the Board for determination in line with the schedule of matters reserved for the Board. 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's governance is continually reviewed as the Company grows and evolves.

The Board is supported by a Remuneration committee, a Nomination committee and an Audit and Risk committee, whose terms of reference are reviewed regularly. Further information on the roles of these committees, together with reports of their activities during the year, are included on pages 39-47.

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), ISO9001:2015, ISO 45001:2018 and ISO27001:2013
- Streamlined Energy and Carbon Reporting (SECR) (Principle 8)
- EcoVadis Sustainability (Principle 8)
- Shareholder communications (Principle 2).

All governance policies are subject to regular 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 pages 32-34 explain the primary modes of communication with its shareholders and other stakeholders. The Strategic Report on pages 4-28 provides details of the Group's performance.

The Board is committed to maintaining effective communication and having constructive dialogue with its shareholders, and aspires to have close ongoing relationships with its private shareholders, institutional shareholders, and analysts and for them to have the opportunity to discuss issues and provide feedback at meetings with the Company. The Board maintains that, if there is a resolution passed at a general meeting with 20% votes against, the Company will seek to understand the reason for the result and, where appropriate, take suitable action. At the Annual General Meeting in 2020, all resolutions passed with at least 95% support on a poll.

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

Three key committees of the Board also play a significant role in the governance of the Group – the Audit and Risk Committee, the Nomination Committee and the Remuneration Committee. Each committee's remit is defined by its Terms of Reference, which are reviewed by the Board annually. The reports of each of these committees can be found on pages 39, 40 and 42.

More detailed descriptions of the Group's corporate governance processes are given later in this report and in the report of the directors.

Report on corporate governance continued

Board of Directors

The Group is governed by the Board, whose composition changed during 2020. It is comprised of 3 executive and 3 non-executive directors. The executive directors are Ioan MacRae (Chief Executive Officer), Mark Townsend (Chief Financial Officer) and Dan Davies (Chief Technical Officer), who joined the Board in September 2020. The non-executive directors are John Booth (Chairman), Annette Nabavi (Senior Independent Director), and Nicholas Taylor. The Board is supported by the Company Secretary, Rufus Grig, who is also the Company's Chief Strategy Officer, and who was appointed as Company Secretary in June 2020. The Company contracted the services of ONE Advisory Limited with effect from July 2020, to provide further support to the company secretarial function.

During the year two executive directors, Kevin Stevens and Stuart Legg, and the former Company Secretary, Winifred Chime, left the company and non-executive director Angus McCaffery left the Board in December. Since the period end, the Senior Independent Director, Annette Nabavi, has also indicated that she will not be seeking re-election and in addition Maintel has appointed One Advisory Limited as its Company Secretary following the resignation of Rufus Grig in May 2021.

The Chairman is responsible for the effective running of the Board, which reviews its effectiveness on an ongoing basis. The Chief Executive is ultimately responsible for all operational matters and the financial performance of the Group.

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 and individual strength of character of each of the non-executive directors underpins their 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 two of the non-executive directors. 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 and stakeholders.

The directors' biographies on pages 30-31 demonstrate the experience they bring to the Group.

The Board meets regularly, normally monthly, and reviews performance and assesses future strategy for the operating units 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 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 Booth and Nicholas Taylor offer themselves for re-election. The Board's view is that both directors bring a valuable perspective to the Board, exercise independent judgement and effectively challenge as well as support the executive directors. Dan Davies, who joined the Board in September 2020, 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 and from time to time they do exercise this facility.

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 (chair), 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 three times during 2020. 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. During the year the committee also liaised informally with the executive directors and met with the external auditors in the absence of executive management.

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

- the external auditors' year-end report for 2019, their observations on the internal financial controls arising from the annual audit, the review of the Group's 2019 results and the disclosures in the 2019 annual report;
- the amendment and extension of the Group's lending facilities (including its application for a loan under the government-backed Coronavirus Large Business Interruption Loan Scheme (CLBILS));
- the financial impact of – and the Group's response to – the COVID-19 pandemic;

Report on corporate governance continued

- the announcement of the half-year results;
- the external audit plan for the 2020 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 2020 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 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.

It is the company's policy to periodically review the appointment of the auditors, considering factors such as audit quality, value for money and period of tenure. The current auditor's tenure commenced for the year ended 31 December 2019.

Remuneration committee

Annette Nabavi is chair of the Remuneration committee, its other members being John Booth and Nicholas Taylor. The committee met four times during the year. The committee's report to shareholders on directors' remuneration is set out on page 42.

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	19	3	4	2
J Booth	19	3	4	2
S Legg (resigned as a director on 30th June 2020)	6	–	–	–
I MacRae	19	–	–	–
A McCaffery (resigned 11th December 2020)	17	–	–	–
A Nabavi	19	3	4	2
K Stevens (resigned 30th June 2020)	7	–	–	–
N Taylor	19	3	4	2
M Townsend	15	–	–	–
D Davies (appointed 11th September 2020)	6	–	–	–

In addition to the regular monthly meetings, additional Board meetings were held during the year relating to the approval of the 2019 year end and 2020 interim results, the approval of the issuing of a trading update, the impact of the Coronavirus and the Group's response to it, changes to the Group's finance facilities, the resignations of Kevin Stevens, Stuart Legg, Angus McCaffery and Winifred Chime and the appointments of Dan Davies and Rufus Grig.

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 twice during 2020.

In the light of the departure of Kevin Stevens and Stuart Legg, the Committee considered the makeup of the board considering both the level of technical and market knowledge, and the representation of the Executive team and recommended that Dan Davies, appointed as Chief Technology Officer in January, be appointed to the board. Dan brings significant experience in both operations and technology to the Board and will be offering himself for election at the AGM. His biographical details can be found on page 31.

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. These were particularly important during 2020 given the widespread impact on the Group's finances of the COVID-19 pandemic.

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 independently externally audited and held within the Maintel integrated Management System which encompasses multiple certifications including ISO9001:2015-Quality, ISO45001:2018-Health and Safety, ISO27001:2013-Information Security, ISO14001:2015-Environmental, PCI-DSS, Cyber Essentials Plus, EcoVadis Sustainability and Safe Contractor SSIP, 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 2020. This year has been one of change at Maintel. The Chairman's statement on page 2 provides an overview of the changes and the Company's strategy can be found on pages 4-28.

The information in this report is structured as follows:

- details of how the current remuneration policy has been applied in 2020;
- how the remuneration policy will be applied in 2021; 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, 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 four occasions in 2020.

Application of the remuneration policies in 2020

A general Company-wide salary increase envelope of 2% was agreed by the board as part of the 2020 budgeting process. However, the Remuneration Committee decided to apply more modest increases for each of the executive directors, effective from 1 February 2020. Increases ranged from 1.15% for Stuart Legg to 1.72% for Ioan MacRae. These more modest increases reflected salary increases from 2019, commission payments for Stuart Legg and general benchmarking information. The fees for the non-executive directors were not increased and remained at their 2019 levels.

During the year both Stuart Legg and Kevin Stevens left the company. Both directors left on 30th June 2020 on similar terms to those agreed with Eddie Buxton in 2019. These terms included normal contractual terms including Pay in Lieu of Notice as well as a settlement payment, in line with company policy. The 12,009 options over Ordinary Shares granted to Stuart Legg on 27th April 2016 and which vested on 27th April 2019 remained exercisable for 6 months post termination. All other options held by Stuart Legg lapsed on the termination date. The 10,000 options over Ordinary Shares granted to Kevin Stevens on 30th May 2014 and which vested on 14th May 2014 together with the 18,409 options over ordinary shares granted to Kevin Stevens on 27th April 2016 and which vested on 27th April 2019 and the 833 options over Ordinary Shares granted to Kevin Stevens on 10th April 2017 and which vested on 20th April 2020 remained exercisable for 6 months following the termination date. All other options held by Kevin Stevens lapsed on the termination date.

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 2020 were set at between 10% and 50% of base salary. Based on the financial performance achieved in 2020, proportionate annual bonuses have been paid to both the Executive Directors and senior members of the management team. These varied from between 1% and 13% of base salary.

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 pages 46-47.

In June 2020 Mark Townsend was awarded 10,000 ordinary shares in line with the agreement reached with him when he revoked his resignation in mid-2019. A further 5,000 ordinary shares were awarded to him in June 2020 when the bank refinancing exercise was completed.

Market priced share option grants of 5,000 were made in February 2020 to Ioan MacRae, Mark Townsend and Rufus Grig. Market priced share options grants of 5,000 were also made to Stuart Legg, Kevin Stevens and Jennie Cronin. The grants to these 3 individuals have now lapsed as they have left the company.

In August 2020 Dan Davies was invited to join the Maintel board as he is considered a key contributor to the success of Maintel's 3 year strategy. Dan Davies' salary was increased to £170,000 from 1st September 2020. His variable commission payment targets set in February 2020 remained in place for the duration of 2020 and as a consequence he has received £17,600 in commission payments of which £11,000 has been paid since he was appointed to the board. He was also granted 50,000 market value options over ordinary shares on 17th September 2020. These options will not vest until 31st December 2023.

How the remuneration policy will be applied in 2021

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 an average salary increase of 2% for the executive directors, in line with Company-wide salary increases.

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, in addition to Group financial performance. These include measures to increase the Group's productivity, customer feedback metrics and metrics which measure progress in our cloud-based offerings. Annual bonus targets are in the range of 35%-50% of base salary. The board has also agreed the principle of discretionary bonuses over and above these percentages should the company overachieve its budget adjusted EBITDA target.

We have also reviewed the LTIP awards for 2021. 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 2020 and 2021 can be found on page 46.

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, reward, incentivise and retain directors of the calibre required to maintain the Group's position in its marketplace.

Report of the Remuneration committee continued

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 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' bonus targets are set at between 35% and 50% of base salary.
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 minimum 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.

In addition a number of risks are taken onto account when setting remuneration policy:

- overall remuneration packages will not attract the right level of people to ensure that Maintel can achieve its 3 year strategy: the remuneration packages are benchmarked against both Maintel's key competitors and against industry benchmarks to ensure that they are at a competitive and fair level.
- bonus payments are not aligned to company success: bonus KPIs are set each year and are fully aligned to the corporate KPIs required to achieve the company's goals. If these KPIs are not met, bonuses will be attenuated or not paid at all.
- share option schemes vest even if the company has not achieved its goals: share option schemes are now all based on market priced options. They are therefore fully aligned with share price performance. The schemes also have claw-back and malus provisions as a further protection.

Details of LTIP awards granted during the year can be found on page 46.

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. Copies of the Directors' service agreements and letters of appointment are also kept available for inspection at the Company's registered office, 160 Blackfriars Road, London, SE1 8EZ.

Non-executive directors

The non-executive directors each has 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. From April 2020 onwards, the Non-Executive Directors also agreed to take a 20% decrease in their fees in line with the Executive members of the board for a minimum of three months, consistent with cash conservation measures the Company was taking in response to the Coronavirus pandemic. The non-executives receive no payment or benefits other than their fees, although Mrs Nabavi was the beneficiary of consultancy fees in 2020, as described below.

Report of the Remuneration committee continued

Details of directors' remuneration in 2020

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

	Salaries/ fees	Benefits	Bonus/ commissions	Pension contributions	Total 2020[1]	Total 2019[1]
Non-executive directors						
J D S Booth	46	–	–	1	**47**	49
A J McCaffery[2]	28	–	–	1	**29**	62
A P Nabavi[4]	30	–	–	–	**30**	36
N J Taylor	30	–	–	1	**31**	37
Executive directors						
I MacRae	212	1	30	7	**250**	72
S Legg[6]	79	5	45	3	**132**	312
K Stevens[7]	75	5	–	2	**82**	180
M Townsend[5]	139	37	15	9	**200**	251
D Davies[3]	52	2	20	2	**76**	–
	691	**50**	**110**	**26**	**877**	**1,573**

[1] Excluding social security costs in respect of the above amounting to £106,000 (2019: £144,000).

[2] Angus McCaffery resigned as a non-executive director on 11 December 2020.

[3] Dan Davies was appointed as an executive director on 11 September 2020. This represents his remuneration from this date.

[4] In addition to her fees as a director stated above, the Company paid £6,856 (2019: £Nil) to a company of which Mrs Nabavi is a shareholder and director for consultancy services provided to the Company in respect of the bank refinancing.

[5] Mark Townsend was awarded 15,000 ordinary shares in 2020, resulting in a gain of £25,545 which is included in his benefits.

[6] Stuart Legg resigned as a director on 30 June 2020. This represents his remuneration up to this date. In addition to a salary of £79,000, Stuart also received a payment of £50,000 by way of compensation for the termination of his employment.

[7] Kevin Stevens resigned as a director on 30 June 2020. This represents his remuneration up to this date. In addition to a salary of £75,000, Kevin also received a payment of £24,000 by way of compensation for the termination of his employment.

Share scheme interests awarded in 2020 and 2021

The following awards were made under the Maintel 2015 Long Term Incentive Plan.

Directors	Number of options over 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
Dan Davies	10,000	17/01/20	£2.74
Dan Davies	50,000	17/09/20	£2.21

Directors	Number of options over shares	Award date	Option price
Ioan MacRae	75,000	3/02/2021	£3.75
Mark Townsend	25,000	3/02/2021	£3.75

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 2020

		Options			
	Beneficially owned shares	With performance conditions[2]	Without performance conditions	Vested and unexercised	Exercised during the year
Executive Directors					
Ioan MacRae			105,000		
Mark Townsend	39,552	10,000[1]	20,000	3,409	
Dan Davies	1,395		75,000		
Non-Executive Directors					
John Booth[2]	3,420,000				
Annette Nabavi	198				
Nicholas Taylor	17,257				

[1] Full vesting of the above nominal cost options for the respective recipient 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. None of the conditions for this award will have been met on the vesting date and so this award will lapse.

[2] 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 1 June 2021.

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 2020.

Strategic report

The Maintel overview, Chairman's statement and Business review on pages 4-28 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 60 and shows the profit/(loss) of the Group for the year.

The Company did not pay any dividend during the year (2019: £5.0m).

Directors

The directors of the Company during the year and their interests in the ordinary shares of the Company at 31 December 2020 can be found on page 47. John Booth has acquired 80,000 shares since the year end. There have been no other changes in the directors' shareholdings.

Substantial shareholders

In addition to the directors' shareholdings, at 1 June 2021 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	2,418,661	16.84
A J McCaffrey	1,718,932	11.97
Chelverton Asset Management	1,125,000	7.83
Herald Investment Trust Plc[1]	804,217	5.60
Elitetele.Com Plc	718,614	5.00
M R Riley	468,900	4.52
Hargreaves Lansdown	461,679	3.21
Barclays Wealth	442,703	3.09

[1] 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 49.

Share capital

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

39,433 shares were issued in the year (2019: 125,000). No shares were repurchased during the year (2020: Nil).

The existing authority for the repurchase of the Company's shares is for the purchase of up to 2,146,877 shares. A fresh authority, for the purchase of up to 2,152,788 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 Group's Learning and Development function reflects the Group's ongoing commitment to its employees' careers and to developing high performing teams to support long-term success. This programme of work has included a clear focus on leadership development to underpin talent management and succession planning across the Group as well as technical skills development, to ensure the Group's capabilities remain appropriate for the developing environment. During 2020, the Learning and Development function additionally took the lead on supporting the transition towards remote working – providing practical assistance for both professional and personal challenges met by employees during the lockdown periods. The team developed a programme titled "Stay safe – stay connected" to promote the physical and mental wellbeing of all employees and their families.

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 and regular news updates emailed to all employees, as well as regular team and individual meetings with employees. During the COVID-19 pandemic, particular care has been taken to ensure these communications have continued using virtual platforms with regular live and pre-recorded updates from the Executive team, with opportunity for question and answer both live and off-line.

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.

Environment

The Group acknowledges that its responsibilities for environmental, social and ethical performance matters - or sustainability – is an essential factor for smart business today. We work to improve our transparency and sustainability practices and adopt environmentally sound policies in our working practices, such as analysis of energy consumption, recycling paper and packaging waste, using specialist recyclers for the provision of Waste from Electrical and Electronic Equipment (WEEE) services for telecommunications and IT equipment, and measuring our Greenhouse Gas Emissions. Sustainability objectives are set each year and regularly reviewed.

Report of the directors continued

While travelling and office use has been much reduced due to the COVID-19 pandemic in 2020 we have saved an estimated equivalent of 89.65 trees through recycling in the year to 31 December 2020.

Maintel's sustainability is externally audited through ISO14001:2015-Environmental and EcoVadis Sustainability certifications. The review of energy consumption was carried out by an external consultancy, Syntegra Consulting ltd. Methodology used to estimate the quantities of emissions is in accordance with the Environmental Reporting Guidelines,: GHG Reporting protocol – Corporate Standard, including Streamlined Energy and Carbon Reporting Guidance March 2019 (SECR).

In accordance with SECR a full review of energy consumption across our offices and operations has been undertaken for the 12 months to March 2020. The table below identifies the baseline reference measurement across all Maintel offices for Electricity, Gas and Transport within Scope 1 (Direct Green House Gas Emissions from activities owned or controlled by Maintel) and Scope 2 (Indirect Emissions).

Total Energy Consumption	Energy (kWh)	Carbon Emissions (Tonnes CO2)
Total Annual Electricity	591,136.79	137.82
Total Annual Gas	12,205.00	2.24
Total Transport Consumption	2,612,330.17	630.09
Total Consumption	3,215,671.96	770.15

This reflects an intensity ratio of 1.31 tonnes CO2 per employee (based on a Full Time Employee mean of 587.9)

The key focus has been to reduce the electricity consumption across all offices with initiatives such as the provision of sensor-operated lighting being implemented where they are not yet in place. The initial target had been for an 8% reduction for the reporting period from April 2020 to March 2021. However, the changes in operations brought about by the pandemic has caused a more significant drop in emissions, and the Company will be introducing a new target in conjunction with developing its revised working model regarding the use of office locations and home and remote working. The Company also plans to introduce Scope 3 (Other Indirect Emissions) reporting through improved supplier management, among other initiatives.

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 current bank facilities with the National Westminster Bank ("NWB") was signed on 14 May 2021 (see note 31), extending the facility for 12 months to October 2022 on improved terms. The key covenants that will prevail over this period include net leverage ratio and interest cover tests.

In addition, the Group's balance sheet was further strengthened by the disposal of our Managed Print Services business unit on 30 April 2021 for a consideration of £4.5m, proceeds from which has been used to reduce the Group's debt position further.

As highlighted in the risk management section (see pages 22-23) the Board has put robust business continuity plans in place to ensure continuity of trading and operations. In addition, to address the trading impact of COVID-19 during 2020, the directors have already taken significant steps to preserve working capital and maintain a satisfactory liquidity position (see page 24, COVID-19 section).

The Group's forecasts and projection models, taking into account uncertainty around the medium-term impact of the pandemic with regard to both project delivery and timing of pipeline conversion, means that actual performance could fall short of management forecasts in terms of revenue expectations. The Board has reviewed the model in detail, taking account of reasonably possible changes in trading performance, including revenues falling below a COVID-19 affected FY 20 by 3%, and further mitigating actions it could take such as further overhead savings and capital expenditure programme postponement. As a result, the Board 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.

On this basis , whilst it is acknowledged that there is continued uncertainty surrounding the future impacts of COVID-19, 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.

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 Blackfriars Road 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

1 June 2021

Statement of directors' responsibilities

Directors' responsibilities

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and company financial statements for each financial year. The directors have elected under company law to prepare group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and have elected under company law to prepare the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

The group financial statements are required by law and international accounting standards in conformity with the requirements of the Companies Act 2006 to present fairly the financial position and performance of the group. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

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 the company and of the profit or loss of the group for that period.

In preparing each of the group and company financial statements, the directors are required to:

a. select suitable accounting policies and then apply them consistently;

b. make judgements and accounting estimates that are reasonable and prudent;

c. for the group financial statements, state whether they have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;

d. for the company financial statements state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the company financial statements;

e. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Maintel Holdings plc website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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 2020 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 Accounting Standards in conformity with the requirements of the Companies Act 2006. 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 2020 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006;
- 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included reviewing and evaluating management's three-year cash flow forecasts and the results of scenario analysis. Disclosure of the group's going concern assessment is disclosed in the Accounting policies and based on the results of the audit procedures outlined above, we have no observations to report.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's or the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Summary of our audit approach

Key audit matters	**Group** • Revenue recognition • Valuation of intangibles • Going concern **Parent Company** • Going concern
Materiality	**Group** • Overall materiality: £476,000 (2019: £450,000) • Performance materiality: £357,000 (2019: £337,500) **Parent Company** • Overall materiality: £238,000 (2019: £432,000) • Performance materiality: £178,000 (2019: £323,000)
Scope	Our audit procedures covered 100% of revenue, total assets and loss 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.

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 (e). 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. We consider there to be a significant risk around the completeness and existence of supply and installation services. 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 of the risks associated with these revenue streams we tested 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 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. We also applied data analytics techniques and tested the reconciliation between the group's revenue recording systems to test the assertions over revenue.

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 continued

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 is impaired and assessing management's sensitivity analysis on the cash flow model. We have challenged the assumptions and inputs in determining the discount rate used to calculate the present value of projected future cash flows and have tested the mathematical accuracy and integrity of the model used. 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.

Going concern

Key audit matter description	It is the responsibility of the directors to form an opinion on whether the going concern basis of accounting is appropriate and to identify and disclose any material uncertainties that may cast significant doubt on the group's or parent company's ability to continue as a going concern. When planning our current year audit the company was in negotiations to enter into a new or extended bank facility arrangement and therefore we identified a significant risk associated with the need to ensure a new or extend facility was agreed prior to approval of the financial statements and that this facility would be sufficient to cover the group's operational cash requirements for the foreseeable future. The directors have set out their assessment in relation to going concern in the summary of significant accounting policies in note 2.
How the matter was addressed in the audit	Our audit work included, but was not restricted to: • Obtaining a copy of the extended banking facilities and reviewing the key terms, including covenants. • Obtaining and reviewing the cash flow forecasts prepared by management for the period to 31 December 2022. • Checking the mathematical accuracy of the cash flow forecasts. • Reviewing the cashflow forecasts in light of our understanding of the business to identify and challenge the key assumptions therein, to assess the level of cash headroom, to stress test the forecasts and therefore to assess the risk of covenant breach. • Considering the impact of management's sensitivities on the forecast cash flows and covenant compliance (including downside scenarios relating to revenue and EBITDA). • Review of the disclosures within the financial statements to assess whether they accurately reflect management's assessment of going concern, including any uncertainties.

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	£476,000 (2019: £450,000)	£238,000 (2019: £432,000)
Basis for determining overall materiality	5% of EBITDA	0.5% 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	£357,000 (2019: £337,500)	£178,000 (2019: £323,000)
Basis for determining performance materiality	75% of overall materiality	75% of overall materiality
Reporting of misstatements to the Audit Committee	Misstatements in excess of £24,000 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.	Misstatements in excess of £12,000 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

Independent Auditor's Report

to the members of Maintel Holdings Plc continued

- 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 52, 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.

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the group audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory frameworks that the group and parent company operate in and how the group and parent company are complying with the legal and regulatory frameworks;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

The most significant laws and regulations were determined as follows:

Legislation / Regulation	Additional audit procedures performed by the Group audit engagement team included:
International Accounting Standards in conformity with the Companies Act, FRS 101 and Companies Act 2006	Review of the financial statement disclosures and testing to supporting documentation; Completion of disclosure checklists to identify areas of non-compliance
Tax compliance regulations	Inspection of advice received from internal / external tax advisors Involvement of a tax specialist in the audit of tax Consideration of whether any matter identified during the audit required reporting to an appropriate authority outside the entity

The areas that we identified as being susceptible to material misstatement due to fraud were:

Risk	Audit procedures performed by the audit engagement team:
Revenue recognition	The audit procedures performed in relation to revenue recognition are documented in the key audit matter section of our audit report and included consideration of whether the company had completed its performance obligations under the contract prior to the reporting date for revenue recognised in the year.
Management override of controls	Testing the appropriateness of journal entries and other adjustments; Assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and Evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

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: 1 June 2021

Consolidated statement of comprehensive income

for the year ended 31 December 2020

	Note	2020 £000	2019 £000
Revenue	4	106,430	122,932
Cost of sales		(75,546)	(87,682)
Gross profit		30,884	35,250
Other operating income	7	611	1,035
Administrative expenses			
Intangibles amortisation	14	(6,286)	(6,674)
Exceptional items	13	(2,482)	(385)
Share based remuneration		259	274
Other administrative expenses		(23,879)	(26,407)
		(32,388)	(33,192)
Operating (loss) / profit	7	(893)	3,093
Financial expense	8	(1,339)	(1,329)
(Loss) / profit before taxation		(2,232)	1,764
Taxation credit	9	498	1,434
(Loss) / profit for the year		(1,734)	3,198
Other comprehensive income / (expense) for the year			
Exchange differences on translation of foreign operations		6	(3)
Total comprehensive (loss) / income for the year		(1,728)	3,195
(Loss) / earnings per share (pence)			
Basic	11	(12.1)	22.4p
Diluted	11	(12.1)	22.2p

The notes on pages 65 to 90 form part of these consolidated financial statements

Consolidated statement of financial position

at 31 December 2020

	Note	31 December 2020 £000	31 December 2020 £000	31 December 2019 £000	31 December 2019 £000
Non current assets					
Intangible assets	14		59,613		63,817
Right of use assets	17		3,808		4,087
Property, plant and equipment	16		1,415		1,514
Trade and other receivables	19		1,050		-
			65,886		69,418
Current assets					
Inventories	18	1,865		3,243	
Trade and other receivables	19	22,758		26,921	
Income tax		261		177	
Total current assets			24,884		30,341
Total assets			90,770		99,759
Current liabilities					
Trade and other payables	20	41,650		43,564	
Lease liabilities	23	1,092		987	
Borrowings	22	22,267		3,696	
Total current liabilities		65,009		48,247	
Non-current liabilities					
Other payables	20	2,231		2,898	
Lease liabilities	23	2,873		3,367	
Deferred tax	21	1,816		2,537	
Borrowings	22	-		21,883	
Total non-current liabilities			6,920		30,685
Total liabilities			71,929		78,932
Total net assets			18,841		20,827
Equity					
Issued share capital	25		144		143
Share premium	26		24,588		24,588
Other reserves	26		73		67
Retained earnings	26		(5,964)		(3,971)
Total equity			18,841		20,827

The consolidated financial statements were approved and authorised for issue by the Board on 1 June 2021 and were signed on its behalf by:

Mark Townsend
Director

The notes on pages 65 to 90 form part of these consolidated financial statements

Consolidated statement of changes in equity

for the year ended 31 December 2020

	Note	Share capital £000	Share premium £000	Other reserves £000	Retained earnings £000	Total £000
Balance at 1 January 2019		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
Transactions with owners in their capacity as owners:						
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
Loss for the year		-	-	-	(1,734)	(1,734)
Other comprehensive income:						
Foreign currency translation differences		-	-	6	-	6
Total comprehensive expense for the year		-	-	6	(1,734)	(1,728)
Transactions with owners in their capacity as owners:						
Issue of new ordinary shares		1	-	-	-	1
Share based remuneration		-	-	-	(259)	(259)
At 31 December 2020		144	24,588	73	(5,964)	18,841

The notes on pages 65 to 90 form part of these consolidated financial statements

Consolidated statement of cash flows

for the year ended 31 December 2020

	2020 £000	2019 £000
Operating activities		
(Loss) / profit before taxation	(2,232)	1,764
Adjustments for:		
Intangibles amortisation	6,286	6,674
Share based payment credit	(259)	(274)
Loss on sale of property, plant and equipment	2	99
Exceptional non-cash items	325	(407)
Depreciation of plant and equipment	665	695
Depreciation of right of use asset	1,241	1,267
Interest payable	1,339	1,329
Operating cash flows before changes in working capital	7,367	11,147
Decrease in inventories	1,377	5,025
Decrease in trade and other receivables	3,113	7,237
Decrease in trade and other payables	(2,284)	(13,668)
Cash generated from operating activities	9,573	9,741
Tax paid	(158)	(328)
Net cash inflows from operating activities	9,415	9,413
Investing activities		
Purchase of plant and equipment	(568)	(759)
Purchase of intangible assets	(2,082)	(1,143)
Purchase price in respect of a business combination in a prior year	(1,096)	(679)
Net cash outflows from investing activities	(3,746)	(2,581)

Consolidated statement of cash flows

for the year ended 31 December 2020 continued

	2020 £000	2019 £000
Financing activities		
Proceeds from borrowings	4,500	500
Repayment of borrowings	(8,000)	-
Lease liability repayments	(1,174)	(1,200)
Issue of ordinary shares	-	235
Interest paid	(1,105)	(1,102)
Issue costs of debt	(53)	-
Equity dividends paid	-	(4,953)
Net cash outflows from financing activities	(5,832)	(6,520)
Net (decrease) / increase in cash and cash equivalents	(163)	312
Bank overdrafts / Cash and cash equivalents at start of year	(3,696)	(3,988)
Exchange differences	14	(20)
Bank overdrafts at end of year	(3,845)	(3,696)

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

Loans and borrowings (Note 22)

	2020 £000	2019 £000
At 1 January	25,579	25,283
Cash Flows	(3,404)	208
Non-cash movements (Amortised debt issue costs)	92	88
At 31 December	22,267	25,579

Lease liabilities (Note 23)

	2020 £000	2019 £000
At 1 January	4,354	5,320
Non-cash movements	785	234
Cash flows	(1,174)	(1,200)
At 31 December	3,965	4,354
Current	1,092	987
Non-current	2,873	3,367

The notes on pages 65 to 90 form part of these consolidated financial statements

Notes forming part of the consolidated financial statements

for the year ended 31 December 2020

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 Accounting Standards in conformity with the requirements of the Companies Act.

(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) Rounding of amounts

All amounts disclosed in the financial statements and notes have been rounded to the nearest thousand unless otherwise stated.

(d) 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 current bank facilities with the National Westminster Bank ("NWB") was signed on 14 May 2021 (see note 31), extending the facility for 12 months to October 2022 on improved terms. The key covenants that will prevail over this period include net leverage ratio and interest cover tests.

In addition, the Group's balance sheet was further strengthened by the disposal of our Managed Print Services business unit on 30 April 2021 for a consideration of £4.5m, proceeds from which has been used to reduce the Group's debt position further.

As highlighted in the risk management section (see pages 22-23) the Board has put robust business continuity plans in place to ensure continuity of trading and operations. In addition, to address the trading impact of COVID-19 during FY 20 the directors have already taken significant steps to preserve working capital and maintain a satisfactory liquidity position (see page 24, COVID-19 section).

The Group's forecasts and projection models, taking into account uncertainty around the medium-term impact of the pandemic with regard to both project delivery and timing of pipeline conversion, means that actual performance could fall short of management forecasts in terms of revenue expectations. The Board has reviewed the model in detail taking account of reasonably possible changes in trading performance, including revenues falling below a COVID affected FY 20 by 3%, and further mitigating actions it could take such as further overhead savings and capital expenditure programme postponement. As a result, the Board 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.

On this basis, whilst it is acknowledged that there is continued uncertainty surrounding the future impacts of COVID-19, 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.

(e) 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.

Notes forming part of the consolidated financial statements

for the year ended 31 December 2020 continued

Managed services and technology

Managed services revenues are recognised over time, over the relevant contract term, 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. 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.

(f) Leased assets

The Group applied IFRS 16 via the modified retrospective approach from 1 January 2019. 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 commencement date of the lease term and will be measured at the present value of the remaining lease payments discounted using the Groups' incremental borrowing rate. 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 commencement date of the lease term. The right of use asset will be measured at an amount equal to the lease liability. 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.

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.

(g) 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.

(h) Exceptional items

Exceptional items are significant items of non-recurring expenditure that have been separately presented by virtue of their nature to enable a better understanding of the Group's financial performance. Non-recurring exceptional items are presented separately in the consolidated statement of comprehensive income.

(i) Interest

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

(j) 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.

(k) 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.

(l) 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 six years to eight years.

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 2020 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.

(m) 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.

(n) 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	-	over the remaining period of the lease

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

(o) 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.

(p) 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.

(q) Financial assets and liabilities
The Group's financial assets and liabilities mainly comprise cash, borrowings, trade and other receivables, trade and other payables and lease liabilities.

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.

(r) 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.

(s) 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.

(t) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants in respect of the furlough of staff over the period of the COVID-19 pandemic, are recognised in the period when the related salary costs are incurred.

(u) 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.

(v) Accounting standards issued

No new accounting standards issued have been adopted in the year.

(w) 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 2021)

Amendment to IFRS 3 Business Combinations (effective 1 January 2021, not yet endorsed by EU)

Amendments to IAS 1 and IAS 8: Definition of Material (effective 1 January 2021)

Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform (effective 1 January 2021)

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 2020 continued

4. Segment information

Year ended 31 December 2020

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. Revenue from managed services, network services and mobile is recognised over time and technology revenue is recognised at a point in time. 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	64,231	36,201	5,998	106,430
Gross profit	17,620	10,669	2,595	30,884
Other operating income				611
Other administrative expenses				(23,879)
Share based remuneration				259
Intangibles amortisation				(6,286)
Exceptional costs				(2,482)
Operating loss				(893)
Interest payable				(1,339)
Loss before taxation				(2,232)
Taxation credit				498
Loss after taxation				(1,734)

Revenue is wholly attributable to the principal activities of the Group and other than sales of £3.3m to EU countries and £0.4m to the Rest of the world (2019: £4.3m to EU countries, and £0.7m to the Rest of the world), arises within the United Kingdom.

In 2020 the Group had no customer (2019: 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	-	-	-	(6,286)	(6,286)
Depreciation	-	-	-	(1,906)	(1,906)
Exceptional costs	(2,482)	-	-	-	(2,482)

Year ended 31 December 2019

	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
Share based remuneration				(26,407)
Other administrative expenses				274
Intangibles amortisation				(6,674)
Exceptional costs				(385)
Operating profit				3,093
Interest payable				(1,329)
Profit before taxation				1,764
Taxation credit				1,434
Profit after taxation				3,198

	Managed service and technology £000	Network services £000	Mobile £000	Central/ inter-company £000	Total £000
Other					
Intangibles amortisation	-	-	-	(6,674)	(6,674)
Depreciation	-	-	-	(1,962)	(1,962)
Exceptional costs	(385)	-	-	-	(385)

5. Employees

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

	2020 Number	2019 Number
Corporate and administration	92	100
Sales and customer service	210	215
Technical and engineering	258	284
	560	599

Staff costs, including directors, consist of:

	£000	£000
Wages and salaries	30,112	33,504
Social security costs	3,467	3,696
Pension costs	824	874
	34,403	38,074

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 £168,000 (2019: £188,000) 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 2020 continued

6. Directors' remuneration

The remuneration of the Company directors was as follows:

	2020 £000	2019 £000
Directors' emoluments	851	1,542
Pension contributions	26	31
	877	1,573

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

	2020 £000	2019 £000
Director's emoluments	243	306
Pension contributions	7	6
	250	312

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 (2019: 8, 4 auto-enrolled).

Further details of director remuneration are shown in the Remuneration committee report on page 42.

7. Operating (loss)/profit

	2020 £000	2019 £000
This has been arrived at after charging/(crediting):		
Depreciation of property, plant and equipment	665	695
Depreciation of right of use assets	1,241	1,267
Amortisation of intangible fixed assets	6,286	6,674
Other income:		
- Operating lease rentals receivable – property	(147)	(251)
- Research and development expenditure credit	(464)	(784)
Fees payable to the Company's auditor for the audit of the parent and consolidated accounts	47	44
Fees payable to the Company's auditor for other services:		
- audit of the Company's subsidiaries pursuant to legislation	96	95
- audit-related assurance services	26	27
- tax compliance services	-	44
Fees payable to other auditors	-	65
Fees payable for tax compliance services	42	
Foreign exchange movement	(90)	-
Government grant in respect of furloughed employees	(387)	-
Gain on sale of inventory	(348)	-
Loss on disposal of property plant and equipment	2	99

8. Financial expense

	2020 £000	2019 £000
Interest payable on bank loans	1,060	1,029
Interest payable on deferred consideration	106	135
Interest expense on leases	156	165
Other interest charges	17	-
	1,339	1,329

9. Taxation

	2020 £000	2019 £000
UK corporation tax		
Corporation tax on (loss)/profit of the year	11	52
Adjustment for prior year	212	(716)
	223	(664)
Deferred tax (note 21)		
Current year	(739)	(843)
Adjustment for prior year	18	73
Taxation on (loss)/profit on ordinary activities	(498)	(1,434)

The standard rate of corporation tax in the UK for the year was 19.00% (2019: 19.00%), and therefore the Group's UK subsidiaries are taxed at that rate. The differences between the total tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the (loss)/profit before tax are as follows:

	2020 £000	2019 £000
(Loss)/profit before tax	(2,232)	1,764
(Loss)/profit at the standard rate of corporation tax in the UK of 19% (2019: 19.0%)	(424)	335
Effect of:		
Net income not taxable	(87)	(277)
Adjustments relating to prior years	230	(643)
Benefit for losses utilised in the year not recognised for tax previously	(203)	(854)
Effects of overseas tax rates	(4)	(6)
Origination and reversal of timing differences	(10)	11
	(498)	(1,434)

Prior year adjustments debiting corporation tax of £212,000 include the underpayment of tax relating to the reassessment of a prior year charge.

Notes forming part of the consolidated financial statements

for the year ended 31 December 2020 continued

10. Dividends paid on ordinary shares

	2020 £000	2019 £000
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

The directors have decided not to recommend a final dividend for 2020 (2019: Nil).

11. Earnings per share

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

	2020 £000	2019 £000
(Loss)/earnings used in basic and diluted EPS, being (loss)/profit after tax	(1,734)	3,198
Adjustments:		
Intangibles amortisation	5,453	5,965
Exceptional costs (note 13)	2,482	385
Tax relating to above adjustments	(1,507)	(1,258)
Share based remuneration	(259)	(274)
Deferred tax charge on utilisation of Intrinsic tax losses	-	532
Interest charge on deferred consideration	106	135
Tax adjustments relating to prior years	230	(315)
Benefit for losses utilised in the year not recognised for tax previously	(203)	(854)
Adjusted earnings used in adjusted EPS	4,568	7,514

Adjustment for intangibles amortisation is in relation to intangible assets acquired via business combinations.

	2020 Number (000s)	2019 Number (000s)
Weighted average number of ordinary shares of 1p each used as the denominator in calculating basic EPS	14,338	14,290
Potentially dilutive shares	13	136
Weighted average number of ordinary shares of 1p each used as the denominator in calculating diluted EPS	14,351	14,426
(Loss)/earnings per share		
Basic	(12.1)p	22.4p
Diluted	(12.1)p	22.2p
Adjusted - basic but after the adjustments in the table above	31.9p	52.6p
Adjusted - diluted after the adjustments in the table above	31.8p	52.1p

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. Adjusted earnings before interest, tax, depreciation and amortisation (Adjusted EBITDA)

	2020 £000	2019 £000
(Loss)/profit before tax	(2,232)	1,764
Net interest	1,339	1,329
Depreciation of property, plant and equipment	665	695
Depreciation of right of use assets	1,241	1,267
Amortisation of intangible fixed assets	6,286	6,674
EBITDA	7,299	11,729
Share based remuneration	(259)	(274)
Exceptional costs (note 13)	2,482	385
Adjusted EBITDA	9,522	11,840

Notes forming part of the consolidated financial statements

for the year ended 31 December 2020 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. Staff restructuring and other employee related costs of £1,723k (2019: £457k) includes £347k relating to an exceptional increase in the holiday pay accrual as a result of COVID-19 (2019: Nil). Costs relating to an onerous property lease include a charge of £430k (2019: Nil) relating to the impairment of a right of use asset associated with a property lease that became onerous during the period, together with associated running costs in the period and provisions for future running costs. These and the other costs analysed below have been shown as exceptional costs in the income statement as they are not normal operating expenses:

	2020 £000	2019 £000
Staff restructuring and other employee related costs	1,723	457
Costs relating to an onerous property lease	597	23
Fees relating to revised credit facilities agreement	137	-
Systems integration costs	25	163
Impairment of customer relationship asset (see note 14)	-	339
Property related and other legal and professional costs	-	173
Costs relating to Director's share options	-	52
Net effect of the release of provisions relating to acquisitions	-	44
(Provision releases)/costs relating to the closure of properties	-	(120)
Remeasurement of deferred consideration to fair value	-	(746)
	2,482	385

14. Intangible assets

	Goodwill £000	Customer relationships £000	Brands £000	Product platform £000	Software £000	Total £000
Cost						
At 1 January 2019	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
Additions	-	-	-	73	2,009	2,082
At 31 December 2020	**40,516**	**43,879**	**3,480**	**1,845**	**7,434**	**97,154**
Amortisation and Impairment						
At 1 January 2019	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
Amortisation in the year	-	4,519	409	263	1,095	6,286
At 31 December 2020	**317**	**29,880**	**2,114**	**1,025**	**4,205**	**37,541**
Net book value						
At 31 December 2020	40,199	13,999	1,366	820	3,229	59,613
At 31 December 2019	**40,199**	**18,518**	**1,775**	**1,010**	**2,315**	**63,817**

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

Software and product platform include capitalised development costs being an internally generated asset.

During the prior year, certain assets misclassified in prior years as plant, property and equipment amounting to £300k were transferred to intangible in the year.

Notes forming part of the consolidated financial statements
for the year ended 31 December 2020 continued

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

	2020 £000	2019 £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 assets for that unit; where the recoverable amount of the cash generating unit is less than the carrying amount of the assets, an impairment loss is recognised.

Projected cash flows are based on based on a five-year horizon which use the approved plan amounts for years 1 to 3, and a pre-tax discount rate of 12.5% (2019: 12.5%) is applied to the resultant projected cash flows.

Key assumptions used to calculate the cash flows used in the impairment testing were as follows:

Network services division: average annual growth rate 9.8%, terminal growth 2.2%, average gross margin 40.5%.

Managed service and technology division: average annual reduction rate 4.8%, terminal reduction rate 6.3%, average gross margin 20.8%.

Mobile division, average annual growth rate 0.9%, terminal reduction rate 2.2%, average gross margin 41.1%.

The Group’s impairment assessment at 31 December 2020 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 2020:

Maintel Voice and Data Limited
Maintel Finance Limited
District Holdings Limited
Intrinsic Technology Limited
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				
At 1 January 2019	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
Additions	37	531	-	568
Disposals	(93)	(10)	-	(103)
Transfer	(24)	24	-	-
At 31 December 2020	**829**	**7,435**	**47**	**8,311**
Depreciation				
At 1 January 2019	1,276	5,935	47	7,258
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
Disposals	(93)	(8)	-	(101)
Transfer	54	(54)	-	-
Provided in year	91	574		665
At 31 December 2020	**496**	**6,353**	**47**	**6,896**
Net book value				
At 31 December 2020	**333**	**1,082**	**-**	**1,415**
At 31 December 2019	465	1,049	-	1,514

Certain assets misclassified in prior years as leasehold improvements, were transferred to office and computer equipment.

Notes forming part of the consolidated financial statements

for the year ended 31 December 2020 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	4,487	404	296	5,187
Additions	-	189	44	233
At 31 December 2019	**4,487**	**593**	**340**	**5,420**
Additions	844	229	-	1,073
Dilapidations provision reclassification	319	-	-	319
At 31 December 2020	**5,650**	**822**	**340**	**6,812**
Depreciation and impairment				
At 1 January 2019	-	66	-	66
Charge for the year	951	187	129	1,267
At 31 December 2019	**951**	**253**	**129**	**1,333**
Depreciation charge for the year	883	246	112	1,241
Impairment for the year	430	-	-	430
At 31 December 2020	**2,264**	**499**	**241**	**3,004**
Net book value				
At 31 December 2020	**3,386**	**323**	**99**	**3,808**
At 31 December 2019	**3,536**	**340**	**211**	**4,087**

Dilapidations provisions have been reclassified during the period from right of use assets to other payables.

The right of use asset relating to the Group's leased offices in Haydock has been fully impaired during the period. The corresponding charge has been recognised within exceptional items in the income statement for £430,000 (2019: £Nil). The property has been vacant since the end of the prior period and is likely to remain vacant for the remaining life of the lease term.

18. Inventories

	2020 £000	2019 £000
Maintenance stock	228	1,364
Stock held for resale	1,637	1,879
	1,865	3,243
Cost of inventories recognised as an expense	14,867	20,263

Provisions of £79,000 were made against the maintenance stock in 2020 (2019: £333,000).

19. Trade and other receivables

	2020 £000	2019 £000
Trade receivables	13,188	15,690
Other receivables	789	691
Prepayments and accrued income	8,781	10,540
	22,758	26,921

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

	2020 £000	2019 £000
Accrued income (non-current)	1,050	-

In adopting IFRS 9, the Group now reviews the amount of credit loss associated with its trade receivables and accrued income 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 increased from £1.9m in 2019 to £2.6m at the reporting date;
- Deferred Income decreased from £18.7m in 2019 to £15.8m at the reporting date; and
- Deferred costs net of accrued costs have increased from £6.0m in 2019 to £6.6m at the reporting date.

The corresponding adjustments for these movements represent revenues and costs recognised in the income statement in the year, driven by a decline in the managed service base and associated level of advance billings, combined with a reduction in deferred income primarily as a result of a lower number of projects in delivery phase compared to the prior year end, together with an increase in accrued income resulting from the sale of the consumable and spares inventory.

20. Trade and other payables

Current trade and other payables	2020 £000	2019 £000
Trade payables	9,358	10,905
Other tax and social security	5,533	3,321
Other payables	5,234	4,816
Accruals	4,550	4,795
Deferred managed service income (note 2(c))	13,199	14,283
Other deferred income (note 2(c))	2,601	4,454
Deferred consideration in respect of business combination	1,175	990
	41,650	43,564

Non-current other payables	2020 £000	2019 £000
Deferred consideration in respect of business combination	1,227	2,403
Intangible licences and other payables	436	125
Advanced mobile commissions	175	370
Other payables	393	-
	2,231	2,898

Notes forming part of the consolidated financial statements

for the year ended 31 December 2020 continued

21. Deferred taxation

	Property, plant and equipment £000	Intangible assets £000	Tax losses £000	Other £000	Total £000
Net liability at 1 January 2019	(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
Charge/(credit) to consolidated statement of comprehensive income	301	(1,036)	-	5	(730)
Adjustment to prior year to consolidated statement of comprehensive income	(196)	224	74	(84)	18
Credit to consolidated statement of comprehensive income in respect of anticipated further use of tax losses	-	-	(9)	-	(9)
Net liability at 31 December 2020	**(1,169)**	**3,081**	**(9)**	**(87)**	**1,816**

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 liability balance at 31 December 2020 has been calculated on the basis that the associated assets and liabilities will unwind at 19%, being the rate prevailing at the time of the amortisation charge.

22. Borrowings

	2020 £000	2019 £000
Current bank overdraft – secured	3,845	3,696
Current bank loan – secured	18,422	-
Non-current bank loan – secured	-	21,883

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).

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.

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.

Covenants based on adjusted EBITDA to net finance charges and net debt to EBITDA are tested on a quarterly basis. The company was in compliance with its covenants ratios tests throughout the year ended 31 December 2020.

The non-current bank loan above is stated net of unamortised issue costs of debt of £0.1m (31 December 2019: £0.1m).

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 1.80 % to 3.10% per annum over LIBOR, with a reduced rate payable on undrawn facility.

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

On the 14 May 2021 the Group entered into an amendment and extension of its current facility with its incumbent lender, the National Westminster Bank Plc (see note 31).

23. Lease liabilities

	2020 £000	2019 £000
Maturity analysis – contractual undiscounted cash flows		
In one year or less	1,214	1,174
Between one and five years	2,667	3,131
In five years or more	436	460
Total undiscounted lease liabilities at 31 December 2020	4,317	4,765
Current	1,092	987
Non-current	2,873	3,367
Lease liabilities included in the statement of financial position	3,965	4,354
Amounts recognised in the comprehensive income statement		
Interest expense on lease liabilities	156	165
Expenses relating to short term leases	95	98
Amounts recognised in the statement of cash flows		
Total cash outflow	1,174	1,200

During the years ended 31 December 2020 and 31 December 2019 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 £147,000 (2019: £251,000).

Notes forming part of the consolidated financial statements

for the year ended 31 December 2020 continued

24. Financial instruments

The Group's financial assets and liabilities mainly comprise cash, borrowings, trade and other receivables, trade and other payables and lease liabilities. The carrying value of all financial assets and liabilities equals fair value given their short term in nature.

	Financial assets measured at amortised cost	
	2020 £000	**2019 £000**
Non-current financial assets		
Accrued income	1,050	-
	1,050	-
Current financial assets		
Trade receivables	13,188	15,690
Accrued income	1,516	1,929
Other receivables	789	691
	15,493	18,310

	Financial liabilities measured at amortised cost	
	2020 £000	**2019 £000**
Non-current financial liabilities		
Other payables	1,004	495
Secured bank loan	-	21,883
Deferred consideration in respect of business combination	1,227	2,403
Lease liabilities	2,873	3,367
	5,104	28,148
Current financial liabilities		
Trade payables	9,358	10,905
Short-term borrowings	22,267	3,696
Other payables	5,234	4,816
Accruals	4,550	4,795
Deferred consideration in respect of business combination	1,175	990
Lease liabilities	1,092	987
	43,676	26,189

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

	Assets		Liabilities	
	2020 £000	**2019 £000**	**2020 £000**	**2019 £000**
US Dollars	78	120	1,650	950
Euros	552	371	3	6
	630	491	1,653	956

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

Credit risk

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

At the reporting date, the largest exposure was represented by the carrying value of trade and other receivables, against which £336,000 is provided at 31 December 2020 (2019: £336,000). 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 2020 owed the Group £0.7m including VAT (2019: £0.8m). 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:

	2020 £000	2019 £000
Provision at start of year	336	439
Provision created	180	225
Provision reversed	(180)	(328)
Provision at end of year	336	336

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 2020					
Expected credit loss % range	0%-1%	2%-5%	3%-10%	10%-100%	
Gross debtors (£'000)	11,626	1,083	376	439	13,524
Expected credit loss rate (£'000)	(60)	(29)	(21)	(226)	(336)
Accrued income	1,516	-	-	1,350	2,866
					15,754

	Current	< 30 days	31–60 days	> 60 days	Total
31 December 2019					
Expected credit loss % range	0%-1%	2%-5%	3%-10%	5%-100%	
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

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.

Notes forming part of the consolidated financial statements

for the year ended 31 December 2020 continued

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. Sensitivity to exchange rate movements is considered to be immaterial.

Interest rate risk

The Group had total borrowings of £22.3m at 31 December 2020 (2019: £25.7m). 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 2020, and all other variables were held constant, the Group's loss (2019: profit) for the year would have been £126,000 (2019: £156,000) higher/lower (2019: lower/higher) 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	9,358	-	-	9,358
Other payables	4,541	693	1,004	6,238
Lease liabilities	581	511	2,873	3,965
Accruals	4,550	-	-	4,550
Borrowings (including future interest)	413	22,670	-	23,083
Deferred consideration	583	592	1,227	2,402
At 31 December 2020	**20,026**	**24,466**	**5,104**	**49,596**

	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
Lease liabilities	482	505	3,367	4,354
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	21,040	2,313	32,660	56,013

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.

25. Share capital

	Allotted, called up and fully paid			
	2020 Number	2019 Number	2020 £000	2019 £000
Ordinary shares of 1p each	14,361,492	14,322,059	144	143

The Company adopted new Articles on 27 April 2016, which dispensed with the need for the Company to have an authorised share capital. The Company has one class of ordinary shares which carry no right to fixed income. All of the Company's shares in issue are fully paid and each share carries the right to vote at general meetings.

39,433 shares were issued in the year (2019: 125,000) for consideration of £394 (2019: £235,000). No shares were repurchased during the year (2019: 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 (2019: £31,000) and a translation reserve of £42,000 (2019: £36,000).

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 2020 (2019: £Nil)

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.

Notes forming part of the consolidated financial statements

for the year ended 31 December 2020 continued

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 42 describes the options granted over the Company's ordinary shares.

In aggregate, options are outstanding over 2.0% 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.

	2020 Number of Options	2020 Weighted Average Exercise price	2019 Number of Options	2019 Weighted Average Exercise price
Outstanding at 1 January	295,236	354.56p	422,272	218.35p
Granted during the year	75,000	236.47p	155,000	450.90p
Lapsed during the year	(99,721)	294.17p	(171,627)	197.90p
Exercised during the year	(24,433)	1.00p	(110,409)	212.40p
Outstanding at 31 December	246,082	378.14p	295,236	354.56p
Exercisable at year end	15,082	547.12p	57,236	394.39p

The weighted average share price at the exercise date of the exercised shares was 219.06p (2019: 577.14). The weighted average contractual life of the outstanding options was 8 years (2019: 8 years), exercisable in the range 1p to 880p.

24,433 shares were exercised in the year by way of issue of new shares.

	2020 Exercisable Price range	2020 Number of Share options
	1p	13,673
	221p to 274p	75,000
	430p to 525p	138,000
	675p to 880p	19,409
		246,082

The Group recognised £259,000 of income related to equity-settled share-based payments in the year (2019: £274,000).

The fair value of options granted during the year is determined by applying the Black-Scholes model. The expense is apportioned over the vesting period of the option and is based on the number which are expected to vest and the fair value of these options at the date of grant.

The inputs into the Black-Scholes model in respect of options granted in the period are as follows:

Date of grant	17 January	18 February	17 September
Number of options granted	10,000	15,000	50,000
Share price at date of grant	274p	263p	221p
Exercise price	274p	263p	221p
Option life in years	3	3	3.3
Risk-free rate	0.63%	0.61%	0.19%
Expected volatility	38.02%	37.68%	39.17%
Expected dividend yield	12.59%	13.12%	0%
Fair value of options	0.265p	0.239p	0.619p

Expected volatility was determined by calculating the historical volatility of the Group's share price for the five-year period prior to the date of grant of the share option. The expected life used in the model is based on management's best estimate. The Group did not enter into any share-based payment transactions with parties other than employees during the current or previous period.

29. Operating leases

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

Part of the London premises, had been sublet under a lease which expired during the period.

	2020 Land and Buildings £000	2019 Land and buildings £000
The total future minimum lease payments are due as follows:		
Not later than one year	-	133
	-	133

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:

	2020 £000	2019 £000
Short term employment benefits	1,187	1,416
Social security costs	184	181
Contributions to defined contribution pension schemes	51	47
	1,422	1,644

Other transactions

The Group traded in the year with A J McCaffery, transactions in 2020 and 2019 amounting in aggregate to less than £1,000.

In 2020, the Group provided telecommunications services to Focus 4 U Limited, amounting to £500 (2019: £2,000) and to Zinc Media Group Plc £Nil (2019: £3,000) companies of which N J Taylor is a director.

The Company paid fees of £7,000 (2019: £Nil) to Anchusa Consulting Limited, a company of which A P Nabavi is a shareholder and director, in respect of consultancy services provided to the Company relating to the extension of its credit facilities.

Notes forming part of the consolidated financial statements

for the year ended 31 December 2020 continued

31. Post balance sheet events

Disposal

On 30 April 2021 the disposal of our Managed Print Services business unit to Corona Corporate Services was completed for a consideration of £4.5m payable in cash on completion, subject to a customary working capital adjustment. The Company has used the proceeds from the disposal to strengthen the Company's balance sheet through a further reduction in its debt position.

Banking facilities

On 14 May 2021, the Group signed an amendment and extension to its current bank facilities with the National Westminster Bank Plc ("NWB").The current facilities, which were previously due to expire 27 October 2021, have been extended for a further 12 months to 27 October 2022. The revised facility consists of a revolving credit facility ("RCF") of £25.3m in committed funds on a reducing basis to term with the existing £4.5m amortising term loan issued under the Coronavirus business interruption loan scheme ("CLBILS") by the British Business Bank, remains unchanged maturing on 27 October 2021. Interest terms for the RCF are linked to SONIA plus a fixed margin, 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 2020

Company number 3181729

	Note	2020 £000	2020 £000	2019 £000	2019 £000
Non-current assets					
Investment in subsidiaries	4		49,560		49,560
Current assets					
Debtors	5	12,827		14,147	
Total current assets			12,827		14,147
Total assets			62,387		63,707
Current liabilities					
Creditors	6	1,255		1,224	
Borrowings		23,065		4,794	
		24,320		6,018	
Non-current liabilities					
Borrowings	7	-		21,883	
Total non-current liabilities			-		21,883
Total liabilities			24,320		27,901
Total net assets			38,067		35,806
Equity					
Issued share capital	8		144		143
Share premium			24,588		24,588
Capital redemption reserve			31		31
Retained earnings			13,304		11,044
Shareholders' funds			38,067		35,806

The Company has taken advantage of the exemption under S408 of the Companies Act 2006 and has not presented its own profit and loss account in these financial statements. The profit for the year of the Company, after tax and before dividends paid, was £2.5m (2019: £6.6m).

The Company financial statements were approved and authorised for issue by the Board on 1 June 2021 and were signed on its behalf by:

Mark Townsend
Director

The notes on pages 93 to 97 form part of these financial statements.

Company statement of changes in equity

for the year ended 31 December 2020

	Note	Share capital £000	Share premium £000	Capital redemption reserve £000	Retained earnings £000	Total £000
At 1 January 2019		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
Profit and total comprehensive income for year		-	-	-	2,519	2,519
Issue of new ordinary shares		1	-	-	-	1
Grant of share options		-	-	-	(259)	(259)
At 31 December 2020		144	24,588	31	13,304	38,067

The notes on pages 93 to 97 form part of these financial statements.

Notes forming part of the Company financial statements
at 31 December 2020

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 current bank facilities with the National Westminster Bank ("NWB") was signed on 14 May 2021 (see note 31), extending the facility for 12 months to October 2022 on improved terms. The key covenants that will prevail over this period include net leverage ratio and interest cover tests.

In addition, the Group's balance sheet was further strengthened by the disposal of our Managed Print Services business unit on 30 April 2021 for a consideration of £4.5m, proceeds from which has been used to reduce the Group's debt position further.

As highlighted in the risk management section (see pages 23-24) the Board has put robust business continuity plans in place to ensure continuity of trading and operations. In addition, to address the trading impact of COVID-19 during FY 20 the directors have already taken significant steps to preserve working capital and maintain a satisfactory liquidity position (see page 25, COVID-19 section).

The Group's forecasts and projection models, taking into account uncertainty around the medium-term impact of the pandemic with regard to both project delivery and timing of pipeline conversion, means that actual performance could fall short of management forecasts in terms of revenue expectations. The Board has reviewed the model in detail taking account of reasonably possible changes in trading performance, including revenues falling below a COVID affected FY 20 by 3%, and further mitigating actions it could take such as further overhead savings and capital expenditure programme postponement. As a result, the Board 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.

On this basis, whilst it is acknowledged that there is continued uncertainty surrounding the future impacts of COVID-19, 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) Financial assets and liabilities

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

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.

Trade and other payables are not interest bearing and are stated at their amortised cost.

(e) 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.

(f) 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.

(g) 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 2020 continued

(h) 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 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

(j) 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:

	2020 £000	2019 £000
Wages and salaries	832	1,164
Social security costs	107	151
Pension costs	27	33
	966	1,348

	2020 Number	2019 Number
The average number of employees, including directors, during the year was:	8	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 2019 and 31 December 2019	49,640
At 31 December 2020	**49,640**
Provision for impairment	
At 1 January 2019, 31 December 2019 and 31 December 2020	80
Net book value	
At 31 December 2020	**49,560**
At 31 December 2019	49,560

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

5. Debtors

	2020 £000	**2019 £000**
Amounts owed by subsidiary undertakings	12,791	14,037
Other tax and social security	14	95
Prepayments and accrued income	12	15
Deferred tax asset	10	-
	12,827	14,147

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

6. Creditors

	2020 £000	**2019 £000**
Amounts due to subsidiary undertakings	1,022	836
Trade creditors	30	61
Accruals and deferred income	203	327
	1,255	1,224

Notes forming part of the Company financial statements

at 31 December 2020 continued

7. Borrowings

	2020 £000	2019 £000
Current bank overdraft – secured	4,643	4,794
Current bank loans – secured	18,422	-
Non-current bank loan – secured	-	21,883

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).

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.

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.

Covenants based on adjusted EBITDA to net finance charges and net debt to EBITDA are tested on a quarterly basis. The company was in compliance with its covenants ratios tests throughout the year ended 31 December 2020.

The non-current bank loan above is stated net of unamortised issue costs of debt of £0.1m (31 December 2019: £0.1m).

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 1.80 % to 3.10% per annum over LIBOR, with a reduced rate payable on undrawn facility.

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

On the 14 May 2021 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			
	2020 Number	2019 Number	2020 £000	2019 £000
Ordinary shares of 1p each	14,361,492	14,322,059	144	143

The Company adopted new Articles on 27 April 2019, which dispensed with the need for the Company to have an authorised share capital.

39,433 shares were issued in the year (2019: 125,000) for consideration of £394 (2019: £235,000). No shares were repurchased during the year (2019: 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 2020 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 14 May 2021, the Group signed an amendment and extension to its current bank facilities with the National Westminster Bank Plc ("NWB").The current facilities, which were previously due to expire 27 October 2021, have been extended for a further 12 months to 27 October 2022. The revised facility consists of a revolving credit facility ("RCF") of £25.3m in committed funds on a reducing basis to term with the existing £4.5m amortising term loan issued under the Coronavirus business interruption loan scheme ("CLBILS") by the British Business Bank, remains unchanged maturing on 27 October 2021. Interest terms for the RCF are linked to SONIA plus a fixed margin, 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
M V Townsend	Chief financial officer
D J Davies	Chief technology officer
A P Nabavi	Non-executive director
N J Taylor	Non-executive director

Secretary and registered office

ONE Advisory Limited, 160 Blackfriars Road, London SE1 8EZ

Company number

3181729

Auditors

RSM UK Audit LLP, 25 Farringdon Street, London EC4A 4AB

Nominated broker and nominated adviser

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

Registrars

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