Maintel Holdings Plc

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

Final audited results for the year to 31 December 2021

Maintel Holdings Plc, a leading provider of cloud and managed communications services, announces its results for the 12-month period to 31 December 2021.

Financial headlines

- Group revenue down 2% to £103.9m (2020: £106.4m) with recurring revenue at 69% (2020: 73%).
    - Revenue declined due to only four-month revenue contribution from Document Solutions division (Doc Sol) prior to disposal, and supply chain issues surrounding
      semi-conductor hardware in Q4 2021
    - Recurring revenue declined due to pandemic affecting customer change of technology, price erosion on contract re-sign, transition of customers to cloud services and no cost per copy revenue post Documentation Solutions (Doc Sol) disposal in April 2021.
- On a like-for-like basis (no Doc Sol contribution), adjusted EBITDA grew by 10% based on revenue growth of 1%[6], delivering group adjusted EBITDA[1] of £9.6m (2020: £9.5m).
- Gross profit increased to £34.1m (2020: £30.9m) with gross margin increasing to 32.8% (2020: 29.0%)
- Profit for the year of £4.7m (2020: loss of £1.7m)
- Significant reduction in year-end net debt[4] to £19.4m, (2020: £22.3m)
- Cloud and software revenues increased as a proportion of total Group revenue to 34% (2020: 26%)
- Adjusted earnings per share[2] at 33.2p, an increase of 4% (2020: 31.9p)
- Basic earnings per share at 32.5p (2020: loss per share of 12.1p)
- Cash conversion[3] of 48% of adjusted EBITDA[1] (2020: 123%), including a £2.1m working capital repayment under the HMRC VAT deferment program (2020: £2.9m benefit); excluding this VAT impact underlying cash conversion was 70% (2020: 79%)

Operational highlights

- Major new and existing customer contract awards exceeding £50m total contract value (TCV), based on new solution offerings implemented at the end of 2019 and start of 2020
- Transformation to a cloud and managed services business continued at pace delivering a 30% increase on contracted cloud seats with 132,000 at the year-end (2020: 102,000)
- ESG strategy was implemented with strategic benefits to Group including a sustainable future, tender compliance, banking compliance and supporting shareholder value
- Disposal of Doc Sol to Corona Corporate Solutions for a total consideration £4.5m (total net proceeds of £4.3m net of associated costs), enabling the Group to focus on the core business of managed cloud communications, and generating cash which strengthened the balance sheet

Post period end

- New Refinance contract signed with HSBC UK for £26m facility on a minimum three-year term
- Trading to date in 2022: revenue, EBITDA and orders are all in line with management expectations
- H1 Cloud forecast on track for full year ambition of a further 30% growth on contracted seats
- Sales are forecasting to be on plan for Q1 (sixth consecutive quarter)
- Widely reported supply chain issues on semi-conductors continue to negatively impact revenue for the year
- Consistently reviewing the political uncertainty in mainland Europe to give context to any UK investment decisions and potential supply chain issues

Key Financial Information

Audited results for 12-months ended 31 December:	**2021**	**2020**	**Increase / (decrease)**
Group revenue	**£103.9m**	£106.4m	(2.4)%
Adjusted profit before tax[5]	**£6.8m**	£6.3m	7.9%
Profit/(Loss) before tax	**£5.2m**	(£2.2m)	336%
Adjusted earnings per share[2]	**33.2p**	31.9p	4.1%
Basic earnings/(loss) per share	**32.5p**	(12.1p)	-
Final dividend per share proposed	**Nil**	Nil	-

COVID-19

- The second national lockdown to April 2021, further delayed contract awards and project delivery throughout the period
- Public Sector contract awards were adversely affected including restrictions to on-site access
- The Omicron variant in the latter part of 2021 further impacted contract signing processes for new customer projects and access to on-site delivery for existing projects
- Maintel team were moved to a fully hybrid and remote working, in line with Government guidelines for much of Q4 and the early part of 2022

Commenting on the Group's results, Ioan MacRae, Chief Executive Officer, said:

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

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

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

Control:

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

Focus

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

Invest

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

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

Notes

[1] Adjusted EBITDA is EBITDA of £13.4m (2020: £7.3m), adjusted for exceptional items and share based payments (note 11).
[2] Adjusted earnings per share is basic earnings per share of 32.5p (2020: loss per share of 12.1p), adjusted for acquired intangibles amortisation, exceptional items, interest charge on deferred consideration, share based payments and deferred tax items related to fixed assets acquired in prior years (note 10). The weighted average number of shares in the period was 14.4m (2020: 14.3m).
[3] Cash conversion is calculated as operating cash flow (being adjusted EBITDA plus working capital) to adjusted EBITDA.
[4] Interest bearing debt (including issue costs of debt and excluding lease liabilities) minus cash. Current year net debt includes £15.5m RCF and £3.869m of overdraft facilities.
[5] Adjusted profit before tax of £6.8m (2020: £6.3m) is basic profit before tax, adjusted for intangibles amortisation, exceptional items and share based payments.
[6] On a like for like basis, revenue for FY21 was £102.7m (2020: £101.8m) and adjusted EBITDA was £9.5m (2020: £8.6m).

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 31 March 2022

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Strategic Report
Chairman's statement

In spite of the headwinds of a second year of a pandemic and its impact on our lives, business and the economy, Maintel has grown its revenues on a like-for-like basis (no Doc Sol contribution) by 1% and adjusted EBITDA by 9%, thus delivering on our recovery plan. Our expanded and strategic range of products and services underpins this progress, the early signs of which can be seen in our cloud seat growth and the acceleration in our transition to a cloud and managed service provider.

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

Our managed services and technology division saw an overall decline in revenue of 4% to £61m
(2020: £64m), with the managed support base reducing 17% to £29m, predominantly due to contract losses already highlighted in 2019 and early 2020 now fully realised, price erosion on

renewals, and to on-premise customers transitioning to managed cloud services. Technology division revenues grew by 13% to £20m (2020: £18m) aided by the project delivery of orders closed in FY20, as well as licenses associated with new SD-WAN sales, hardware for cloud deployments and licenses for existing system expansions. This is despite the impact of semiconductor supply constraints which delayed at least £2m of additional revenue into 2022.

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

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

During his first two years, with all their challenges, our Chief Executive Officer has led a significant restructuring of the business and the Senior Executive Team. Building on this, he seeks to deepen and strengthen our customer offer and the mechanism of its delivery. Our headcount is 515, down from 560 at 31 December 2020 and the business now benefits from a more efficient cost structure with the correct skill sets in place and a widening portfolio to enable our ambition of annual organic growth.

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

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

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

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

J D S Booth
Chairman

31 March 2022

Results for the year

Revenues decreased by 2% to £103.9m (2020: £106.4m) and adjusted EBITDA increased to £9.6m (2020: £9.5m). Revenue was impacted by:

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

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

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

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

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

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

	2021 £000	**2020 £000**	**(Decrease) / increase**
Revenue	**103,895**	106,430	(2)%
Profit/(loss) before tax	**5,237**	(2,232)	
Add back intangibles amortisation	**5,416**	6,286	
Exceptional items[c]	**(3,901)**	2,482	
Share based remuneration	**49**	(259)	
Adjusted profit before tax	**6,801**	6,277	8%

Adjusted EBITDA[a]	**9,593**	9,522	1%
Basic earnings/(loss) per share	**32.5p**	(12.1p)	-
Diluted	**32.5p**	(12.1p)	-
Adjusted earnings per share[b]	**33.2p**	31.9p	4%
Diluted	**33.1p**	31.8p	4%

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

Cash performance

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

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

Review of operations

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

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

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

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

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

Managed services and technology division

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

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

Services are provided both across the UK and internationally. The division also supplies and installs project-based technology, professional and consultancy services to our direct clients and through our partner relationships.

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

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

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

Network Services Division

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

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

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

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

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

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

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

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

Mobile Division

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

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

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

Maintel's mobile proposition continues to be multi-faceted, being vendor agnostic and ensuring we are configurable, which ensures we are always in a position to cater for our customers' requirements. Our mobile go to market proposition remains focused on the mid-market enterprise space (100 - 2,000 connections) and our revitalised product roadmap for this division will see the introduction of exciting new technology in areas such as 5G and the Internet of Things (IoT), alongside the planned launch of reporting and self-service functionality within our ICON Portal digital customer engagement platform.

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

Other operating income

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

Other administrative expenses

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

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

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

Exceptional items

Exceptional gains of £3.9m (2020: exceptional loss of £2.5m) is substantially driven by the disposal of Doc Sol; net proceeds were £4.3m, after professional costs of £0.2m. Other exceptional gains include £0.1m associated with an onerous property lease provision release.

In 2020, £1.7m of exceptional costs related to restructuring and reorganising of the Group's operational structure. A full breakdown is shown in note 12.

Interest

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

Taxation

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

Dividends and earnings per share

The continued impact of the pandemic throughout 2021 and into 2022, combined with external macro-economic challenges in global supply chain with regards to semi-conductors and recent conflicts in the Ukraine means the Board is taking a prudent approach to dividend policy and again made the decision not to propose a final dividend for the full year 2021 (2020: nil pence per share). It remains the Board's intention to review returns to shareholders when economic conditions improve and financial performance permits.
Adjusted earnings per share is at 33.2p, an increase of 4% on prior year (2020: 31.9p). On an unadjusted basis, basic earnings per share is at 32.5p (2020: loss per share 12.1p).

Consolidated statement of financial position

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

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

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

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

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

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

Cash flow

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

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

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

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

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

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

Payments in respect of business combinations of £1.2m (2020: £1.1m) relate to the deferred consideration amounts due associated with the acquisition of a customer base from Atos in 2018.

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

Further details of the Group's revolving credit and overdraft facilities are given in note 21.

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

Outlook

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

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

The semi-conductor supply issue remains an imminent threat to revenue, especially during the first half of 2022. The lack of required hardware has already impacted Q4 2021 by over £2m and is likely to have a greater negative impact in Q1 and Q2 of 2022. Whilst the Group continues to work closely with our key vendors on delivery dates, it is anticipated that supply will not return to previous levels until at least H2 of 2022. We are mitigating customer impact wherever possible whilst managing expectations and project delivery.

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

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

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

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

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

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

Dividend policy

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

Post year-end events

Banking facilities

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

On behalf of the Board

Ioan MacRae
Chief Executive Officer

31 March 2022

Financial Statements
Consolidated statement of comprehensive income
for the year-ended 31 December 2021

		2021	2020
	Note	£000	£000
Revenue	4	**103,895**	106,430

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

	Note	2021	2020
Total comprehensive income / (expense) for the year		**4,659**	(1,728)

Earnings / (loss) per share (pence)

	Note		
Basic	10	**32.5p**	(12.1)p
Diluted	10	**32.5p**	(12.1)p

Consolidated statement of financial position at 31 December 2021

	Note	31 December 2021 £000	31 December 2021 £000	31 December 2020 £000	31 December 2020 £000
Non current assets					
Intangible assets	13		**56,021**		59,613
Right of use assets	16		**3,173**		3,808
Property, plant and equipment	15		**1,091**		1,415
Trade and other receivables	18		**630**		1,050
			60,915		65,886
Current assets					
Inventories	17	**1,009**		1,865	
Trade and other receivables	18	**30,229**		22,758	
Income tax		**-**		261	
Total current assets			**31,238**		24,884
Total assets			**92,153**		90,770
Current liabilities					
Trade and other payables	19	**43,805**		41,650	
Lease liabilities	22	**906**		1,092	
Income tax		**267**		-	
Borrowings	21	**19,362**		22,267	
Total current liabilities		**64,340**		65,009	
Non-current liabilities					
Other payables	19	**455**		2,231	
Lease liabilities	22	**2,251**		2,873	

	Note	2021		2020	
Deferred tax	20	**1,558**		1,816	
Total non-current liabilities			**4,264**		6,920
Total liabilities			**68,604**		71,929
Total net assets			**23,549**		18,841
Equity					
Issued share capital	24		**144**		144
Share premium	25		**24,588**		24,588
Other reserves	25		**61**		73
Retained earnings	25		**(1,244)**		(5,964)
Total equity			**23,549**		18,841

The consolidated financial statements were approved and authorised for issue by the Board on 31 March 2022 and were signed on its behalf by:

I MacRae
Chief Executive Officer

Consolidated statement of changes in equity for the year-ended 31 December 2021

	Share capital £000	Share premium £000	Other reserves £000	Retained earnings £000	Total £000
Balance at 1 January 2020	143	24,588	67	(3,971)	20,827
Loss for the year	-	-	-	(1,734)	(1,734)
Other comprehensive income:					
Foreign currency translation differences	-	-	6	-	6
Total comprehensive expense for the year	-	-	6	(1,734)	(1,728)
Transactions with owners in their capacity as owners:					
Issue of new ordinary shares	1	-	-	-	1
Share based remuneration	-	-	-	(259)	(259)
At 31 December 2020	**144**	**24,588**	**73**	**(5,964)**	**18,841**
Profit for the year	-	-	-	4,671	4,671
Other comprehensive expense:					

Foreign currency translation differences	-	-	(12)	-	(12)
Total comprehensive income for the year	-	-	(12)	4,671	4,659
Transactions with owners in their capacity as owners:					
Share based remuneration	-	-	-	49	49
At 31 December 2021	**144**	**24,588**	**61**	**(1,244)**	**23,549**

Consolidated statement of cash flows for the year-ended 31 December 2021

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

Net cash inflows/(outflows) from investing activities	**886**	(3,746)

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

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

Reconciliation of liabilities from financing activities

Loans and borrowings (Note 21)

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

Lease liabilities (Note 22)

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

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

1 General information

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

2 Accounting policies

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

(a) Basis of preparation

The consolidated financial statements have been prepared in accordance with UK-adopted International Accounting Standards in conformity with the requirements of the Companies Act.

(b) Basis of consolidation

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

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

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

(c) Rounding of amounts

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

(d) Going concern

The Group has a sound financial record including strong operating cash flows derived from a substantial level of recurring revenue across a range of sectors. Post year-end the Group signed a new agreement with HSBC Bank plc ("HSBC") to replace the National Westminster Bank ("NWB") facility. The new facility with HSBC consists of a revolving credit facility ("RCF") of £20m with a £6m term loan on a reducing basis. The key covenants that will prevail over this period include net leverage ratio and interest cover tests.

As highlighted in the risk management section (see pages 26-27) the Board has put robust business continuity plans in place to ensure continuity of trading and operations. In addition, to address the trading impact of COVID-19 during 2021, the Directors have already taken significant steps to preserve working capital and maintain a satisfactory liquidity position (see page 28, COVID-19 section).

The Group's forecasts and projection models, taking into account uncertainty around the medium-term impact of the supply chain issues with regard to both project delivery and timing of pipeline conversion, means that actual performance could fall short of management forecasts in terms of revenue expectations. The Board has reviewed the model in detail, taking account of reasonably possible changes in trading performance, including revenues falling below a COVID-19 affected FY 20 by 2%, and further mitigating actions it could take such as further overhead savings and capital expenditure programme postponement. As a result, the Board believes that the Group has sufficient headroom in its agreed funding arrangements to withstand a greater negative impact on its cash flow than it currently expects.

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

(e) Revenue

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

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

Managed services and technology

Managed services revenues are recognised over time, over the relevant contract term, on the basis that the customer simultaneously receives and consumes the benefits provided by the Group's performance of the services over the contract term. Where the Group's performance of its obligations under a contract exceeds amounts received, accrued income is recognised depending on the Group's billing rights. Where the Group's performance of its obligations under a contract is less than amounts received, deferred income is recognised as this is also the point where the Group transfers the benefits of the goods and services to the end customer

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

Network services

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

Mobile

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

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

(f) Leased assets

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

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

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

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

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

In addition, the carrying amount of the right-of-use assets and lease liabilities are remeasured if there is a modification, a change in the lease term or a change in the fixed lease payments. The remeasured lease liability (and corresponding right-of-use asset) is

calculated using a revised discount rate, based upon a revised incremental borrowing rate at the time of the change.

(g) Employee benefits

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

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

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

(h) Exceptional items

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

(i) Interest

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

(j) Taxation

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

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

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

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

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

The amount of the deferred tax asset or liability is measured on an undiscounted basis and is determined using tax rates that have been enacted or substantively enacted by

the date of the consolidated statement of financial position and are expected to apply when the deferred tax assets/liabilities are recovered/settled.

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

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

(k) Dividends

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

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

(l) Intangible assets

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

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

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

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

Product platform
The product platform is stated at cost less accumulated amorisation. Where these have been acquired through a business combination, the cost is the fair value allocated less accumulated amortisation.

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

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

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

Software (Microsoft licences and Callmedia)

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

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

Other
Other intangible assets includes stock management platforms which is managed by third parties. Other intangibles are amortised over their estimated useful lives, being 5 years.

(m) Impairment of non-current assets

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

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

(n) Property, plant and equipment

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

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

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

(o) Inventories

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

(p) Cash and cash equivalents

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

(q) Financial assets and liabilities

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

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

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

(r) Borrowings

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

(s) Foreign currency

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

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

(t) Government grants

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

(u) Share-based payments

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

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

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

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

(v) Accounting standards issued

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

There were no other new accounting standards issued have been adopted in the year.

(w) Standards in issue but not yet effective

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

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

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

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

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

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

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

3 Accounting estimates and judgements

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

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

In particular, management exercises estimation in determining assumptions for revenue growth rates and gross margins for future periods which are important components of future cash flows, and also in determining the appropriate discount rates which are used across the Group's cash generating units (refer to note 13).

4 Segment information

Year-ended 31 December 2021

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

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

	Managed service and technology £000	Network services £000	Mobile £000	Total £000
Revenue	61,404	37,689	4,802	103,895
Gross profit	18,720	13,228	2,163	34,111
Other operating income				476
Other administrative expenses				(26,674)
Share based remuneration				(49)
Intangibles amortisation				(5,416)
Exceptional items				3,901
Operating profit				6,349
Financial expense				(1,112)
Profit before taxation				5,237
Taxation				(566)
Profit after taxation				4,671

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

In 2021 the Group had no customer (2020: None) which accounted for more than 10% of its revenue.

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

	Managed service and technology £000	**Network services £000**	**Mobile £000**	**Central/ inter-company £000**	**Total £000**
Other					
Intangibles amortisation	-	-	-	(5,416)	(5,416)
Depreciation	-	-	-	(1,680)	(1,680)
Exceptional items	-	-	-	3,901	3,901

Year-ended 31 December 2020

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

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

5 Employees

The average number of employees, including Directors, during the year was:	**2021 Number**	**2020 Number**
Corporate and administration	**92**	92
Sales and customer service	**184**	210
Technical and engineering	**239**	258
	515	560

Staff costs, including Directors, consist of:	**£000**	£000
Wages and salaries	**28,398**	30,112
Social security costs	**3,387**	3,467
Pension costs	**772**	824
	32,557	34,403

The Group makes contributions to defined contribution personal pension schemes for employees and Directors. The assets of the schemes are separate from those of the Group. Pension contributions totalling £161,000 (2020: £168,000) were payable to the schemes at the year-end and are included in other payables.

6 Directors' remuneration

The remuneration of the Company Directors was as follows:

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

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

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

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

Further details of Director remuneration are shown in the Remuneration Committee report on page 48.

7 Operating profit / (loss)

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

8 Financial expense

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

	2021	2020
	1,112	1,339

9 Taxation

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

The standard rate of corporation tax in the UK for the year was 19.00% (2020: 19.00%), and therefore the Group's UK subsidiaries are taxed at that rate. The differences between the total tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit/(loss) before tax are as follows:

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

Prior year adjustments debiting corporation tax of £106,000 include the tax charge in respect of research and development expenditure credits taxed in the prior year.
In the March 2021 Budget, the government announced an increase in the UK corporation tax rate from 19% to 25% (effective 1 April 2023) which was substantively enacted by the Group during the financial year. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when assets are realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted at the reporting date.

10 Earnings per share

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

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

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

	2021 **Number** **(000s)**	**2020** **Number** **(000s)**
Weighted average number of ordinary shares of 1p each used as the denominator in calculating basic EPS	**14,362**	14,338
Potentially dilutive shares	**20**	13
Weighted average number of ordinary shares of 1p each used as the denominator in calculating diluted EPS	**14,382**	14,351

Earnings/(loss) per share		
Basic	32.5p	(12.1)p
Diluted	32.5p	(12.1)p
Adjusted - basic but after the adjustments in the table above	33.2p	31.9p

Adjusted - diluted after the adjustments in the table above	33.1p	31.8p

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

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

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

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

12 Exceptional items

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

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

(3,901)	2,482

13 Intangible assets

	Goodwill £000	Customer relationships £000	Brands £000	Product platform £000	Software £000	Other £000	Total £000
Cost							
At 1 January 2020	40,516	43,879	3,480	1,772	5,425	-	95,072
Additions	-	-	-	73	2,009	-	2,082
At 31 December 2020	40,516	43,879	3,480	1,845	7,434	-	97,154
Additions	-	-	-	431	1,189	250	1,870
Disposals	-	(158)	-	-	-	-	(158)
At 31 December 2021	**40,516**	**43,721**	**3,480**	**2,276**	**8,623**	**250**	**98,866**
Amortisation and Impairment							
At 1 January 2020	317	25,361	1,705	762	3,110	-	31,255
Amortisation in the year	-	4,519	409	263	1,095	-	6,286
At 31 December 2020	317	29,880	2,114	1,025	4,205	-	37,541
Amortisation in the year	-	3,711	410	275	978	42	5,416
Disposals	-	(112)	-	-	-	-	(112)
At 31 December 2021	**317**	**33,479**	**2,524**	**1,300**	**5,183**	**42**	**42,845**
Net book value							
At 31 December 2021	**40,199**	**10,242**	**956**	**976**	**3,440**	**208**	**56,021**

At 31 December 2020	40,199	13,999	1,366	820	3,229	-	59,613

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

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

Goodwill

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

	2021 **£000**	**2020** **£000**
Network services division	**21,134**	21,134
Managed service and technology division	**15,758**	15,758
Mobile division	**3,307**	3,307
	40,199	40,199

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

Projected cash flows are based on a five-year horizon which use the approved plan amounts for years 1 to 3, and a pre-tax discount rate of 12.5% (2020: 12.5%) is applied to the resultant projected cash flows.

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

Network services division: average annual growth rate 13.3% (2020: 9.8%), terminal growth 2.0% (2020: 2.2%), average gross margin 34.1% (2020: 40.5%).

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

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

The Group's impairment assessment at 31 December 2021 indicates that there is significant headroom for each unit.

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

14 Subsidiaries

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

Maintel Europe Limited
Maintel International Limited

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

In addition, the following subsidiaries of the Company were dormant as at 31 December 2021:

Maintel Voice and Data Limited
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, Ireland.

15 Property, plant and equipment

	Leasehold Improvements £000	**Office and computer equipment £000**	**Total £000**
Cost			
At 1 January 2020	909	6,890	7,846
Additions	37	531	568
Disposals	(93)	(10)	(103)
Transfers	(24)	24	-
At 31 December 2020	829	7,435	8,311
Additions	3	341	344
At 31 December 2021	**832**	**7,776**	**8,655**

Depreciation			
At 1 January 2020	444	5,841	6,332
Disposals	(93)	(8)	(101)
Transfers	54	(54)	-
Provided in year	91	574	665
At 31 December 2020	496	6,353	6,896
Provided in year	97	571	668
At 31 December 2021	**593**	**6,924**	**7,564**
Net book value			
At 31 December 2021	**239**	**852**	**1,091**
At 31 December 2020	333	1,082	1,415

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

16 Right of use assets

	Land and buildings £000	**and computer Office equipment £000**	**Motor vehicles £000**	**Total £000**
Cost				
At 1 January 2020	4,487	593	340	5,420
Additions	844	229	-	1,073
Dilapidations provision reclassification	319	-	-	319
At 31 December 2020	5,650	822	340	6,812
Additions	31	391	-	422
Disposals	(174)	-	(152)	(326)
At 31 December 2021	**5,507**	**1,213**	**188**	**6,908**
Depreciation and impairment				
At 1 January 2020	951	253	129	1,333
Depreciation charge for the year	883	246	112	1,241

Impairment for the year	430	-	-	430
At 31 December 2020	2,264	499	241	3,004
Depreciation charge for the year	703	255	54	1,012
Disposals	(174)	-	(107)	(281)
At 31 December 2021	**2,793**	**754**	**188**	**3,735**
Net book value				
At 31 December 2021	**2,714**	**459**	**-**	**3,173**
At 31 December 2020	3,386	323	99	3,808

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

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

17 Inventories

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

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

18 Trade and other receivables

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

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

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

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

Movements in contract assets and liabilities were as follows:

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

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

19 Trade and other payables

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

Non-current other payables	2021 £000	2020 £000
Deferred consideration in respect of business combination	**-**	1,227

Intangible licences and other payables	**194**	436
Advanced mobile commissions	**98**	175
Other payables	**163**	393
	455	2,231

20 Deferred taxation

	Property, plant and equipment £000	Intangible assets £000	Tax losses £000	Other £000	Total £000
Net (asset)/liability at 1 January 2020	(1,274)	3,893	(74)	(8)	2,537
Charge/(credit) to consolidated statement of comprehensive income	301	(1,036)	-	5	(730)
Adjustment to prior year to consolidated statement of comprehensive income	(196)	224	74	(84)	18
Credit to consolidated statement of comprehensive income in respect of anticipated further use of tax losses	-	-	(9)	-	(9)
Net (asset)/liability at 31 December 2020	(1,169)	3,081	(9)	(87)	1,816
Credit to consolidated statement of comprehensive income	(107)	(151)	-	12	(246)
Adjustment to prior year to consolidated statement of comprehensive income	-	-	9	(21)	(12)
Net (asset)/liability at 31 December 2021	**(1,276)**	**2,930**	**-**	**(96)**	**1,558**

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

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

21 Borrowings

	2021	2020

	£000	£000
Current bank overdraft - secured	**3,869**	3,845
Current bank loan - secured	**15,493**	18,422
	19,362	**22,267**

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

On 24 March 2022, the Group signed a new agreement with HSBC Bank plc ("HSBC") to replace the NWB facility. The new facility with HSBC consists of a revolving credit facility ("RCF") of £20m with a £6m term loan on a reducing basis. The maturity date of the agreement is 3 years from the signing date. The term loan will be repaid in equal monthly instalments 7 months from signing. Interest on the borrowings is the aggregate of the applicable margin and SONIA for sterling / SOFR for USD / EURIBOR for euros.

Covenants based on EBITDA to Net Finance Charges and Total Net Debt to EBITDA are tested on a quarterly basis. The Company was in compliance with its covenants ratios tests throughout the year-ended 31 December 2021.

The non-current bank loan above is stated net of unamortised issue costs of debt of £0.1m (31 December 2020: £0.1m).

The facilities are secured by a fixed and floating charge over the assets of the Company and its subsidiaries. Interest is payable on amounts drawn on the revolving credit facility and loan facility at a covenant-depending tiered rate of 2.60 % to 3.25% per annum over SONIA, with a reduced rate payable on undrawn facility.

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

22 Lease Liabilities

	2021 £000	2020 £000
Maturity analysis - contractual undiscounted cash flows		
In one year or less	**1,003**	1,214
Between one and five years	**2,113**	2,667
In five years or more	**294**	436
Total undiscounted lease liabilities at 31 December 2021	**3,410**	4,317
Current	**906**	1,092
Non-current	**2,251**	2,873
Lease liabilities included in the statement of financial position	**3,157**	3,965

Amounts recognised in the comprehensive income statement

Interest expense on lease liabilities	**127**	156
Expenses relating to short term leases	**91**	95
Amounts recognised in the statement of cash flows		
Total cash outflow	**1,373**	1,174

During the years ended 31 December 2021 and 31 December 2020 there were no variable lease payments to be included in the measurement of lease liabilities and there were no sale and leaseback transactions. Income from subleasing right of use assets in the year was £Nil (2020: £147,000).

23 Financial instruments

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

	Financial assets measured at amortised cost	
	2021	**2020**
	£000	**£000**
Non-current financial assets		
Trade receivables	**630**	-
Accrued income	**-**	1,050
	630	1,050
Current financial assets		
Trade receivables	**13,668**	13,188
Accrued income	**5,102**	1,516
Other receivables	**778**	789
	19,548	15,493

	Financial liabilities measured at amortised cost	
	2021	**2020**
	£000	**£000**
Non-current financial liabilities		
Other payables	**455**	1,004
Deferred consideration in respect of business combination	**-**	1,227
Lease liabilities	**1,003**	1,214
	1,458	3,445

Current financial liabilities		
Trade payables	**10,869**	9,358
Short-term borrowings	**19,362**	22,267
Other payables	**3,900**	5,234
Accruals	**5,893**	4,550
Deferred consideration in respect of business combination	**1,227**	1,175
Lease liabilities	**2,407**	3,103
	43,658	45,687

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

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

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

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

At the reporting date, the largest exposure was represented by the carrying value of trade and other receivables, against which £420,000 is provided at 31 December 2021 (2020: £336,000). The provision represents an estimate of potential bad debt in respect of the year-end trade receivables, a review having been undertaken of each such year-end receivable. The largest individual receivable included in trade and other receivables at 31 December 2021 owed the Group £1.2m including VAT (2020: £0.7m). The Group's customers are spread across a broad range of sectors and consequently it is not otherwise exposed to significant concentrations of credit risk on its trade receivables.

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

	2021	**2020**
	£000	**£000**
Provision at start of year	**336**	336
Provision created	**161**	180
Provision reversed	**(77)**	(180)

Provision at end of year	**420**	336

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

	Current	**< 30 days**	**31-60 days**	**> 60 days**	**Total**
31 December 2021					
Expected credit loss % range	0%-1%	2%-5%	3%-10%	10%-100%	
Gross debtors (£'000)	10,746	1,612	393	1,967	14,718
Expected credit loss rate (£'000)	(60)	(41)	(27)	(292)	(420)
Accrued income	5,102	-	-	-	5,102
					19,400

	Current	**< 30 days**	**31-60 days**	**> 60 days**	**Total**
31 December 2020					
Expected credit loss % range	0%-1%	2%-5%	3%-10%	10%-100%	
Gross debtors (£'000)	11,626	1,083	376	439	13,524
Expected credit loss rate (£'000)	(60)	(29)	(21)	(226)	(336)
Accrued income	1,516	-	-	1,350	2,866
					15,754

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

Foreign currency risk

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

Interest rate risk

The Group had total borrowings of £19.4m at 31 December 2021 (2020: £22.3m). The interest rate charged is related to SONIA and bank rate respectively and will therefore change as those rates change. If interest rates had been 0.5% higher/lower during 2021, and all other variables were held constant, the Group's profit (2020: loss) for the year would have been £106,000 (2020: £126,000) lower/higher (2020: higher/lower) due to the variable interest element on the loan.

Liquidity risk

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

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

Financial liabilities:

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

	0 to 6 months £000	**6 to 12 months £000**	**2 to 5 Years £000**	**Total £000**
Trade payables	9,358	-	-	9,358
Other payables	4,541	693	1,004	6,238
Lease liabilities	581	511	2,873	3,965
Accruals	4,550	-	-	4,550
Borrowings (including future interest)	413	22,670	-	23,083
Deferred consideration	583	592	1,227	2,402
At 31 December 2020	20,026	24,466	5,104	49,596

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

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

24 Share capital

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

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

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

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

25 Reserves

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

Other reserves include a capital redemption reserve of £31,000 (2020: £31,000) and a translation reserve of £30,000 (2020: £42,000).

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

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

The Directors have proposed that there will be no final dividend in respect of 2021 (2020: £Nil).

26 Share Incentive Plan

The Company established the Maintel Holdings Plc Share Incentive Plan ("SIP") in 2006, which was updated in 2016. The SIP is open to all employees and Executive Directors with at least six months' continuous service with a Group company and allows them to subscribe for existing shares in the Company out of their gross salary. The shares are

bought by the SIP on the open market. The employees and Directors own the shares from the date of purchase but must continue to be employed by a Group company and hold their shares within the SIP for five years to benefit from the full tax benefits of the plan.

27 Share based payments

On 18 May 2009 the Directors of the Company approved the adoption of the Maintel Holdings Plc 2009 Option Plan and on 20 August 2015 they approved the Maintel 2015 Long-term Incentive Plan. The Remuneration Committee's report on page 48 describes the options granted over the Company's ordinary shares.

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

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

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

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

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

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

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

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

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

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

28 Related party transactions

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

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

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

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

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

Other transactions - Company

The Company paid fees of £Nil (2020: £7,000) to Anchusa Consulting Limited, a company of which A P Nabavi is a shareholder and Director, in respect of consultancy services provided to the Company relating to the extension of its credit facilities.

29 Post balance sheet events

Banking facilities

On 24 March 2022, the Group signed a new 3 year banking arrangement with HSBC UK Bank plc ("HSBC") to replace its current bank facilities with the National Westminster Bank Plc ("NWB"). The NWB facilities were due to expire on 27 October 2022. The new facility with HSBC consists of a revolving credit facility ("RCF") of £20m in committed funds with a £6m term loan on a reducing basis. Interest terms for the RCF and term loan are linked to SONIA plus a fixed margin.

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

30 Contingent liabilities

As security on the Group's loan and overdraft facilities, the Company has entered into a cross guarantee with its subsidiary undertakings in favour of the National Westminster Bank Plc. At 31 December 2021 each subsidiary undertaking had a net positive cash balance.

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