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

Final audited results for the year ended 31 December 2022

Projects delivery delays impact performance, business transformation accelerates.

Maintel Holdings Plc, a leading provider of cloud and managed communications services, announces its audited results for the 12-month period to 31 December 2022.

Key Financial Information

Final audited results for the year to 31 December:	**2022 (FY22)**	**2021 (FY21)**	**Increase/ (decrease)**
Group revenue (£'m)	91.0	103.9	(12.4%)
Gross profit (£'m)	27.9	34.1	(18.2%)
Adjusted EBITDA[1] (£'m)	4.4	9.6	(54.6%)
(Loss)/ profit before tax (£'m)	(4.9)	5.2	(194.2%)
Adjusted profit before tax [5] (£'m)	1.6	6.8	(76.5%)
Basic (loss)/ earnings per share (p)	(30.4)	32.5	(104.8%)
Adjusted (loss) / earnings per share [3] (p)	(1.6)	33.2	(193.5%)
Net (debt)[4] (£'m)	(16.6)	(19.4)	(14.4%)
Contracted cloud seats	168,000	132,000	27.3%

Financial headlines

- Group revenue was £91.0m, down 12.4% (2021: £103.9m) with recurring revenue at 77% (2021: 69%).
  - Revenue declined due to a number of contributing factors, including supply chain issues surrounding semi-conductor hardware in Q4 2021, delays in public-sector tenders, lower revenue from large scale projects and £0.5 non-repeating revenue due to the sale of Document Solution division in FY21.
  - Recurring revenue increased from 69.2% to 77.0%, due to pandemic having a positive customer effect in accelerating change of technology, with transitioning to cloud services.
  - Cloud and software revenues increased as a proportion of total Group revenue to 44% (2021: 34%)
- Adjusted EBITDA fell by 54.6.% flowing from revenue decreases of 12.4%, delivering a disappointing group Adjusted EBITDA[1] of £4.4m (2021: £9.6m).
- Gross profit decreased to £27.9m (2021: £34.1m) with gross margin decreasing to 30.6% (2021: 32.8%) mainly due to the lower level of rebates as hardware and software resell revenue decreased.
- The Adjusted Profit Before Tax[5] fell to £1.6m from £6.8m in FY21, mainly due to shortfall in revenue.
- The business significantly reduced year-end net debt[4] to £16.6m, (2021: £19.4m)
- Adjusted loss per share[2] at 1.6p, a decrease of 105% (2021: earnings per share at 33.2p)
- Basic loss per share at 30.4p (2021: earnings per share at 32.5p)
- Cash conversion[3] of 245% of adjusted EBITDA[1] (2021: 48%)

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 27.3% increase in contracted cloud seats with 168,000 at the year-end (2021: 132,000).
- ESG strategy strengthened with strategic benefits to Group including a sustainable future, tender compliance, banking compliance and supporting shareholder value.
- Maintel entered a 3-year refinance agreement with HSBC for a £26m Sustainability linked loan facility at improved terms.
- Gabriel ('Gab') Pirona was appointed Chief Financial Officer, effective from 2 May 2022, bringing valuable experience into the Group. Gab has helped deliver significant operational improvements.
- Carol Thompson appointed Executive Chairman from 1 November 2022 and charged with initiating a strategic and operational review.

Post period end

- Resignation of Ioan MacRae as CEO on 28 February 2023, Carol Thompson's Executive Chairman's role was extended to cover the function of Interim Chief Executive Officer.
- Strategic, organisational and operational review completed in Q1 FY23 led to the implementation of a plan to transform the business, focusing growth on higher margin product lines, adapting the delivery and support organisations to crystallise substantial cost savings while creating a scalable cost base to support future growth.
- Trading to date in FY23: revenue, EBITDA and orders are all in line with management expectations.

COVID-19

- The primary impact on the business of Covid 19 was the well documented supply chain disruption.
- We continue to see the hardware supply chain issues alleviate, with significantly reduced lead times on most key product lines and therefore an acceleration in our ability to deliver the projects in our order book. Some items do remain constrained, and we continue to monitor the situation closely.
- Indirect impacts on bid to bill cycles have been twofold, especially in the Public Sector. Changes to access and communication processes creating slower bid-to-sign timelines and then delayed project implementation due to restrictions to on-site access. Whilst a challenge for 2022, the business has entered 2023 with a very substantial forward WIP position.
- Having embraced hybrid working, the business is now looking at post pandemic working patterns to balance service to clients with staff health and wellbeing agenda.

Publication of annual report/ posting and Notice of Annual General Meeting

The Company's 2023 Annual General Meeting will be held at 2pm on May 30th at 160 Blackfriars Road, London SE1 8EZ.

The FY22 Annual Report, notice of AGM, together with a form of proxy, will shortly be posted to the Company's shareholders today. The FY22 Annual Report and notice of AGM will shortly also be available on the Company's website, www.maintel.co.uk/investors.

Commenting on the Group's results, Carol Thompson, Executive Chairman, said:

"2022 was difficult for the global economy, for many technology businesses and Maintel. While we navigated most economic headwinds in the early period of Covid-19, the combined effect of a prolonged pandemic, high inflation and war in Ukraine weighed heavily on our FY22 financial outturn. As a result, we conducted a strategic, organisational and operational review in Q1 FY23 and enter FY23 with increased clarity on future market and product strategy with a lean and flexible cost base on which we can return the business to strong economic performance in the years to come. This has meant changes to senior management with the loss of our CEO and Sales Director. We are also exiting our

Callmedia product line by 31 Jan 2024, and intensifying our mission to deliver service in a high quality, value accretive way both to our valued client base and Maintel.

There is much to do in FY23, to tighten focus on our future product and services range and 'catch-up' our delivery programme which has been badly delayed since late 2021 and throughout 2022. Our treasury management function performed very well and continues to do so. We have had constructive conversations with HSBC which resulted in Maintel entering into an amended agreement that better aligns the covenants with the business transformation plan and supports the return to growth agenda and reshaping the business.

As stated in the January 2023 Trading Update, FY23 focus is on delivering improved EBITDA and cash generation in line with recent historical levels and the Board is pleased to advise that trading in Q1 2023 was in line with management's expectations.

There have been few businesses that have escaped the combined challenges of a pandemic, political instability and high inflation. Whilst FY22 was a difficult year, our team demonstrated resilience, dedication and commitment to the business and our clients; and above all their willingness to work with the board on putting this tough period behind us."

Notes
[1] Adjusted EBITDA is EBITDA of £3.3m (2021: £13.4m), adjusted for exceptional items (note 12) and share based payments (note 27).
[2] Adjusted earnings/(loss) per share is basic loss per share of 30.4p (2021: earnings per share of 32.5p), adjusted for amortisation of acquired intangibles, 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 (2021: 14.4m).
[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 £17.5m RCF and £5.4m Term loan.
[5] Adjusted profit before tax of £1.6m (2021: £6.8m) is basic loss before tax (2021: profit before tax), adjusted for amortisation of intangibles, exceptional items and share based payments.

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

The full annual report and accounts have been uploaded to our website and will be posted to shareholders by no later than 5 May 2023.

For further information please contact:

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Strategic Report
Chairman's statement

Much of 2022 has been about evolving our ability to service clients with restricted access to people, supplies and partners. Despite this our recurring revenue increased from 69.2% to 77.0%, due to the pandemic having a positive customer effect in accelerating change of technology, and we built a robust WIP for 2023, giving the business a head start with high levels of billable revenue and therefore certainty in the first half of 2023. The revenue mix in 2022 meant that higher value revenue lines such as professional services and hard and software reseller revenue diluted the returns in H2 leading to a halving of the Group's EBITDA.

The main revenue shortfalls were in project revenues, which saw a year-on-year reduction of c.£10.3m being the most substantial part of the £12.9m year on year decline (FY22: £91.0m, FY21:£103.9m). We have analysed our own performance and that of our competitors to reset our marketing and sales efforts and we plan to adjust our strategy to penetrate higher growth markets with faster moving CAGR opportunities in 2023 and beyond. This shortfall in revenue of £12.9m (12.4%) flows through almost £ for £ to the gross margin shortfall of £10m, (29.3%) which is the primary driver of the Adjusted EBITDA shortfall. Headcount at year-end was 493 compared to 515 in 2021.

Our managed services and technology division saw an overall decline in revenue of 24.3% to £46.5m (2021: £61.4m), with the managed service support base reducing 13.2% to £25.6m, 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 decreased by 34.5% to £20.9m (2021: £31.9m) aided by the project delivery of orders closed in FY20, as well as licences associated with new SD-WAN sales, hardware for cloud deployments and licences for existing system expansions. This is despite the impact of semiconductor supply constraints which delayed at least £5.5m of additional revenue into 2023.

The number of contracted seats on our ICON and public cloud platforms increased by 27.3% to 168,000 with revenue from cloud and software customers now totalling £39.7m, 44.0% 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 30.0% to £12.8m. The continued revenue benefit from the additional contracted seats will be realised in 2023 and beyond as these projects continue to be delivered.

Cash conversion FY22 was excellent thanks to new management processes and led directly to the reduction in our net debt position of £16.6m (2021: £19.4m). Maintaining a healthy balance sheet through rigorous working capital management remains a key focus for our finance team.

Moving onto the current performance of the business in the first quarter we have been able to focus on unwinding the significant order book built up through FY21 & FY22, driven by the semiconductor supply chain crisis. As we continue to see supply issues ease, and the associated projects increase in delivery velocity, we find ourselves able to recognise 11.3% of the order book carried forward from FY22. In turn this means the overall performance of the business, at the end of quarter one, is in line with management expectations and shows strong cash management and ability to service debt.

With regard to cost management, to date the business has been able to identify and secure annualised cost savings of £7.2m, and further savings to be delivered during the year will increase this annualised total to circa £11.3m.

In September 2022, the Board invited me to assume the role of Executive Chairman and initiate a strategic and operational review. Ioan Macrae made the decision at the end of February 2023 to resign, and we thank him for his dedication to the business and wish him well in his future endeavours. Whilst we look for a new CEO, I will be taking on more executive duties, ensuring independence is maintained and recusing myself from decisions where necessary and with appropriate guidance from our advisors.

During this period, I am supported in the role by John Booth as the Deputy Chairman who can step in if matters of independence present themselves. After many years of dedicated service and excellent contribution valued contribution to the board, we say goodbye to Nicholas Taylor who stands down at the next AGM. The board and executive team would like to thank him sincerely; he has been an excellent advocate for the business and has unfailingly provided support and good counsel to all of us.

The Board has identified a candidate to replace Nicholas as Chair of the Remuneration Committee and we are in the final stages of the appointment process. An announcement is expected to follow shortly. In addition, the Board have started the process to recruit a Senior Independent Director with a view to this person chairing the Audit Committee.

C Thompson
Chairman
26 April 2023

Results for the year

Revenues decreased by 12.4% to £91.0m (2021: £103.9m) and adjusted EBITDA decreased to £4.4m (2021: £9.6m). Recurring revenue as a % of total revenue (being all revenue excluding one-off projects) increased to 77.0% (2021: 69.2%). Recurring revenue increased because of:

- Managed Services revenue decline of £3.9m because of customer churn through the pandemic, price erosion on contract renewal and transition of customers to Cloud.
- Calls and Lines declined by 6.7% to £10.3m, down £0.7m from £11.0m in 2021, largely due to overall market decline in PSTN and transition to SIP and cloud.
- Data increased by 1.2% (£200k) to £16.5m, from £16.3 in 2021 mainly due to price increases.
- Mobile reduction of 7.7% (£0.4m) to £4.4m down from £4.8m in 2021 mainly due to customer contracts moving direct to network operator (Leicester County Council and Curry's).
- Cloud revenue grew by £3.0m in 2022 due to continued growth in public and private cloud contracts. This positive contribution resulted in an overall recurring revenue decline of £1.8m, whilst in the same period project revenue decreased by £10.3m.
- Cloud revenue increase year-on-year is enhanced by the capitalisation of third part licences, amounting to £1.2m in the current year (2021: £nil).

Gross profit for the Group decreased to £27.9m (2021: £34.1m) with gross margin decreasing to 30.6% (2021: 32.8%).

The Group delivered an Adjusted Profit Before Tax of £1.6m (2021: £6.8m). Adjusted earnings per share (EPS)[a] decreased by 105% to a loss per share of 1.6p (2021: earnings per share of 33.2p) based on a weighted average number of shares in the period of 14.4m (2021: 14.4m).

On an unadjusted basis, the Group generated a loss before tax of £4.9m (2021: profit of £5.2m) and basic loss per share of 30.4p (2021: earnings per share of 32.5p). This includes £1.0m of net exceptional costs (2021: net exceptional income of £3.9m) (refer note 12) and amortisation of acquired intangibles of £5.4m (2021: £5.4m).

	2022 £000	2021 £000	(Decrease) / increase
Revenue	**91,036**	103,895	(12.4%)
(Loss)/profit before taxation	**(4,889)**	5,237	(193.5%)
Add back intangibles amortisation	**5,437**	5,416	0.4%
Exceptional items	**904**	(3,901)	(123.2%)
Share based remuneration	**181**	49	269.4%
Adjusted profit before tax	**1,633**	6,801	(76.0%)
Adjusted EBITDA[(a)]	**4,356**	9,593	(54.6%)
Basic (loss)/earnings per share	**(30.4p)**	32.5p	(193.5%)
Diluted	**(30.4p)**	32.5p	(193.5%)
Adjusted (loss)/earnings per share[(b)]	**(1.6p)**	33.2p	(104.8%)
Diluted	**(1.6p)**	33.1p	(104.8%)

(a) Adjusted EBITDA is EBITDA of £3.3m (2021: £13.4m) adjusted for exceptional items and share based remuneration (note 11)
(b) Adjusted profit after tax divided by weighted average number of shares (note 10)

Cash performance

The Group generated net cash flows from operating activities of £9.8m (2021: £4.4m) resulting in a cash conversion [(C)] of 245% for the full year (2021: 48%). This is due to rigorous working capital management.

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

Review of operations

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

Revenue analysis	2022 £000	2021 £000	(Decrease)/ increase
Managed services related	**25,572**	29,456	(13.2%)
Technology[(d)]	**20,937**	31,948	(34.5%)
Managed services and technology division	**46,509**	61,404	(24.3%)
Network services division	**40,093**	37,689	6.4%
Mobile division	**4,434**	4,802	(7.7%)
Total Group	**91,036**	103,895	(12.4%)
Cloud and Software Revenues	**£39.7m**	£35.7m	11.2%

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

Elements of cloud services revenues are currently accounted for in both the managed services and technology division (under the technology revenue line) and the network services division.

All revenue from cloud and software customers accounts for 44% of total Group revenues in the period (2021: 34%). Pure cloud subscriptions and associated managed services grew by 31.5% to £13.0m in the period (2021: £9.9m).

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 combines 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 non-recurring revenues from hardware, software, professional and consultancy services and other non-recurring sales.

Services are predominantly provided across the UK, with some customers also having international footprints. The division also supplies and installs project-based technology, professional and consultancy services to our direct clients and through our partner relationships.

	2022 £000	**2021 £000**	**(Decrease)/ increase**
Division revenue	**46,509**	61,404	(24.3%)
Division gross profit	**11,399**	18,720	(39.1%)
Gross margin (%)	**25%**	30%	

This division decreased revenue by 24.3% to £46.5m. The revenue decrease was mainly driven by the semiconductor supply chain crisis, which significantly reduced our ability to deliver hardware dependent projects from the order book, with areas such as SD-WAN, LAN & WIFI being the worst affected, impacting technology (-31.1% LFL) and professional services (-40.4% LFL) revenues.

The declining on premise legacy support business further decreased by 9.6% (LFL), 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, with the most notable transformation contracts in the period being for a number of key NHS front line trusts, local government and retail customers.

Gross profit decreased in the division at a greater rate than revenue (-39.1% LFL), driven by a significant decline in Professional Services Gross Profit (-97.9%). Anticipating the imminent unwinding of the significant order book built up through the supply chain shortage, the Professional Services cost base was maintained at a level not supported by in year revenues to prevent an inability to successfully unwind a significant proportion of the order book during FY23.

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.

	2022 £000	**2021 £000**	**(Decrease)/ increase**
Call traffic	**2,921**	3,753	(22.2%)
Line rental	**7,391**	7,292	1.4%
Data connectivity services	**16,537**	16,342	1.2%
Cloud	**12,827**	9,869	30.0%
Other	**417**	433	(3.6%)
Total division	**40,093**	37,689	6.4%
Division gross profit	**14,639**	13,228	10.7%
Gross margin (%)	**37%**	35%	

Network services revenue grew by 6.4% and improved gross profit margin by 1.8%, the growth in the higher margin cloud revenue products offsetting the decline in lower margin call traffic revenues. Cloud revenue increase year-on-year is enhanced by the capitalisation of third party licences, amounting to £1.2m in the current year (2021: £nil). Although the overall volume of voice minutes transacted in FY22 increased by 34%, our fixed line revenues (shown above under call traffic and line rental) declined by 6.6% to £10.3m (2021: £11m), 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, to modern SIP Trunking or Cloud Communication services with all-inclusive call bundle based pricing.

Data connectivity revenues saw a modest increase in revenue of 1.2%. This is the first growth seen in this revenue stream since FY17, reflecting the increasing impact that our new Software Defined Wide Area Networking (SD-WAN) and managed Cloud Security Services are having on this division. Much of the business closed in these new areas has been delayed from delivery by the semiconductor supply shortage, but those deployments that were taken to revenue in FY22 have counteracted the decline in the legacy WAN business for the first time. This trend is set to continue and accelerate as the order book unwinds and we continue to close new contracts.

Our momentum in SD-WAN and cloud security continued in the period with key contract wins for one of the largest national housing associations, a leading international manufacturer of specialist superalloys, a not-for-profit national development agency and significant expansion project wins for the contracts closed in FY21 & FY22.

The number of contracted seats across our cloud communication services significantly increased, this time by 27% in the year to ~168,000 seats at the end of December (~132,000 at December 21), significantly outperforming forecasted market growth rates for this technology segment for the fourth consecutive year. Revenue from cloud and software customers amounted to £39.7m (2021: £35.7m), with a 30.0% growth in our recurring cloud subscriptions and associated managed services to £12.8m (2021: £9.9m).

For the first time public cloud seats represented the majority (67.2%) of overall cloud seats contracted in the period, highlighting the expected growing trend of a preference for public cloud services in many industry verticals. This trend was accelerated in FY22 by some significant wins in this space, including; an 11,500 seat RingCentral Unified Communications win for a front line NHS trust, a 4,500 seat Microsoft Teams Unified Communications win for a local government organisation, a 6,500 seat RingCentral Unified Communications win for a tier 1 Insurance organisation and a strategic initial 600 agent Genesys Contact Centre win for one of the UK's "big four" supermarkets.

Our flagship ICON private cloud service sales also continued to perform well, with key wins such as; a 7,500 seat win for Welsh University Health Board, a 3,000 seat win for a premium retail household name and a 1,000 seat win for a leading UK liquefied petroleum gas (LPG) supplier. Demand for the Virtual Private Cloud service that our ICON platform offers continues to remain high across the Finance, Insurance, Healthcare and Housing verticals in particular. With the platform providing very high (99.99%) core service availability levels, guaranteed UK data sovereignty, security ringfenced customer instances, license and handset investment protection and the ability to allow customers to manage platform evolution at their own pace.

Our cloud communications pipeline remains strong, with key wins already closed so far in FY23.

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.

	2022 £000	**2021 £000**	**(Decrease)**
Revenue	**4,434**	4,802	(7.7%)
Gross profit	**1,820**	2,163	(15.9%)
Gross margin (%)	**41.0%**	45.1%	
Number of customers	**354**	647	(45.3%)
Number of connections	**21,647**	27,478	(21.2%)

These revenues decreased by 7.7% to £4.4m (2021: £4.8m) with gross profits also declining by 15.9%, reflecting a post pandemic trend in the market for customers to stay with their incumbent Mobile providers. Customer churn was at an all-time low; however this lack of new business was compounded by downward price pressure on contract re-signs as customers were looking to their incumbent providers to drive down cost rather than move networks. Recognising these market challenges early in the year, we proactively resourced the mobile sales team to focus on customer retention as opposed to new business.

Maintel's mobile proposition continues to be multi-faceted, being network agnostic and ensuring we can provide competitive and complete coverage for the UK. This 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 the launch of our new mobile reporting functionality within our ICON Portal digital customer engagement platform has resonated well with our customer base.

Other operating income

Other operating income of £0.5m (2021: £0.5m) relates to the recovery of one year's R&D tax credit of £0.5m (2021: £0.5m).

Other administrative expenses

	2022 £000	2021 £000	(Decrease)
Other administrative expenses	**25,902**	26,674	**(2.9%)**

Other administrative expenses for the Group decreased by 2.9% to £25.9m (2021: £26.7m).

Administrative expenses mainly comprise costs related to the sales and marketing teams, the support functions and the managerial positions, as well as the associated growth generating investments and general costs. On a life-for-like basis (i.e., excluding the other administrative expenses associated with Doc Sol), reduced from £26.4m in 2021. The net £0.5m reduction mainly reflects the savings from organisational optimisation initiatives.

The overall headcount dropped by 4.3% or 22 FTEs and now stands at 493 (2021: 515) as a result of the Group's programme of re-organisation and right sizing of the business to facilitate our continued transition to a cloud and managed services business as reported at the year-end 2021.

Exceptional items

Exceptional costs of £0.9m (2021: exceptional gains £3.9m) is substantially driven by staff-related restructuring costs (£0.4m) associated with the ongoing review of the Group's operating costs base.

Other exceptional costs include £0.3m in relation to foreign exchange impact on a specific contract, which has been delayed since 2021 as a consequence of the logistics issues related to the Covid pandemic; and fees relating to a revised credit facilities agreement of £0.2m.

In FY21, exceptional gains of £3.9m were substantially driven by the disposal of the Document Solutions business; net proceeds were £4.3m, after professional costs of £0.2m. Other exceptional gains included £0.1m associated with an onerous property lease provision release.

A full breakdown is shown in note 12.

Interest

The Group recorded a net interest charge of £1.1m in the year (2021: £1.1m), which includes £0.1m relating to IFRS 16 in line with the prior year (2021: £0.1m).

Taxation

The tax credit in the period of £0.5m is driven by a £0.9m increase in deferred tax in relation to tax losses (£0.7m) and fixed assets (£0.2m), offset by a £0.1m adjustment to prior period current tax and a £0.3m adjustment to prior period deferred tax for temporary taxable timing differences on intangible assets.

The prior year tax charge of £0.6m was driven by the net combined effect of the current taxation of profit of £0.8m, offset by deferred tax credits on PPE and intangibles of £0.2m.

Dividends and earnings per share

The continued impact of the pandemic throughout FY21 and into FY22, combined with external macro-economic challenges in global supply chain and recent conflicts in 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 2022 (2021: nil pence per share). It remains the Board's intention to review returns to shareholders when economic conditions improve and financial performance permits.

Adjusted loss per share is at 1.6p, a decrease of 104.8% on prior year (2021: earnings per share at 33.2p).

On an unadjusted basis, basic loss per share is at 30.4p (2021: earnings per share at 32.5p).

Consolidated statement of financial position

Net assets decreased by £4.1m in the year to £19.4m at 31 December 2022 (2021: £23.5m) with the key movements explained below.

Trade and other receivables decreased by £2.8m to £27.4m (2021: £30.2m), driven by a decrease in prepayment and accrued income to £13.7m (2021: £15.7m). Within this, accrued income decreased by £3.2m, driven by some large individual project accruals in the technology division which were subsequently delivered and billed in the year; prepayments increased by £1.2m, comprising mostly of increases in Data/Cloud (£1.5m increase), net off by reductions in support deferred costs (£0.4m) as Avaya Bulk Deal is completed in the year.

Trade and other payables increased by £3.2m to £47.5m (2021: £44.3m). This increase is the net of (i) higher trade payables of £7.8m in December 2022, due to delays in receiving certain materials from suppliers required for customer installations, including switches, (ii) an increase in deferred income of £1.5m driven by technology advance billings; and (iii) a reduction in Atos deferred consideration of £1.2m.

Borrowings of £22.7m (2021: £19.4m) represent the Group's drawn down debt, consisting of £17.5m Rolling Credit Facility and £5.4m Term loan, net of costs of issue of £0.2m.

Cash flow

As at 31 December 2022 the Group had net debt of £16.8m, excluding issue costs of debt of £0.2m, (31 December 2021: £19.4m), equating to a net debt: adjusted EBITDA ratio of 3.8x (2021: 2.0x). An explanation of the £2.6m decrease in net debt, excluding issue costs of debt, is provided below.

	2022 **£000**	**2021** **£000**
Cash generated from operating activities	**9,839**	4,408
Taxation paid	**(491)**	(192)
Capital expenditure	**(3,337)**	(2,213)
Issue costs of debt	**(234)**	(39)
Interest paid	**(1,119)**	(907)
Free cash flow	**4,658**	1,057
Proceeds on disposal of Doc Sol (net of costs)	**16**	4,344
Payments in respect of business combination	**(1,227)**	(1,244)
Proceeds from borrowings	**25,500**	-
Repayments of borrowings	**(18,100)**	(3,000)
Lease liability payments	**(885)**	(1,155)
Increase in cash and cash equivalents	**9,962**	1
Cash and cash equivalents at start of period	**(3,869)**	(3,845)
Exchange differences	**43**	(25)
Cash and cash equivalents at end of period	**6,136**	(3,869)
Bank borrowings	**(22,900)**	(15,493)
Net debt excluding issue costs of debt and IFRS 16 liabilities	**(16,764)**	(19,362)
Adjusted EBITDA	**4,356**	9,593

The Group generated £9.8m (2021: £4.4m) of cash from operating activities and operating cashflow before changes in working capital of £3.5m (2021: £9.4m).

Cash conversion in 2022 was 245% [c], improving significantly from the 48% conversion level delivered in 2021. This is due to rigorous working capital management.

Capital expenditure of £3.3m (2021: £2.2m) 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 (2021: £1.2m) relate to the deferred consideration amounts due associated with the acquisition of a customer base from Atos in 2018. This is fully settled as at 31 December 2022.

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

Current Trading and Outlook

The Board conducted a strategic, organisational, and operational review in Q1 FY23 and enter FY23 with increased clarity on future market and product strategy with a lean and flexible cost base on which we can return the business to strong economic performance in the years to come.

The FY23 focus is on delivering improved EBITDA and cash generation, in line with recent historical levels.

In the first quarter, management has been focused on unwinding the significant order book built up through FY21 & FY22, driven by the semiconductor supply chain crisis. The Company has already recognised 11.3% of the order book carried forward from FY22. In turn this means the overall performance of the business, at the end of quarter one, is in line with management expectations and shows strong cash management and ability to service debt.

As regard to cost management, management has identified and secure annualised cost savings of circa £6.0m, and further savings to be delivered during the year are expected to increase this annualised total to circa £10.0m.

The Board expects FY23 to be a year of progress, as management continues to execute the recommendations that came out the of strategic review, with focus on margin improvement and high growth opportunities.

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

In January 2023, the Directors made the decision to discontinue the development of our own "Callmedia" Contact Centre product line, including the CX Now public cloud CCaaS variant. The product will be wound down by 31 January 2024. This decision was made as part of an ongoing strategic review of the business, in which we have engaged with third party specialist to undertake a full product review, the result of which will be implemented over the next financial year and period of growth for the business.

During Q1 2023, the group led a strategic, organisational and operational review to implement a plan to transform the business, focusing growth on higher margin product lines, adapting the delivery and support organisations to crystallise substantial cost savings while creating a scalable cost base to support future growth.

It is the intention of the Directors to liquate the dormant subsidiaries entities during the financial year ended 31 December 2023. This is part of a project to simplify the corporate structure.

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

Financial Statements
Consolidated statement of comprehensive income
for the year-ended 31 December 2022

	Note	2022 £000	2021 £000
Revenue	4	**91,036**	103,895
Exceptional items	12	**(278)**	-
Other cost of sales		**(62,900)**	(69,784)
Cost of sales		**(63,178)**	(69,784)
Gross profit		**27,858**	34,111
Other operating income	7	**540**	476
Intangibles amortisation	13	**(5,437)**	(5,416)
Exceptional items	12	**(626)**	3,901
Share based remuneration	27	**(181)**	(49)
Other administrative expenses	7	**(25,902)**	(26,674)
Administrative expenses		**(32,146)**	(28,238)
Operating (loss)/profit	7	**(3,748)**	6,349
Financial expense	8	**(1,141)**	(1,112)
(Loss)/profit before taxation		**(4,889)**	5,237
Taxation credit/(charge)	9	**528**	(566)
(Loss)/profit for the year		**(4,361)**	4,671
Other comprehensive income/(expense) for the year			
Items that maybe reclassified to profit or loss:			
Exchange differences on translation of foreign operations		**19**	(12)
Total comprehensive (expense) / income for the year		**(4,342)**	4,659
(Loss) / earnings per share (pence)			
Basic	10	**(30.4)p**	32.5p
Diluted	10	**(30.4)p**	32.5p

Financial Statements
Consolidated statement of financial position
at 31 December 2022

	Note	31 December 2022 £000	31 December 2022 £000	31 December 2021 £000	31 December 2021 £000
Non-current assets					
Intangible assets	13		**52,989**		56,021
Right of use assets	16		**2,263**		3,173
Property, plant and equipment	15		**1,381**		1,091
Trade and other receivables	18		**90**		630
			56,723		60,915
Current assets					
Inventories	17	**2,594**		1,009	
Trade and other receivables	18	**27,376**		30,229	
Cash and cash equivalents		**6,136**		-	
Total current assets			**36,106**		31,238
Total assets			**92,829**		92,153
Current liabilities					
Trade and other payables	19	**47,115**		43,805	
Lease liabilities	22	**820**		906	
Income tax		**-**		267	
Borrowings	21	**22,726**		19,362	
Total current liabilities			**70,661**		64,340
Non-current liabilities					
Other payables	19	**370**		455	
Lease liabilities	22	**1,452**		2,251	
Deferred tax	20	**958**		1,558	
Total non-current liabilities			**2,780**		4,264
Total liabilities			**73,441**		68,604
Total net assets			**19,388**		23,549
Equity					
Issued share capital	24		**144**		144
Share premium	25		**24,588**		24,588
Other reserves	25		**80**		61
Retained earnings	25		**(5,424)**		(1,244)
Total equity			**19,388**		23,549

The consolidated financial statements were approved and authorised for issue by the Board on 26 April 2023 and were signed on its behalf by:

Carol Thompson
Executive Chairman

Financial Statements
Consolidated statement of changes in equity
for the year-ended 31 December 2022

	Share capital £000	Share premium £000	Other reserves £000	Retained earnings £000	Total £000
Balance at 1 January 2021	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**
Loss for the year				(4,361)	(4,361)
Other comprehensive income:					
Foreign currency translation differences	-	-	19	-	19
Total comprehensive expense for the year	-	-	19	(4,361)	(4,342)
Transactions with owners in their capacity as owners:					
Share based remuneration	-	-	-	181	181
At 31 December 2022	**144**	**24,588**	**80**	**(5,424)**	**19,388**

Financial Statements
Consolidated statement of cash flows
for the year-ended 31 December 2022

	2022 £000	2021 £000
Operating activities		
(Loss)/profit before taxation	**(4,889)**	5,237
Adjustments for:		
Net gain on disposal of Doc Sol	**(16)**	(3,992)
Intangibles amortisation	**5,437**	5,416
Share based payment charge	**181**	49
Depreciation of plant and equipment	**642**	668
Depreciation of right of use asset	**940**	1,013
Interest payable	**1,141**	1,112
Other non-cash items	**67**	(105)
Operating cash flows before changes in working capital	**3,503**	9,398
(Increase)/decrease in inventories	**(1,585)**	676
Decrease/(increase) in trade and other receivables	**3,469**	(7,114)
Increase in trade and other payables	**4,452**	1,448
Cash generated from operating activities	**9,839**	4,408
Tax paid	**(491)**	(192)
Net cash inflows from operating activities	**9,348**	4,216
Investing activities		
Purchase of plant and equipment	**(932)**	(344)
Purchase of intangible assets	**(2,405)**	(1,870)
Consideration for previously acquired businesses	**(1,227)**	(1,244)
Net proceeds from disposal of Doc Sol	**16**	4,344
Net cash (outflows)/inflows from investing activities	**(4,548)**	886
Financing activities		
Proceeds from borrowings	**25,500**	-
Repayment of borrowings	**(18,100)**	(3,000)
Lease liability repayments	**(885)**	(1,155)
Interest paid	**(1,119)**	(907)
Issue costs of debt	**(234)**	(39)
Net cash inflows/(outflows) from financing activities	**5,162**	(5,101)
Net increase in cash and cash equivalents	**9,962**	1
Bank overdrafts at start of year	**(3,869)**	(3,845)
Exchange differences	**43**	(25)
Cash and cash equivalents/(bank overdrafts) at end of year	**6,136**	(3,869)

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)

	2022 £000	2021 £000
At 1 January	**19,362**	22,267
Proceeds from borrowings	**25,500**	-
Repayment of borrowings	**(18,100)**	(3,000)
Repayment of bank overdraft	**(3,869)**	-
Payments of interest on bank loans and overdraft	**(1,022)**	(770)
Interest expense on bank loans and overdraft (non-cash movement)	**1,017**	916
Movement on interest accrual (balance held within accruals – non-cash movement)	**5**	(146)
Issue costs of debt	**(234)**	-
Amortisation of issue costs (non-cash movement)	**67**	95
At 31 December	**22,726**	19,362

Lease liabilities (Note 22)

	2022 £000	2021 £000
At 1 January	**3,157**	3,965
Capital lease repayments	**(885)**	(1,155)
Interest repayments	**(97)**	(127)
Interest expense (non-cash movement)	**97**	127
New leases (non-cash movement)	**-**	391
Disposals (non-cash movement)	**-**	(44)
At 31 December	**2,272**	3,157
Current	**820**	906
Non-current	**1,452**	2,251

Financial Statements
Notes forming part of the consolidated financial statements
for the year-ended 31 December 2022

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 2006.

(b) Basis of consolidation

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

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

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

(c) Rounding of amounts

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

(d) Going concern

The Group has a sound financial record including strong operating cash flows derived from a substantial level of recurring revenue across a range of sectors. During the year, 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. Repayments started in October 2022, and at 31 December, £5.4m remained outstanding. The key covenants include net leverage ratio and interest cover tests, assessed on a quarterly basis. While the main terms of the financing facility remain unchanged, as a result of the reduction in the Adjusted EBITDA in 2022 the debt has been classified to current liabilities. Subsequent to the end of the period, the Company and HSBC agreed to accommodate further leeway in the covenants to allow for the temporary deterioration in profits, whilst the Company completes its transformation programme.

As highlighted in the risk management section (see pages 26-27 of the Annual Report and Accounts) the Board has put robust business continuity plans in place to ensure continuity of trading and operations. Management believes the pipeline will enable Maintel to deliver upside from the budgeted revenue, whilst focusing on driving efficiency through cost base reduction and margin enhancement.

The Group's forecasts and projection models have been built on a prudent basis, taking into account uncertainty around the impact of the supply chain issues with regard to both project delivery and timing of pipeline conversion, allows for actual performance to exceed 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 sensitivities in pipeline conversion and renewal risk, together with further mitigating actions it could take such as overhead savings. 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, 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
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
Technology revenues for contracts with customers, which include both supply of technology goods and installation services, represent in substance one performance obligation and result in revenue recognition at a point in time, when the Group has fulfilled its performance obligations under the relevant customer contract. Under these contracts, the Group performs a significant integration service which results in the technology goods and the integration service being one performance obligation. Over the course of the contract, the technology goods, which comprise both hardware and software components are customised through the integration services to such an extent that the final customised technology goods installed on completion are substantially different to their form prior to the integration service. Revenue is recognised when the integrated technology equipment and software has been installed and accepted by the customer.

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

Mobile

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

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

(f) Leased assets

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.

Depreciation for leased property (disclosed as 'Land and buildings' in Note 16), motor vehicles and office and computer equipment is charged to the statement of comprehensive income on a straight-line basis over the shorter of the lease term and the useful economic life of the asset. The useful economic life of a right of use asset is based on that assigned to equivalent owned assets, as disclosed in the 'Property, plant and equipment' policy (n).

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.

Brands
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.

Product platform
The product platform is stated at cost less accumulated amortisation. 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.

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.

Licences (third-party subscription licences)

Third-party subscription licences are 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. Licences are amortised over their estimated useful lives of three years.

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 economic 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, lease liabilities and derivative financial instruments.

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.

Derivative financial instruments held by the Group represent foreign exchange contracts held to manage the cash flow exposures of forecast transactions denominated in foreign currencies. The Group enters into derivative financial instruments principally with financial institutions with investment grade credit ratings.

Foreign exchange contracts are held at fair value using techniques which employ the use of market observable inputs. The key inputs used in valuing the derivatives are the exchange rates at year end between Pound Sterling and US Dollar. Market values have been used to determine fair value and have been obtained from an independent third party. Any movements in the fair value of the foreign exchange contracts are recognised in the consolidated statement of comprehensive income as no hedge accounting is applied.

(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 Pound Sterling. All Group companies have a functional currency of Pound 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 Pound Sterling are recorded at the rates of exchange prevailing on the dates of the transactions.

On consolidation the results of MIL, which are included in the consolidated statement of comprehensive income, are translated into Pound Sterling, at rates approximating those ruling when the transactions took place. The monetary assets and liabilities of MIL are translated at the rate ruling at the reporting date. Non-monetary items that are measured at historical cost are translated using rates approximating those ruling at the dates of the initial transactions.

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 received in the year ended 31 December 2021 in respect of the furlough of staff over the period of the COVID-19 pandemic, were 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

The following amendments to standards were issued and adopted in the year, with no material impact on the financial statements:

- Property, Plant and Equipment: Proceeds Before Intended Use - Amendments to IAS 16
- Reference to the Conceptual Framework - Amendments to IFRS 3
- Onerous Contracts - Cost of Fulfilling a Contract - Amendments to IAS 37
- Annual Improvements to IFRS Standards 2018-2020

There were no other new accounting standards issued that 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:

Effective for annual periods beginning on or after 1 January 2023

- Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction - Amendments to IAS 12
- Definition of Accounting Estimates - Amendments to IAS 8
- Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

Effective for annual periods beginning on or after 1 January 2024

- Lease Liability in a Sale and Leaseback Transaction - Amendments to IFRS 16
- Non-Current Liabilities with Covenants - Amendments to IAS 1

Effective date deferred until accounting periods starting not earlier than 1 January 2024

- Classification of Liabilities as Current or Non-Current - Amendments to IAS 1

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 2022

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.

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**	**Total £000**
Revenue	46,509	40,093	4,434	**91,036**
Gross profit	11,399	14,639	1,820	**27,858**
Other operating income				**540**
Other administrative expenses				**(25,902)**
Share based remuneration				**(181)**
Intangibles amortisation				**(5,437)**
Exceptional items				**(626)**
Operating loss				**(3,748)**
Financial expense				**(1,141)**
Loss before taxation				**(4,889)**
Taxation				**528**
Loss after taxation				**(4,361)**

Revenue is wholly attributable to the principal activities of the Group in the current and prior year.

Analysis of revenue by geographical location:

	2022 £000	2021 £000
United Kingdom	**89,037**	100,575
European Union	**1,951**	3,164
Rest of the world	**48**	156
	91,036	103,895

In 2022 the Group had no customer (2021: None) which accounted for more than 10% of its revenue.

Analysis of revenue by timing of recognition:

	2022 £000	2021 £000
Revenue recognised at a point in time	**20,900**	20,301
Revenue recognised over time	**70,136**	83,594
	91,036	103,895

Analysis of movements in deferred income:

	2022 £000	2021 £000
Deferred income – opening balance	**(18,572)**	(15,800)
Revenue recognised in the year	**17,188**	14,976
New revenue deferrals in the year	**(18,751)**	(17,748)
Deferred income – closing balance	**(20,135)**	(18,572)

Analysis of other expenses:

	Managed service and technology £000	Network services £000	Mobile £000	Central £000	Total £000
Other expenses					
Intangibles amortisation	-	-	-	(5,437)	**(5,437)**
Depreciation	-	-	-	(1,582)	**(1,582)**
Exceptional items	(278)	-	-	(626)	**(904)**

Exceptional items attributed to Managed service and technology relate to foreign exchange expenses on delayed orders. Please see Note 12 for further details.

Year-ended 31 December 2021

	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

Analysis of other expenses:

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

5 Employees

The average number of employees, including Directors, during the year was:	2022 Number	2021 Number
Corporate and administration	**88**	92
Sales and customer service	**175**	184
Technical and engineering	**230**	239
Total employees	**493**	515

Staff costs, including Directors, consist of:	£000	£000
Wages and salaries	**27,004**	28,398
Social security costs	**3,317**	3,387
Pension costs	**748**	772
Total staff costs	**31,069**	32,557

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 £167,000 (2021: £161,000) 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:

	2022 £000	2021 £000
Directors' emoluments	**833**	794
Pension contributions	**17**	23
Total Directors' remuneration	**850**	817

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

	2022 £000	2021 £000
Director's emoluments	**326**	305
Pension contributions	**9**	8
Total remuneration of the highest paid Director	**335**	313

The Group paid contributions into defined contribution personal pension schemes in respect of six Directors during the year, two of whom were auto-enrolled at minimal contribution levels, three were on defined contributions and one on both auto-enrolment and defined contribution schemes (2021: five, two 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 51 of the Annual Report and Accounts.

7 Operating (loss) / profit

	2022 £000	2021 £000
This has been arrived at after charging/(crediting):		
Depreciation of property, plant and equipment	**642**	668
Depreciation of right of use assets	**940**	1,012
Amortisation of intangible fixed assets	**5,437**	5,416
Other income:		
- Research and development expenditure credit	**(540)**	(461)
- Other	**-**	(15)
Fees payable to the Company's auditor for the audit of the parent and consolidated accounts	**55**	47
Fees payable to the Company's auditor for other services:		
- Audit of the Company's subsidiaries pursuant to legislation	**113**	106
- Audit-related assurance services	**24**	26
Fees payable to other advisors for tax compliance services	**17**	17
Foreign exchange movement	**232**	111
Government grant in respect of furloughed employees	**-**	(36)

8 Financial expense

	2022 £000	2021 £000
Interest payable on bank loans	**1,017**	916
Interest payable on deferred consideration	**27**	69
Interest expense on leases	**97**	127
Total financial expense	**1,141**	1,112

9 Taxation

	2022 £000	2021 £000
UK corporation tax		
Corporation tax on UK (loss)/profit for the year	**-**	682
Adjustment for prior year	**67**	119
	67	801
Overseas tax		
Corporation tax on overseas profit for the year	**5**	23
Total current taxation on (loss)/profit on ordinary activities	**72**	824
Deferred tax (Note 20)		
Current year	**(895)**	(246)
Adjustment for prior year	**295**	(12)
Total deferred taxation	**(600)**	(258)
Total taxation (credit)/charge on (loss)/profit on ordinary activities	**(528)**	566

The standard rate of corporation tax in the UK for the year was 19.00% (2021: 19.00%), and therefore the Group's UK subsidiaries are taxed at that rate. The differences between the total tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the (loss)/profit before tax are as follows:

	2022 £000	2021 £000
(Loss)/profit before tax	**(4,889)**	5,237
(Loss)/profit at the standard rate of corporation tax in the UK of 19.0% (2021: 19.0%)	**(929)**	995
Effect of:		
Net income not taxable	**(42)**	(896)
Adjustments relating to prior years	**465**	107
Effects of overseas tax rates	**(3)**	(14)
Effects of changes in tax rates	**6**	374
Capital allowances in excess of depreciation	**(25)**	-
Total taxation (credit)/charge on (loss)/profit on ordinary activities	**(528)**	566

Included within 'Adjustments relating to prior years' is £103,000 (2021: £106,000) in relation to R&D expenditure credits for previous accounting periods. The remaining £362,000 adjustment for the year ended 31 December 2022 mainly relates to a £280,000 increase in deferred tax timing differences on intangible assets per the final 2021 trading subsidiary Corporation tax return as compared to the draft tax return available at the time of signing of the 2021 financial statements.

Factors that may affect future tax charges/credits:
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. 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 during the prior year. This corporation tax rate increase was reconfirmed in the Spring Budget 2023.

10 Earnings per share

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

	2022 £000	2021 £000
(Loss)/profit after tax	**(4,361)**	4,671
Adjustments:		
Intangibles amortisation (net of non-acquired element)	**4,051**	4,444
Exceptional items (Note 12)	**904**	(3,901)
Tax relating to above adjustments	**(1,184)**	(1,050)
Share based remuneration	**181**	49
Interest charge on deferred consideration	**27**	69
Tax adjustments relating to prior years (current tax)	**67**	107
Adjustment for the tax impact of the change in the deferred tax rate	**81**	374
Adjusted earnings used in adjusted EPS	**(234)**	4,763

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

	2022 Number (000s)	2021 Number (000s)
Weighted average number of ordinary shares of 1p each used as the denominator in calculating basic EPS	**14,362**	14,362
Potentially dilutive shares	**11**	20
Weighted average number of ordinary shares of 1p each used as the denominator in calculating diluted EPS	**14,362**	14,382

(Loss)/earnings per share		
Basic	(30.4)p	32.5p
Diluted	(30.4)p	32.5p
Adjusted - basic	(1.6)p	33.2p
Adjusted - diluted	(1.6)p	33.1p

The adjustments to (losses)/earnings 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 shares, 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.

Potentially dilutive shares have not been included in the diluted EPS for the year ended 31 December 2022 on the basis that they are anti-dilutive, however they may become dilutive in future periods.

Therefore, as a loss has arisen for the year ended 31 December 2022, the basic and diluted earnings per share are the same.

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

	2022 **£000**	**2021** **£000**
(Loss) / profit before tax	**(4,889)**	5,237
Financial expense	**1,141**	1,112
Depreciation of property, plant and equipment	**642**	668
Depreciation of right of use assets	**940**	1,012
Amortisation of intangible fixed assets	**5,437**	5,416
EBITDA	**3,271**	13,445
Share based remuneration	**181**	49
Exceptional items (Note 12)	**904**	(3,901)
Adjusted EBITDA	**4,356**	9,593

12 Exceptional items

The costs analysed below have been shown as exceptional items in the income statement as they are not considered to be part of the Group's recurring income or expenses:

	2022 **£000**	**2021** **£000**
Exceptional items included within cost of sales		
Foreign exchange expense on delayed orders	**278**	-
Exceptional items included within administrative expenses		
Staff restructuring and other employee related costs	**417**	169
Fees relating to revised credit facilities agreement	**162**	40
Costs/(income) relating to an onerous property lease	**63**	(105)
Property related and other legal and professional incomes	**-**	(13)
Gain on disposal of Doc Sol	**(16)**	(3,992)
Total exceptional items	**904**	(3,901)

Exceptional items included within cost of sales

Foreign exchange expense on delayed orders of £278,000 (2021: £Nil) relates to the loss incurred on a contract that faced significant delay due to the industry-wide chip shortages. This is considered to be exceptional circumstances given the 18-month wait between orders with the supplier and installation for the client (15 months having elapsed at 31 December 2022). These delays resulted in the Group incurring a loss on fluctuating USD to GBP exchange rates as the required materials were invoiced in USD.

Exceptional items included within administrative expenses
Staff restructuring and other employee related costs of £417,000 (2021: £169,000) include redundancy costs.

Fees relating to the revised credit facilities agreement of £162,000 (2021: £40,000) include associated professional fees in negotiating the facility that commenced in the current year. This does not include the arrangement fee of £234,000, which has been recognised against Borrowings (Note 21) and is being amortised over the three-year HSBC loan agreement.

Onerous lease costs of £63,000 relate to the Fareham property and include the remaining expected costs of completion in relation to the onerous contract to July 2023. Onerous lease income of £105,000 in the prior year to 31 December 2021 related to Haydock the Parks and comprised the release of remaining onerous lease provision, dilapidations provision and lease creditor net of related professional fees.

In the year ended 31 December 2021, the gain on disposal of Doc Sol of £3,992,000 included proceeds of £4,344,000 net of professional costs of £156,000. The remaining costs incurred in the prior year of £352,000 (which were set against these proceeds to arrive at the £3,992,000 gain), relate to the apportionment of overheads and writing off of customer relationships relating to Doc Sol.

13 Intangible assets

	Goodwill £000	Customer relationships £000	Brands £000	Product platform £000	Software and licences £000	Other £000	Total £000
Cost							
At 1 January 2021	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
Additions	-	-	-	362	2,043	-	2,405
At 31 December 2022	**40,516**	**43,721**	**3,480**	**2,638**	**10,666**	**250**	**101,271**
Amortisation and Impairment							
At 1 January 2021	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
Amortisation in the year	-	3,419	410	316	1,242	50	5,437
At 31 December 2022	**317**	**36,898**	**2,934**	**1,616**	**6,425**	**92**	**48,282**
Net book value							
At 31 December 2022	**40,199**	**6,823**	**546**	**1,022**	**4,241**	**158**	**52,989**
At 31 December 2021	40,199	10,242	956	976	3,440	208	56,021

Amortisation charges for the year have been charged through administrative expenses in the statement of comprehensive income. Included within the amortisation charge for the year ended 31 December 2022 is £1,386,000 (2021: £972,000) relating to amortisation from non-acquired intangible assets (here meaning assets not acquired as part of a business combination).

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

During the year, a review of the change in the scale of the Group's activities in use of third-party licences took place. Based on increases observed, it is deemed appropriate to begin to capitalise these items. These purchases were not material in previous reporting periods and material amounts that meet the criteria are being incurred for the first time. The 2022 results include capitalisation of subscription licenses of £1.124m.

Goodwill

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

	2022 £000	2021 £000
Network services division	**21,134**	21,134
Managed service and technology division	**15,758**	15,758
Mobile division	**3,307**	3,307
Total carrying value of goodwill	**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 13.93% (2021: 12.5%) is applied to the resultant projected cash flows of each CGU.

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

Network services division: average annual revenue growth rate 7.6% (2021:13.3%), terminal growth rate 2.0% (2021: 2.0%), average gross margin 42.6% (2021: 34.1%).

Managed service and technology division: average annual revenue growth rate 3.9% (2021: 3.7%), terminal growth rate 2.0% (2021: terminal reduction rate 5.1%), average gross margin 25.7% (2021: 32.4%).

Mobile division: average annual revenue growth rate 1.9% (2021: 1.9%), terminal growth rate 0.1% (2021: 0.4%), average gross margin 45.7% (2021: 42.6%).

The Group's impairment assessment at 31 December 2022 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 2022:

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

It is the intention of the Directors to liquidate the above 11 dormant subsidiaries in the year ended 31 December 2023. Please see Note 29 for further information.

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	Motor vehicles £000	Total £000
Cost				
At 1 January 2021	829	7,435	47	8,311
Additions	3	341	-	344
At 31 December 2021	832	7,776	47	8,655
Additions	6	926	-	932
Disposals	(325)	(6,589)	(47)	(6,961)
At 31 December 2022	**513**	**2,113**	**-**	**2,626**
Depreciation				
At 1 January 2021	496	6,353	47	6,896
Provided in year	97	571	-	668
At 31 December 2021	593	6,924	47	7,564
Provided in year	57	585	-	642
Disposals	(325)	(6,589)	(47)	(6,961)
At 31 December 2022	**325**	**920**	**-**	**1,245**
Net book value				
At 31 December 2022	**188**	**1,193**	**-**	**1,381**
At 31 December 2021	239	852	-	1,091

During the year, the Group underwent a review of its fixed asset registers and disposed of £0.325m Leasehold improvements, £6.589m Office and computer equipment and £0.047m Motor vehicles, all included within Property, plant and equipment. These assets had been fully depreciated and were no longer in revenue-generating use by the year end. No profit or loss on disposal was recognised on these disposals.

16 Right of use assets

	Land and buildings £000	Office and computer equipment £000	Motor vehicles £000	Total £000
Cost				
At 1 January 2021	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
Additions	30	-	-	30
Disposals	(229)	(822)	(188)	(1,239)
At 31 December 2022	**5,308**	**391**	**-**	**5,699**
Depreciation and impairment				
At 1 January 2021	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
Depreciation charge for the year	656	284	-	940
Disposals	(229)	(822)	(188)	(1,239)
At 31 December 2022	**3,220**	**216**	**-**	**3,436**
Net book value				
At 31 December 2022	**2,088**	**175**	**-**	**2,263**
At 31 December 2021	2,714	459	-	3,173

During the year, the Group underwent a review of its fixed asset registers and disposed of £0.229m Buildings-related assets, £0.822m Office and computer equipment and £0.188m Motor vehicles, all included within Right of use assets. These assets had been fully depreciated and were no longer in revenue-generating use by the year end. No profit or loss on disposal was recognised on these disposals.

17 Inventories

	2022 £000	2021 £000
Maintenance stock	**26**	35
Stock held for resale	**2,568**	974
Total inventories	**2,594**	1,009
Cost of inventories recognised as an expense	**10,992**	16,808

Provisions of £10,000 were made against the maintenance stock in 2022 (2021: £33,000). This is recognised in cost of sales. No provisions were made against Stock held for resale in 2022 or 2021 as this balance represents new hardware awaiting installation at customer sites.

18 Trade and other receivables

Current trade and other receivables	**2022 £000**	**2021 £000**
Trade receivables	**12,975**	13,668
Other receivables	**713**	778
Prepayments and accrued income	**13,688**	15,783
Total current trade and other receivables	**27,376**	30,229

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

Non-current trade and other receivables	**2022 £000**	**2021 £000**
Trade receivables	**90**	630
Total non-current trade and other receivables	**90**	630

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 decreased from £5.1m in 2021 to £1.9m at the reporting date;
- Prepayments increased from £10.7m in 2021 to £11.9m at the reporting date;
- Deferred income increased from £18.6m in 2021 to £20.1m at the reporting date; and
- Deferred costs net of accrued costs increased from £6.8m in 2021 to £9.6m at the reporting date.

The corresponding adjustments for these movements represent revenues and costs recognised in the income statement in the year, driven by 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	2022 £000	2021 £000
Trade payables	**18,631**	10,869
Other tax and social security	**2,227**	3,344
Other payables	**2,823**	3,900
Accruals	**3,169**	5,893
Deferred income	**20,135**	18,572
Deferred consideration in respect of business combination	**-**	1,227
Derivative financial instruments (Note 23)	**130**	-
Total current trade and other payables	**47,115**	43,805

The £7.8m increase in Trade payables in the year is predominantly due to delays in receiving certain materials from suppliers which were required for customer installations, in particular switches. The Group has agreements with suppliers to delay payment until the materials are delivered and installed. A payment was made to a key supplier in February 2023 for £4.2m of the outstanding balance, following the receipt of the related materials.

Non-current other payables	2022 £000	2021 £000
Intangible licences and other payables	**118**	194
Advanced mobile commissions	**58**	98
Other payables	**194**	163
Total non-current trade and other payables	**370**	455

20 Deferred taxation

	Property, plant and equipment £000	Intangible assets £000	Tax losses £000	Other £000	Total £000
Net (asset)/liability at 1 January 2021	(1,169)	3,081	(9)	(87)	1,816
Charge/(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
Charge/(credit) to consolidated statement of comprehensive income	370	(569)	(675)	(21)	(895)
Adjustment to prior year to consolidated statement of comprehensive income	(25)	280	-	40	295
Net (asset)/liability at 31 December 2022	**(931)**	**2,641**	**(675)**	**(77)**	**958**

The net deferred tax liability mainly arises on the recognition of an intangible asset in relation to the Maintel Mobile, Datapoint, Proximity, Azzurri, Intrinsic and Atos acquisitions. This is partially offset by a deferred tax asset in relation to tax timing differences on property, plant and equipment, as well as current year taxable losses which are expected to be utilised against future year taxable profits. Other items include timing differences in relation to provisions.

Included within 'Adjustment to prior year' is a £280,000 increase in deferred tax timing differences on intangible assets per the final 2021 trading subsidiary Corporation tax return as compared to the draft tax return available at the time of signing of the 2021 financial statements.

The Board has reviewed the Group forecasts and projection models covering three years from the year end, taking into account reasonably possible changes in trading performance. As a result, the Board determined that the Group will continue make sufficient profits in the future against which the losses can be utilised. There are no time restrictions on when these taxable losses can be utilised. The deferred tax asset relating to tax losses has therefore been recognised on this basis.

The net deferred tax liability balance at 31 December 2022 has been calculated on the basis that the associated assets and liabilities will unwind at 25% (2021: 25%).

21 Borrowings

	2022 £000	2021 £000
Current bank overdraft – secured	**-**	3,869
Current bank loan – secured	**22,726**	15,493
Total borrowings	**22,726**	19,362

On 24 March 2022, the Group signed a new agreement with HSBC Bank plc ("HSBC") to replace the previous 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 is being repaid in equal monthly instalments, starting in October 2022. The year-end principal balance of the term loan was £5.4m and of the RCF was £17.5m.

Interest on the borrowings is the aggregate of the applicable margin and SONIA for Pound Sterling / SOFR for US Dollar / EURIBOR for Euros.

Covenants based on EBITDA to Net Finance Charges and Total Net Debt to EBITDA are tested on a quarterly basis. HSBC granted a waiver on the covenants at 31 December 2022 after the current reporting period had ended. Therefore, the total borrowings 31 December 2022 have been classified as current liabilities at year end. At the date of signing these financial statements, £3m of the term loan is not due to be repaid in the 12 months from 31 December 2022.

The current bank borrowings above are stated net of unamortised issue costs of debt of £0.2m (31 December 2021: £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 the undrawn facility.

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

22 Lease Liabilities

	2022 £000	2021 £000
Maturity analysis – contractual undiscounted cash flows		
In one year or less	**872**	1,003
Between one and five years	**1,389**	2,113
In five years or more	**145**	294
Total undiscounted lease liabilities at 31 December 2022	**2,406**	3,410
Discounted lease liabilities included in the statement of financial position		
Current	**820**	906
Non-current	**1,452**	2,251
Total lease liabilities included in the statement of financial position	**2,272**	3,157
Amounts recognised in the comprehensive income statement		
Interest expense on lease liabilities	**97**	127
Expenses relating to short term leases	**89**	91
Amounts recognised in the statement of cash flows		
Total cash outflow (including payments relating to short term leases)	**1,071**	1,373

During the years ended 31 December 2022 and 31 December 2021 there were no variable lease payments to be included in the measurement of lease liabilities and there were no sale and leaseback transactions. Income from subleasing right of use assets in the year was £Nil (2021: £Nil).

23 Financial instruments

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

	Financial assets measured at amortised cost	
	2022 £000	2021 £000
Non-current financial assets		
Trade receivables	**90**	630
Total	**90**	630

	2022	2021
Current financial assets		
Trade receivables	**12,975**	13,668
Accrued income	**1,920**	5,102
Other receivables	**713**	778
Total	**15,608**	19,548

	Financial liabilities measured at amortised cost	
	2022	**2021**
	£000	**£000**
Non-current financial liabilities		
Other payables	**370**	455
Lease liabilities	**1,452**	2,251
Total	**1,822**	2,706
Current financial liabilities		
Trade payables	**18,631**	10,869
Borrowings	**22,726**	19,362
Other payables	**2,823**	3,900
Accruals	**3,169**	5,893
Deferred consideration in respect of business combination	**-**	1,227
Lease liabilities	**820**	906
Total	**48,169**	42,157

	Financial liabilities measured at fair value	
	2022	**2021**
	£000	**£000**
Current financial liabilities		
Derivative financial instruments	**130**	-
Total	**130**	-

Derivative financial instruments held under current financial liabilities on the consolidated statement of financial position reflect the negative change in fair value of US Dollar foreign exchange contracts. These foreign exchange contracts are not designated in hedge relationships, but are, nevertheless, intended to reduce the level of foreign currency risk for expected sales and purchases. Please refer to the *Foreign currency risk* section on page 104 for further information.

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

	Assets		Liabilities	
	2022	**2021**	**2022**	**2021**
	£000	**£000**	**£000**	**£000**
US Dollars	**327**	326	**3,965**	1,799
Euros	**526**	500	**43**	22
Total	**853**	826	**4,008**	1,821

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 £389,000 is provided at 31 December 2022 (2021: £420,000). 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 2022 owed the Group £0.7m including VAT (2021: £1.2m). 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:

	2022	**2021**
	£000	**£000**
Provision at start of year	**420**	336
Provision created	**103**	161
Provision reversed	**(134)**	(77)
Provision at end of year	**389**	420

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:

31 December 2022	Current	< 30 days	31–60 days	> 60 days	Total
Expected credit loss % range	0%-1%	2%-5%	3%-10%	10%-100%	
Gross debtors (£'000)	11,004	931	289	1,262	**13,486**
Expected credit loss rate (£'000)	(40)	(30)	(11)	(308)	**(389)**
Accrued income	1,920	-	-	-	**1,920**
					15,017

31 December 2021	Current	< 30 days	31–60 days	> 60 days	Total
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

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 Pound 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 US Dollars. Those transactions are affected by exchange rate movements during the year. Such transactions in Euros are not deemed material in a Group context and sensitivity to Euro exchange rate movements is considered to be immaterial.

Starting from the year ended 31 December 2022, the Group uses foreign exchange contracts to manage some of its foreign currency risk exposures for US Dollar transactions, in particular purchases. The US Dollar foreign exchange contracts are not designated as cashflow hedges and are entered into for periods consistent with foreign currency exposure of the underlying transactions, generally from 3 to 6 months.

The Group is holding the following foreign exchange contracts at 31 December 2022:

	Maturity					
	Less than 1 month	**1 to 3 months**	**3 to 6 months**	**6 to 9 months**	**9 to 12 months**	**Total**
Foreign exchange contracts						
Contract amount (in $000)	-	2,500	2,000	-	-	**4,500**
Average contract rate (USD/GBP)	-	1.1685	1.1917	-	-	**1.180**

The carrying value of these foreign exchange contracts held under current financial liabilities on the Consolidated statement of financial position represents the negative change in their fair value. This carrying value is disclosed on page 102 of the Annual Report and Accounts. The Group held no foreign exchange contracts as at 31 December 2021.

The Group enters into derivative financial instruments principally with financial institutions with investment grade credit ratings. Foreign exchange contracts are held at fair value using techniques which employ the use of 'Level 2' market observable inputs. The key inputs used in valuing the derivatives are the exchange rates at yearend between Pound Sterling and US Dollar. Market values have been used to determine fair value and have been obtained from an independent third party. The fair values of all other financial instruments are measured using Level 1 inputs.

If the USD/GBP rates had been 0.5% higher/lower during 2022, and all other variables were held constant, the Group's profit/loss for the year would have been £18,000 lower/higher due to the positive/negative change in fair value of foreign exchange contracts.

Interest rate risk
The Group had total borrowings of £22.7m at 31 December 2022 (2021: £19.4m). 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 2022, and all other variables were held constant, the Group's loss (2021: profit) for the year would have been £86,000 (2021: £106,000) higher/lower (2021: lower/higher) due to the variable interest element on the loan.

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

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

Financial liabilities:

	0 to 6 months £000	6 to 12 months £000	2 to 5 Years £000	More than 5 years £000	Total £000
Trade payables	18,631	-	-	-	**18,631**
Other payables	2,414	409	370	-	**3,193**
Lease liabilities	435	437	1,534	-	**2,406**
Accruals	3,169	-	-	-	**3,169**
Borrowings (including future interest)[1]	892	23,765	-	-	**24,657**
Deferred consideration	-	-	-	-	**-**
Derivative financial instruments	130	-	-	-	**130**
At 31 December 2022	25,671	24,611	1,904	-	**52,186**

	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

[1] HSBC granted a waiver on the covenants over the Group's borrowings at 31 December 2022 after the current reporting period had ended. Therefore, the total borrowings 31 December 2022 have been classified as current liabilities at year end and the above maturity analysis has been presented on this basis. Please see Note 21 for further information on the Group's borrowings.

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			
	2022 Number	**2021 Number**	**2022 £000**	**2021 £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 (2021: Nil).

No shares were repurchased during the year (2021: 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 (2021: £31,000) and a translation reserve of £49,000 (2021: £30,000).

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 2022 (2021: £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

The Remuneration Committee's report on page 52 of the Annual Report and Accounts describes the options granted over the Company's ordinary shares to the Directors.

In aggregate, options are outstanding over 6.0% 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.

	2022 Number of Options	**2022 Weighted Average Exercise price**	**2021 Number of Options**	**2021 Weighted Average Exercise price**
Outstanding at 1 January	**314,409**	**383.40p**	246,082	378.14p
Granted during the year	**637,870**	**331.31p**	148,000	375.00p

Lapsed during the year	**(101,958)**	**335.30p**	(79,673)	351.55p
Outstanding at 31 December	**850,321**	**350.09p**	314,409	383.40p
Exercisable at year-end	**23,652**	**608.80p**	13,409	727.12p

The weighted average contractual life of the outstanding options was 4 years (2021: 8 years), exercisable in the range 221p to 880p.

No shares were exercised in the year by way of issue of new shares. No options have expired during the periods covered by the table above.

Outstanding share options by exercisable price range	**2022 Number of Share options**	**2021 Number of Share options**
Exercisable Price range		
221p to 274p	**65,000**	65,000
330p to 505p	**771,912**	236,000
675p to 880p	**13,409**	13,409
Total share options outstanding	**850,321**	314,409

The Group recognised £181,000 of expenditure related to equity-settled share-based payments in the year (2021: £49,000).

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	5 April	27 April	5 May
Number of options granted	167,000	420,870	50,000
Share price at date of grant	335.00p	330.00p	330.00p
Exercise price	335.00p	330.00p	330.00p
Option life in years	10	10	10
Expiry date	5 April 2032	27 April 2032	5 May 2032
Risk-free rate	1.55%	1.82%	1.96%
Expected volatility	38.49%	38.33%	38.27%
Expected dividend yield	0%	0%	0%
Fair value of options	0.933p	0.925p	0.929p

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:

	2022 £000	2021 £000
Short term employment benefits	**1,605**	1,584
Social security costs	**206**	196
Contributions to defined contribution pension schemes	**41**	46
	1,852	1,826

Other transactions – Group

During the year, the Group paid fees of £83,483 (2021: £5,400) to AAA Rated Limited, 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 31 December 2022 (2021: £Nil).

29 Post balance sheet events

In January 2023, the Directors made the decision to discontinue the development of our own "Callmedia" Contact Centre product line, including the CX Now public cloud CCaaS variant. The product will be wound down by 31 January 2024. This decision will trigger an impairment of the intangible assets capitalised to date of £2.3m. These are included in note 13 within software and licenses. This decision was made as part of an ongoing strategic review of the business, in which we have engaged with third party specialists to undertake a full product review. The result of this review will be implemented over the next financial year and is expected to result in a period of growth for the business.

It is the intention of the Directors to liquidate the 11 dormant subsidiaries during the financial year ended 31 December 2023 as disclosed in Note 14. This is part of a project to simplify the corporate structure.

There are no other events subsequent to the reporting date which would have a material impact on the consolidated 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 HSBC Bank plc. At 31 December 2022 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.