maintel

2021 Annual Report & Accounts

Maintel Holdings Plc

Contents

↓ 2%

£103.9m

Group revenue
(2020: £106.4m)

↑ 30%

132,000

Contracted cloud seats
(2020: 102,000)

↑ 9%

£9.6m

Group adjusted EBITDA[1]
(2020: £9.5m)

↓ 4pp

69%

Recurring revenue
(2020: 73%)

[1] Adjusted EBITDA is EBITDA of £13.4m (2020: £7.3m), adjusted for exceptional items and share based payments (note 11).

Overview 2021

Ioan MacRae, Chief Executive Officer

I am pleased with the Group's performance in 2021 despite the combined effects of the national lockdown in early 2021, the wave of Omicron in the latter part of the year, and latterly the global supply chain issues surrounding semi-conductors that is affecting the whole market. To achieve, on a like-for-like basis, organic growth in both revenue and adjusted EBITDA[1], whilst managing these challenges, is testament to the product offerings we now have and the admirable performance from the reshaped Maintel Team.

I am delighted that we have secured a three-year agreement with HSBC UK, providing a new and improved banking facility for £26m. The team at HSBC have been hugely supportive of Maintel since we began discussions around a new banking partner, and I look forward to enjoying the benefits and flexibilities that our new facilities offer. I would like to thank the team at NatWest Bank for their service to Maintel over the last six years and the support that they have shown.

As mentioned in the 2020 Annual Report, 2021 was about setting the foundation of the business for a return to organic growth, whilst introducing strategic new products and solution offerings to ensure our differentiation and market relevance for future years. Through 2021, the team focused on the three strategic pillars, namely: **Control, Focus, Invest**.

Control

- The restructuring of the business during 2020 and early 2021 has ensured we operated with the right structure and cost base, lowering headcount to an average of 515 employees, whilst upskilling our workforce and acquiring the talent we needed
- Business forecasting across all departments has remained accurate and predictable, whether that be on recurring revenues or net new solution sales for Tech and PS, ensuring effective management and investment predictions
- The Sales Team has delivered consistently throughout 2021 achieving budget on either GM or revenue and are expected to also deliver to budget in Q1 2022
- Net debt has further reduced to £19.4m, down £2.9m from £22.3m, as of December 31st 2021

Focus

- We expanded our core portfolio, specifically on Public and Private cloud solutions for UCaaS and CCaaS and enhanced our portfolio on LAN and WiFi with SD-WAN capability, which contributed to major customer contracts being signed worth over £50m TCV
- We enhanced our logistics capability by a strategic outsourcing of the services to Agilitas in December 2020, delivering improved project and service delivery to customers, whilst also reducing our real estate and cost base
- The disposal of our Doc Sols in April 2021 for £4.5m, further reduced our debt and cost base, whilst also allowing us to focus on our core capabilities and enhance our product offerings
- We enhanced our managed services through specialist partnerships with Allvotec, J Brand and Empowered, to ensure we can deliver projects on our new portfolio, without the need to invest in headcount and accreditations

Invest

- We continued to invest in our own IP, specifically on Callmedia CX Now which has seen new contracts signed in 2021
- ICON Portal was launched in June 2021, allowing customers a "single pane" into the services they take from Maintel. Further investment and development will see continued enhancements to ICON Portal which will differentiate Maintel as a Managed Services Partner
- Our cloud portfolio was expanded, with the full launch of Genesys CCaaS and Ringcentral UCaaS solutions, as well as development for ICON private cloud and MS Teams Connector, which greatly contributed in Maintel achieving a 30% increase in contracted cloud seats
- The introduction of the SD-WAN portfolio, enhancing our existing LAN and WiFi capabilities, as well as building on Secure Homeworker, has seen Maintel win some major customer contracts in FY21, including JD Sports, Sanctuary Housing, Biffa and Currys
- These new portfolio and service offerings, which were introduced for the start of 2021 have proven very successful already and contributed to the Group securing major customer contracts, worth over £50m to-date
- We established an ESG Office by broadening our governance and compliance team with the appointment of Joanne Ballard as ESG Strategy and Compliance Director, ensuring the Group invests in all elements of ESG to support a sustainable future, as well as ensuring our compliance in public and private sector tenders, banking compliance and supporting our shareholders in sustainable investment
- Investment will continue as we look to introduce new technology in 2022, with CPaaS on Amazon and Twillio, enhancement of Microsoft Teams integration, and offerings around 5G and IOT

Despite the headwinds faced, I am immensely proud of the Maintel Team for continuous focus on our customers and the service we offer them, despite working in a largely remote environment and dealing with personal challenges through the pandemic. Our customer focus has ensured key front-line organisations, namely NHS, Local Authorities and Police Forces, remained fully operational through 2021, providing vital support to the UK population.

Chairman's statement

John Booth, Chairman

In spite of the headwinds of a second year of a pandemic and its impact on our lives, business and the economy, Maintel has grown its revenues on a like-for-like basis (no Doc Sol contribution) by 1% and adjusted EBITDA by 9%, thus delivering on our recovery plan.

Our expanded and strategic range of products and services underpins this progress, the early signs of which can be seen in our cloud seat growth and the acceleration in our transition to a cloud and managed service provider.

Particularly pleasing is our adjusted EBITDA figure of £9.6m (2020: £9.5m), as the last two years' work on cost management and more efficient ways of working is now bearing fruit and will continue to do so. Further investment is planned to streamline our digital business processes and enrich our product suite aligning product delivery with customers' value journey.

Our managed services and technology division saw an overall decline in revenue of 4% to £61m (2020: £64m), with the managed support base reducing 17% to £29m, predominantly due to contract losses already highlighted in 2019 and early 2020 now fully realised, price erosion on renewals, and to on-premise customers transitioning to managed cloud services. Technology division revenues grew by 13% to £20m (2020: £18m) aided by the project delivery of orders closed in FY20, as well as licenses associated with new SD-WAN sales, hardware for cloud deployments and licenses for existing system expansions. This is despite the impact of semiconductor supply constraints which delayed at least £2m of additional revenue into 2022.

The number of contracted seats on our ICON and public cloud platforms increased by 30% to 132,000 with revenue from cloud and software customers now totalling £35.7m, 34% of Group revenue. The Group's cloud portfolio continues to be enhanced by both public and private cloud solutions, and revenue from cloud subscriptions and associated managed services grew 52% to £9.9m. The continued revenue benefit from the additional contracted seats will be realised in 2022 and beyond as these projects continue to be delivered.

Cash generation in the period remained strong and resulted in net debt of £19.4m at year-end, outperforming market expectations, and down from £22.3m at 31 December 2020 and £25.7m at 31 December 2019, evidencing strong cash and cost management. We stopped using UK Government furlough payments in June 2021 (total claimed in 2021 £0.04m (2020: £0.4m)) and will pay deferred VAT of £2.1m by end of March 2022.

During his first two years, with all their challenges, our Chief Executive Officer has led a significant restructuring of the business and the Senior Executive Team. Building on this, he seeks to deepen and strengthen our customer offer and the mechanism of its delivery. Our headcount is 515, down from 600 at 31 December 2020 and the business now benefits from a more efficient cost structure with the correct skill sets in place and a widening portfolio to enable our ambition of annual organic growth.

Challenges remain: the global shortage of semiconductors, predicted higher inflation and ongoing economic and political uncertainty will continue to test us, but we face the future with a reinvigorated team, a strong product offer and lean cost base. The Board is not proposing a dividend at this stage and will review this decision later in 2022.

Following the retirement of Dr Annette Nabavi at mid-year, we are delighted to welcome Carol Thompson to the Maintel Board. Carol brings a wealth of experience and has already assisted the management team in refinancing with HSBC, as well as evaluating the finance team's structure and operational efficiencies as we await the arrival of our new Chief Financial Officer. The search for a new Chief Financial Officer is progressing very positively and we hope to provide a further update in due course.

The Board would like to thank Mark Townsend, who retired as Chief Financial Officer at the end of August. His guidance and leadership over the past five years, during the Azzurri and Intrinsic acquisitions, and more recently in his work sustaining the transformation of Maintel, has been important and we wish him well for the future.

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 often difficult and unusual circumstances this year. We remain confident in the new leadership team's plan to re-engineer the Group for a cloud-first world and in sustaining our return to organic growth.

John Booth
Chairman

30 March 2022

Strategic Report

Maintel overview

Key Performance Indicators

Revenue

£103.9m

(2020: £106.4m)

-2%

2021	£103.9m
2020	£106.4m
2019	£122.9m

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

Recurring Revenue %

69%

(2020: 73%)

-4pp

2021	69%
2020	73%
2019	70%

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

Gross Margin %

32.8%

(2020: 29%)

+3.8pp

2021	32.8%
2020	29.0%
2019	28.7%

Gross Margin % as per the consolidated statement of comprehensive income less cost of sales.

Adjusted EBITDA

£9.6m

(2020: £9.5m)

+1%

2021	£9.6m
2020	£9.5m
2019	£11.8m

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

Net Debt

£19.4m
(2020: £22.3m)

-£2.9m

2021	£19.4m
2020	£22.3m
2019	£25.7m

The net position of cash debt at year-end (December 31st 2021). A measure of control over the Group's liquidity.

Cloud Seats

132,000
(2020: 102,000)

+30%

2021	132,000
2020	102,000
2019	78,000

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

4.40
(2020: 4.27)

+5%

2021	4.40
2020	4.27
2019	3.91

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

Net Promoter Score

41.99
(2020: 41.6)

+1%

2021	41.99
2020	41.60
2019	n/a

An internationally recognised metric which provides a good indication of the quality of customer experience provided. No score for 2019.

Maintel overview continued

Our Proposition

Maintel is a Managed Services Provider. Our vision is to help every organisation to thrive through the application of technology with a human touch. We see technology as the enabler, not the outcome. Success for us is delivering tangible business benefits for our customers, whether that be through increasing productivity, velocity, or collaboration, strengthening their relationships with their own customers, helping them grow, protecting them from cyber threats, reducing downtime or saving cost.

The ways in which we can help our customers thrive are many and varied, and our exceptional people apply the human touch to ensure that our customer's journey with us is a true partnership and that we deliver on our promises. This approach allows us to apply a common blueprint across everything we do, allowing us to cover a broad and diverse range of technology areas but with a common and consistent customer experience.

Maintel continues to evolve, as the technology landscape and our marketplace change. A significant refresh of our portfolio of products and services during 2020 provided a strong platform for 2021 with offerings across private and public cloud communications, traditional and software defined networking and security.

Underpinning many of our cloud and network services is Maintel's "ICON" platform. The platform itself is a highly secure, available, and scalable multicloud and network platform, hosted across four top-tier data centres and complemented by Amazon Web Services (AWS).

Digital Workplace

Customer Experience

Secure Connectivity

Our lead offerings fall into the following categories:

Cloud, SaaS based collaboration and contact centre		
icon Communicate	**Enterprise class private cloud unified communications**	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	**Enterprise class private cloud contact centre**	Our cloud managed contact centre service, offering deep application integration, self-service, comprehensive compliance and flexible technology and commercial options.
icon Now	**Simple private cloud unified communications**	Our Unified Communications as a Service (UCaaS) offer for the mid-market. Highly capable, simple to use, contract and deploy.
icon Teams Connector	**Enterprise class voice services and applications for Microsoft Teams**	Our Microsoft Teams "Direct Routing" managed service. Connecting Teams to the outside world and adding advanced capabilities, from our carrier class voice and cloud platform.
Callmedia CX Now	**Maintel's own ontact Centre as a Service (CCaaS)**	Powered by our own Intellectual Property, Callmedia CX Now delivers CCaaS from the public cloud for the mid-market.
RingCentral®	**Public cloud UCaaS and CCaaS)**	A multi-tenanted public cloud unified communications and contact centre platform. Global leader for UCaaS, combined with Maintel's rich experience in communications.
GENESYS™	**Public cloud (CCaaS)**	A multi-tenanted public cloud contact centre platform. Global leader for CCaaS, combined with Maintel's rich experience in communications.
Connectivity and Security		
icon Connect	**Cloud-optimised Wide Area Networking (WAN)**	Maintel's software defined managed network service enabling users to access their applications and their data in a multicloud and hybrid working age.
icon Secure	**Managed Security as a Service (SaaS)**	A suite of security services delivered from the cloud as a service and backed up with expertise from our Security Operations Centre.

In addition to the above Maintel also offers a full range of customer premise-based solutions and services, covering such areas as Local Area Networking (LAN), WiFi, security, telephony, unified communications, collaboration and contact centre. We also offer a full suite of voice network services, such as our own "ICON SIP" SIP Trunking service, inbound call management and a host of "WLR" replacement services that allow customers to move away from the legacy BT PSTN network and on to modern IP based digital solutions.

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, the public cloud, on-premise or a hybrid combination of these. While there are a host of vendors required to deliver complete solutions to customers, there are several key strategic lead vendor partners.

Partner	Status	Focus area	Key points
AVAYA	**Avaya Edge Diamond Partner** **Avaya DevConnect Developer Partner**	CX and UC in financial services and utilities, cloud delivered via Maintel's ICON platform	• Biggest UK subscription partner for Avaya • Top three UK partner, most accredited partner in Europe with highest possible level of accreditation • In a strong position, with Avaya's strategic partnership with RingCentral
Mitel	**Mitel Platinum Partner** **Mitel Solutions Alliance Developer Partner**	UC in public sector markets and retail UCaaS in mid-market	• Highest possible level of partner accreditation • One of the largest Mitel cloud partners in the UK • In a strong position, with Mitel's strategic partnership with RingCentral
Atos Unify	**"Master 3" ATOS Unify Partner**	UC and CX in public sector markets and retail	• One of the biggest Unify partner customer bases in the UK • Highest possible level of partner accreditation • In a strong position, with Atos' strategic partnership with RingCentral
CISCO	**Cisco Gold Partner** **Cisco Master Cloud and 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 • Biggest SD-WAN deal in Cisco's Q1-21
Extreme Customer-Driven Networking	**Black Diamond Partner**	LAN and Wireless LAN in some public sector markets	• Highest possible level of partner accreditation • Fastest growing UK partner • Focus partner for Public Sector • Significant growth in FY21
GENESYS	**Gold Partner (Pending formal announcement by end of March)**	Enterprise CCaaS	• Genesys EMEA new partner of the year • Newly appointed Gold Partner status, highest possible level of UK accreditation
RingCentral	**Preferred Partner**	Public cloud UCaaS across all sectors	• Well positioned with significant legacy bases of Avaya, Mitel and Unify, all of which have a strategic relationship with RingCentral for UCaaS. • Focus partner for Public Sector

Maintel's Intellectual Property

Maintel also owns intellectual property, deployed alongside and to enhance offers from our key technology partners. This Intellectual Property (IP) is held 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 CCaaS offer, developed in-house by the Maintel software team and delivered as a public-cloud service. Launched at the end of 2021, Callmedia CX Now is built upon more than a decade of experience in delivering hosted multi-channel contact centre services – utilising the historical investment and heritage in our Callmedia software to provide a "per-customer" routing engine and database to ensure flexibility and privacy, sat behind a brand new multi-tenanted voice platform hosted in AWS to provide an agent experience that is purely browser-based, delivering a flexible and simple to use solution. The established Callmedia multi-channel contact centre product is still also available both on-premise and as a Virtual Private Cloud offer via our ICON Contact service.
- **Experience-enhancing products** – ICON Portal is Maintel's digital customer engagement platform for all support and in-life management interactions for customers, providing a single interface with a single logon where customers can access service monitoring status, support ticketing, quote and project status and reporting. All Maintel customers were migrated over to ICON Portal during 2021 and a full roadmap of new developments is planned throughout 2022 and beyond.
- **Enhancing and supporting delivery** – Maintel has developed a set of tools and platforms to automate the quoting, provisioning and support of its cloud and network services to accelerate the time taken to quote and provision services and to simplify both implementation and in-life support.

Maintel overview continued

Our Market and Our Customers

Maintel provides its cloud communications, network and security managed services exclusively to the UK public and private sectors.

Our core market constitutes 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 and not-for-profit sector

Health

We are entrusted by 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, Guys and St. Thomas's, South Lanarkshire, Betsi Cadwaladr

Local Government

We enable the staff of over 35 unitary and other local authorities to better serve a combined total of over 15 million UK 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 over 300,000 homes.

Examples
Optivo, Sanctuary Housing

We also have several 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 c10,000 bricks and mortar retail sites alongside numerous online brands, enabling them to minimise their costs, maximise their information security and serve their customers better.

Examples
JD Sports, Curry's, 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, Vanquis Bank and Provident Group, Bank of Montreal, Admiral Insurance

Utilities and Services

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

Examples
SSE, Severn Trent Water, Biffa

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

We work with a range of channel partners to enable them and us to broaden our service portfolios, providing managed communications services to complement their existing offerings. Typically, our channel partners are systems integrators and/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.

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 and 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 are able to 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; creating a culture where our people are empowered and engaged, not only to drive the business forward, but also to develop a personal career path with Maintel.

The HR team supports the business in all aspects of talent management, attraction and retention. Last year primarily focussed on identifying opportunities to enhance our external talent attraction strategy, whilst providing additional learning and development opportunities to support internal talent and opportunity creation. To do this, we have invested in a higher number of internal apprenticeships, whilst also planning to introduce a new Learning Management System in 2022 to provide our people with a broader range of learning opportunities.

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

Four main trends are driving our industry, growing the opportunity for those organisations willing to move with the times and invest in their portfolio and capabilities. Many of these trends have been significantly accelerated by the COVID-19 pandemic, as organisations strive to be more efficient and resilient, but also to accommodate the flexibility that their workforces now require and increasingly demand:

1) The continuing and growing drive by businesses and Public Sector organisations for digital transformation ('DX')

The proliferation of cloud technology in all areas of the IT industry has significantly lowered the barrier of entry to digital transformation programmes, with cloud computing bringing scale and advanced capabilities with costs that grow in line with the organisation's usage levels and a great deal of the heavy lifting taken care of by the cloud provider.

A subset of this wider digital transformation trend is the cloud-based communication transformation that sits within an organisation's overall DX programme. Maintel is perfectly placed to consult, advise and execute on such transformation programmes due to our heritage in communications, our proven experience in executing complex examples of such transformations and with a vendor independent portfolio that provides public, private and hybrid cloud deployment options. With analyst forecasts for the UCaaS market estimating 11.6%[1] CAGR to 2025 and 29%[2] for the CCaaS market, there is plenty of market to go after.

Maintel's SD-WAN based multicloud connectivity proposition is also perfectly placed to help organisations securely connect their people to their applications and their data, agnostic to the clouds they're distributed across. With analysts suggesting that the SD-WAN market is set to grow by 34.5%[3] CAGR between now and 2025, this represents a significant opportunity to Maintel going forward.

2) The move to flexible, hybrid working

A trend which was accelerated during the pandemic is the need for organisations to provide secure, flexible and scalable remote working capability to enable their teams to work seamlessly from anywhere, with a secure and high-quality experience for their employees. They also need to find new ways to promote and facilitate collaboration, keep culture cohesive and facilitate efficient remote workflow processes with blended remote and in the office personnel.

Many organisations have seen an almost complete inversion of their enterprise architectures. The majority of their data and applications were in corporate or co-location data centres, or in on-premise comms rooms; and the majority of users sat in corporate offices. This has changed significantly with much of the data and application payload now being delivered from public cloud platforms and the user community frequently flipping between remote working and office time. Much of what was inside the perimeter, and therefore their control in a traditional corporate network, is now external to the business and therefore outside the ring fence, exposing organisations to poor application performance, a lack of visibility and increased security vulnerability. This also drives the need to fundamentally review their governance and control environments.

Maintel is perfectly placed to capitalise on this trend and challenge with our multicloud connectivity offering, underpinned by our carrier grade core ICON network, our private and internet connectivity services, Software Defined Wide Area Network (SD-WAN) and security technology.

1 "Forecast: Unified Communications, Worldwide, 2018-2025, 1Q21", Gartner, March 2021
2 "Forecast Analysis: Contact Centre, Worldwide", Gartner, January 2021
3 "Software-Defined Wide Area Network Market by Components, Deployment Type and Region – Global Forecast to 2025", Markets & Markets, August 2020

3) The phased switch-off of the BT public switched telephone network (PSTN), which has already started and concludes in 2025

Maintel has a significant customer base using the BT PSTN, transacting circa 30 million minutes of calls across this legacy network each month. This well-established transaction base and the wider base of non-Maintel customers using this network represent a significant opportunity over the next four years, as all UK organisations will be forced into migrating to modern, IP based digital technologies creating a guaranteed opportunity for those who can exploit it well. With a carrier grade digital voice SIP Trunking platform already built and in operation, Maintel is well placed and ready to grasp this valuable opportunity.

4) With the ever-increasing threat of cyber-attack and/or data breaches, hardly a week goes by without hearing of another organisation sadly becoming a victim of cybercrime. Attacks are increasing in frequency, volume and sophistication, leaving many organisations without the necessary skills or technology to protect themselves

Maintel has a suite of managed security services, currently focussed on network security, which we plan to expand into the wider managed cyber security space, with reports showing the managed security services market is set to grow by 14%[4] CAGR between now and 2026.

Mergers and acquisitions

Maintel has purposefully not acquired other businesses during recent years, choosing to focus on restructuring, returning to organic growth and building on our own IP. We will consider acquisitions to add capability and/or diversification to our portfolio and services to ensure we remain market leading.

Investing in Maintel's future

As a pioneering company, we consistently invest in ensuring our proposition stays relevant and best in class. We invest in our people and provide an environment where they are equipped with the skills needed to deliver today's services with an eye on future proofing and evolving customer needs. Throughout FY21 we continued to fund our investment in R&D, centred out of our Maintel Technology Centre in Fareham. Our focus during the year has been:

- The continued development of our CCaaS offer, Callmedia CX Now. After the initial Minimum Viable Product (MVP) launch, we have been focussed on adding significant features and capability to the service, such as enhancing our new web-based interfaces and an integration with Talkative, an advanced chat platform, which has allowed us to introduce market-leading webchat, video chat, social messaging and co-browsing capabilities
- Our continuous enhancement of the ICON Portal, our customer digital engagement interface, during 2021 has seen us migrate the remaining Maintel customer base onto the new portal, whilst also introducing new features such as a marketing advertisement banner and enhancements to the support ticketing capability. This has allowed us to completely replace the legacy third-party customer portal previously employed
- Significant advancement of our iQuote configure, price, quote (CPQ) application, which significantly reduces our time to quote provides the starting point for the completely revised quote to cash process, forms a critical pillar in our own digital transformation programme
- Improving our operational effectiveness – the continued development of our automation DevOps stack, including the development of context; a new web-based frontend for our operational automation suite. Allowing for faster and more accurate provisioning of our services, as well as significant efficiencies for in-life management of our services
- Increasing the capacity of our core ICON platform as we continue to grow our cloud and network footprint

4 "Managed Security Services (MSS) Market … - Global Forecast to 2026", Markets & Markets, October 2021

Glossary

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, alongside alternate pricing models such as paying per transaction or perpetual licencing.
Communication Platform as a Server (CPaaS)	A public cloud-based API toolkit for communications. Making communications capabilities such as SMS, voice and social messaging readily available to the software development community via standardised API frameworks.
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.
Hybrid Cloud	The use of more than one cloud environment (normally two) to deliver a single IT application or infrastructure. For example, a unified communications application that's delivered from a private cloud, but with elements deployed on customer premise to provide resilience in the event of a loss of communication to the private cloud.
Infrastructure as a Service (IaaS)	The delivery of an infrastructure platform, where the provider is responsible for everything up to the physical servers and virtualisation layer and the customer is responsible for the rest. Often these providers offer many value-add services too. For example, Amazon Web Services, Microsoft Azure and Google Cloud Platform.
Internet of Things (IoT)	The use of the Internet for Machine to Machine (M2M) communication. The use cases are many and varied, from sensors of all variety reporting back central cloud data analytics and/or alerting platforms, to the connectivity of everyday objects such as fridges and televisions.
Multicloud	The use of more than one cloud environment by a single organisation, to deliver disparate IT applications and infrastructure. This can include both public and private cloud and SaaS, PaaS and IaaS based services. For example, using a particular IaaS provider for delivery of an ERP platform and a separate cloud SaaS provider to deliver a CRM application.
On-premise	Any equipment or software deployed within a customer's own office, branch or data centre.
Platform as a Service (PaaS)	The delivery of a platform capability from the cloud, where the provider is responsible for the layers of the platform up to and including the Operating System and API layer, and the customer is responsible for the application that consumes its service. For example, CPaaS providers such as Twillio and Amazon Connect.
Public Switched Telephone Network (PSTN)	The legacy analogue BT telephony network, which is being switched off in 2025 with exchange stop-sells occurring across the country each month between now and the forecast end date of this program.

Software as a Service (SaaS)	The delivery of an application from the cloud, where the provider is responsible for all layers of the platform and the customer simply consumes the application. For example, Salesforce.
Session Initiation Protocol (SIP) Trunking	SIP Trunking is the IP based digital replacement for all multi-line use cases of the legacy Public Switched Telephone Network.
Software Defined Wide Area Network (SD-WAN)	The latest generation of wide area networking technology which enables centralised and simple configuration and connection irrespective of the underlying circuit or wireless technology, plus a range of business-oriented networking services.
Unified Communications (UC)	Unified Communications is a suite of tools to allow team members to collaborate, including instant messaging (IM), presence, screen and document collaboration and both audio and video conferencing.
Unified Communications as a Services (UCaaS)	The implementation of unified communications tools without the need for an organisation to install hardware or software on their premises or in their data centres. UCaaS is typically provided on a "pay as you go" basis with minimal up-front costs and sometimes with 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 by 2% to £103.9m (2020: £106.4m) and adjusted EBITDA increased to £9.6m (2020: £9.5m). Revenue was impacted by:

- Semi-conductor supply issues, resulting in £2m negative revenue impact in December 2021
- No revenue contribution from Doc Sol post disposal in April 2021 of £300k per month, resulting in £2.4m revenue impact
- Non repeat of one-off stock sale in December 2020 for £1.3m revenue through Agilitas

Recurring revenue as a % of total revenue (being all revenue excluding one-off projects) decreased to 69% (2020: 73%). Recurring revenue declined by £5.8m (2021 £71.9m / 2020 £77.8m) as a result of:

- No cost per copy revenue post Document Solutions sale in April 2021. Impact of £1.2m for the remaining eight months
- Managed Support revenue decline of £4.9m as a result of customer churn through the pandemic, price erosion on contract renewal and transition of customers to cloud
- Calls+Lines declined by 8.6% to £11m, down £1.2m from £12.2m in 2020, largely due to overall market decline in PSTN and transition to SIP and cloud
- Data reduced by 4% (£800k) to £16.3m, down from £17.1 in 2020 mainly due to price erosion
- Mobile reduction of 20% (£1.2m) to £4.8m down from £6m in 2020 due to customer contracts moving direct to network operator (Leicester County Council and Currys)
- However, cloud revenue grew by £3.4m in 2021 due to continued growth in public and private cloud contracts. This positive contribution resulted in an overall recurring revenue decline of £5.8m

Gross profit for the Group increased to £34.1m (2020: £30.9m) with gross margin increasing to 32.8% (2020: 29.0%).

The Group delivered adjusted profit before tax of £6.8m (2020: £6.3m). Adjusted earnings per share (EPS) increased by 4% to 33.2p (2020: 31.9p) based on a weighted average number of shares in the period of 14.4m (2020: 14.3m).

On an unadjusted basis, the Group generated a profit before tax of £5.2m (2020: loss before tax of £2.2m) and basic earnings per share of 32.5p (2020: loss per share of 12.1p). This includes £3.9m of net exceptional income (2020: net exceptional costs of £2.5m) (refer note 12) and intangibles amortisation of £5.4m (2020: £6.3m).

	2021 £000	2020 £000	(Decrease)/ increase
Revenue	**103,895**	106,430	(2)%
Profit/(loss) before tax	**5,237**	(2,232)	
Add back intangibles amortisation	**5,416**	6,286	
Exceptional items[c]	**(3,901)**	2,482	
Share based remuneration	**49**	(259)	
Adjusted profit before tax	**6,801**	6,277	8%
Adjusted EBITDA[a]	**9,593**	9,522	1%
Basic earnings/(loss) per share	**32.5p**	(12.1p)	-
Diluted	**32.5p**	(12.1p)	-
Adjusted earnings per share[b]	**33.2p**	31.9p	4%
Diluted	**33.1p**	31.8p	4%

(a) Adjusted EBITDA is EBITDA of £13.4m (2020: £7.3m) less exceptional items and share based remuneration (note 11)
(b) Adjusted profit after tax divided by weighted average number of shares (note 10)
(c) Exceptional items includes proceeds from disposal of plant and equipment of £4.3m, net of disposal costs (note 12)

Cash performance

The Group generated net cash flows from operating activities of £4.4m (2020: £9.6m) resulting in a cash conversion[c] of 48% for the full year (2020: 123%). Net cash flows from operating activities included a £2.1m working capital repayment (2020: £2.9m benefit) arising from HMRC's COVID-19 VAT deferral scheme. Excluding this repayment underlying cash conversion was 70%[c] (2020: 79%).

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

Review of operations

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

Revenue analysis	2021 £000	2020 £000	(Decrease)/ increase
Managed services related	**29,456**	35,614	(17)%
Technology[d]	**31,948**	28,617	12%
Managed services and technology division	**61,404**	64,231	(4)%
Network services division	**37,689**	36,201	4%
Mobile division	**4,802**	5,998	(20)%
Total Maintel Group	**103,895**	106,430	(2)%
Cloud and Software Revenues	**35.7**	27.7	28.9%

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

Elements of cloud services revenues are currently accounted for in both the managed services and technology division (under the technology revenue line), and the network services division. All revenues from cloud and software customers' accounts for 34% of total Group revenues in the period (2020: 26%). Pure cloud subscriptions and associated managed services grew by 52% to £9.9m in the period (2020: £6.5m).

As part of the Group's review of its technology strategy and portfolio of products and services, the Doc Sol division of the business was divested to HIG-backed managed print services provider Corona Corporate Solutions (CCS) in May, for £4.5m. This has allowed Maintel to focus on areas more aligned to its core business and future strategic direction whilst also strengthening the balance sheet.

Managed services and technology division

The managed services and technology division contains two distinct revenue lines:

- **Managed Services**: all support and managed service recurring revenues for hardware and software located on customer premises. This includes both legacy PBX and contact centre systems, which are in a managed decline across the sector as organisations migrate to more effective and efficient cloud solutions with areas of technology such as Local Area Networking (LAN), WiFi and security, which are still very much current and developing technology areas and therefore enduring sources of revenue.
- **Technology**: all one-off revenues from hardware, software, professional and consultancy services and other one-off sales.

Business review continued

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.

	2021 £000	2020 £000	(Decrease)/ increase
Division revenue	**61,404**	64,231	(4)%
Division gross profit	**18,720**	17,620	6%
Gross margin (%)	**30%**	27%	

Despite revenues in this division decreasing by 4% to £61.4m, gross profit increased by 6% driven by a 12% increase in professional services margin. Revenues from both technology and professional services grew by 14% and 9.4% respectively, however this was outweighed by a £6.2m (17.3%) decline in the traditional on-premise managed service revenues, in line with and driven by the global market rate of decline in the legacy PBX and contact centre markets. Some of this decline did benefit the Network Services division with customers from our legacy managed service base transitioning to Maintel's cloud-based services during the period, most notably a significant cloud transformation contract for Admiral Insurance.

Technology hardware sales were impeded by the current global semiconductor shortage which has resulted in a significant extension of supplier lead times for several key hardware items. In December alone the Group took orders worth more than £2m of such products which could not be taken to revenue as a direct result of this shortage. This has contributed to project go live delays, made worse by the second nationwide lockdown between January and March 2021 which, in combination, suppressed revenues in this division. However, as a result, Maintel has exited the year with a healthy order book for the division.

Network services Division

The Network Services Division is made up of three strategic revenue lines:

- **Cloud –** subscription and managed service revenues from cloud contracts
- **Data –** subscription, circuit, co-location and managed service revenues from Wide Area Network (WAN), SD-WAN, internet access and managed security service contracts
- **Call traffic and line rental –** recurring revenues from both legacy voice and modern SIP Trunking contracts

	2021 £000	2020 £000	(Decrease)/ increase
Call traffic	**3,753**	4,507	(17)%
Line rental	**7,292**	7,583	(4)%
Data connectivity services	**16,342**	17,088	(4)%
Cloud	**9,869**	6,476	52%
Other	**433**	547	(21)%
Total division	**37,689**	36,201	4%
Division gross profit	**13,228**	10,669	24%
Gross margin (%)	**35%**	29%	

Network services revenue grew by 4% and improved gross profit by 24% due to the growth in the higher margin cloud revenue products and offsetting the decline in lower margin call traffic revenues.

Although our SIP channel base saw a net increase of 19.7%, our fixed line revenues (shown above under call traffic and line rental) declined by 9.1% to £11m (2020: £12.1m), reflecting the overall market decline for legacy Public Switched Telephone Network (PSTN) products plus the migration of some existing customers from legacy voice services with pence per minute call billing in favour of modern SIP Trunking services with all-inclusive call bundle based pricing.

Data connectivity revenues declined by 4%, mostly due to pricing erosion. Our SD-WAN based "multicloud connectivity" proposition reached maturity in 2021, with several large, long-term contract wins including Currys, Sanctuary Housing Group, Biffa and JD Sports. Due to the time taken to rollout such significant SD-WAN deployments combined with hardware lead time delays driven by global semiconductor shortages, the recurring revenues from these contract wins will be realised later in 2022, with full year benefits flowing into 2023 and beyond providing a fantastic platform for a return to growth of this revenue line.

The number of contracted seats across our cloud communication services increased by 30% in the year to 132,000 at the end of December. Revenue from cloud and software customers amounted to £35.7m (2020: £27.7m), with a 52% growth in our recurring cloud subscriptions and associated managed services to £9.9m (2020: £6.5m).

87% of the new seat growth came from our flagship ICON private cloud services and includes cloud transformation contracts for Admiral Insurance and Sanctuary Housing Group. However, there were also key wins in our new public cloud (UCaaS and CCaaS) portfolio, including contract wins for Creation Finance and Biffa Waste Services. Demand for the Virtual Private Cloud service that ICON Communicate offers remains high, but across a more focussed section of our target market - mainly in Finance, Insurance, Healthcare and Housing – with very high (99.999%) core availability, guaranteed UK data sovereignty and allowing customers to manage platform change and evolution at their own pace. Outside of these areas, we have seen the pipeline for other vertical markets swing significantly in volume and timing in favour of public cloud services due to their ease and speed of deployment and rapid innovation in areas such as collaboration and customer experience. Maintel is well placed to serve both markets.

Mobile division

Maintel's mobile division generates revenue primarily from commissions received as part of its dealer agreements with O2 which scales in line with growth in partner revenues, in addition to value added services sold alongside mobile such as mobile fleet management and mobile device management.

	2021 £000	2020 £000	(Decrease)
Revenue	**4,802**	5,998	(20)%
Gross profit	**2,163**	2,595	(17)%
Gross margin (%)	**45%**	43%	
Number of customers	**647**	811	(20)%
Number of connections	**27,478**	30,758	(11)%

Business review continued

These revenues decreased by 20% to £4.8m (2020: £6.0m) with gross profits held at a more modest reduction of (17%) and overall gross margin increased by 2% YOY to 45% (2020: 43%), driven by the loss of two significant mobile contracts which were high revenue, but low margin.

Maintel's mobile proposition continues to be multi-faceted, being vendor agnostic and ensuring we are configurable, which ensures 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) and our revitalised product roadmap for this division will see the introduction of exciting new technology in areas such as 5G and the Internet of Things (IoT), alongside the planned launch of reporting and self-service functionality within our ICON Portal digital customer engagement platform.

The Mobile Division had a relatively slower growth year in terms of net new logo wins. However, a mobile estate refresh for distribution giant Westcon-Comstor was a significant win, offsetting the two large contract losses referenced above; generally overall churn is low for this revenue stream as customer lifetime value is a more important part of our success.

Other operating income

Other operating income of £0.6m (2020: £0.6m) includes the recovery of one year's R&D tax credit of £0.5m (2020: £0.5m) and rental income from the sub-letting of a part of the Group's London premises of £nil (2020: £0.1m).

Other administrative expenses

	2021 £000	2020 £000	Increase
Other administrative expenses	**26,674**	23,879	**12%**

Other administrative expenses for the Group increased by 12% to £26.7m (2020: £23.9m). The main driver of the increase is a reclassification during the year of project delivery and support salary costs of £4m from cost of sales. There is a mixture of cost decreases such as a 11% reduction in the Group's headcount to 515 at 31 December 2021 (2020: 560), the successful completion of business reorganisation and right sizing of our operations. Support received from the Government's Job Retention Scheme in the year amounted to £0.04m (2020: £0.4m).

The level of the Group's administrative expenses will continue to be tightly controlled in 2022 and we expect to deliver further cost savings in the period.

Exceptional items

Exceptional gains of £3.9m (2020: exceptional loss of £2.5m) is substantially driven by the disposal of Doc Sol; net proceeds were £4.3m, after professional costs of £0.2m. Other exceptional gains include £0.1m associated with an onerous property lease provision release. In 2020, £1.7m of exceptional costs related to restructuring and reorganising of the Group's operational structure. A full breakdown is shown in note 12.

Interest

The Group recorded a net interest charge of £1.1m in the year (2020: £1.3m), which includes £0.1m relating to IFRS 16 in line with the prior year (2020: £0.2m).

Taxation

The tax charge in the period of £0.6m (2020: tax credit £0.5m) is driven by the net combined effect of the current taxation of profit of £0.8m (2020: £0.2m); offset by deferred tax credits on PPE and intangibles of £0.2m (2020: £0.7m).

Dividends and earnings per share

The continued impact of the pandemic throughout 2021 and into 2022, combined with external macro-economic challenges in global supply chain with regards to semi-conductors and recent conflicts in the Ukraine means the Board is taking a prudent approach to dividend policy and again made the decision not to propose a final dividend for the full year 2021 (2020: nil pence per share). It remains the Board's intention to review returns to shareholders when economic conditions improve and financial performance permits.

Adjusted earnings per share is at 33.2p, an increase of 4% on prior year (2020: 31.9p). On an unadjusted basis, basic earnings per share is at 32.5p (2020: loss per share 12.1p).

Consolidated statement of financial position

Net assets increased by £4.7m in the year to £23.5m at 31 December 2021 (2020: £18.8m) with the key movements explained below.

Trade and other receivables increased by £7.4m to £30.2m (2020: £22.8m), driven by an increase in prepayment and accrued income to £15.7m (2020: £8.7m). Within this, accrued income increased by £3.5m, driven by some large individual project accruals; prepayments increased by £3.5m, comprising £2.5m Managed Services (including £1.2m Avaya bulk subscription purchase and £1m West Lothian/Exclusive Network five-year support costs), and £1m Cloud.

Non-current accrued income per note 18 of £nil (2020: £1.0m); last year's accrual relates to the sale of the Group's consumable and spares inventory to a third-party logistics provider on repayment terms over three years.

Trade and other payables increased by £0.5m to £44.3m (2020: £43.8m); this increase is the net of (i) higher trade payables of £1.5m in December 2021 in respect of Avaya bulk subscription licences (ii) an increase in deferred income of £2.8m driven by cloud advance billings; (iii) a reduction in Atos deferred consideration of £2.2m; and (iv) the reduction of deferred VAT on other taxes and social security of £2.2m.

Borrowings of £19.4m (2020: £22.2m) represent the Group's drawn down debt and overdraft facility.

Non-current other payables of £0.5m (2020: £2.2m) includes deferred consideration relating to the previous acquisition of the customer base from Atos £nil (2020: £1.2m).

Cash flow

As at 31 December 2021 the Group had net debt of £19.4m, excluding issue costs of debt, (31 December 2020: £22.3m), equating to a net debt: adjusted EBITDA ratio of 2.0x (2020: 2.3x).

Business review continued

An explanation of the £2.9m decrease in net debt is provided below.

	2021 £000	2020 £000
Cash generated from operating activities before acquisition costs	**4,408**	9,573
Taxation paid	**(192)**	(158)
Capital expenditure	**(2,213)**	(2,650)
Issue costs of debt	**(39)**	(53)
Interest paid	**(907)**	(1,105)
Free cash flow	**1,057**	5,607
Proceeds on disposal of Doc Sol (net of costs)	**4,344**	-
Payments in respect of business combination	**(1,244)**	(1,096)
Proceeds from borrowings	**-**	4,500
Repayments of borrowings	**(3,000)**	(8,000)
Lease liability payments	**(1,155)**	(1,174)
Increase/(decrease) in cash and cash equivalents	**1**	(163)
Cash and cash equivalents at start of period	**(3,845)**	(3,696)
Exchange differences	**(25)**	14
Cash and cash equivalents at end of period	**(3,869)**	(3,845)
Bank borrowings	**(15,493)**	(18,500)
Net debt excluding issue costs of debt and IFRS 16 liabilities	**(19,362)**	(22,345)
Adjusted EBITDA	**9,593**	9,522

The Group generated £4.4m (2020: £9.6m) of cash from operating activities and operating cashflow before changes in working capital of £9.4m (2020: £7.4m).

Cash conversion in 2021 was 48%[c], including a £2.1m working capital repayment under the HMRC VAT deferral scheme, declining from the 123% conversion level delivered in 2020.

Capital expenditure of £2.2m (2020: £2.7m) was incurred relating to the ongoing investment in the ICON platform, IT infrastructure and continued development of Callmedia, the Group's contact centre product.

Payments in respect of business combinations of £1.2m (2020: £1.1m) 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 21.

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

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 quarterly, 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 25.	⟷
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.	⟷

Business review continued

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. Due to the unprecedented semi-conductor shortage, we are monitoring our key suppliers more closely for adverse impacts and have raised the risk level accordingly. We have not identified any immediate elevation of supplier failure risk as a result of the COVID-19 pandemic.	↔
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 (2020: none). 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. Whilst the most disruptive effects of the COVID-19 pandemic (which led us to assess customer failure as an increased risk for 2021) have hopefully passed, we acknowledge that disruptions to trade flows, increased energy and other input costs and economic shocks may put a strain on some of our customers.	↑

↔ 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 23 to the financial statements.

COVID-19

The business has robust business continuity plans in place which have enabled us to continue our operations in the face of various adverse scenarios, especially in 2020 and 2021. These were implemented in response to the instruction to "work from home" in the first and second lockdown periods and have functioned well.

During the second national lockdown, the majority of the workforce continued to work from home, whilst our essential employees, namely our engineers, continued to attend customer sites, where allowed, to implement projects or maintain on site equipment.

During the second and third quarters, employees started to return to the offices which remained open throughout 2021, however, during the rise of the Omicron variant in the fourth quarter, and adhering to government guidelines, a fully hybrid and remote working strategy was implemented for the safety and wellbeing of employees.

The Board took a number of positive and timely actions to conserve cash and maintain a satisfactory liquidity position during this period.

- The Group successfully completed an amendment and extension of its existing bank facilities in May 2021 with the National Westminster Bank Plc. The revised facility of £34.5m provided the Group with more flexible covenants and additional funding headroom (this included a Government backed CLBILs loan of £4.5m, repayable in October 2021)
- The Board made a decision not to declare a final dividend for the full year 2021 and it is the Board's intention to review returns to shareholders when conditions improve and financial performance permits, as outlined in the 2021 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.

Outlook

The foundation of the business has now been set and I look forward to continued organic growth over the coming years. I remain mindful that whilst we still face challenges in 2022 with inflation rates and economic and political uncertainty, the Maintel Team is operating "as one" with a renewed drive to succeed and better serve our customers. The first quarter is in line with management expectations and the team are building a healthy pipeline across both the public and private sectors. Forecasts to date indicate that the Sales Team will deliver their sixth consecutive quarter of Revenue and GM target.

Whilst we continue to see the easing of the pandemic during 2022, we remain mindful of a potential further variant and as such continue to adopt a hybrid working environment for the team, ensuring we are fully operational whilst utilising our current offices. We continue to review and renegotiate our office utilisation and commitments and plan to adjust our real estate accordingly.

The semi-conductor supply issue remains an imminent threat to revenue, especially during the first half of 2022. The lack of required hardware has already impacted Q4 2021 by over £2m and is likely to have a greater negative impact in Q1 and Q2 of 2022.

Whilst the Group continues to work closely with our key vendors on delivery dates, it is anticipated that supply will not return to previous levels until at least H2 of 2022. We are mitigating customer impact wherever possible whilst managing expectations and project delivery.

Our portfolio will continue to expand as further releases of our own IP products are taken to market, in particular Callmedia CX Now, ICON Portal, ICON SIP and further integration with Microsoft Teams. Furthermore, we will be launching new solutions on CPaaS with Twillio and Amazon, 5G and IoT to build back our mobile revenues, as well as expanding our security portfolio to include a SOC for cyber security.

Business review continued

With two consecutive years of 30%+ cloud growth, our intention is to continue this momentum through 2022, supported by both public and private cloud solutions and in anticipation of public sector tenders starting to return to pre-pandemic levels, especially within the health sector. Our sales teams remain focused in supporting our customers transition to a managed cloud offering, whilst ensuring they benefit from additional functionality, scalability and efficiencies.

Whilst we expand our portfolio and services, we will invest in the digital transformation of the Group, with specific projects already underway to fully integrate our key business systems, financial systems and customer data, the purpose of which is to increase efficiencies, aid our sales, operations and project teams, and to ensure we provide our valued customers with improved business flows and "ease of business".

Our ESG strategy has been implemented following the appointment of Joanne Ballard as ESG Strategy and Compliance Director in July 2021, and we have clearly set out the targets we wish to achieve over the forthcoming years and as such, take responsibility for a more sustainable future. Establishing our ESG office has ensured our reporting and targets are generally compliant with tenders being issued through Crown Commercial Services and in the private sector, as well as complying with banking requirements and supporting our shareholders on sustainable and responsible investment.

We will be integrating these targets with social events through 2022, to "unite" our team following such a lengthy remote working environment, whilst ensuring their safety and wellbeing.

The Group has performed admirably over the past two years and I look forward to seeing the fruits of the renewed energy and confidence that exists in the Group as we continue our growth. Maintel's vision is to help every organisation to thrive through the application of technology and a human touch. We see technology as the enabler, not the outcome. I am therefore positive about the future, albeit mindful of the challenges that lie ahead. There remain some headwinds as we progress through 2022, predominately in relation to global hardware and supply chain issues which we are managing closely.

Invest

Throughout FY21 we continued to invest in our portfolio of products and services, our people, and our intellectual property.

FY21 saw the full "General Availability" release of our own Callmedia CX Now public cloud CCaaS platform, plus three subsequent major feature releases, as it continues to grow in both capability and maturity. Four customers are now using the platform, as well as Maintel using it to run our own Service Desk, inbound and outbound sales calling and web chat facilities. With the platform now ready to challenge the market and a growing pipeline, a renewed sales focus will be brought to bear on Callmedia CX Now in FY22.

The period also saw over 30 other product initiatives, including the launch of Maintel's own "ICON SIP" service, RingCentral for public sector (private sector launched in FY20), a mid-market focussed version of our SD-WAN managed service based on Cisco Meraki technology, new ISDN and single line PSTN replacement services in readiness for the BT PSTN switch off and many enhancements to a number of our existing key cloud and network services such as ICON Communicate, ICON Teams Connector, ICON Secure, ICON Connect and our overarching Managed Services proposition.

Our ICON Portal digital customer engagement platform also continued to grow in capability and usage, with all remaining customers migrated over during the period.

Dividend policy

The continued impact of the pandemic throughout 2021 and into 2022, combined with external macro-economic challenges in global supply chain with regards to semi-conductors and recent conflicts in the Ukraine means the Board is taking a prudent approach to dividend policy and again made the decision not to propose a final dividend for the full year 2021 (2020: nil pence per share). It remains the

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

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

Post year-end events

Banking facilities

On 24 March 2022, the Group signed a new three-year banking arrangement with HSBC UK Bank plc ("HSBC") to replace its current bank facilities with the National Westminster Bank Plc ("NWB"). The NWB facilities were due to expire on 27 October 2022. The new facility with HSBC consists of a revolving credit facility ("RCF") of £20m in committed funds with a £6m term loan on a reducing basis. Interest terms for the RCF and term loan are linked to SONIA 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. See page 36 for who our key stakeholders are and how the Board has made principal decisions relating to each stakeholder group.

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 32-53.

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 23-24, the Audit and Risk Committee Report on page 44 and the Remuneration Committee Report on page 47.

Business review continued

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 36. A broader analysis of our activities can be found in the separate Sustainable Business Report.

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 clients and 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 36.

Employees

The Board understands how vital our employees are to the success of our business. During 2021, the Board engaged with employees through regular consultations and Chief Executive Officer 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 37.

On behalf of the Board

Ioan MacRae
Chief Executive Officer

30 March 2022

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 the National Gallery, and a trustee of several other charities.

Carol Thompson

Senior Independent Non-Executive Director

Appointed: 1 October 2021

Committee membership:
A N R

Previous experience:
Carol is a Fellow of the Chartered Institute of Management Accountants and has over 20 years' experience in Senior Finance roles, gained in both private and public companies. Between 2011 and 2015 she held the position of Chief Financial Officer at SSP plc, the global software Company. Prior to SSP plc, she was Chief Financial Officer at Electricity North West, served as Group Finance Director at The Tote during its privatisation process, and at Stanley Leisure plc, acquiring significant knowledge of Company strategy, mergers and acquisitions, and refinancing. Most recently she has focused on building a portfolio of Non-Executive and advisory roles in the technology, regulatory, legal and professional services sectors.

External appointments
Carol is a Non-Executive Director and Chair of the Audit Committee for Foresight Solar and Technology PLC.

Nicholas Taylor

Independent Non-Executive Director

Appointed: 1 January 2006

Committee membership:
A R Chairman N R Chairman

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 Chief Financial Officer and Chief Executive Officer – 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
None

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 and Solutions Director at both Maintel and Proximity Communications. Dan has a background in networking, customer experience and unified communications and following his appointment as Chief Technology Officer in January 2020, was appointed to the Board in September 2020.

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 to 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 its strategic aims.

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 10 principles, which provide a framework for assessing our performance as a Board and as a company:

The 10 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 7-10.

The principal risks and uncertainties affecting the Group are shown on pages 26-29.

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 2021, many of these meetings were held virtually as a result of 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. We were unable to hold an open AGM in 2021 due to the restrictions in place arising from the COVID-19 pandemic. The Board is committed to providing an open AGM and those who wish to attend the 2022 meeting will be welcome. However, because of the ongoing risks inherent in holding large meetings, the Board encourages shareholders to vote by proxy this year rather than attending in person.

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 Officer and Chief Financial Officer, and the Senior Independent Director makes herself available to institutional investors should they require an alternative communications route to the Group.

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

The Directors consider 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 2021.

Employees
Maintel's success is dependent on the knowledge, skill and engagement of its employees and in 2021 COVID-19 continued to place considerable additional burdens on our workforce. Many of our colleagues worked from home for much of the year, juggling the needs of family and work and adapting – often at short notice – to changes in government guidance. Others continued to service our customers at their premises, sometimes in difficult environments. All sought to provide the same high quality of professional service to their colleagues, customers, prospects, partners and suppliers in challenging circumstances.

Our increased focus on staff welfare and communications continued throughout 2021. The Chief Executive Officer and other members of the Executive Management Team held regular 'town hall' meetings, both across the Company's offices and online, backed up with emailed updates to all staff. The Group's employee representative and engagement forum, "Maintel Matters", met 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, providing vital input to decision making around the Group's response to the pandemic, arrangements for returning to work, changes to working patterns – and much else.

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 7-15, 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. 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.

This executive sponsorship programme allows the Group to communicate its activities directly to the senior decision makers within the most significant customers, and to hear first-hand about the evolving needs of those customers, which in turn informs the Group's decision-making around its 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.

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 communication was in place to ensure good operations between the Company and its business partners for managing challenges such as the pandemic and supply-chain issues connected to Brexit and the global shortage of semiconductors. These key relationships also enable the Executive Directors to inform the Board about the view of the market from the perspective of suppliers – and in particular about future technological developments – providing vital input to the Board's Annual Strategic Review.

Report on Corporate Governance continued

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.

2021 saw a major increase in the Group's commitment to sustained improvements in its environmental, social and governance activities. Significantly, we have explicitly aligned our journey to the UN Sustainable Development Goals. There are many goals that we contribute to, and we are continuing to improve. The ones that we have identified as material to our business are:

- SDG 4 – Quality Education
- SDG 5 – Gender Equality
- SDG 8 – Decent Work and Economic Growth
- SDG 9 – Industry Innovation and Infrastructure
- SDG 13 – Climate Action
- SDG 16 – Peace, Justice and Strong Institutions

We measure our contribution to those goals against defined metrics, using the official World Wide Generation G17ECO tracker.

In 2021 we also signed up to the Science Based Targets initiative and have committed to reducing our carbon footprint in line with what science says is necessary to reduce global warming to 1.5°C.

More information about the Group's commitments to sound environmental, social and governance policies can be found in our separate Sustainable Business Report and section 172 statement.

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

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

- Financial
- Health and safety
- Environmental
- IT security
- Legal and regulatory compliance
- Strategic suppliers and partners

This exercise determines the risk profile the business is prepared to accept in pursuit of its strategy. The Group operates a robust risk management framework to identify, monitor and mitigate risks to the achievement of its strategic goals. The principal risks are reviewed by the Board quarterly, with newly identified or intensified risks being addressed as the need arises.

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 44-45 further describes its responsibilities and actions taken during 2021. The principal risks affecting the Group are described on pages 26-29.

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

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

The Chairman is responsible for ensuring that the Company has a well-balanced and qualified Board of Directors.

During the year, Annette Nabavi resigned as Senior Independent Director of the Company. The Nomination Committee, which is chaired by the Chairman of the Board, took the lead in identifying and recruiting a suitable successor and Carol Thompson was appointed as Senior Independent Director in October. Carol Thompson brings a wealth of relevant experience to the Group. Biographical details are to be found on page 30.

Following Annette Nabavi's resignation, and in light of Carol Thompson's financial background and qualifications, Nicholas Taylor took over as Chair of the Remuneration Committee and Carol Thompson took over the Chairmanship of the Audit and Risk Committee.

Also during the year, Mark Townsend resigned as Chief Financial Officer of the Group, and the Nomination Committee set about recruiting a suitable successor. While this has taken longer than might have been hoped, good progress has been made and the Board hopes to be in a position to announce the appointment of a new Chief Financial Officer shortly. Meanwhile, the Board ensured that arrangements were in place to safeguard the financial management of the Group. As part of those arrangements, Carol Thompson has provided additional support to the finance team on an interim basis.

Consequently, in order to preserve fully independent oversight, during this period Nicholas Taylor has temporarily renewed his Chairmanship of the Audit and Risk Committee, which will revert to Carol Thompson when the new Chief Financial Officer begins work.

Rufus Grig resigned as Company Secretary in May 2021 and the Board, having consulted with the Company's NOMAD and elsewhere, decided to appoint ONE Advisory Limited, who had been providing support to the Company secretarial function since 2020, as Company Secretary.

The Board operates to a schedule of matters reserved to it, which is reviewed annually. It was last reviewed in March 2021and is due to be reviewed again in June 2022.

Each Non-Executive Director must be able to devote sufficient time to the role to discharge his or her responsibilities effectively. The Chairman assesses the time commitment of the Non-Executive Directors 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 Remuneration Committee reviews the performance of the Executive Directors annually (see the report of the Remuneration Committee on pages 43-48). The Chairman reviews the performance of the Non-Executive Directors and, led by the Senior Independent Director (SID), the Non-Executive Directors also meet without the Chairman present to discuss his performance. The Board reviews its effectiveness as a whole as set out under Principle 7 below.

The Directors are agreed that, as described in the Board of Directors section on pages 42-44, the Non-Executive Directors exercise independent judgement, challenge the Executive Directors effectively, and commit sufficient time to the fulfilment of their duties as Directors of the Company. Consequently, 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 44-53 and on the Company's website, maintel.co.uk. The Directors believe that, given the

Report on Corporate Governance continued

external roles they hold and have held, and the knowledge and insight gained as Directors of the Company, the members of each committee has the appropriate experience to fulfil their committee responsibilities.

The record of Directors' attendance at Board and committee meetings during 2021 can be found on page 41.

6. Ensure that between them the Directors has 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.

The Company continues to employ 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. ONE Advisory was appointed as Company Secretary in 2021.

The Board regularly reviews the appropriateness of 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; it 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 48. 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 identified a number of areas for improvement, chief among them better succession planning and broadening the diversity of both the Board and the Executive Management Team. These conclusions were reflected in the appointment of Carol Thompson and influenced the selection criteria in the selection of the new Chief Financial Officer. The Chief Executive Officer also carried out a comprehensive review of succession planning, which was completed in June 2021 and will be regularly reviewed and updated.

The Board recognises the value of formal evaluation and is committed to regular reviews. However, it decided to postpone the next formal review until the new Board members have had time to establish themselves.

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. 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.

Given the increased emphasis on the environmental and social aspects of good governance and the changes in working practices that have been accelerated by the COVID-19 pandemic, and in line with its commitment to continuous improvement, the Group is carrying out a review of its culture and values, which it expects to complete in 2022.

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 embedded in the Group not only through the way in which the senior leadership team behaves but also by way of regular employee communications: in person at each of the Company's offices, through online interactive meetings, using Maintel Matters - the Group's employee forum; and via regular emails and newsletters. The emphasis is on two-way communication, in order to ensure that cultural aspirations are authentically pursued.

As required by law, the Group adheres to anti-bribery and anti-slavery legislation; it is also ISO14001:2015 certified, has been awarded EcoVadis Gold Medal sustainability rating and reports on its environmental policies on page 56 and in further detail within the separate Sustainable Business Report where key initiatives, targets and current progress surrounding Environment, Gender Equality and Quality Education are stated.

Our embedded, and confidential whistleblowing policy which is linked to disciplinary processes enables individuals to raise concerns that they may have about conduct of others in the business or the way in which the business is run with assurance that no detriment or victimisation of the reported will take place.

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 Officer is responsible for the management of the Group. The Board has delegated the day-to-day running of the Group to the Chief Executive Officer within certain limits, above which matters must be escalated to the Board for determination in line with the schedule of matters reserved for the Board. The Senior Independent Director'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 44-53.

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)

Report on Corporate Governance continued

- Anti-bribery policy (Principle 8)
- Anti-slavery policy (Principle 8)
- ISO14001:2015 (Principle 8), ISO9001:2015, ISO 45001:2018 (Principle 3) 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 3-28 provides details of the Group's performance.

The Board is committed to maintaining effective communication and having constructive dialogue with its shareholders. It aspires to having 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 2021, all resolutions passed with at least 90% 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, 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 44 and 45.

More detailed descriptions of the Group's Corporate Governance processes are given later in this report and in the report of the Directors.

Board of Directors

The Group is governed by the Board, whose composition changed during 2021. It is currently comprised of two Executive and three Non-Executive Directors. The Executive Directors are Ioan MacRae (Chief Executive Officer) and Dan Davies (Chief Technology Officer). The Non-Executive Directors are John Booth (Chairman), Carol Thompson (Senior Independent Director), and Nicholas Taylor. Company Secretarial services are provided by ONE Advisory Limited, following the resignation of Rufus Grig as Company Secretary in May 2021.

During the year, one Executive Director, Mark Townsend, and one Non-Executive Director, Annette Nabavi, left the company. Carol Thompson joined the Board as the Senior Independent Director in October 2021 and the Company hopes to announce the appointment of a new Chief Financial Officer very shortly.

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

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.

The Directors' biographies on pages 30 and 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 Officer in the absence of the other Non-Executive Directors. The Non-Executive Directors also met in the absence of the Chairman.

The Directors are required by the Company's articles to retire on a three-year rotational basis, and to stand for reappointment by shareholders at the AGM. Although not required to retire this year in accordance with the articles, Corporate Governance guidance recommends that Non-Executive Directors with more than nine years' service are re-appointed annually, and John Booth and Nicholas Taylor offer themselves for re-appointment. 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. The Company's Articles of Association require a new Director to offer themselves for re-appointment at the next annual general meeting following their appointment. Carol Thompson was appointed to the Board as a Non Executive Director on 1 October 2021 and is therefore offering herself for re-appointment. Carol Thompson is a fellow of the Chartered Institute of Management Accountants and has over 20 years' experience in senior finance roles.

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 Carol Thompson.

On her appointment to the Board, Carol Thompson took over as Chair of the Audit and Risk Committee. However,

Report on Corporate Governance continued

in light of the additional support provided by her to the finance team while the Group has been without a Chief Financial Officer, Nicholas Taylor has temporarily resumed his Chairmanship of the Committee, which will revert to Carol Thompson when the Chief Financial Officer takes up their position.

The Board is satisfied that for the year under review and thereafter, both Carol Thompson and Nicholas Taylor have adequate recent and relevant commercial and financial knowledge and experience to Chair the committee. It also considers that John Booth has 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 monitoring processes that identify, report and review corporate level risks and considering annually the requirement for an internal audit function; and
- Reviewing the Group's statements on internal control systems and risk management processes.

The Audit and Risk Committee met four times during 2021. Attendees at committee meetings included the Chief Financial Officer (two meetings), 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 enhance the usefulness 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 2020, their observations on the internal financial controls arising from the annual audit, the review of the Group's 2020 results and the disclosures in the 2020 annual report
- The announcement of the half-year results
- The external audit plan for the 2021 financial statements, which included a review of the audit objectives, scope, timetable and deliverables
- The re-appointment of RSM UK Audit LLP as external auditors in respect of the 2021 results, their independence and objectivity and their fees
- 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

Nicholas Taylor is Chair of the Remuneration Committee, having taken over from Annette Nabavi during 2021, following her resignation as a Director. Its other current members are John Booth and Carol Thompson. The committee met twice during the year. The committee's report to shareholders on Directors' remuneration is set out on page 47.

Nomination Committee

John Booth is Chair of the Nomination Committee, its other members being Nicholas Taylor and Carol Thompson. Annette Nabavi served on the committee until her resignation as a Director of the Company. 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 six times during 2021.

In the light of the departures of Mark Townsend and Annette Nabavi, the committee considered the makeup of the Board, taking into account both the level of technical and market knowledge and the diversity of its membership. During the year it conducted a search for a new Senior Independent Director, which resulted in its recommendation that the Board appoint Carol Thompson to the position. Carol Thompson brings a wealth of relevant experience to the Group and will be offering herself for election at the AGM. Her biographical details can be found on page 30.

The Committee also took the lead in identifying and recruiting a successor to Mark Townsend as Chief Financial Officer and will be announcing his successor shortly.

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	12	4	3	6
J Booth	12	4	3	6
I MacRae	12	–	–	–
N Taylor	12	4	3	6
D Davies	12	–	–	–
C Thompson (appointed 1 October 2021)	2	–	–	–
M Townsend (retired 31 August 2021)	7	–	–	–
A Nabavi (retired 2 June 2021)	6	2	3	–

In addition to the regular monthly meetings, additional Board meetings were held during the year relating to the approval of the 2020 year-end and 2021 interim results, the receipt and rejection of an offer to buy the Company, and the approval of the issuing of a trading update.

Report on Corporate Governance continued

Internal control

The Board is ultimately responsible for the Group's systems of internal control and for reviewing their effectiveness. Such systems can provide reasonable, but not absolute, assurance against material misstatement or loss. The Board believes that the Group has internal control systems in place appropriate to the size and nature of its business.

The Group maintains a comprehensive process of financial reporting. The annual budget is reviewed and approved by the Board before being formally adopted, following which the Board receives at least monthly financial reports of the Group's performance compared to the budget, with explanations of significant variances. Monthly cash flow forecasts are provided to the Board, as are budget reforecasts if deemed appropriate.

The Executive Directors monitor key performance indicators on a monthly basis, management of these being delegated to the Group's Senior Management.

The key operational functions of the Group are subject to processes established and 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, Financial Services Qualification System (FSQS), Financial Conduct Authority (FCA) Limited Credit Brokering and Safe Systems in Procurement (SSIP), Safe Contractor, CHAS and Greenlight Safety, which the Directors consider to be valuable additional internal and external control tools 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 2021. The Group's policy on remuneration is designed to support the good functioning of the Board and the Executive Management Team, as described in the Report on Corporate Governance on pages 33-46, and its strategic aims, as set out in the Strategic Report on pages 3-32.

The information in this report is structured as follows:

- A description of the Group's remuneration policy and its alignment to Group strategy, setting out the key elements of this policy
- Details of how the remuneration policy was applied in 2021; and
- How the remuneration policy will be applied in 2022.

The Remuneration Committee is committed to structuring Senior Executive Remuneration that is competitive, incentivises and rewards good performance, and that will help the Group continue to grow profitably, thereby creating value for shareholders while also being mindful of the interests of other stakeholders. 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 these objectives.

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;
- In consultation with the Chief Executive Officer, the remuneration packages for key Senior Managers, including the share incentive plans and performance related pay schemes; and
- To provide 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 changed. Annette Nabavi chaired the Committee until her resignation as a Director of the Company in June 2021, at which point the Chairmanship was taken up by Nicholas Taylor, who had hitherto been a member. John Booth was a member of the Committee throughout the period. Carol Thompson became a member in January 2022.

Remuneration policy

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 (managerial and technical) required to execute the strategy.	Reviewed annually by the committee in Q1. 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. Because of the way in which the Group has grown partly by acquisition, a number of different pension schemes operate within the Group. A project to harmonise these schemes as far as possible will be undertaken in 2022. In the meantime, the Remuneration Committee is satisfied that there is no structural misalignment between the pension benefits offered to Executive Directors and those normally offered to the rest of the workforce.
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 financial targets. Other objectives include key performance indicators (KPIs) designed to measure the Group's progress towards achieving its strategic goals. Executive Directors' bonus targets for 2021 were set at between 35% and 50% of base salary. For 2022, these have been raised to between 50% and 60%. An additional 'over-achievement' bonus pool is created when the Company exceeds its profit plan, such that the rewards of over-achievement are shared between shareholders and senior managers. Awards from the pool are made at the discretion of the Remuneration Committee.
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 three-year vesting schedules. While the Company has limited ability to award nominal priced options through a tax-efficient Company Share Option Plan (CSOP), the majority of its awards are market value options. Share-based incentives ensure that Executive Directors' incentives are directly aligned with the achievement of share price increases. Vesting is not typically subject to performance criteria other than continued employment. 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 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 long-term strategic objectives

  The remuneration packages are benchmarked against both Maintel's key competitors and against other relevant comparators 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

  The vast majority of share option schemes are now 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 48.

Directors' service agreements

Each Executive Director has a six-month rolling service agreement. Copies of all Directors' service agreements and letters of appointment are made available for inspection upon request to the Company Secretary at the Company's registered office, 160 Blackfriars Road, London, SE1 8EZ.

Non-Executive Directors

The Non-Executive Directors each have a contract terminable on three 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.

The Non-Executive Directors do not participate in the bonus or long-term incentive schemes.

Application of the remuneration policies in 2021

Base salary and benefits

A general company-wide salary increase envelope of 2% was agreed by the Board as part of the 2021 budgeting process.

In establishing appropriate salary increases for the Executive Directors, the Committee took into account both individual performance and benchmark data relating to similar positions in comparable companies. As a result, the Committee awarded a 3% increase to Ioan MacRae. It awarded a smaller increase – below 1% - to Dan Davies, whose salary had been increased more significantly on his appointment to the Board in September 2020. Mark Townsend was awarded an increase of 2%.

The Non-Executive Directors received a fee increase of 2%, in line with the average for the Group.

No changes were made to benefit packages.

Bonuses

For 2021, each of the Executive Directors had the opportunity to earn a cash bonus of between 35% and 50% of base salary. In each case payment of the bonus was dependent on meeting a number of KPIs, covering both the financial performance of the Group as well as individual targets set to incentivise and reward progress towards meeting the Group's strategic goals. Some of the KPI targets had sliding scales for partial performance. Additional bonuses

Report of the Remuneration Committee continued

were accessible on a discretionary basis if the Group over-performed against the agreed budget, as was a relatively small discretionary bonus pool to reward exceptional individual performance.

The Remuneration Committee reviewed the Executive Directors' performance against the objectives agreed with them for 2021 in February 2022. As a result, bonuses were paid to the Executive Directors of between 21% and 33% of base salary, with the maximum discretionary element accounting for less than 2% of base salary.

Long-term incentive plan

In accordance with its policy of providing long-term incentives to Senior Executives, aligned with the interests of shareholders and the long-term sustainability of the Group. In February 2021 the Committee awarded 75,000 share options to Ioan MacRae and 25,000 to Mark Townsend, both at an exercise price of £3.75 and with a vesting period of three years.

Following his resignation in August 2021, Mark Townsend's share options lapsed.

How the remuneration policy will be applied in 2022

Base salary and benefits

The Committee has reviewed the Company's remuneration policies and their application both to the Executive Directors and certain other senior members of staff specifically and to the wider workforce in general. In doing so, it took into account the macro-economic environment, including expectations for inflation and the state of the employment markets in which the Group operates; individual and Group performance; changes to individual roles and responsibilities; and comparative remuneration data supplied by third-parties.

As a result, the Committee recommended a Group-wide baseline increase of 3% for 2022 (2021: 2%), with scope to award pay increases above or below this baseline, depending on individual circumstances. The average pay increase awarded to the Executive Directors was 7%.

No changes were made to benefits packages.

Bonuses

The Committee has reviewed the operation of the Group's bonus scheme, which will operate for 2022 along the same lines as for 2021. Bonuses will be available to Senior Managers depending on the performance of the Group and on meeting individual, specific targets set in line with the strategic objectives of the Group. These include measures of the Group's transition to a predominantly cloud-based managed service provider, customer satisfaction and sound environmental and social governance.

Executive Directors' bonus targets for 2022 are set at between 50% and 60% of base salary.

An additional 'over-achievement' bonus pool will be created if the Group exceeds its profit plan. Awards from this pool are made at the discretion of the Remuneration Committee.

Long-term incentive plan

The Committee also reviewed the operation of the Company's long term incentive plan and has decided to continue to incentivise Senior Executives using market value options. All options will continue to be subject to a three-year vesting period. We believe that this approach is both simple and fair, ensuring that Executive Directors' and other Senior Managers' incentive to achieve sustainable increases in the Company's share price align their interests directly with those of the wider shareholder base. Details of the LTIP awards made in 2021 can be found on page 48.

Details of Directors' remuneration in 2021

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

	Salaries/ fees	Benefits	Bonus/ commissions	Pension contributions	Total 2021[1]	Total 2020[1]
Non-Executive Directors						
J D S Booth	49	–	–	1	**50**	47
A J McCaffery[2]	–	–	–	–	**–**	29
A P Nabavi[4]	24	–	–	–	**24**	30
N J Taylor	33	–	–	1	**34**	31
C Thompson[8]	9	–	–	–	**9**	–
Executive Directors						
I MacRae	230	2	73	8	**313**	250
S Legg[6]	–	–	–	–	**–**	132
K Stevens[7]	–	–	–	–	**–**	82
M Townsend[5]	130	8	22	7	**167**	200
D Davies[3]	171	8	35	6	**220**	76
	646	**18**	**130**	**23**	**817**	**877**

[1] Excluding social security costs in respect of the above amounting to £89,000 (2020: £106,000).
[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.
[4] Annette Nabavi resigned as a Director on 30 June 2021. This represents her remuneration up to this date.
[5] Mark Townsend resigned as a Director 31 August 2021. This represents his remuneration up to this date.
[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.
[8] Carol Thompson was appointed as a Non-Executive Director on 1 October 2021. This represents her remuneration from this date.

Share scheme interests awarded in 2021 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	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.

Report of the Remuneration Committee continued

Statement of Directors' Shareholding and Share Interests at 31 December 2021 and 31 December 2020

		Options			
	Beneficially owned shares	With performance conditions	Without performance conditions	Vested and unexercised	Exercised during the year
Executive Directors					
Ioan MacRae			180,000		
Dan Davies	1,395		75,000		
Non-Executive Directors					
John Booth[1]	3,500,000				
Nicholas Taylor	17,257				
Total 2021	**3,518,652**		**255,000**		
Total 2020[2]	3,478,402	10,000	200,000	3,409	

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

[2] Directors' Shareholding and Share Interests at 31 December 2020 includes amounts for directors' who held office at 31December 2021 and also directors' who resigned in the period.

The report of the Remuneration Committee was approved by the Board on 30 March 2022.

Nicholas J Taylor
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 2021.

Strategic Report

The Maintel overview, Chairman's statement and Business review on pages 3-32 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 67 and shows the profit of the Group for the year.

The Company did not pay any dividend during the year (2020: £nil).

Directors

The Directors of the Company during the year and their interests in the ordinary shares of the Company at 31 December 2021 can be found on page 53.

Substantial shareholders

In addition to the Directors' shareholdings, at 17 February 2022 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	2,326,561	16.20
A J McCaffrey	1,718,932	11.97
Chelverton Asset Management	1,125,000	7.83
Harwood Capital LLP	1,084,900	7.55
Herald Investment Trust Plc[1]	804,217	5.60
Elitetele.Com Plc	718,614	5.00
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 John Booth's beneficial holding on page 53.

Report of the Directors continued

Share capital

Details of the share capital of the Company are shown in note 24 of the financial statements.

No new shares were issued in the year (2020: nil). 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 2021, 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 offline.

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.

Maintel employs 152 women, 28.76% of our workforce, and believe that achieving greater gender equality strengthens our company by giving us a better understanding and an overall more balanced view. Our Sustainability Report details our key activities and targets for gender equality and quality education. We have a long-term target of achieving 40% women employees.

Environment

The Group acknowledges its responsibilities for the Environment and Maintel's environmental sustainability progress 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 2020 (SECR).

While travelling and office use has been much reduced due to the COVID-19 pandemic in 2021 we have also saved an estimated equivalent of 92 trees (2020: 90 trees through recycling in the year to 31 December 2021.

In accordance with SECR a full review of energy consumption across our offices and operations has been undertaken for the 12 months to March 2021. 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 from purchased electricity).

	2021		2020	
Total Energy Consumption	**Energy (kWh)**	**Carbon Emissions (Tonnes CO2)**	**Energy (kWh)**	**Carbon Emissions (Tonnes CO2)**
Total Annual Electricity	344,048.10	73.05	591,136.79	137.82
Total Annual Gas	14,467.28	2.65	12,205.00	2.24
Total Transport Consumption	1,046,975.10	288.92	2,612,330.17	630.09
Total Consumption	1,531,310.48	401.11	3,215,671.96	770.15

This reflects an intensity ratio of 0.62 tonnes CO_2 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 a range of initiatives and adherence to science-based targets. Our Sustainable Business Report contains further information.

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 the Group signed a new agreement with HSBC Bank plc ("HSBC") to replace the National Westminster Bank ("NWB") facility. The new facility with HSBC consists of a revolving credit facility ("RCF") of £20m with a £6m term loan on a reducing basis. The key covenants that will prevail over this period include net leverage ratio and interest cover tests.

As highlighted in the risk management section (see pages 26-27) 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 2021, the Directors have already taken significant steps to preserve working capital and maintain a satisfactory liquidity position (see page 28, COVID-19 section).

The Group's forecasts and projection models, taking into account uncertainty around the medium-term impact of the supply chain issues 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 FY20 by 2%, 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, supply chain issues, inflation and the wider implications of the war in Ukraine, the Directors have a reasonable expectation that the Company and the

Report of the Directors continued

Group has 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.

Corporate Governance Code

Maintel has adopted the QCA Corporate Governance Code ("the Code"). See page 35 for details.

Financial instruments

Details of the use of financial instruments by the Group are contained in note 23 of the Financial Statements.

Annual General Meeting

The Annual General Meeting of the Company will be held at its Blackfriars Road offices on 9 May 2022 at 10.00 am.

Stakeholder engagement

Details of stakeholder engagement can be found on page 36.

Research and development

In the year, there were no amounts (2020: £Nil) expensed to the statement of profit and loss in relation to research and development expenditure.

Post balance sheet events

On 24 March 2022, the Group signed a new three-year banking arrangement with HSBC UK Bank plc ("HSBC") to replace its current bank facilities with the National Westminster Bank Plc ("NWB"). The NWB facilities were due to expire on 27 October 2022. The new facility with HSBC consists of a revolving credit facility ("RCF") of £20m in committed funds with a £6m term loan on a reducing basis. Interest terms for the RCF and term loan are linked to SONIA plus a fixed margin.

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

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.

Signed on behalf of the Board

Ioan MacRae
Chief Executive Officer

30 March 2022

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 and are required by the AIM Rules of the London Stock Exchange to prepare the Group financial statements in accordance with UK-adopted International Accounting Standards and have elected under company law to prepare the company financial statements in accordance with UK-adopted International Accounting Standards and applicable law.

The Group financial statements are required by law and UK-adopted International Accounting Standards to present fairly the financial position of the Group and the Company and the financial 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 UK-adopted International Accounting Standards;

d. For the company financial statements, state whether they have been prepared in accordance with UK-adopted International Accounting Standards, subject to any material departures disclosed and explained in the company financial statements; and

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 2021 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 significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and UK-adopted International Accounting Standards. 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 2021 and of the group's profit for the year then ended;
- The Group Financial Statements have been properly prepared in accordance with UK-adopted International Accounting Standards;
- 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 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.

Summary of our audit approach

Key audit matters	**Group** • Revenue recognition
Materiality	**Group** • Overall materiality: £479,000 (2020: £476,000) • Performance materiality: £359,000 (2020: £357,000)
	Parent Company • Overall materiality: £239,500 (2020: £238,000) • Performance materiality: £179,000 (2020: £178,000)
Scope	Our audit procedures covered 100% of revenue, total assets and profit before tax.

Independent Auditor's Report

to the members of Maintel Holdings Plc continued

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 such that: • Revenues on technology sales for supply and installation projects are recognised at a point in time where Maintel has completed its performance obligations. • Recognition of revenues for managed services only commences after the group has completed installation works, the technology equipment is fully operational in the customer's business and provision of the services have begun. We consider there to be a significant risk around the completeness and existence of some elements of revenue. We also consider there to be a risk of misstatement of the Financial Statements related to transactions occurring close to the year-end, as transactions could be recorded in the wrong financial period (cut-off).
How the matter was addressed in the audit	In order to address of the risks associated with these revenue streams we obtained an understanding of the process and controls around revenue recognition. Our procedures also included reviewing 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. In addition, we have: • Used data analytics software to test the sales cycle for all revenue transactions in the group and analysed the postings to identify any items which did not appear to match the expected transaction flows; • Tested the reconciliation between the group's revenue recording systems; • Traced cash book receipts to supporting invoices and bank statements; and • Completed cut-off testing around the reporting date.

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	£479,000 (2020: £476,000)	£239,500 (2020: £238,000)
Basis for determining overall materiality	5% of Adjusted EBITDA	0.6% of Net assets The percentage applied to the benchmark has been restricted for the purpose of calculating an appropriate component materiality
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	£359,000 (2020: £357,000)	£179,000 (2020: £178,000)
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 three components, all of which are based in the UK and Republic of Ireland. Full scope audits were performed for all three components.

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 on page 51 of 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 on page 58.

Other information

The Directors are responsible for the other information included in the annual report, other than the Financial Statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

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 course of 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 themselves. 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.

Independent Auditor's Report

to the members of Maintel Holdings Plc continued

Opinions on other matters prescribed by the Companies Act 2006

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

- The information given in the Strategic Report and the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements; and
- The Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

- Adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- The parent Company Financial Statements are not in agreement with the accounting records and returns; or
- Certain disclosures of Directors' remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement set out on page 53, 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:
UK-adopted International Accounting Standards, FRS 101 and Companies Act 2006	Review of the financial statement disclosures and testing to supporting documentation; and Completion of disclosure checklists to identify areas of non-compliance
Tax compliance regulations	Inspection of advice received from internal/external tax advisors; and 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.
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

30 March 2022

Consolidated statement of comprehensive income

for the year-ended 31 December 2021

	Note	2021 £000	2020 £000
Revenue	4	103,895	106,430
Cost of sales		(69,784)	(75,546)
Gross profit		34,111	30,884
Other operating income	7	476	611
Intangibles amortisation	13	(5,416)	(6,286)
Exceptional items	12	3,901	(2,482)
Share based remuneration	27	(49)	259
Other administrative expenses		(26,674)	(23,879)
Administrative expenses		(28,238)	(32,388)
Operating profit/(loss)	7	6,349	(893)
Financial expense	8	(1,112)	(1,339)
Profit/(loss) before taxation		5,237	(2,232)
Taxation (charge)/credit	9	(566)	498
Profit/(loss) for the year		4,671	(1,734)
Other comprehensive (expense)/income for the year			
Items that maybe reclassified to profit or loss:			
Exchange differences on translation of foreign operations		(12)	6
Total comprehensive income/(expense) for the year		4,659	(1,728)
Earnings/(loss) per share (pence)			
Basic	10	32.5p	(12.1)p
Diluted	10	32.5p	(12.1)p

The notes on pages 65 to 89 form part of these consolidated Financial Statements.

Consolidated statement of financial position

at 31 December 2021

	Note	31 December 2021 £000	31 December 2021 £000	31 December 2020 £000	31 December 2020 £000
Non current assets					
Intangible assets	13		56,021		59,613
Right of use assets	16		3,173		3,808
Property, plant and equipment	15		1,091		1,415
Trade and other receivables	18		630		1,050
			60,915		65,886
Current assets					
Inventories	17	1,009		1,865	
Trade and other receivables	18	30,229		22,758	
Income tax		-		261	
Total current assets			31,238		24,884
Total assets			92,153		90,770
Current liabilities					
Trade and other payables	19	43,805		41,650	
Lease liabilities	22	906		1,092	
Income tax		267		-	
Borrowings	21	19,362		22,267	
Total current liabilities		64,340		65,009	
Non-current liabilities					
Other payables	19	455		2,231	
Lease liabilities	22	2,251		2,873	
Deferred tax	20	1,558		1,816	
Total non-current liabilities			4,264		6,920
Total liabilities			68,604		71,929
Total net assets			23,549		18,841
Equity					
Issued share capital	24		144		144
Share premium	25		24,588		24,588
Other reserves	25		61		73
Retained earnings	25		(1,244)		(5,964)
Total equity			23,549		18,841

The consolidated financial statements were approved and authorised for issue by the Board on 30 March 2022 and were signed on its behalf by:

Ioan MacRae
Chief Executive Officer

The notes on pages 65 to 89 form part of these consolidated financial statements

Consolidated statement of changes in equity

for the year-ended 31 December 2021

	Share capital £000	Share premium £000	Other reserves £000	Retained earnings £000	Total £000
Balance at 1 January 2020	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
Profit for the year	-	-	-	4,671	4,671
Other comprehensive expense:					
Foreign currency translation differences	-	-	(12)	-	(12)
Total comprehensive income for the year	-	-	(12)	4,671	4,659
Transactions with owners in their capacity as owners:					
Share based remuneration	-	-	-	49	49
At 31 December 2021	144	24,588	61	(1,244)	23,549

The notes on pages 65 to 89 form part of these consolidated Financial Statements.

Consolidated statement of cash flows

for the year-ended 31 December 2021

	2021 £000	2020 £000
Operating activities		
Profit/(loss) before taxation	5,237	(2,232)
Adjustments for:		
Net gain on disposal of Doc Sol	(3,992)	-
Intangibles amortisation	5,416	6,286
Share based payment charge/(credit)	49	(259)
Loss on sale of property, plant and equipment	-	2
Exceptional non-cash items	-	325
Depreciation of plant and equipment	668	665
Depreciation of right of use asset	1,013	1,241
Interest payable	1,112	1,339
Other non-cash items	(105)	-
Operating cash flows before changes in working capital	9,398	7,367
Decrease in inventories	676	1,377
(Increase)/decrease in trade and other receivables	(7,114)	3,113
Increase/(decrease) in trade and other payables	1,448	(2,284)
Cash generated from operating activities	4,408	9,573
Tax paid	(192)	(158)
Net cash inflows from operating activities	4,216	9,415
Investing activities		
Purchase of plant and equipment	(344)	(568)
Purchase of intangible assets	(1,870)	(2,082)
Consideration for previously acquired businesses	(1,244)	(1,096)
Net proceeds from disposal of Doc Sols	4,344	-
Net cash inflows/(outflows) from investing activities	886	(3,746)

Consolidated statement of cash flows

for the year-ended 31 December 2021 continued

	2021 £000	2020 £000
Financing activities		
Proceeds from borrowings	-	4,500
Repayment of borrowings	(3,000)	(8,000)
Lease liability repayments	(1,155)	(1,174)
Interest paid	(907)	(1,105)
Issue costs of debt	(39)	(53)
Net cash outflows from financing activities	(5,101)	(5,832)
Net increase/(decrease) in cash and cash equivalents	1	(163)
Bank overdrafts at start of year	(3,845)	(3,696)
Exchange differences	(25)	14
Bank overdrafts at end of year	(3,869)	(3,845)

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 21)

	2021 £000	2020 £000
At 1 January	22,267	25,579
Cash Flows	(3,000)	(3,404)
Non-cash movements (Amortised debt issue costs)	95	92
At 31 December	19,362	22,267

Lease liabilities (Note 22)

	2021 £000	2020 £000
At 1 January	3,965	4,354
Non-cash movements	347	785
Cash flows	(1,155)	(1,174)
At 31 December	3,157	3,965
Current	906	1,092
Non-current	2,251	2,873

The notes on pages 65 to 89 form part of these consolidated financial statements.

Notes forming part of the consolidated financial statements

for the year ended 31 December 2021

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 UK-adopted 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 the Group signed a new agreement with HSBC Bank plc ("HSBC") to replace the National Westminster Bank ("NWB") facility. The new facility with HSBC consists of a revolving credit facility ("RCF") of £20m with a £6m term loan on a reducing basis. The key covenants that will prevail over this period include net leverage ratio and interest cover tests.

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 2021, 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 supply chain issues 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 FY20 by 2%, 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 and supply chain issues, the Directors have a reasonable expectation that the Company and the Group has adequate resources to continue in operational existence for the foreseeable future.

(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.

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 is recognised depending on the Group's billing rights. Where the Group's performance of its obligations under a contract is less

Notes forming part of the consolidated financial statements

for the year ended 31 December 2021 continued

than amounts received, deferred income is recognised as this is also the point where the Group transfers the benefits of the goods and services to the end customer

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 k–t - 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

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.

In addition, the carrying amount of the right-of-use assets and lease liabilities are remeasured if there is a modification, a change in the lease term or a change in the fixed lease payments. The remeasured lease liability (and corresponding right-of-use asset) is calculated using a revised discount rate, based upon a revised incremental borrowing rate at the time of the change.

(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 income or 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 cost less accumulated amorisation. Where these have been acquired through a business combination, the cost is the fair value allocated less accumulated amortisation.

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

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.

Notes forming part of the consolidated financial statements

for the year ended 31 December 2021 continued

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.

Other

Other intangible assets includes stock management platforms which is managed by third parties. Other intangibles are amortised over their estimated useful lives, being five years.

(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, is 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

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform — Phase 2 (effective for annual periods beginning on or after 1 January 2021) were issued and adopted in the year, with no material impact on the financial statements.

There were no other 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:

Amendment to IFRS 16, 'Leases' – COVID-19 related rent concessions. Extension of the practical expedient (effective for annual period on or 1 April 2021)

A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16 (effective for annual periods beginning on or after 1 January 2022)

Amendments to IAS 1, Presentation of financial statements on classification of liabilities (effective date deferred until accounting periods starting not earlier than 1 January 2024)

Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8 (effective for annual periods beginning on or after 1 January 2023.

Amendment to IAS 12 - deferred tax related to assets and liabilities arising from a single transaction (effective for annual periods beginning on or after 1 January 2023)

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 13).

Notes forming part of the consolidated financial statements

for the year ended 31 December 2021 continued

4. Segment information

Year ended 31 December 2021

For management reporting purposes and operationally, the Group consists of three business segments: (i) managed service and technology sales, (ii) 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	61,404	37,689	4,802	103,895
Gross profit	18,720	13,228	2,163	34,111
Other operating income				476
Other administrative expenses				(26,674)
Share based remuneration				(49)
Intangibles amortisation				(5,416)
Exceptional items				3,901
Operating profit				6,349
Financial expense				(1,112)
Profit before taxation				5,237
Taxation				(566)
Profit after taxation				4,671

Revenue is wholly attributable to the principal activities of the Group and other than sales of £3.2m to EU countries and £0.2m to the Rest of the world (2020: £3.3m to EU countries, and £0.4m to the Rest of the world), revenues arise within the United Kingdom.

In 2021 the Group had no customer (2020: 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	-	-	-	(5,416)	(5,416)
Depreciation	-	-	-	(1,680)	(1,680)
Exceptional items	-	-	-	3,901	3,901

Year ended 31 December 2020

	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 items				(2,482)
Operating loss				(893)
Financial expense				(1,339)
Loss before taxation				(2,232)
Taxation				498
Loss after taxation				(1,734)

	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 items	-	-	-	(2,482)	(2,482)

5. Employees

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

	2021 Number	2020 Number
Corporate and administration	92	92
Sales and customer service	184	210
Technical and engineering	239	258
	515	560

Staff costs, including Directors, consist of:

	£000	£000
Wages and salaries	28,398	30,112
Social security costs	3,387	3,467
Pension costs	772	824
	32,557	34,403

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 £161,000 (2020: £168,000) 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 2021 continued

6. Directors' remuneration

The remuneration of the Company Directors was as follows:

	2021 £000	2020 £000
Directors' emoluments	794	851
Pension contributions	23	26
	817	877

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

	2021 £000	2020 £000
Director's emoluments	305	243
Pension contributions	8	7
	313	250

The Group paid contributions into defined contribution personal pension schemes in respect of five Directors during the year, two of whom were auto-enrolled at minimal contribution levels, two were on defined contributions and one on both auto-enrolment and defined contribution schemes (2020: eight, three auto-enrolled, two defined contribution, one both defined contribution and auto enrolled).

Further details of Director remuneration are shown in the Remuneration Committee report on page 47.

7. Operating profit/(loss)

	2021 £000	2020 £000
This has been arrived at after charging/(crediting):		
Depreciation of property, plant and equipment	668	665
Depreciation of right of use assets	1,012	1,241
Amortisation of intangible fixed assets	5,416	6,286
Other income:		
- Operating lease rentals receivable – property	-	(147)
- Research and development expenditure credit	(461)	(464)
- Other	(15)	-
Fees payable to the Company's auditor for the audit of the parent and consolidated accounts	47	47
Fees payable to the Company's auditor for other services:		
- Audit of the Company's subsidiaries pursuant to legislation	106	100
- Audit-related assurance services	26	26
Fees payable for tax compliance services	17	42
Foreign exchange movement	111	(90)
Government grant in respect of furloughed employees	(36)	(387)
Gain on sale of inventory	-	(348)
Loss on disposal of property plant and equipment	-	2

8. Financial expense

	2021 £000	2020 £000
Interest payable on bank loans	916	1,060
Interest payable on deferred consideration	69	106
Interest expense on leases	127	156
Other interest charges	-	17
	1,112	1,339

9. Taxation

	2021 £000	2020 £000
UK corporation tax		
Corporation tax on UK profit/(loss) of the year	682	11
Adjustment for prior year	119	212
	801	223
Overseas tax		
Corporation tax on overseas profit/(loss) of the year	23	-
Total current taxation on profit/(loss) on ordinary activities	824	223
Deferred tax (note 20)		
Current year	(246)	(739)
Adjustment for prior year	(12)	18
Total deferred taxation	(258)	(721)
Total taxation on profit/(loss) on ordinary activities	566	(498)

The standard rate of corporation tax in the UK for the year was 19.00% (2020: 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 profit/(loss) before tax are as follows:

	2021 £000	2020 £000
Profit/(loss) before tax	5,237	(2,232)
Profit/(loss) at the standard rate of corporation tax in the UK of 19% (2020: 19.0%)	995	(424)
Effect of:		
Net income not taxable	(896)	(87)
Adjustments relating to prior years	107	230
Benefit for losses utilised in the year not recognised for tax previously	-	(203)
Effects of overseas tax rates	(14)	(4)
Effects of changes in tax rates	374	-
Origination and reversal of timing differences	-	(10)
	566	(498)

Notes forming part of the consolidated financial statements

for the year ended 31 December 2021 continued

Prior year adjustments debiting corporation tax of £106,000 include the tax charge in respect of research and development expenditure credits taxed in the prior year.

In the March 2021 Budget, the government announced an increase in the UK corporation tax rate from 19% to 25% (effective 1 April 2023) which was substantively enacted by the Group during the financial year. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when assets are realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted at the reporting date.

10. Earnings per share

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

	2021 £000	2020 £000
Earnings/(loss) used in basic and diluted EPS, being profit/(loss) after tax	4,671	(1,734)
Adjustments:		
Intangibles amortisation (net of non-acquired element)	4,444	5,453
Exceptional items (note 12)	(3,901)	2,482
Tax relating to above adjustments	(1,050)	(1,507)
Share based remuneration	49	(259)
Interest charge on deferred consideration	69	106
Tax adjustments relating to prior years	107	230
Benefit for losses utilised in the year not recognised for tax previously	-	(203)
Adjustment for the tax impact of the change in the deferred tax rate	374	-
Adjusted earnings used in adjusted EPS	4,763	4,568

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

	2021 Number (000s)	2020 Number (000s)
Weighted average number of ordinary shares of 1p each used as the denominator in calculating basic EPS	14,362	14,338
Potentially dilutive shares	20	13
Weighted average number of ordinary shares of 1p each used as the denominator in calculating diluted EPS	14,382	14,351
Earnings/(loss) per share		
Basic	32.5p	(12.1)p
Diluted	32.5p	(12.1)p
Adjusted - basic but after the adjustments in the table above	33.2p	31.9p
Adjusted - diluted after the adjustments in the table above	33.1p	31.8p

The adjustments above have been made in order to provide a clearer picture of the trading performance of the Group after removing amortisation the disposal of Doc Sols and other non-recurring expenses.

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

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

	2021 £000	2020 £000
Profit/(loss) before tax	5,237	(2,232)
Financial expense	1,112	1,339
Depreciation of property, plant and equipment	668	665
Depreciation of right of use assets	1,012	1,241
Amortisation of intangible fixed assets	5,416	6,286
EBITDA	13,445	7,299
Share based remuneration	49	(259)
Exceptional items (note 12)	(3,901)	2,482
Adjusted EBITDA	9,593	9,522

12. Exceptional items

Most of the exceptional items in the year related to the restructuring and reorganisation of the Group's operational structure. The disposal of Doc Sols gain of £3,992k (2020: £Nil) includes proceeds of £4,344k net of professional costs of £156k. The remaining £352k relates to the apportionment of overheads and writing off of customer relationships relating to Doc Sols. Onerous lease income of £105k (2020: charge of £597k) relates to Haydock the Parks and comprises the release of remaining onerous lease provision, dilapidations provision and lease creditor net of related professional fees. Staff restructuring and other employee related costs of £169k (2020: £1,723k) includes a credit of £205K relating to the reversal of an exceptional holiday pay accrual as a result of COVID-19 (2020: charge of £347k). These and the other costs analysed below have been shown as exceptional items in the income statement as they are not normal operating revenues or expenses:

	2021 £000	2020 £000
Gain on disposal of Doc Sols	(3,992)	-
(Income)/costs relating to an onerous property lease	(105)	597
Property related and other legal and professional incomes	(13)	-
Staff restructuring and other employee related costs	169	1,723
Fees relating to revised credit facilities agreement	40	137
Systems integration costs	-	25
	(3,901)	2,482

Notes forming part of the consolidated financial statements

for the year ended 31 December 2021 continued

13. Intangible assets

	Goodwill £000	Customer relationships £000	Brands £000	Product platform £000	Software £000	Other £000	Total £000
Cost							
At 1 January 2020	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
Additions	-	-	-	431	1,189	250	1,870
Disposals	-	(158)	-	-	-	-	(158)
At 31 December 2021	**40,516**	**43,721**	**3,480**	**2,276**	**8,623**	**250**	**98,866**
Amortisation and Impairment							
At 1 January 2020	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
Amortisation in the year	-	3,711	410	275	978	42	5,416
Disposals	-	(112)	-	-	-	-	(112)
At 31 December 2021	**317**	**33,479**	**2,524**	**1,300**	**5,183**	**42**	**42,845**
Net book value							
At 31 December 2021	40,199	10,242	956	976	3,440	208	56,021
At 31 December 2020	**40,199**	**13,999**	**1,366**	**820**	**3,229**	**-**	**59,613**

Amortisation charges for the year have been charged through administrative expenses in the statement of comprehensive income. Included within the amortisation charge for FY21 is £972k (2020: £833k) relating to amortisation from non-acquired intangible assets.

Software and product platform include capitalised development costs being an internally generated asset. Other intangible assets include stock management platforms which is managed by third parties.

Goodwill

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

	2021 £000	2020 £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 a five-year horizon which use the approved plan amounts for years one to three, and a pre-tax discount rate of 12.5% (2020: 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 13.3% (2020: 9.8%), terminal growth 2.0% (2020: 2.2%), average gross margin 34.1% (2020: 40.5%).

Managed service and technology division: average annual reduction rate 3.7% (2020: terminal reduction rate 4.8%), terminal reduction rate 5.1% (2020: 6.3%), average gross margin 32.4% (2020: 20.8%).

Mobile division: average annual growth rate 1.9% (2020: 0.9%), terminal growth rate 0.4% (2020: terminal reduction rate 2.2%), average gross margin 42.6% (2020: 41.1%).

The Group's impairment assessment at 31 December 2021 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.

14. 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 2021:

Maintel Voice and Data Limited	Datapoint Global Services Limited
Maintel Finance Limited	Maintel Network Solutions Limited
District Holdings Limited	Datapoint Customer Solutions Limited
Intrinsic Technology Limited	Maintel Mobile Limited
Warden Holdco Limited	Azzurri Communications Limited
Warden Midco 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, Ireland.

Notes forming part of the consolidated financial statements

for the year ended 31 December 2021 continued

15. Property, plant and equipment

	Leasehold Improvements £000	Office and computer equipment £000	Total £000
Cost			
At 1 January 2020	909	6,890	7,846
Additions	37	531	568
Disposals	(93)	(10)	(103)
Transfers	(24)	24	-
At 31 December 2020	829	7,435	8,311
Additions	3	341	344
At 31 December 2021	**832**	**7,776**	**8,655**
Depreciation			
At 1 January 2020	444	5,841	6,332
Disposals	(93)	(8)	(101)
Transfers	54	(54)	-
Provided in year	91	574	665
At 31 December 2020	496	6,353	6,896
Provided in year	97	571	668
At 31 December 2021	**593**	**6,924**	**7,564**
Net book value			
At 31 December 2021	**239**	**852**	**1,091**
At 31 December 2020	333	1,082	1,415

In the prior year, certain assets misclassified as leasehold improvements, were transferred to office and computer equipment.

16. Right of use assets

	Land and buildings £000	Office and computer equipment £000	Motor vehicles £000	Total £000
Cost				
At 1 January 2020	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
Additions	31	391	-	422
Disposals	(174)	-	(152)	(326)
At 31 December 2021	**5,507**	**1,213**	**188**	**6,908**
Depreciation and impairment				
At 1 January 2020	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
Depreciation charge for the year	703	255	54	1,012
Disposals	(174)	-	(107)	(281)
At 31 December 2021	**2,793**	**754**	**188**	**3,735**
Net book value				
At 31 December 2021	**2,714**	**459**	**-**	**3,173**
At 31 December 2020	3,386	323	99	3,808

Dilapidations provisions were reclassified during the prior period from right of use assets to other payables.

The right of use asset relating to the Group's leased offices in Haydock was fully impaired during the prior period. The corresponding impairment charge was recognised as an exceptional item in the income statement for £430,000. There are no impairment charges of the right of use assets recognised in the current year.

17. Inventories

	2021 £000	2020 £000
Maintenance stock	35	228
Stock held for resale	974	1,637
	1,009	1,865
Cost of inventories recognised as an expense	16,808	14,867

Provisions of £33,000 were made against the maintenance stock in 2021 (2020: £79,000). This is recognised in cost of sales.

Notes forming part of the consolidated financial statements

for the year ended 31 December 2021 continued

18. Trade and other receivables

	2021 £000	2020 £000
Trade receivables	13,668	13,188
Other receivables	778	789
Prepayments and accrued income	15,783	8,781
	30,229	22,758

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

	2021 £000	2020 £000
Trade receivables (non-current)	630	-
Accrued income (non-current)	-	1,050
	630	1,050

In adopting IFRS 9, the Group 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, 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 £2.6m in 2020 to £5.1m at the reporting date
- Prepayments increased from £7.3m in 2020 to £10.7m at the reporting date
- Deferred income increased from £15.8m in 2020 to £18.6m at the reporting date; and
- Deferred costs net of accrued costs has increased from £6.6m in 2020 to £6.8m at the reporting date.

The corresponding adjustments for these movements represent revenues and costs recognised in the income statement in the year, driven by an increase in cloud revenues and associated level of advance billings, combined with an increase in accrued revenue accruals due to timings of project milestone delivery.

19. Trade and other payables

Current trade and other payables	2021 £000	2020 £000
Trade payables	10,869	9,358
Other tax and social security	3,344	5,533
Other payables	3,900	5,234
Accruals	5,893	4,550
Deferred managed service income	13,555	13,199
Other deferred income	5,017	2,601
Deferred consideration in respect of business combination	1,227	1,175
	43,805	41,650

Non-current other payables	2021 £000	2020 £000
Deferred consideration in respect of business combination	-	1,227
Intangible licences and other payables	194	436
Advanced mobile commissions	98	175
Other payables	163	393
	455	2,231

20. Deferred taxation

	Property, plant and equipment £000	Intangible assets £000	Tax losses £000	Other £000	Total £000
Net (asset)/liability at 1 January 2020	(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 (asset)/liability at 31 December 2020	(1,169)	3,081	(9)	(87)	1,816
Credit to consolidated statement of comprehensive income	(107)	(151)	-	12	(246)
Adjustment to prior year to consolidated statement of comprehensive income	-	-	9	(21)	(12)
Net (asset)/liability at 31 December 2021	**(1,276)**	**2,930**	**-**	**(96)**	**1,558**

The deferred tax liability represents a liability established on the recognition of an intangible asset in relation to the Maintel Mobile, Datapoint, Proximity, Azzurri, Intrinsic and Atos acquisitions. Other items include right of use assets.

The deferred tax liability balance at 31 December 2021 has been calculated on the basis that the associated assets and liabilities will unwind at 25% (2020: 19%).

21. Borrowings

	2021 £000	2020 £000
Current bank overdraft – secured	3,869	3,845
Current bank loan – secured	15,493	18,422
	19,362	22,267

On 26 May 2021, 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 were extended to 27 October 2021. The revised facility was 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, which was repaid in full during the year. Interest terms for the RCF were 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.

Notes forming part of the consolidated financial statements

for the year ended 31 December 2021 continued

On 24 March 2022, the Group signed a new agreement with HSBC Bank plc ("HSBC") to replace the NWB facility. The new facility with HSBC consists of a revolving credit facility ("RCF") of £20m with a £6m term loan on a reducing basis. The maturity date of the agreement is 3 years from the signing date. The term loan will be repaid in equal monthly instalments seven months from signing. Interest on the borrowings is the aggregate of the applicable margin and SONIA for sterling/SOFR for USD/EURIBOR for euros.

Covenants based on EBITDA to Net Finance Charges and Total 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 2021.

The non-current bank loan above is stated net of unamortised issue costs of debt of £0.1m (31 December 2020: £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 loan facility at a covenant-depending tiered rate of 2.60 % to 3.25% per annum over SONIA, 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.

22. Lease liabilities

	2021 £000	2020 £000
Maturity analysis – contractual undiscounted cash flows		
In one year or less	1,003	1,214
Between one and five years	2,113	2,667
In five years or more	294	436
Total undiscounted lease liabilities at 31 December 2021	3,410	4,317
Current	906	1,092
Non-current	2,251	2,873
Lease liabilities included in the statement of financial position	3,157	3,965
Amounts recognised in the comprehensive income statement		
Interest expense on lease liabilities	127	156
Expenses relating to short term leases	91	95
Amounts recognised in the statement of cash flows		
Total cash outflow	1,373	1,174

During the years ended 31 December 2020 and 31 December 2021 there were no variable lease payments to be 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 £Nil (2020: £147,000).

23. 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	
	2021 £000	2020 £000
Non-current financial assets		
Trade receivables	630	-
Accrued income	-	1,050
	630	1,050
Current financial assets		
Trade receivables	13,668	13,188
Accrued income	5,102	1,516
Other receivables	778	789
	19,548	15,493

	Financial liabilities measured at amortised cost	
	2021 £000	2020 £000
Non-current financial liabilities		
Other payables	455	1,004
Deferred consideration in respect of business combination	-	1,227
Lease liabilities	1,003	1,214
	1,458	3,445
Current financial liabilities		
Trade payables	10,869	9,358
Short-term borrowings	19,362	22,267
Other payables	3,900	5,234
Accruals	5,893	4,550
Deferred consideration in respect of business combination	1,227	1,175
Lease liabilities	2,407	3,103
	43,658	45,687

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

	Assets		Liabilities	
	2021 £000	2020 £000	2021 £000	2020 £000
US Dollars	326	78	1,799	1,650
Euros	500	552	22	3
	826	630	1,821	1,653

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

Notes forming part of the consolidated financial statements
for the year ended 31 December 2021 continued

Credit risk

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

At the reporting date, the largest exposure was represented by the carrying value of trade and other receivables, against which £420,000 is provided at 31 December 2021 (2020: £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 2021 owed the Group £1.2m including VAT (2020: £0.7m). 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:

	2021 £000	2020 £000
Provision at start of year	336	336
Provision created	161	180
Provision reversed	(77)	(180)
Provision at end of year	420	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 2021					
Expected credit loss % range	0%-1%	2%-5%	3%-10%	10%-100%	
Gross debtors (£'000)	10,746	1,612	393	1,967	14,718
Expected credit loss rate (£'000)	(60)	(41)	(27)	(292)	(420)
Accrued income	5,102	-	-	-	5,102
					19,400

	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

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 Group determines that historical data is not reflective of expected future conditions due to changes in the nature of its customers and how they are affected by external factors such as economic and market conditions.

Foreign currency risk

The functional currency of all Group companies is Sterling apart from Maintel International Limited, which is registered in, and operates from, the Republic of Ireland, and whose functional currency is the Euro. The consolidation of the results of that company is therefore affected by movements in the Euro/Sterling exchange rate. In addition, some Group companies transact with certain customers and suppliers in Euros or dollars. 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 £19.4m at 31 December 2021 (2020: £22.3m). The interest rate charged is related to SONIA and bank rate respectively and will therefore change as those rates change. If interest rates had been 0.5% higher/lower during 2021, and all other variables were held constant, the Group's profit (2020: loss) for the year would have been £106,000 (2020: £126,000) lower/higher (2020: higher/lower) due to the variable interest element on the loan.

Liquidity risk

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

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

Financial liabilities:

	0 to 6 months £000	**6 to 12 months £000**	**2 to 5 Years £000**	**More than 5 years £000**	**Total £000**
Trade payables	10,869	-	-	-	10,869
Other payables	2,856	1,044	455	-	4,355
Lease liabilities	533	470	2,113	294	3,410
Accruals	5,893	-	-	-	5,893
Borrowings (including future interest)	400	19,762	-	-	20,162
Deferred consideration	608	619	-	-	1,227
At 31 December 2021	**21,159**	**21,895**	**2,568**	**294**	**45,916**

	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

Market risk

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

Notes forming part of the consolidated financial statements

for the year ended 31 December 2021 continued

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, including 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.

24. Share capital

	Allotted, called up and fully paid			
	2021 Number	**2020 Number**	**2021 £000**	**2020 £000**
Ordinary shares of 1p each	14,361,492	14,361,492	144	144

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.

No shares were issued in the year (2020: 39,433 - for consideration of £394).

No shares were repurchased during the year (2020: Nil).

25. 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 (2020: £31,000) and a translation reserve of £30,000 (2020: £42,000).

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 2021 (2020: £Nil).

26. 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 six 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 five years to benefit from the full tax benefits of the plan.

27. 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 48 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.

	2021 Number of Options	2021 Weighted Average Exercise price	2020 Number of Options	2020 Weighted Average Exercise price
Outstanding at 1 January	246,082	378.14p	295,236	354.56p
Granted during the year	148,000	375.00p	75,000	236.47p
Lapsed during the year	(79,673)	351.55p	(99,721)	294.17p
Exercised during the year	-	-	(24,433)	1.00p
Outstanding at 31 December	314,409	383.40p	246,082	378.14p
Exercisable at year-end	13,409	727.12p	15,082	547.12p

The weighted average contractual life of the outstanding options was 8 years (2020: 8 years), exercisable in the range 221p to 880p.

No shares were exercised in the year by way of issue of new shares. The weighted average share price at the exercise date of the exercised shares in the prior year was 219.06p. No options have expired during the periods covered by the table above.

	2021 Exercisable Price range	2021 Number of Share options
	221p to 274p	65,000
	375p to 505p	236,000
	675p to 880p	13,409
		314,409

The Group recognised £49,000 of expenditure related to equity-settled share-based payments in the year (2020: credit of £259,000).

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	**3 February**
Number of options granted	148,000
Share price at date of grant	375p
Exercise price	375p
Option life in years	3
Expiry date	3 February 2024
Risk-free rate	0.37%
Expected volatility	39.89%
Expected dividend yield	0%
Fair value of options	1.029p

Notes forming part of the consolidated financial statements
for the year ended 31 December 2021 continued

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.

28. 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:

	2021 £000	2020 £000
Short term employment benefits	1,584	1,187
Social security costs	196	184
Contributions to defined contribution pension schemes	46	51
	1,826	1,422

Other transactions – Group

During 2021, the Group paid fees of £5,400 (2020: £Nil) to AAA Consulting Ltd, a company of which Carol Thompson is a shareholder and Director, in respect of consultancy fees provided for the refinancing of the Group. No amounts were outstanding at 2021 (2020: £Nil).

In 2021, the Group provided telecommunications services to Focus 4 U Limited, amounting to £Nil (2020: £500) of which N J Taylor was a Director. Nick J Taylor resigned from this appointment in March 2020. No amounts were outstanding at 2021 (2020: £Nil).

In 2020, the Group traded with A J McCaffery, transactions amounting in aggregate to less than £1,000. Angus McCaffery resigned as a Non-Executive Director on 11 December 2020.

Other transactions – Company

The Company paid fees of £Nil (2020: £7,000) 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.

29. Post balance sheet events

Banking facilities

On 24 March 2022, the Group signed a new three-year banking arrangement with HSBC UK Bank plc ("HSBC") to replace its current bank facilities with the National Westminster Bank Plc ("NWB"). The NWB facilities were due to expire on 27 October 2022. The new facility with HSBC consists of a revolving credit facility ("RCF") of £20m in committed funds with a £6m term loan on a reducing basis. Interest terms for the RCF and term loan are linked to SONIA plus a fixed margin.

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

30. 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 2021 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.

Company balance sheet

at 31 December 2021

Company number 3181729

	Note	31 December 2021 £000	31 December 2021 £000	31 December 2020 £000	31 December 2020 £000
Non-current assets					
Investment in subsidiaries	3		49,560		49,560
Current assets					
Receivables	4	7,726		12,827	
Total assets			57,286		62,387
Current liabilities					
Payables	5	402		1,255	
Borrowings	6	19,997		23,065	
		20,399		24,320	
Total liabilities			20,399		24,320
Total net assets			36,887		38,067
Equity					
Issued share capital	7		144		144
Share premium			24,588		24,588
Capital redemption reserve			31		31
Retained earnings			12,124		13,304
Shareholders' funds			36,887		38,067

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 loss for the year of the Company, after tax and before dividends paid, was £1.2m (2020: profit of £2.5m).

The Company financial statements were approved and authorised for issue by the Board on 30 March 2022 and were signed on its behalf by:

Ioan MacRae
Chief Executive Officer

The notes on pages 92 to 96 form part of these financial statements.

Company statement of changes in equity

for the year ended 31 December 2021

	Share capital £000	Share premium £000	Capital redemption reserve £000	Retained earnings £000	Total £000
At 1 January 2020	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
Transactions with owners in their capacity as owners:					
Share based remuneration	-	-	-	(259)	(259)
At 31 December 2020	144	24,588	31	13,304	38,067
Loss and total comprehensive loss for year	-	-	-	(1,229)	(1,229)
Transactions with owners in their capacity as owners:					
Share based remuneration	-	-	-	49	49
At 31 December 2021	144	24,588	31	12,124	36,887

The notes on pages 92 to 96 form part of these financial statements.

Notes forming part of the Company financial statements

at 31 December 2021

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 the Group signed a new agreement with HSBC Bank plc ("HSBC") to replace the National Westminster Bank ("NWB") facility. The new facility with HSBC consists of a revolving credit facility ("RCF") of £20m with a £6m term loan on a reducing basis. The key covenants that will prevail over this period include net leverage ratio and interest cover tests.

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 2021, 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 supply chain issues 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 FY20 by 2%, 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 and supply chain issues, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future.

(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 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.

(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 13 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:

	2021 £000	2020 £000
Wages and salaries	793	832
Social security costs	99	107
Pension costs	23	27
	915	966

	2021 Number	2020 Number
The average number of employees, including Directors, during the year was:	5	8

Notes forming part of the Company financial statements
at 31 December 2021 continued

3. Investment in subsidiaries

	Shares in subsidiary undertakings £000
At 1 January 2020 and 31 December 2020	49,640
At 31 December 2021	**49,640**
Provision for impairment	
At 1 January 2020, 31 December 2020 and 31 December 2021	80
Net book value	
At 31 December 2021	**49,560**
At 31 December 2020	49,560

Details of the Company's subsidiaries are shown in note 14 of the consolidated financial statements.

4. Receivables

	2021 £000	2020 £000
Amounts owed by subsidiary undertakings	7,703	12,791
Other tax and social security	10	14
Prepayments and accrued income	13	12
Deferred tax asset	-	10
	7,726	12,827

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

The amounts owed by subsidiary undertakings are unsecured, with no interest, repayable on demand.

5. Payables

	2021 £000	2020 £000
Amounts due to subsidiary undertakings	156	1,022
Trade payables	1	30
Accruals and deferred income	245	203
	402	1,255

The amounts due to subsidiary undertakings are unsecured, with no interest, repayable on demand.

6. Borrowings

	2021 £000	2020 £000
Current bank overdraft – secured	4,504	4,643
Current bank loans – secured	15,493	18,422
	19,997	23,065

On 26 May 2021, 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 were extended to 27 October 2021. The revised facility was 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, which was repaid in full during the year. Interest terms for the RCF were 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.

On 24 March 2022, the Group signed a new agreement with HSBC Bank plc ("HSBC") to replace the NWB facility. The new facility with HSBC consists of a revolving credit facility ("RCF") of £20m with a £6m term loan on a reducing basis. The maturity date of the agreement is three years from the signing date. The term loan will be repaid in equal monthly instalments seven months from signing. Interest on the borrowings is the aggregate of the applicable margin and SONIA for sterling/SOFR for USD/EURIBOR for euros.

Covenants based on EBITDA to Net Finance Charges and total 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 2021.

The non-current bank loan above is stated net of unamortised issue costs of debt of £0.1m (31 December 2020: £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 loan facility at a covenant-depending tiered rate of 2.60 % to 3.25% per annum over SONIA, 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.

7. Share capital

	Allotted, called up and fully paid			
	2021 Number	2020 Number	2021 £000	2020 £000
Ordinary shares of 1p each	14,361,492	14,361,492	144	144

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

No shares were issued in the year (2020: 39,433 - for consideration of £394).

No shares were repurchased during the year (2020: Nil).

Notes forming part of the Company financial statements
at 31 December 2021 continued

8. Related party transactions

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

9. 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 2021 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.

10. Post balance sheet events

On 24 March 2022, the Group signed a new three-year banking arrangement with HSBC UK Bank plc ("HSBC") to replace its current bank facilities with the National Westminster Bank Plc ("NWB"). The NWB facilities were due to expire on 27 October 2022. The new facility with HSBC consists of a revolving credit facility ("RCF") of £20m in committed funds with a £6m term loan on a reducing basis. Interest terms for the RCF and term loan are linked to SONIA 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
D J Davies	Chief Technology Officer
C Thompson	Non-Executive Director
N J Taylor	Non-Executive Director

Secretary and registered office

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Company number

3181729

Auditors

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Nominated broker and nominated adviser

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

Registrars

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