Maintel Holdings Plc
("Maintel", the "Company" or the "Group")

Final audited results for the year to 31 December 2019

Maintel Holdings Plc, a leading provider of communications cloud and managed services, announces its results for the twelve-month period to 31 December 2019.

Financial headlines

- Financial performance in line with trading update published 9th January 2020
- Group revenue down 10% to £122.9m (2018: £136.5m) with recurring revenue at 70% (2018: 69%)
  - Driven by delays in the re-letting of the public sector procurement frameworks, macro-economic uncertainty and the performance of two channel partners
- Group adjusted EBITDA[1] decreased 7% to £11.8m (2018: £12.7m), including an increase of £1m on IFRS 16 adoption
- Adjusted earnings per share[2] at 52.6p, a decrease of 20% (2018: 65.5p)
- Basic earnings per share increased 56% to 22.4p (2018: 14.4p)
- Strong underlying cash conversion[3] of 88% of adjusted EBITDA[1] (2018: 84%)
- Period end net debt[4] of £25.7m, (2018: £25.5m)

Post period end

- Trading in Q1 FY20 in line with management expectations
- In the light of the current global COVID-19 pandemic and in order to preserve working capital through these uncertain times, the Board has made the difficult but prudent decision not to declare a final dividend for the full year 2019 (2018: 19.5p per share)
- Extension and amendment agreement to existing bank facilities signed on 26 May 2020, providing a revised facility of £34.5m with a maturity date of 27 October 2021. The amended facility has a more flexible covenant package than the previous arrangement and provides additional funding headroom

Operational highlights

- Continued strong momentum in take-up of Cloud offering, with the number of contracted seats increasing by 25% to 78,000 at the year end
- Cloud and software revenues increased by 34%, to £27.3m, accounting for 22% of Group revenue (2018: 15%)
- Strong performance in December with large wins in public and private sector following resolution of public sector procurement framework and increased political certainty

Key Financial Information

Audited results for 12 months ended 31 December:	**2019**	**2018**	**Increase / (decrease)**
Group revenue	**£122.9m**	£136.5m	(10)%
Adjusted profit before tax[5]	**£8.5m**	£10.8m	(21)%
Profit before tax	**£1.8m**	£2.2m	(18)%
Adjusted earnings per share[2]	**52.6p**	65.5p	(20)%
Basic earnings per share	**22.4p**	14.4p	56%
Final dividend per share proposed	**Nil**	19.5p	-

COVID-19

- Early measures taken to protect employees and ensure continued support of customers with all but critical front-line staff home-based from late March
- Some short-term increase in business from supporting customers with the transition to higher than usual levels of remote working, including enablement projects for key NHS trusts and associated healthcare providers; As expected the Group has also seen some major projects delayed, partly due to site-access practicalities but also as customers themselves manage the economic uncertainty in their businesses
- Cost-control measures introduced from 1st April including the furlough of a small number of staff and reduced working week for most back-office personnel with associated reduction in salaries, including the management team and the Board
- Due to COVID related uncertainty, guidance for FY20 is suspended. We look forward to re-instating guidance once the impact of the pandemic has moderated.

Commenting on the Group's results, Ioan MacRae, CEO, said:

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

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

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

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

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

Notes
[1] Adjusted EBITDA is EBITDA of £11.7m (2018: £10.7m), adjusted for exceptional costs and share based payments (note 12).
[2] Adjusted earnings per share is basic earnings per share of 22.4p (2018: 14.4p), adjusted for acquired intangibles amortisation, exceptional costs, interest charge on deferred consideration, share based payments and deferred tax items related to loss reliefs from previous acquisitions and fixed assets acquired in prior years (note 11). The weighted average number of shares in the period was 14.3m (2018: 14.2m).
[3] Cash conversion calculated as operating cash flow (being adjusted EBITDA plus working capital) to adjusted EBITDA.
[4] Interest bearing debt (excluding issue costs of debt) minus cash.
[5] Adjusted profit before tax of £8.5m (2018: £10.8m) is basic profit before tax, adjusted for intangibles amortisation, exceptional costs and share based payments.

This announcement contains inside information for the purposes of Article 7 of EU Regulation 596/2014

The full annual report and accounts have been uploaded to our website and will be posted to shareholders by no later than 5th June 2020

For further information please contact:

Ioan MacRae, Chief Executive Officer	0344 871 1122
Mark Townsend, Chief Financial Officer	
Rufus Grig, Chief Strategy Officer	
finnCap (Nomad and Broker)	
Jonny Franklin-Adams /Kate Bannatyne (Corporate Finance)	020 7220 0500
Richard Chambers / Sunila de Silva (Corporate Broking)	
Oakley Advisory (Financial Advisors)	020 7766 6900
Christian Maher / Victoria Boxall	

Strategic report

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

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

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

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

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

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

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

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

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

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

J D S Booth
Chairman

29 May 2020

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

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

Contact centre technology, driven by organisations wishing to differentiate themselves by offering an improved customer experience and by consumers wishing to interact with their suppliers and service providers via an increasing number of digital channels, is also experiencing significant growth, with CAGRs of 25.2% and 25.9% cited in two recent analyst reports. As with unified communications, contact centre operators are steadily migrating their technology to the cloud. Maintel's ICON Contact offer is positioned to support customers in that transition. The market is being further enriched by the use of

Artificial Intelligence (AI) and Machine Learning technologies to improve outcomes for customers – either by ensuring the best possible match of available agents to queuing customers, or by supporting a significantly improved experience using self-service channels. AI is driving a lot of product evaluation and pilot projects.

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

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

New IFRS implementation

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

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

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

In order to allow users of the accounts to see how the impact of IFRS 16 has affected adjusted EBITDA[1], we present a reconciliation below.

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

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

Results for the year

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

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

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

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

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

Cash performance

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

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

Review of operations

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

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

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

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

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

Managed services and technology division

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

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

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

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

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

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

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

Network services division

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

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

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

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

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

ICON cloud services

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

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

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

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

Mobile division

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

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

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

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

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

Other operating income

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

Administrative expenses

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

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

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

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

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

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

Exceptional costs

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

Interest

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

Taxation

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

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

Dividends and earnings per share

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

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

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

Consolidated statement of financial position

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

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

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

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

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

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

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

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

Cash flow

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

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

	2019	**2018**
	£000	**£000**
Cash generated from operating activities before acquisition costs	**9,741**	9,135
Taxation paid	**(328)**	(442)
Capital expenditure less proceeds of sale	**(1,902)**	(265)
Interest paid	**(1,102)**	(1,161)
Free cash flow	**6,409**	7,267
Dividends paid	**(4,953)**	(4,841)
Payments in respect of business combination	**(679)**	(181)
Acquisition costs paid	**-**	(44)

Proceeds from borrowings	**500**	-
Repayments of borrowings	**-**	(9,500)
Lease liability payments	**(1,200)**	-
Issue of ordinary shares	**235**	-
Increase / (decrease) in cash and cash equivalents	**312**	(7,299)
Cash and cash equivalents at start of period	**(3,988)**	3,311
Exchange differences	**(20)**	-
Cash and cash equivalents at end of period	**(3,696)**	(3,988)
Bank borrowings	**(22,000)**	(21,500)
Net debt excluding issue costs of debt and IFRS 16 liabilities	**(25,696)**	(25,488)
Adjusted EBITDA	**11,840**	12,740

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

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

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

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

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

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

COVID-19

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

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

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

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

Cash preservation

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

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

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

Outlook

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

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

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

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

Dividend policy

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

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

Banking facilities

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

On behalf of the Board

I MacRae
Chief executive
29 May 2020

Financial statements
Consolidated statement of comprehensive income
for the year ended 31 December 2019

	Note	2019 £000	2018 £000
Revenue	4	**122,932**	136,459
Cost of sales		**(87,682)**	(97,341)
Gross profit		**35,250**	39,118
Other operating income		**1,035**	476
Administrative expenses			
Intangibles amortisation	14	**(6,674)**	(6,479)
Exceptional items	13	**(385)**	(1,647)
Share based remuneration		**274**	(392)
Other administrative expenses		**(26,407)**	(27,565)
		(33,192)	(36,083)
Operating profit	7	**3,093**	3,511

Financial expense	8	**(1,329)**	(1,263)
Profit before taxation		**1,764**	2,248
Taxation expense	9	**1,434**	(206)
Profit for the year		**3,198**	2,042
Other comprehensive expense for the year			
Exchange differences on translation of foreign operations		**(3)**	-
Total comprehensive income for the year		**3,195**	2,042
Earnings per share (pence)			
Basic	11	**22.4p**	14.4p
Diluted	11	**22.2p**	14.1p

Financial statements
Consolidated statement of financial position
at 31 December 2019

	Note	31 December 2019 £000	31 December 2019 £000	31 December 2018 £000	31 December 2018 £000
Non current assets					
Intangible assets	14		**63,817**		69,389
Right of use assets	17		**4,087**		-
Property, plant and equipment	16		**1,514**		2,046
			69,418		71,435
Current assets					
Inventories	18	**3,243**		8,267	
Trade and other receivables	19	**26,921**		34,352	
Income tax		**177**		-	
Total current assets			**30,341**		42,619
Total assets			**99,759**		114,054
Current liabilities					
Trade and other payables	20	**43,564**		57,725	
Lease liabilities	23	**987**		-	
Borrowings	22	**3,696**		3,988	
Income tax		**-**		814	
Total current liabilities		**48,247**			62,527
Non current liabilities					
Other payables	20	**2,898**		4,943	
Lease Liabilities	23	**3,367**		-	
Deferred tax	21	**2,537**		3,307	
Borrowings	22	**21,883**		21,295	

	Note		
Total non-current liabilities		**30,685**	29,545
Total liabilities		**78,932**	92,072
Total net assets		**20,827**	21,982
Equity			
Issued share capital	25	**143**	142
Share premium	26	**24,588**	24,354
Other reserves	26	**67**	70
Retained earnings	26	**(3,971)**	(2,584)
Total equity		**20,827**	21,982

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

M Townsend
Director

Financial statements
Consolidated statement of changes in equity
for the year ended 31 December 2019

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

Financial statements
Consolidated statement of cash flows
for the year ended 31 December 2019

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

	2019 £000	2018 £000
Financing activities		
Proceeds from borrowings	**500**	-
Lease liability repayments	**(1,200)**	-
Issue of ordinary shares	**235**	-
Repayment of borrowings	**-**	(9,500)
Interest paid	**(1,102)**	(1,161)
Equity dividends paid	**(4,953)**	(4,841)
Net cash flows from financing activities	**(6,520)**	(15,502)

Net increase / (decrease) in cash and cash equivalents	**312**	(7,299)
Bank overdrafts / Cash and cash equivalents at start of year	**(3,988)**	3,311
Exchange differences	**(20)**	-
Bank overdrafts at end of year	**(3,696)**	(3,988)

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

Reconciliation of liabilities from financing activities

Non-current loans and borrowings (Note 22)

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

Lease liabilities (Note 23)

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

1 General information

Maintel Holdings Plc is a public limited company incorporated and domiciled in the UK, whose shares are publicly traded on the Alternative Investment Market (AIM). Its registered office and principal place of business is 160 Blackfriars Road, London SE1 8EZ.

2 Accounting policies

The principal policies adopted in the preparation of the consolidated financial statements are as follows:

(a) Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRS) issued by the International Accounting Standards Board (IASB) as adopted by the European

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

(b) Basis of consolidation

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

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

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

(c)Going concern

The Group has a sound financial record including strong operating cash flows derived from a substantial level of recurring revenue across a range of sectors. Post year end an amendment and extension to the Group’s existing banking facilities was signed, providing the Group with additional liquidity and more flexible covenants than the previous facility. The revised agreement provides a facility £34.5m, made up of a revolving credit facility (“RCF”) of £30m and a £4.5m amortising term loan issued under the Coronavirus Large Business Interruption Loan Scheme (“CLBILS”) by the British Business Bank, with a maturity date of 27 October 2021. The key covenants that will prevail over this period include net leverage ratio, minimum liquidity and interest cover tests.

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

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

Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

(d) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the

Group and can be reliably measured.

Revenue represents sales to customers at invoiced amounts and commissions receivable from suppliers, less value added tax.

Managed services and technology

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

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

Network services

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

Mobile

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

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

(e) Leased assets

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

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

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

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

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

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

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

(f) Employee benefits

The Group contributes to a number of defined contribution pension schemes in respect of certain of its employees, including those established under auto-enrolment legislation. The amount charged in the consolidated statement of comprehensive income represents the employer contributions payable to the schemes in respect of the financial period. The assets of the schemes are held separately from those of the Group in independently administered funds.

The cost of all short-term employee benefits is recognised during the period the employee service is rendered.

Holiday pay is expensed in the period in which it accrues.

(g) Redundancy costs

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

(h) Interest

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

(i) Taxation

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

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

- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction which is not a business combination

and at the time of the transaction affects neither accounting nor taxable profit; and

- investments in subsidiaries where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits and taxable temporary differences will be available against which the asset can be utilised.

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

The amount of the deferred tax asset or liability is measured on an undiscounted basis and is determined using tax rates that have been enacted or substantively enacted by the date of the consolidated statement of financial position and are expected to apply when the deferred tax assets/liabilities are recovered/settled.

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- the same taxable Group company; or
- different Group entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

(j) Dividends

Dividends unpaid at the reporting date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company.

Proposed but unpaid dividends that do not meet these criteria are disclosed in the notes to the consolidated financial statements.

(k) Intangible assets

Goodwill
Goodwill represents the excess of the fair value of the consideration of a business combination over the acquisition date fair value of the identifiable assets, liabilities and contingent liabilities acquired; the fair value of the consideration comprises the fair value of assets given. Direct costs of acquisition are recognised immediately as an expense.

Goodwill is capitalised as an intangible asset and carried at cost with any impairment in carrying value being charged to the consolidated statement of comprehensive income.

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

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

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

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

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

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

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

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

(l) Impairment of non current assets

Impairment tests on goodwill are undertaken annually on 31 December. Customer relationships and other assets are subject to impairment tests whenever events or changes in circumstances indicate the carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (being the higher of value in use and fair value less costs to sell), the asset is written down accordingly in the administrative expenses line in the consolidated statement of comprehensive income and, in respect of goodwill impairments, the impairment is never reversed.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit (being the lowest Group of assets in which the asset belongs for which there are separately identifiable cash flows). Goodwill is allocated on initial recognition to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination giving rise to goodwill.

(m) Property, plant and equipment

Property, plant and equipment is stated at cost, less accumulated depreciation and any impairment in value. Depreciation is provided to write off the cost, less estimated residual values, of all tangible fixed assets, other than freehold land, over their expected useful lives, at the following rates:

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

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

(n) Inventories

Inventories comprise (i) maintenance stock, being replacement parts held to service customers' telecommunications systems, and (ii) stock held for resale, being stock purchased for customer orders which has not been installed at the end of the financial period. Inventories are valued at the lower of cost and net realisable value.

(o) Cash and cash equivalents

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

(p) Financial assets and liabilities

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

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

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

(q) Borrowings

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

(r) Foreign currency

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

On consolidation, the results of MIL are translated into Sterling at rates approximating those ruling when the transactions took place. All assets and liabilities of MIL, including goodwill arising on its acquisition, are translated at the rate ruling at the reporting date. Exchange differences on retranslation of the foreign subsidiary are recognised in other comprehensive income and accumulated in a translation reserve.

(s) Accounting standards issued

IFRS 16 *Leases*

Previous accounting policy

Operating leases

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

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

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

(t) Share-based payments

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

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

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

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

(u) Standards in issue but not yet effective

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

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

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

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

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

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

3 Accounting estimates and judgements

In the process of applying the Group's accounting policies, management has made various estimates, assumptions and judgements, with those likely to contain the greatest degree of uncertainty being summarised below:

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

In particular, management exercises estimation in determining assumptions for revenue growth rates and gross margins for future periods which are important components of future cash flows, and also in determining the appropriate discount rates which are used across the Group's cash generating units (refer to note 15).

4 Segment information

Year ended 31 December 2019

For management reporting purposes and operationally, the Group consists of three business segments: (i) telecommunications managed service and technology sales, (ii) telecommunications network services, and (iii) mobile services. Each segment applies its respective resources across inter-related revenue streams, which are reviewed by management collectively under these headings. The businesses of each segment and a further analysis of revenue are described under their respective headings in the strategic report.

The chief operating decision maker has been identified as the Board, which assesses the performance of the operating segments based on revenue and gross profit.

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

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

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

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

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

Year ended 31 December 2018

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

Year ended 31 December 2018

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

5 Employees

The average number of employees, including directors, during the year was:	2019 Number	2018 Number
Corporate and administration	**100**	93
Sales and customer service	**215**	220
Technical and engineering	**284**	292
	599	605

Staff costs, including directors, consist of:	**£000**	£000
Wages and salaries	**33,504**	33,427
Social security costs	**3,696**	3,726
Pension costs	**874**	809
	38,074	37,961

The Group makes contributions to defined contribution personal pension schemes for employees and directors. The assets of the schemes are separate from those of the Group. Pension contributions totalling £188,000 (2018: £166,000) were payable to the schemes at the year-end and are included in other payables.

6 Directors' remuneration

The remuneration of the Company directors was as follows:

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

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

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

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

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

7 Operating profit

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

8 Financial expense

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

9 Taxation

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

The standard rate of corporation tax in the UK for the year was 19.00%, and therefore the Group's UK subsidiaries are taxed at that rate. Reductions in UK tax rate to 19% with effect from 1 April 2018 and 17% from 1 April 2020 were substantively enacted on 15 September 2018. The differences between the total tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax are as follows:

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

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

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

10 Dividends paid on ordinary shares

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

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

11 Earnings per share

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

	2019	2018
	£000	£000
Earnings used in basic and diluted EPS, being profit after tax	**3,198**	2,042
Adjustments:		
Intangibles amortisation (note 15)	**5,965**	6,099
Exceptional costs (note 13)	**385**	1,647
Tax relating to above adjustments	**(1,258)**	(1,518)
Share based remuneration	**(274)**	392
Deferred tax charge on utilisation of Datapoint tax losses	**-**	475
Increase in deferred tax asset in respect to Datapoint tax losses	**-**	(500)
Deferred tax charge on utilisation of Intrinsic tax losses	**532**	-
Interest charge on deferred consideration	**135**	84
Prior year adjustments	**(315)**	-
Benefit for losses utilised in the year not recognised for tax previously	**(854)**	-
Deferred tax charge on capital allowances acquired from Azzurri	**-**	441
Increase / (decrease) in deferred tax liability on intangible assets	**-**	139
Adjusted earnings used in adjusted EPS	**7,514**	9,301

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

	2019 Number (000s)	2018 Number (000s)
Weighted average number of ordinary shares of 1p each	**14,290**	14,197
Potentially dilutive shares	**136**	274
	14,426	14,471
Earnings per share		
Basic	22.4p	14.4p
Diluted	22.2p	14.1p

Adjusted - basic but after the adjustments in the table above	52.6p	65.5p
Adjusted - diluted after the adjustments in the table above	52.1p	64.3p

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

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

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

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

13 Exceptional costs

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

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

	385	1,647

14 Intangible assets

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

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

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

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

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

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

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

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

15 Subsidiaries

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

Maintel Europe Limited
Maintel International Limited

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

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

Maintel Voice and Data Limited
Maintel Finance Limited
District Holdings Limited
Intrinsic Technology Limited (hived up into Maintel Europe Limited on 1 January 2019)
Warden Holdco Limited
Warden Midco Limited

Datapoint Global Services Limited
Maintel Network Solutions Limited
Datapoint Customer Solutions Limited
Maintel Mobile Limited
Azzurri Communications Limited

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

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

16 Property, plant and equipment

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

17 Right of use assets

	Land and buildings	Office and computer equipment	Motor vehicles	Total

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

18 Inventories

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

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

19 Trade and other receivables

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

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

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

Movements in contract assets and liabilities were as follows:

-Accrued income decreased from £2.7m in 2018 to £1.9m at the reporting date;
-Deferred Income decreased from £26.7m in 2018 to £18.7m at the reporting date; and
-Deferred costs net of accrued costs have increased from £5.1m in 2018 to £6.0m at the reporting date.

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

20 Trade and other payables

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

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

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

21 Deferred taxation

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

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

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

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

22 Borrowings

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

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

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

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

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

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

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

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

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

23 Lease liabilities

	2019 £000
Maturity analysis – contractual undiscounted cash flows	
In one year or less	**1,174**

Between one and five years	**3,131**
In five years or more	**460**
Total undiscounted lease liabilities at 31 December 2019	**4,765**
Lease liabilities included in the statement of financial position	**4,354**
Current	**987**
Non-current	**3,367**

Amounts recognised in the comprehensive income statement

Interest expense on lease liabilities	**165**
Expenses relating to short term leases	**98**

Amounts recognised in the statement of cash flows

Total cash outflow	**1,200**

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

Reconciliation of operating lease commitments
At 31 December 2018 and 1 January 2019

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

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

24 Financial instruments

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

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

	18,310	**24,050**

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

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

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

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

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

At the reporting date, the largest exposure was represented by the carrying value of trade and other receivables, against which £336,000 is provided at 31 December 2019 (2018: £439,000). The provision represents an estimate of potential bad debt in respect of the year-end trade receivables, a review having been undertaken of each such year-end receivable. The largest individual receivable included in trade and other receivables at 31 December 2019 owed the Group £0.8m including VAT (2018: £2.1m). The Group's customers are spread across a broad range of sectors and consequently it is not otherwise exposed to significant concentrations of credit risk on its trade receivables.

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

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

A debt is considered to be bad when it is deemed irrecoverable, for example when the debtor goes into liquidation, or when a credit or partial credit is issued to the customer for goodwill or commercial reasons. The Group has applied the Simplified Approach applying a provision matrix based on number of days past due to measure lifetime expected credit losses and after taking into account customer sectors with different credit risk profiles and current and forecast trading conditions. The Group's provision matrix is as follows:

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

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

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

Foreign currency risk
The functional currency of all Group companies is Sterling apart from Maintel International Limited, which is registered in and operates from the Republic of Ireland and whose functional currency is the Euro. The consolidation of the results of that company is therefore affected by movements in the Euro/Sterling exchange rate. In addition, some Group companies transact with certain customers and suppliers in Euros or dollars, and those transactions are affected by exchange rate movements during the year but are not deemed material in a Group context.

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

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

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

Financial liabilities:

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

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

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

Capital risk management
The Group's objective when managing capital is to safeguard its ability to continue as a going concern in order to provide returns to shareholders. Capital comprises all components of equity- share capital, capital redemption reserve, share premium, translation reserve and retained earnings. Typically returns to shareholders will be funded from retained profits, however in order to take advantage of the opportunities available to it from time to time, the Group will consider the appropriateness of issuing shares, repurchasing shares, amending its dividend policy and borrowing, as is deemed appropriate in the light of such opportunities and changing economic circumstances.

25 Share capital

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

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

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

26 Reserves

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

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

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

The Group having no regulatory capital or similar requirements, its primary capital management focus is on maximising earnings per share and therefore shareholder return.

The directors have proposed that there will be no final dividend in respect of 2019.

27 Share Incentive Plan

The Company established the Maintel Holdings Plc Share Incentive Plan ("SIP") in 2006, which was updated in 2016. The SIP is open to all employees and executive directors with at least 6 months' continuous service with a Group company, and allows them to subscribe for existing shares in the Company out of their gross salary. The shares are bought by the SIP on the open market. The employees and directors own the shares from the date of purchase but must continue to be employed by a Group company and hold their shares within the SIP for 5 years to benefit from the full tax benefits of the plan.

28 Share based payments

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

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

In aggregate, options are outstanding over 3.0% of the current issued share capital. The number of shares under option and the vesting and exercise prices may be adjusted at the discretion of the remuneration committee in the event of a variation in the issued share capital of the Company.

29 Operating leases

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

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

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

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

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

30 Related party transactions

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

	2019 £000	**2018 £000**

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

Other transactions

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

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

31 Post balance sheet events

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

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

Financial statements
Company balance sheet
at 31 December 2019 - prepared under FRS101

Company number 3181729	Note	2019 £000	2019 £000	2018 £000	2018 £000
Fixed assets					
Investment in subsidiaries	4		**49,560**		54,466
Current assets					
Debtors	5	**14,147**		6,780	
Cash at bank and in hand		**-**		-	
		14,147		6,780	
Creditors: amounts falling due within one year					
Creditors	6	**1,224**		1,203	
Short – term borrowings	7	**4,794**		4,569	
Net current assets			**8,129**		1,008
Creditors: amounts falling due after one year					
Borrowings	7		**21,883**		21,295

Total assets less current liabilities		**35,806**	34,179
Capital and reserves			
Called up share capital	8	**143**	142
Share premium		**24,588**	24,354
Capital redemption reserve		**31**	31
Profit and loss account		**11,044**	9,652
Shareholders' funds		**35,806**	34,179

The Company has taken advantage of the exemption under S408 of the Companies Act 2006 and has not presented its own profit and loss account in these financial statements. The profit for the year of the Company, after tax and before dividends paid, was £6.6m (2018: £6.0m). The auditors' remuneration for audit services to the Company in the year was £15,000 (2018: £15,000).

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

M Townsend
Director

Financial statements
Company statement of changes in equity
for the year ended 31 December 2019 - prepared under FRS101

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

At 31 December 2019	**143**	**24,588**	**31**	**11,044**	**35,806**

1 Accounting policies

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

The principal accounting policies are summarised below; they have been applied consistently throughout the year and the preceding year.

(a) Basis of preparation

The financial statements of the Company have been prepared in accordance with FRS 101 and the Companies Act 2006.

(b) Investments

Investments in subsidiary undertakings are stated at cost unless, in the opinion of the directors, there has been impairment to their value, in which case they are written down to their recoverable amount.

(c) Going concern

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

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

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

Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

(d) Taxation

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

(e) Dividends

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

(f) Disclosure exemptions adopted

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

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

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

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

(g) Judgements and key areas of estimation uncertainty

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

The Company assesses at each reporting date whether there is an indication that its investments may be impaired. In undertaking such an impairment review, estimates are required in determining an asset's recoverable amount; those used are shown in note 15 of the consolidated accounts. These estimates include the asset's future cash flows and an appropriate discount to reflect the time value of money. The range of estimates reflects the relative risk profiles of the relevant cash generating units.

2 Employees

Staff costs, including directors, consist of:	**2019**	**2018**
	£000	**£000**
Wages and salaries	**1,164**	1,271
Social security costs	**151**	164
Pension costs	**33**	35

	2019	2018
	1,348	1,470

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

3 Dividends paid on ordinary shares

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

4 Investment in subsidiaries

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

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

5 Debtors

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

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

6 Creditors

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

7 Borrowings

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

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

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

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

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

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

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

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

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

8 Share capital

	2019 Number	2018 Number	Allotted, called up and fully paid 2019 £000	2018 £000

Ordinary shares of 1p each	**14,322,059**	14,197,059	**143**	142

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

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

9 Related party transactions

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

10 Contingent liabilities

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

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

11 Post balance sheet events

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

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