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

Final audited results for the year to 31 December 2020

Maintel Holdings Plc, a leading provider of cloud and managed communications services, announces its results for the twelve-month period to 31 December 2020.

Financial headlines

- Cloud and software revenues increased to 26% of total Group revenue (2019: 22%)
- Group revenue down 13% to £106.4m (2019: £122.9m) with recurring revenue at 73% (2019: 70%). Reduction in revenue driven by:
    - Delays in the implementation of project work as a result of the pandemic; and
    - A reduced managed services support base going into the year following the previously announced loss of several legacy contracts in 2019
- Group adjusted EBITDA[1] decreased 20% to £9.5m (2019: £11.8m)
- Loss for the year of £1.7m (2019: profit for the year of £3.2m)
- Adjusted earnings per share[2] at 31.9p, a decrease of 39% (2019: 52.6p)
- Basic loss per share at 12.1p (2019: earnings per share of 22.4p)
- Strong cash conversion[3] of 123% of adjusted EBITDA[1] (2019: 88%), including a £2.9m working capital benefit arising from HMRC VAT deferment program; excluding this benefit underlying cash conversion was 92%
- Significant reduction in period end net debt[4] to £22.3m, (2019: £25.7m) with a further reduction post period end

Operational highlights

- Transformation to a Cloud and Managed Services business continued, notwithstanding the uncertainty caused by the pandemic, with strong momentum in take-up of Cloud offering across both the Public and Private sector
- Total number of contracted seats increased by 31% to 102,000 at the year end, ahead of management expectations
- Acceleration of restructuring programme that led to £3m of annualised OPEX cost reductions

Post period end

- Completion of the sale of the Managed Print Services business to Corona Corporate Solutions for a total consideration £4.5m, enabling the Group to focus better on the core business of managed cloud communications, while strengthening the balance sheet
- Trading to date for this financial year (revenue and EBITDA) and order intake are all in line with management expectations
- Q1 wins included significant renewals from JD Sports, a new managed SD-WAN from Sanctuary Housing, projects for Guys & St Thomas's Hospital, LAN projects for a number of local authorities; they include the first wins for our Callmedia CX-Now Contact Centre as a Service, and public cloud wins across Genesys, RingCentral and Microsoft Teams in addition to our ICON Communicate platform
- H1 Cloud forecast on track for full year ambition of an additional 50k contracted seats across all platforms, taking total contracted seats to over 150k
- Amendment and extension to current bank facilities with the National Westminster Bank ("NWB") signed on 14 May 2021, extending the facility for 12 months to October 2022 on improved terms

Key Financial Information

Audited results for 12 months ended 31 December:	**2020**	**2019**	**Increase / (decrease)**
Group revenue	**£106.4m**	£122.9m	(13)%
Adjusted profit before tax[5]	**£6.3m**	£8.5m	(26)%
(Loss) / Profit before tax	**(£2.2m)**	£1.8m	-
Adjusted earnings per share[2]	**31.9p**	52.6p	(39)%
Basic (loss)/ earnings per share	**(12.1p)**	22.4p	-
Final dividend per share proposed	**Nil**	Nil	-

COVID-19

- The primary impact on trading has been a delay to some major projects as a result of site access issues and also customers managing economic uncertainty in their businesses
- Early and decisive measures were implemented in March 2020, with a focus on cash preservation, strengthening the balance sheet and protecting employees, while ensuring continued, seamless support for customers
- Measures taken to control costs included use of Government support schemes, including the furlough scheme for a small number of employees
- The actions taken as a result of COVID-19 have accelerated our strategy to right size the business, restructure the sales team and strengthen the balance sheet

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

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

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

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

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

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

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

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

Notes
[1] Adjusted EBITDA is EBITDA of £7.3m (2019: £11.7m), adjusted for exceptional costs and share based payments (note 12).
[2] Adjusted earnings per share is basic loss per share of 12.1p (2019: earnings per share of 22.4p), 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 (2019: 14.3m).
[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 and lease liabilities)minus cash.
[5] Adjusted profit before tax of £6.3m (2019: £8.5m) 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 2021

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Strategic report
Chairman's statement

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

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

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

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

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

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

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

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

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

J D S Booth

Chairman

1 June 2021

Results for the year

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

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

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

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

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

(a) Adjusted EBITDA is EBITDA of £7.3m (2019: £11.7m) less exceptional costs and share based remuneration (note 12)
(b) Adjusted profit after tax divided by weighted average number of shares (note 11)

Cash performance

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

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

Review of operations

ICON is Maintel's suite of cloud services, the main services being ICON Communicate (enterprise grade managed unified communications), ICON Now (Unified Communications as a Service), ICON Secure (network security) and ICON Connect (managed WAN). Elements of cloud services revenues are currently accounted for in both the managed services and technology division (under both managed services related and technology revenue lines), and the network services division (under the data connectivity services and cloud revenue lines). Cloud services revenues accounted for 26% of total Group revenues in the period (2019: 22%). Despite the macroeconomic conditions, cloud services revenues remained flat at £27.3m (2019: £27.3m), demonstrating the high quality, recurring nature of this revenue stream.

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

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

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

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

Managed services and technology division

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

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

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

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

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

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

Network services division

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

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

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

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

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

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

The majority of the new seat growth came from our flagship ICON Communicate service and included a number of NHS Foundation Trusts, financial services firms, a large county council and a number of legal firms. We continue to see significant demand for the Virtual Private Cloud service that ICON Communicate offers – with very high (99.999%) core availability, guaranteed UK data sovereignty and allowing customers to manage platform change and evolution at their own pace. We have also seen notable wins on our ICON Now UCaaS platform, where smaller organisations value the commercial flexibility it brings, with short term commitments, mixed bundles of user types and the ability to flex not just up, but down.

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

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

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

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

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

We continue to invest in our growth areas of cloud and software and have grown the development teams based at our Technology Centre in Fareham, Hampshire – bringing the product management and R&D teams together under the Chief Technology Officer Dan Davies.

Mobile division

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

	2020	2019	
	£000	£000	Increase /

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

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

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

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

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

Other operating income

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

Other administrative expenses

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

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

Income relating to share based remuneration amounted to a £0.3m credit (2019: £0.3m) due to the effect of the unwinding of unvested options accounted for in prior years.

The level of the Group's administrative expenses will continue to be tightly controlled in 2021 and we expect to deliver further cost savings in the period as our operational model continues to evolve.

Exceptional costs

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

Interest

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

Taxation

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

Dividends and earnings per share

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

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

Consolidated statement of financial position

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

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

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

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

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

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

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

Borrowings of £22.3m represent the Group's drawn down debt and overdraft facility which has been reclassified to current liabilities as the current facilities agreement expires in October 2021. At 31

December 2019 the Group's borrowings of £21.9m, excluding overdraft, were classified as non-current liabilities (see note 22).

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

Cash flow

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

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

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

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

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

Capital expenditure of £2.7m (2019: £1.9m) was incurred relating to the ongoing investment in the ICON platform and IT infrastructure and continued development of Callmedia, the Group's contact centre product, along with a 3-year renewal of the Group's Microsoft licence requirements.

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

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

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

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

Outlook

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

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

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

Dividend policy

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

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

Post year end events

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

Banking facilities

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

On behalf of the Board

I MacRae
Chief executive

1 June 2021

Financial statements
Consolidated statement of comprehensive income
for the year ended 31 December 2020

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

Consolidated statement of financial position
at 31 December 2020

	31 December 2020	31 December 2020	31 December 2019	31 December 2019

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

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

M Townsend
Director

Consolidated statement of changes in equity for the year ended 31 December 2020

	Note	Share capital £000	Share premium £000	Other reserves £000	Retained earnings £000	Total £000
Balance at 1 January 2019		142	24,354	70	(1,942)	22,624
Profit for the year		-	-	-	3,198	3,198

Other comprehensive income:						
Foreign currency translation differences		-	-	(3)	-	(3)
Total comprehensive income for the year		-	-	(3)	3,198	3,195
Transactions with owners in their capacity as owners:						
Dividends paid	10	-	-	-	(4,953)	(4,953)
Issue of new ordinary shares	1	1	234	-		235
Share based remuneration		-	-	-	(274)	(274)
At 31 December 2019		**143**	**24,588**	**67**	**(3,971)**	**20,827**
Loss for the year		-	-	-	(1,734)	(1,734)
Other comprehensive income:						
Foreign currency translation differences		-	-	6	-	6
Total comprehensive expense for the year		-	-	6	(1,734)	(1,728)
Transactions with owners in their capacity as owners:						
Issue of new ordinary shares		1	-	-	-	1
Share based remuneration		-	-	-	(259)	(259)
At 31 December 2020		**144**	**24,588**	**73**	**(5,964)**	**18,841**

Consolidated statement of cash flows for the year ended 31 December 2020

	2020 £000	2019 £000
Operating activities		
(Loss) / profit before taxation	**(2,232)**	1,764
Adjustments for:		
Intangibles amortisation	**6,286**	6,674
Share based payment credit	**(259)**	(274)
Loss on sale of property, plant and equipment	**2**	99
Exceptional non-cash items	**325**	(407)
Depreciation of plant and equipment	**665**	695
Depreciation of right of use asset	**1,241**	1,267
Interest payable	**1,339**	1,329
Operating cash flows before changes in working capital	**7,367**	11,147
Decrease in inventories	**1,377**	5,025
Decrease in trade and other receivables	**3,113**	7,237

	2020	2019
Decrease in trade and other payables	**(2,284)**	(13,668)
Cash generated from operating activities	**9,573**	9,741
Tax paid	**(158)**	(328)
Net cash inflows from operating activities	**9,415**	9,413
Investing activities		
Purchase of plant and equipment	**(568)**	(759)
Purchase of intangible assets	**(2,082)**	(1,143)
Purchase price in respect of a business combination in a prior year	**(1,096)**	(679)
Net cash outflows from investing activities	**(3,746)**	(2,581)

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

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

Reconciliation of liabilities from financing activities

Loans and borrowings (Note 22)

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

Lease liabilities (Note 23)

	2020	**2019**

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

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 preliminary financial information for the years ended 31 December 2020 and 2019 has been extracted from the audited statutory accounts for the year ended 31 December 2020 and prepared on the same basis as the accounting policies adopted in those accounts. The statutory accounts for the year ended 31 December 2020 have yet to be delivered to the Registrar of Companies and have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006. The preliminary financial information does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006 and does not contain all the information and disclosures necessary for compliance with International Accounting Standards in conformity with the requirements of the Companies Act 2006.

The audit report on the statutory financial statements for the year ended 31 December 2020 is unqualified and does not include reference to any matters to which the auditor drew attention by way of emphasis without qualifying the report and does not contain any statement under Section 498(2) or (3) of the Companies Act 2006.

Statutory accounts for the year ended 30 December 2019 have been filed with the Registrar of Companies. The auditor's report on those accounts was unqualified and contained a paragraph drawing attention by way of emphasis to a material uncertainty in relation to going concern without qualifying the report and did not contain a statement under section 498(2) and (3) of the Companies Act 2006.

(b) Basis of consolidation

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

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

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

(c) Rounding of amounts

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

(d) Going concern

The Group has a sound financial record including strong operating cash flows derived from a substantial level of recurring revenue across a range of sectors. Post year end an amendment and extension to the current bank facilities with the National Westminster Bank (“NWB”) was signed on 14 May 2021 (see note 31), extending the facility for 12 months to October 2022 on improved terms. The key covenants that will prevail over this period include net leverage ratio and interest cover tests.

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

The Board has put robust business continuity plans in place to ensure continuity of trading and operations. In addition, to address the trading impact of COVID-19 during FY 20 the directors have already taken significant steps to preserve working capital and maintain a satisfactory liquidity position.

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

On this basis , whilst it is acknowledged that there is continued uncertainty surrounding the future impacts of COVID-19, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future.

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

(e) Revenue

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

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

Managed services and technology

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

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

Network services

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

Mobile

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

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

(f) Leased assets

The Group applied IFRS 16 via the modified retrospective approach from 1 January 2019. The policy applies to leased properties, motor vehicles and certain office and computer equipment.

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

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

A right of use asset shall be recognised at the commencement date of the lease term. The right of use asset will be measured at an amount equal to the lease liability. The right of use asset will subsequently be measured at cost less accumulated depreciation and any accumulated impairment losses. The depreciation policy for leased property, motor vehicles and office and computer equipment is on a straight-line basis over the shorter of the lease term and the useful life of the asset.

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

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

(g) Employee benefits

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

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

Holiday pay is expensed in the period in which it accrues.
f
(h) Exceptional items

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

(i) Interest

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

(j) Taxation

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

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

- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit; and
- investments in subsidiaries where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

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

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

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

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

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

(k) Dividends

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

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

(l) Intangible assets

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

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

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

Customer relationships are amortised over their estimated useful lives of six years to eight years.

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

accumulated amortisation.

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

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

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

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

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

(m) Impairment of non current assets

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

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

(n) Property, plant and equipment

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

Office and computer equipment	-	25% straight line
Motor vehicles	-	25% straight line
Leasehold improvements	-	over the remaining period of the lease

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

(o) Inventories

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

(p) Cash and cash equivalents

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

(q) Financial assets and liabilities

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

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

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

(r) Borrowings

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

(s) Foreign currency

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

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

(t) Government grants

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

(u) Share-based payments

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

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

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

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

(v) Accounting standards issued

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

(w) Standards in issue but not yet effective

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

Amendments to References to the Conceptual Framework in IFRS Standards (effective 1 January 2021)

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

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

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

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

3 Accounting estimates and judgements

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

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

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

4 Segment information

Year ended 31 December 2020

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

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

	Managed service and technology £000	Network services £000	Mobile £000	Total £000
Revenue	**64,231**	**36,201**	**5,998**	**106,430**
Gross profit	**17,620**	**10,669**	**2,595**	**30,884**
Other operating income				**611**
Other administrative expenses				**(23,879)**
Share based remuneration				**259**
Intangibles amortisation				**(6,286)**
Exceptional costs				**(2,482)**
Operating loss				**(893)**
Interest payable				**(1,339)**
Loss before taxation				**(2,232)**
Taxation credit				**498**
Loss after taxation				**(1,734)**

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

In 2020 the Group had no customer (2019: None) which accounted for more than 10% of its revenue.

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

	Managed service and technology £000	Network services £000	Mobile £000	Central/ inter-company £000	Total £000
Other					
Intangibles amortisation	-	-	-	(6,286)	(6,286)
Depreciation	-	-	-	(1,906)	(1,906)
Exceptional costs	(2,482)	-	-	-	(2,482)

Year ended 31 December 2019

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

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

5 Employees

	2020 Number	2019 Number
The average number of employees, including directors, during the year was:		
Corporate and administration	**92**	100
Sales and customer service	**210**	215
Technical and engineering	**258**	284
	560	599

Staff costs, including directors, consist of:	**£000**	£000
Wages and salaries	**30,112**	33,504
Social security costs	**3,467**	3,696
Pension costs	**824**	874
	34,403	38,074

The Group makes contributions to defined contribution personal pension schemes for employees and directors. The assets of the schemes are separate from those of the Group. Pension contributions totalling £168,000 (2019: £188,000) were payable to the schemes at the year-end and are included in other payables.

6 Directors' remuneration

The remuneration of the Company directors was as follows:

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

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

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

The Group paid contributions into defined contribution personal pension schemes in respect of 8 directors during the year, 4 of whom were auto-enrolled at minimal contribution levels, and 2 were on both defined contributions and auto-enrolment schemes (2019: 8, 4 auto-enrolled).

7 Operating (loss) / profit

	2020 £000	**2019 £000**
This has been arrived at after charging/(crediting):		
Depreciation of property, plant and equipment	**665**	695
Depreciation of right of use assets	**1,241**	1,267
Amortisation of intangible fixed assets	**6,286**	6,674
Other income:		
- Operating lease rentals receivable – property	**(147)**	(251)
- Research and development expenditure credit	**(464)**	(784)
Fees payable to the Company's auditor for the audit of the parent	**47**	44

and consolidated accounts		
Fees payable to the Company's auditor for other services:		
- audit of the Company's subsidiaries pursuant to legislation	**96**	95
- audit-related assurance services	**26**	27
- tax compliance services	**-**	44
Fees payable to other auditors	**-**	65
Fees payable for tax compliance services	**42**	
Foreign exchange movement	**(90)**	-
Government grant in respect of furloughed employees	**(387)**	-
Gain on sale of inventory	**(348)**	-
Loss on disposal of property plant and equipment	**2**	99

8 Financial expense

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

9 Taxation

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

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

	2020 £000	2019 £000
(Loss) / profit before tax	**(2,232)**	1,764

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

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

10 Dividends paid on ordinary shares

	2020	2019
	£000	£000
Final 2018, paid 16 May 2019 – 19.5p per share	-	2,790
Interim 2019, paid 4 October 2019 – 15.1p per share	-	2,163
	-	4,953

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

11 Earnings per share

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

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

	2020	2019
Adjusted earnings used in adjusted EPS	**4,568**	7,514

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

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

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

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

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

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

13 Exceptional costs

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

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

14 Intangible assets

	Goodwill £000	**Customer relationships £000**	**Brands £000**	**Product platform £000**	**Software £000**	**Total £000**
Cost						
At 1 January 2019	40,516	44,218	3,480	1,333	4,238	93,785
Additions	-	-	-	148	995	1,143
Transfer from plant, property and equipment	-	-	-	291	192	483
Fair value adjustment	-	(339)	-	-	-	(339)
At 31 December 2019	40,516	43,879	3,480	1,772	5,425	95,072
Additions	-	-	-	73	2,009	2,082
At 31 December 2020	**40,516**	**43,879**	**3,480**	**1,845**	**7,434**	**97,154**
Amortisation and Impairment						
At 1 January 2019	317	20,268	1,295	437	2,079	24,396
Amortisation in the year	-	5,093	410	226	945	6,674
Transfer from plant, property and equipment	-	-	-	99	86	185

At 31 December 2019	317	25,361	1,705	762	3,110	31,255
Amortisation in the year	-	4,519	409	263	1,095	6,286
At 31 December 2020	**317**	**29,880**	**2,114**	**1,025**	**4,205**	**37,541**
Net book value						
At 31 December 2020	**40,199**	**13,999**	**1,366**	**820**	**3,229**	**59,613**
At 31 December 2019	40,199	18,518	1,775	1,010	2,315	63,817

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

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

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

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

	2020 £000	**2019** £000
Network services division	**21,134**	21,134
Managed service and technology division	**15,758**	15,758
Mobile division	**3,307**	3,307
	40,199	40,199

For the purposes of the impairment review of goodwill, the net present value of the projected future cash flows of the relevant cash generating unit are compared with the carrying value of the assets for that unit; where the recoverable amount of the cash generating unit is less than the carrying amount of the assets, an impairment loss is recognised.

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

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

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

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

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

The Group's impairment assessment at 31 December 2020 indicates that there is significant headroom for each unit.

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

15 Subsidiaries

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

Maintel Europe Limited
Maintel International Limited

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

In addition, the following subsidiaries of the Company were dormant as at 31 December 2020:

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

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

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

16 Property, plant and equipment

	Leasehold Improvements £000	Office and computer equipment £000	Motor vehicles £000	Total £000
Cost				
At 1 January 2019	1,834	7,423	47	9,304
Additions	-	759	-	759
Disposals	(925)	(546)	-	(1,471)
Transferred to intangible fixed assets	-	(483)	-	(483)
Transferred to right of use assets	-	(263)	-	(263)
At 31 December 2019	909	6,890	47	7,846
Additions	37	531	-	568
Disposals	(93)	(10)	-	(103)
Transfer	(24)	24	-	-

At 31 December 2020	**829**	**7,435**	**47**	**8,311**
Depreciation				
At 1 January 2019	1,276	5,935	47	7,258
Disposals	(925)	(445)	-	(1,370)
Transferred to Intangible fixed assets	-	(185)	-	(185)
Transferred to right of use assets	-	(66)	-	(66)
Provided in year	93	602	-	695
At 31 December 2019	444	5,841	47	6,332
Disposals	(93)	(8)	-	(101)
Transfer	54	(54)	-	-
Provided in year	91	574		665
At 31 December 2020	**496**	**6,353**	**47**	**6,896**
Net book value				
At 31 December 2020	**333**	**1,082**	**-**	**1,415**
At 31 December 2019	465	1,049	-	1,514

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

17 Right of use assets

	Land and buildings £000	Office and computer equipment £000	Motor vehicles £000	Total £000
Cost				
At 1 January 2019	4,487	404	296	5,187
Additions	-	189	44	233
At 31 December 2019	4,487	593	340	5,420
Additions	844	229	-	1,073
Dilapidations provision reclassification	319	-	-	319
At 31 December 2020	**5,650**	**822**	**340**	**6,812**
Depreciation and impairment				
At 1 January 2019	-	66	-	66
Charge for the year	951	187	129	1,267
At 31 December 2019	951	253	129	1,333
Depreciation charge for the year	883	246	112	1,241
Impairment for the year	430	-	-	430

At 31 December 2020	**2,264**	**499**	**241**	**3,004**
Net book value				
At 31 December 2020	**3,386**	**323**	**99**	**3,808**
At 31 December 2019	3,536	340	211	4,087

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

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

18 Inventories

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

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

19 Trade and other receivables

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

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

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

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

Movements in contract assets and liabilities were as follows:

-Accrued income increased from £1.9m in 2019 to £2.6m at the reporting date;
-Deferred Income decreased from £18.7m in 2019 to £15.8m at the reporting date; and
-Deferred costs net of accrued costs have increased from £6.0m in 2019 to £6.6m at the reporting date.

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

20 Trade and other payables

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

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

21 Deferred taxation

	Property, plant and equipment	**Intangible assets**	**Tax losses**	**Other**	**Total**

	£000	£000	£000	£000	£000
Net liability at 1 January 2019	(1,139)	5,085	(631)	(8)	3,307
Charge/(credit) to consolidated statement of comprehensive income	365	(1,134)	-	-	(769)
Adjustment to prior year to consolidated statement of comprehensive income	(500)	(58)	631	-	73
Credit to consolidated statement of comprehensive income in respect of anticipated further use of tax losses	-	-	(74)	-	(74)
Net liability at 31 December 2019	(1,274)	3,893	(74)	(8)	2,537
Charge/(credit) to consolidated statement of comprehensive income	301	(1,036)	-	5	(730)
Adjustment to prior year to consolidated statement of comprehensive income	(196)	224	74	(84)	18
Credit to consolidated statement of comprehensive income in respect of anticipated further use of tax losses	-	-	(9)	-	(9)
Net liability at 31 December 2020	**(1,169)**	**3,081**	**(9)**	**(87)**	**1,816**

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

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

22 Borrowings

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

On 8 April 2016, the Group entered into new facilities with the National Westminster Bank Plc to support the acquisition of Azzurri. These consisted of a revolving credit facility totalling £36m (the

"RCF") in committed funds on a reducing basis for a five year term (with an option to borrow up to a further £20m in uncommitted accordion facilities).

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

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

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

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

The facilities are secured by a fixed and floating charge over the assets of the Company and its subsidiaries. Interest is payable on amounts drawn on the revolving credit facility and overdraft facility at a covenant-depending tiered rate of 1.80 % to 3.10% per annum over LIBOR, with a reduced rate payable on undrawn facility.

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

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

23 Lease Liabilities

	2020 £000	2019 £000
Maturity analysis – contractual undiscounted cash flows		
In one year or less	**1,214**	1,174
Between one and five years	**2,667**	3,131
In five years or more	**436**	460
Total undiscounted lease liabilities at 31 December 2020	**4,317**	4,765
Current	**1,092**	987
Non-current	**2,873**	3,367
Lease liabilities included in the statement of financial position	**3,965**	4,354

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Amounts recognised in the comprehensive income statement

Interest expense on lease liabilities	**156**	165
Expenses relating to short term leases	**95**	98

Amounts recognised in the statement of cash flows

Total cash outflow	**1,174**	1,200

During the years ended 31 December 2020 and 31 December 2019 there were no variable lease payments not included in the measurement of lease liabilities and there were no sale and leaseback transactions. Income from subleasing right of use assets in the year was £147,000 (2019: £251,000).

24 Financial instruments

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

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

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

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

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

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

Credit risk

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

At the reporting date, the largest exposure was represented by the carrying value of trade and other receivables, against which £336,000 is provided at 31 December 2020 (2019: £336,000). The provision represents an estimate of potential bad debt in respect of the year-end trade receivables, a review having been undertaken of each such year-end receivable. The largest individual receivable included in trade and other receivables at 31 December 2020 owed the Group £0.7m including VAT (2019: £0.8m). The Group's customers are spread across a broad range of sectors and consequently it is not otherwise exposed to significant concentrations of credit risk on its trade receivables.

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

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

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

	Current	**< 30 days**	**31–60 days**	**> 60 days**	**Total**
31 December 2020					
Expected credit loss % range	0%-1%	2%-5%	3%-10%	10%-100%	
Gross debtors (£'000)	11,626	1,083	376	439	13,524
Expected credit loss rate (£'000)	(60)	(29)	(21)	(226)	(336)
Accrued income	1,516	-	-	1,350	2,866

					15,754

	Current	< 30 days	31–60 days	> 60 days	Total
31 December 2019					
Expected credit loss % range	0%-1%	2%-5%	3%-10%	5%-100%	
Gross debtors (£'000)	11,485	3,129	550	862	16,026
Expected credit loss rate (£'000)	(75)	(54)	(38)	(169)	(336)
Accrued income	1,929	-	-	-	1,929
					17,619

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

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

Interest rate risk
The Group had total borrowings of £22.3m at 31 December 2020 (2019: £25.7m). The interest rate charged is related to LIBOR and bank rate respectively and will therefore change as those rates change. If interest rates had been 0.5% higher/lower during 2020, and all other variables were held constant, the Group's loss (2019: profit) for the year would have been £126,000 (2019: £156,000) higher/lower (2019: lower/higher) due to the variable interest element on the loan.

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

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

Financial liabilities:

	0 to 6 months £000	6 to 12 months £000	2 to 5 Years £000	Total £000
Trade payables	9,358	-	-	9,358
Other payables	4,541	693	1,004	6,238
Lease liabilities	581	511	2,873	3,965
Accruals	4,550	-	-	4,550
Borrowings (including future	413	22,670	-	23,083

interest)				
Deferred consideration	583	592	1,227	2,402
At 31 December 2020	20,026	24,466	5,104	49,596

	0 to 6 months £000	**6 to 12 months £000**	**2 to 5 Years £000**	**Total £000**
Trade payables	10,905	-	-	10,905
Other payables	3,928	888	495	5,311
Lease liabilities	482	505	3,367	4,354
Accruals	4,795	-	-	4,795
Borrowings (including future interest)	438	422	26,395	27,255
Deferred consideration	492	498	2,403	3,393
At 31 December 2019	21,040	2,313	32,660	56,013

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

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

25 Share capital

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

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

39,433 shares were issued in the year (2019: 125,000) for consideration of £394 (2019: £235,000). No shares were repurchased during the year (2019: Nil).

26 Reserves

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

Other reserves include a capital redemption reserve of £31,000 (2019: £31,000) and a translation reserve of £42,000 (2019: £36,000).

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

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

The directors have proposed that there will be no final dividend in respect of 2020 (2019: £Nil)

27 Share Incentive Plan

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

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.

In aggregate, options are outstanding over 2.0% of the current issued share capital. The number of shares under option and the vesting and exercise prices may be adjusted at the discretion of the remuneration committee in the event of a variation in the issued share capital of the Company.

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

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

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

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

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

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

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

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

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

29 Operating leases

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

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

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

30 Related party transactions

Transactions with key management personnel

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

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

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

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

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

31 Post balance sheet events

Disposal

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

Banking facilities

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

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