1 MAY 2024

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

Final audited results for the year ended 31 December 2023

Performance turnaround supported by business transformation.

Maintel Holdings Plc, a leading provider of cloud and managed communications services, announces its audited results for the 12-month period to 31 December 2023.

Key Financials

Final audited results for the year to 31 December:	**2023**	**2022**	**Increase/ (decrease)**
Group revenue (£'m)	101.3	91.0	11.3%
Gross profit (£'m)	31.2	27.9	11.8%
Adjusted EBITDA[1] (£'m)	9.1	4.4	106.8%
Loss before tax (£'m)	(6.8)	(4.9)	(38.8%)
Adjusted profit before tax [5] (£'m)	5.5	1.6	243.8%
Basic earnings / (loss) per share (p)	(37.3)	(30.4)	(22.7%)
Adjusted earnings / (loss) per share [3] (p)	23.6	(1.6)	-
Net debt[4] (£'m)	(18.1)	(16.6)	(9.0%)
Contracted cloud seats	182,000	168,000	8.3%

2023 Financial Headlines

- Group revenue was £101.3m, up 11.3% (2022: £91.0m) with recurring revenue of £75.0m (2022: £70.1m) at 74% of total revenue (2022: 77%).
- The significant increase in revenue year on year reflects accelerated trading momentum in the second half, which delivered growth beyond the successful delivery of the order book contracted in 2022.
- Adjusted EBITDA rose by 107% to £9.1m (2022: £4.4m) flowing from strong revenue growth compounded by the benefits delivered through the business reorganisation executed during the first half of 2023.
- Gross profit increased to £31.2m (2022: £27.9m) with gross margin of 30.8% consistent year on year (2022: 30.7%).
- Adjusted profit before tax[5] increased to £5.5m (2022: £1.6m) mainly due to the growth in revenue, and the reduction in operating expenses.
- The net debt [4] at year-end amounted to £18.1m, (2022: £16.6m), owing mainly to the exceptional restructuring exceptional costs and increased debt servicing charges. The benefits of restructuring are realised quickly and permanently.
- Adjusted earnings per share[2] at 23.6p, increased significantly from the 1.6p adjusted loss per share in 2022.
- Basic loss per share at 37.3p (2022: basic loss per share at 30.4p), reflects exceptional costs of (£7.0m) plus increased interest charges of £2.2m compared with £1.1m in 2022.
- Cash conversion[3] was 97% of adjusted EBITDA[1] (2022: 245%.

2023 Operational Highlights

- **Strategic review** – was completed in Q1 2023 and led to the implementation of a plan to transform the business, focusing on higher growth product lines, adapting the delivery and support organisations to crystallise substantial cost savings while creating a scalable cost base to support future growth.

- **Business transformation** – was successfully completed in the first half of 2023, resulting in better alignment of the product and sales teams on the provision of specialised digital communications, and the formation of the new professional services business group. As part of the group structure simplifications, operations in Ireland have been wound down, and international contracts are now fully serviced from our operations in the UK.
- **New business** - secured eight lots in the NS3 public framework, as well as winning new long term value contracts which included Vanquis Banking Group, Kingfisher IT Services, Harrods, Atos/Unify, Northampton General Hospital NHS Trust and the Leeds Teaching Hospital.

Board changes

- On 11 May 2023, Clare Bates joined the Board of Directors as Independent Director and Nick Taylor resigned from his Non-Executive Director role on 30 May 2023.
- On 27 February 2024, Dan Davies was appointed to the Interim CEO role (and continues his CTO and Head of Marketing roles) enabling Carol Thompson to focus on her Executive Chair role. The search for a permanent CEO is ongoing.
- On 18 April 2024, John Booth announced his intention to not seek for re-election at the Company's Annual General Meeting and Carol Thompson left as Executive Chair.

Post period end

- The Company successfully met the temporary milestones attributed by HSBC to its Group loan covenants in 2023. HSBC was satisfied that the recovery phase had been successfully completed and re-instated the initial covenants of the loan from 31 March 2024. In March 2024, the facility was extended to 30 September 2025, from the initial term ending on 24 March 2025.
- In line with the disclosure made at the time of the 2022 results, the Callmedia business was successfully wound-down in Q12024.
- Trading to date in 2024, in respect of revenue, EBITDA and orders, are all in line with management expectations.

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

The Company's 2023 Annual General Meeting will be held at 10.30am on 19 June 2024 at the offices of Hudson Sandler, 25 Charterhouse Square, London EC1M 6AE.

The 2023 Annual Report and Notice of AGM, together with a form of proxy, will be posted to the Company's shareholders no later than 10 May 2024 and the 2023 Annual Report will also be available on the Company's website, www.maintel.co.uk/investors.

Commenting on the Group's results, Dan Davies, Interim Chief Executive Officer, said:

"2023 was a year of business transformation and performance turnaround for Maintel, thanks to the successful implementation of a strategic review and a new focus on three technology segments: Unified Communications & Collaboration, Customer Experience, and Security & Connectivity. The Group delivered an 11.3% increase in revenue, a significant improvement in Adjusted EBITDA, and a strong cash conversion performance.

"We are strong as a business and have made a confident start to 2024, with trading at the end of quarter one being in line with management expectations. While we continue to navigate challenging global macro-economic and political issues, the Board expects FY2024 to reflect a consolidation of the progress made in 2023, as management continues to focus on the strategic organic growth initiatives, with a focus on margin improvement and revenue expansion opportunities."

Notes
[1] Adjusted EBITDA is EBITDA of £2.0m (2022: £3.3m), adjusted for exceptional items (note 12) and share based payments (note 27).
[2] Adjusted earnings/(loss) per share is basic loss per share of 37.3p (2022: basic loss per share of 30.4p), 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 (2022: 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 £20.0m RCF and £3.0m Term loan.
[5] Adjusted profit before tax of £5.5m (2022: £1.6m) is basic profit before tax adjusted for amortisation of intangibles, exceptional items and share based payments.

This announcement contains inside information for the purposes of the retained UK version of the EU Market Abuse Regulation (EU) 596/2014 ("UK MAR").

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NOTES TO EDITORS

Maintel Holdings Plc ("Maintel") is a leading provider of cloud, networking and security managed communications services to the UK public and private sectors. Its services aim to help its clients operate at the highest level by designing, implementing, innovating and managing their vital digital communication solutions, with a focus across three strategic pillars:

- **Unified Communications and Collaboration -** Making customers' people more effective, efficient, and collaborative with UC&C technology. The core focus of this pillar is the high growth Unified Communications as a Service (UCaaS) market segment.

- **Customer Experience -** Helping customers to acquire, delight and retain their customers using customer experience technology. The core focus of this pillar is the high growth Contact Centre as a Service (CCaaS) market segment.

- **Security & Connectivity** - Securely connecting customers' people, partners and guests to their cloud platforms, applications, and data with secure connectivity, and protecting their business from cyber threat. The core focus of this pillar is the high growth Software Defined Wide Area Networking (SD-WAN), Security Service Edge (SSE) and Cyber Managed Service market segments.

Maintel combines technology from its strategic, global technology vendor and carrier partners, with its own Intellectual Property, deployed from and managed by its own platforms, to provide seamless solutions that its customers can consume without the need for the internal skillset needed to deploy and manage the technology themselves.

Maintel serves the whole market, with a particular focus on key verticals of Financial Services, Retail, Public Healthcare, Local Government, Higher Education, Social Housing and Utilities. Its core market constitutes organisations with between 250 and 10,000 employees in the private, public and not-for-profit sectors with headquarters in the UK.

The Company was founded in 1991 and it listed on London's AIM market in 2004 (AIM: MAI).

INTERIM CHIEF EXECUTIVE OFFICER'S STATEMENT

2023 was a year of business transformation, assisted by a more normalised trading environment and the associated unwind of the order book, which resulted in a turnaround of the Group's performance.

As we entered 2023, Maintel continued to face significant challenges including overcoming the historic global semiconductor shortage and several years of working practice changes in the client base due to the pandemic, meaning a new approach was required in terms of technology usage, solution design and the new and enduring move to hybrid working. Against this backdrop, our teams worked well together and with their stakeholders to respond to these challenges, designing a new way of working and delivering service which led to an enduring step change in performance.

A comprehensive strategic review begun in late 2022, was completed in the early part of 2023 and the subsequent transformation plan included organisational and cost reduction changes. These changes focused the business on higher growth product lines, adapting the delivery and support organisations to crystallise substantial cost savings while creating a scalable cost base to support future growth. This plan was successfully implemented in the first half of 2023.

Performance

At the trading update on 22 January 2024, the Company announced that, as a result of accelerated trading momentum, our financial performance for 2023 was expected to be ahead of market expectations. Subsequently, we are pleased to report an 11.3% increase in revenue to £101.3m (2022: £91.0m) and significant progress in profit generation and working capital management that resulted in a much improved Adjusted EBITDA performance of £9.1m (2022: £4.4m).

Cash conversion in the period continued to be strong, driven by a rigorous working capital management process. Our overall net debt position increased to £18.1m (2022: £16.6m), noting that this includes exceptional items (including one-time restructuring costs). Deleveraging remains a focus, and with restructuring costs largely behind us, our goal is to return to leverage and interest coverage ratios in line with market norms.

Strategy and Operational Update

Our leaner, more focused organisation delivered cost structure improvements which had a one-time exceptional cost. The restructuring of the Group was completed in the first half and payback was within the same year, leaving the future clear for performance and yield improvement.

Maintel has been repositioned from a generalist in communications managed services, to a specialist across three strategic pillars: Unified Communications & Collaboration, Customer Experience and Security & Connectivity. The services we provide across these three areas are vital to our customers, as they fundamentally underpin their ability to thrive in a dynamic hybrid working and multi-cloud world.

In order to establish an expert position in these three technology segments, we have been focused on deepening our consultancy and advisory capabilities, developing our own intellectual property to complement and differentiate the business across its three pillars of focus, and strengthening our relationships with the strategic technology vendor partners and carriers that form the core of the services we now focus on delivering for our customers. Great progress has already been made in each of these areas of specialisation, with several exciting launches also planned for 2024. As is expanded on in the "Our Future" section of this report, looking forward we also continue to plan for the role that next generation technologies such as Artificial Intelligence will play, both in terms of our own ways of working, but also how they will enhance our product and service offerings.

Whilst executing our Group restructuring, we saw the continued easing of the global semiconductor shortage which largely returned to normalised levels by Q2 2023. This allowed our operational teams to focus on delivery and return the order book to more usual levels by the end of the year. This acceleration of order book delivery resulted in a significant increase in our project-related revenues, seeing one-time technology and professional services revenue increase by 25.6%.

The successful delivery of these projects resulted in an additional, ongoing contribution to our recurring revenues as they went live, unlocking the recurring managed service, software subscription and circuit/infrastructure rental revenues.

As a result, our overall recurring revenues grew by 7%, including continued strong growth in cloud revenues (+24.7%) and a return to robust growth for data connectivity services (+11.4%), driven by our successes in the Software Defined Wide Area Networking (SD-WAN) and cloud security space. These growth areas were complemented by a 16.7% increase in call traffic revenues, driven by significant contact centre calling volumes largely from our strong financial services customer base.

Our heritage on-premise support base remain stable, an area that has been in industry-wide double-digit decline for a number of years. We continue to expect this area of the business to diminish over time, but are putting effort and resources into reducing the rate of decline to maximise the longevity of these profitable heritage contracts.

New Business Wins

2023 also saw a strong performance in new business wins. Maintel secured eight lots in the new Network Services 3 (NS3 – RM6116) public sector framework (our main route to market for the Public Sector), whilst also winning significant new value and long-term contracts that included Vanquis Banking Group, Kingfisher IT Services, Harrods, Atos/Unify, Northampton General Hospital NHS Trust and The Leeds Teaching Hospital. These were all strong wins, demonstrating the validity of the strategic market pivot and our ability to capitalise on these areas of strong CAGR.

The Board

Clare Bates joined the Board of Directors as independent Non-Executive Director on 11 May 2023 and Nick Taylor resigned from his Non-Executive Director role on 30 May 2023.

On 27 February 2024, Carol Thompson relinquished her role as Interim CEO, remaining Executive Chair. At the same time, I was appointed to the Interim CEO role while continuing in my roles as CTO and leading our marketing team. On 18 April 2024, John Booth announced his intention not to seek re-election of the Company's Annual General Meeting and Carol Thompson left as Executive Chair.

The search for a permanent CEO is ongoing and the search for a new independent Chair is underway, to lead the business over the next phase of its development.

Our People

Our core strength is in our people, who showed great resilience and focus throughout 2023 in delivering this performance. Having achieved this result, the team are positive, energised, and keen to engage with clients, both existing and new.

The rate of technological change in our markets is faster than ever. The rapid move to hybrid working and the adoption of public cloud services were both accelerated significantly by the pandemic and play exceptionally well into our specialised offerings. In addition, the rise of Artificial Intelligence brings with it a generational change to the technology landscape. We continue to invest in our people to ensure that we capitalise on the opportunities that these technology trends will undoubtably bring.

The level of support that I've received, since taking on the Interim CEO role in February, is more than I could ever have asked for. Our team are highly skilled and inspiring, and I thank them for their hard work and dedication.

Mergers and acquisitions

Maintel has focused on evolving its products, customer engagements and technological advantages in key areas such as SD-WAN, Cloud Security, CCaaS & UCaaS, and therefore no acquisitions have been pursued. While focusing on organic growth strategies, and our market strategy in 2024, we remain open to new opportunities, ideas and partnerships so long as they are value accretive and do not require up-front investment.

Current Trading and Outlook

Having concluded our organisational and strategic transformation in 2023, positioning the business to generate strong growth and deliver solid economic performance in the years to come, Maintel is focus remains on margin improvement, mitigating the impact of continued inbound price pressure, and on opportunities in high growth segments in 2024.

Whilst the top-line performance in 2023 was supported by the unwinding of the significant order book built up during the semiconductor supply chain crisis of 2021-22, and the acceleration of project delivery, 2024 has seen a return to normalised business development and growth. The Company is expecting to close significant new business wins in the first half of 2024, which will contribute towards the expected growth in the second half of the year.

In the first quarter of 2024, major projects won in 2022 and 2023 were completed, together with the successful implementation of planned annual price increase. As a result, the overall performance of the business at the end of quarter one is in line with management expectations. Strong cash management, allowing for the effective servicing of our debt, combined with the solid improvement in profitability, have enabled the Company to conclude, as of 31 March 2024, the temporary recovery phase agreed with HSBC at the beginning of 2023.

The business has made a confident start to 2024 with encouraging growth in our sales pipeline and the cost management measures taken in 2023 will continue to benefit the Group in 2024. While navigating challenging macro-economic and political conditions, the Board expects 2024 to reflect a consolidation of the progress made in 2023 as management continues to focus on strategic organic growth initiatives, with a focus on margin improvement and revenue expansion opportunities.

Dan Davies
Interim Chief Executive Officer

BUSINESS REVIEW

Results for the year

Revenues increased by 11.3% to £101.3m (2022: £91.0m) and adjusted EBITDA increased to £9.1m (2022: £4.4m). Recurring revenue as a percentage of total revenue (being all revenue excluding one-off projects) amounted to 74% (2022: 77%). While the relative percentage decreased due to the strength of the project revenue (2023: £26m, compared with 2022: £21m), the absolute value of the recurring revenue increased by 7.1% to £75m (2022: £70m). The increase in recurring revenue was mainly driven by:

- **Managed Services and Technology division** revenue increased by 12% to £52.1m (2022:£46.5m)supported by strong project revenue (+25.6%) following the easing of supply chain shortages and the successful unwinding of our contracted order book.
- **Network Services division** increased by 13.0% to £45.3m. Calls and Lines increased by 3.2% to £10.6m (2022: £10.3m), largely resulting from price. **Data** increased by 11.4% to £18.4m (2022: £16.5m) mainly due to new implementations and price. **Cloud** revenue grew by £3.2m (+24.7%) due to continued growth in public and private cloud contracts.
- **Mobile division** revenue reduced by £0.6m (-13.2%) to £3.8m (2022: £4.4m) as the business development efforts are focused on core revenue streams.

Gross profit for the Group increased by 12.1% to £31.2m (2022: £27.9m) with gross margin improving to 30.9% (2022: 30.6%).

The Group delivered an adjusted profit before tax of £5.5m (2022: £1.6m). Adjusted earnings per share (EPS)[(a)] increased to 23.6 per share (2022: loss per share of 1.6p) based on a weighted average number of shares in the period of 14.4m (2022: 14.4m).

On an unadjusted basis, the Group generated a loss before tax of £6.8m (2022: loss of £4.9m) and basic loss per share of 37.3p (2022: basic loss per share of 30.4p). This includes £7.0m of net exceptional costs (2022: net exceptional costs of £1.0m) (refer note 12) and amortisation of acquired intangibles of £5.1m (2022: £5.4m).

	2023 £000	**2022 £000**	**Increase / (decrease)**
Revenue	**101,262**	91,036	11.2%
Loss before taxation	**(6,780)**	(4,889)	38.6%
Add back intangibles amortisation	**5,111**	5,437	(6.0)%
Exceptional items	**6,979**	904	672.0%
Share based remuneration	**189**	181	4.4%
Adjusted profit before tax	**5,499**	1,633	236.9%
Adjusted EBITDA[(a)]	**9,139**	4,356	109.8%
Basic loss per share	**(37.3p)**	(30.4p)	(22.7)%
Diluted	**(37.3p)**	(30.4p)	(22.7)%
Adjusted Earnings / (loss) per share[(b)]	**23.6p**	(1.6p)	-
Diluted	**23.5p**	(1.6p)	-

(a) Adjusted EBITDA is EBITDA of £2.0m (2022: £3.3m) 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 £5.0m (2022: £9.8m) resulting in a cash conversion [C] of 97% for the full year (2022: 245%).

(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	**2023 £000**	**2022 £000**	**Increase / (decrease)**
Managed services related	**25,807**	25,572	0.9%
Technology[d]	**26,290**	20,937	25.6%
Managed services and technology division	**52,097**	46,509	12.0%
Network services division	**45,317**	40,093	13.0%
Mobile division	**3,848**	4,434	(13.2%)
Total Group Revenue	**101,262**	91,036	11.2%
Cloud and Software Revenues	**£50.9m**	£39.7m	28.2%

(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.

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.

	2023 £000	**2022 £000**	**Increase**
Division revenue	**52,097**	46,509	12.0%
Division gross profit	**12,285**	11,399	7.8%
Gross margin (%)	**24%**	25%	

This division increased revenue by 12.0% to £52.1m, mainly driven by strong project revenue deriving from the delivery of projects sold in 2022 and 2023, enabled by the availability of equipment following the easing of the availability of semiconductor and the normalisation of the global technology hardware supply chain. Both the technology and professional services divisions benefitted from the improved trading conditions and grew respectively by 29% and 18% respectively in 2023.

The slowdown in the decline of our heritage on premise support business, combined with price actions resulted in a 0.9% growth in the revenue of that product line to £25.8m. The general global market decline in the legacy PBX and contact centre markets, still benefits the Network Services division with customers from our legacy managed service base transitioning to Maintel's cloud-based services. The most notable transformation contracts in 2023 being for a number of key financial services and retail customers.

Gross profit increased in the division at a lower rate than revenue (+7.8%), due to the revenue mix weighted towards the Technology revenue streams. The revenue mix also translates into the decrease in the average gross margin of the division from 25% to 24%.

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.

	2023 £000	**2022 £000**	**Increase / (decrease)**
Call traffic	**3,408**	2,921	16.7%
Line rental	**7,234**	7,391	(2.1%)
Data connectivity services	**18,415**	16,537	11.4%
Cloud	**16,000**	12,827	24.7%
Other	**260**	417	(37.6%)
Total division	**45,317**	40,093	13.0%
Division gross profit	**17,386**	14,639	18.8%
Gross margin (%)	**38%**	37%	

Network Services revenue grew by 13.0% and gross profit increased by 18.8% to £17.4m, resulted in a 1.0pts improvement in gross profit to 38%. The growth in the higher margin cloud revenue products offsetting the decline in lower margin call traffic revenues. Our fixed line telephony revenues (shown above under call traffic and line rental) increased by 3.2% to £10.6m (2022: £10.3m). Within this, our overall line rental revenues reduced by 2.1%, reflecting the overall market decline for legacy Public Switched Telephone Network (PSTN) products as customers migrate to consolidated modern SIP Trunking or Cloud Communication services. However our revenue from Call Traffic increased by 16.7%, driven by an increase in inbound contact centre calling traffic and outbound SIP call traffic, predominantly from our strong Financial Services customer base.

Data connectivity revenues saw a significant increase of 11.4%. The acceleration of revenue since 2022 is now reflecting the increasing impact that our new Software Defined Wide Area Networking (SD-WAN) and managed Cloud Security Services are having on the performance of this division. Much of the business closed in these new areas had been delayed from delivery by the semiconductor supply shortage however delivery conditions have now normalised, and the trend is set to continue as we continue to win new contracts.

Our momentum in the Security & Connectivity space continued in the period with key contract wins for several customers including a leading retailer and NHS Trusts.

The number of contracted seats across our cloud communication services significantly increased, up 8.6% in the year to ~182,500 seats at the end of December 2023 (~168,000 at December 2022), in line with the market growth rates for this technology segment.

Overall, 75.4% of the overall cloud seats contracted in 2023 were public cloud based, highlighting the expected growing trend of a preference for public cloud services in many industry verticals. This trend was accelerated by some significant wins in this space, including a >7,000 seat RingCentral Unified Communications win for Kingfisher, a ~2000 seat RingCentral win with Angus Council, a strategic Genesys Contact Centre win for the Vanquis Banking group, and many other public cloud wins.

Our flagship ICON private cloud service sales also continued to perform, with key wins such as a ~5,000 seat win for Gloucestershire Health and Care NHS Foundation Trust. Demand for the Virtual Private Cloud service that our ICON platform offers continues to remain high across the sectors with complex requirements or where an absolute minimum of downtime is required, such as Finance, Insurance, Healthcare and Housing verticals in particular. With the platform providing very high (99.999%) core service availability levels, including hybrid local survivability, 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 expected to close in FY24. Having long surpassed the inflection point where economies of scale are realised, our focus has now turned to quality of earnings over volume for our cloud communications business.

Mobile Division

The 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.

	2023 £000	**2022 £000**	**Increase / (Decrease)**
Revenue	**3,848**	4,434	(13.2%)
Gross profit	**1,568**	1,820	(13.8%)
Gross margin (%)	**40.7%**	41.0%	(0.3%)
Number of customers	**511**	535	(4.5%)
Number of connections	**28,445**	26,689	6.6%

Revenues decreased by 13.2% to £3.8m (2022: £4.4m) and gross profits also declined by 13.8%, reflecting the refocus of the Maintel's business development towards our focus revenue streams. Although customer churn remained low in the period, the lack of new business compounded by downward price pressure on contract renewals drove the negative revenue progression. Recognising these market challenges, Maintel has been proactively resourcing the mobile sales team to focus on customer retention as opposed to new business.

Maintel's mobile proposition continues to be multi-faceted and network agnostic and ensuring we can provide competitive and complete coverage for the UK. This enables us to be 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 (2022: £0.5m) relates to the recovery of one year's R&D tax credit of £0.5m (2022: £0.5m).

Other administrative expenses

	2023 £000	**2022 £000**	**(Decrease)**
Other administrative expenses	**24,123**	25,902	**(6.9%)**

Other administrative expenses for the Group decreased by 6.9% to £24.1 (2022: £25.9m).

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. The net £1.8m reduction mainly reflects the savings from organisational optimisation initiatives.

The overall average headcount in 2023 reduced by 2.2% (or 11 FTEs) and now stands at 482 (2022: 493). At 31 December 2023, the FTEs was 445 compared to 503 at 31 December 2022 as a result of the Group's programme of re-organisation, creating an organisation 'fit for future'.

Exceptional items

Exceptional costs of £7.0m (2022: exceptional costs £0.9m) were substantially driven by the business transformation project (£4.9m) as discussed in more detail below.

- The termination of the Callmedia business represents £2.3m non-cash impairment charge of the previously capitalised software development and £0.3m of development costs net of associated revenues.
- £1.6m results from the downsizing of the London premises and exceptional service charge.
- Staff-related restructuring costs (£1.5m) associated with the organisational review of the business.
- Other transformation costs in the year of £0.7m relate to the strategic review of the business having led to the strategic pivot re-focusing the business over three pillars: unified communications and collaboration, customer experience and security & connectivity.
- Other exceptional costs include £0.4m of fees relating to our credit facility agreement following the amended agreement that negotiated temporary covenant terms in place during the phase of transformation of the Company.

In 2022, exceptional costs of £0.9m were substantially driven by staff-related restructuring costs (£0.4m) associated with the ongoing review of the Group's operating costs base. Other exceptional costs included £0.3m in relation to foreign exchange impact on a specific contract, which had 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.

A full breakdown is shown in note 12.

Interest

The Group's net interest charge was £2.2m in the year (2022: £1.1m).

Taxation

The tax credit in the period of £1.4m is driven by a £1.4m increase in deferred tax in relation to tax losses (£0.7m) and fixed assets (£0.8m), and a £0.3m adjustment to prior period deferred tax for temporary taxable timing differences on intangible assets.

The prior year tax credit of £0.5m was driven by the net combined effect of deferred tax arising from the current tax losses of £0.7m, fixed assets (£0.2m) offset by a £0.3m adjustment to prior period taxation.

Dividends and earnings per share

The Board continues to take a prudent approach to the Company's dividend policy. Throughout 2023 the Board has been focused on de-leveraging of the Company and investing in the future growth of the Group's operations. Consequently, it has made the decision not to propose a final dividend for the full year 2023 (2022: nil pence per share). It remains the Board's intention to review returns to shareholders when economic conditions improve and financial performance permits.

Adjusted profit per share is 23.6p, increasing from the adjusted loss per share of 1.6p in 2022. On an unadjusted basis, basic loss per share is at 37.3p (2022: basic loss per share at 30.4p).

Consolidated statement of financial position

Net assets decreased by £5.2m in the year to £14.2m at 31 December 2023 (2022: £19.4m) with the key movements explained below.

Trade and other receivables decreased by £2.0m to £25.4m (2022: £27.4m), driven by a decrease in prepayments and accrued income to £12.7m (2022: £13.7m). Within this, accrued income decreased by £0.6m, as billing milestones were reached during the year as equipment became available; prepayments decreased by £0.4m, as the result of a pro-active reduction in upfront payments to suppliers.

Trade and other payables decreased by £3.2m to £43.9m (2022: £47.1m). Within this, trade payables decreased by £5.9m at December 2023, following the normalisation of working capital; deferred income increased by £1.7m driven by recurring revenue and technology advance billings; Other payables and accruals increased by £1.0m driven principally by the recognition of an onerous lease contract and capital expenditure accruals.

Intangible assets decreased by £4.3m driven by impairment charges of £2.3m in relation to the termination of the Callmedia business, amortisation of £5.1m, offset by £3.1m of capital expenditure in relation to capitalised software development and software licences.

Inventories reduced by £0.9m in the period driven by the unwinding of the significant order book built up through 2021 and 2022.

Borrowings of £22.9m (2022: £22.7m) represent the Group's drawn down debt, consisting of £20.0m Rolling Credit Facility and £3.0m Term loan, net of costs of issue of £0.1m.

Cash flow

As at 31 December 2023 the Group had net debt of £18.2m, excluding issue costs of debt of £0.1m, (31 December 2022: £16.8m), equating to a net debt: Adjusted EBITDA ratio of 2.0x (2022: 3.8x). An explanation of the £1.4m increase in net debt, excluding issue costs of debt, is provided below.

	2023 £000	**2022 £000**
Cash generated from operating activities	**4,972**	9,839
Taxation paid	**-**	(491)
Capital expenditure	**(3,472)**	(3,337)
Issue costs of debt	**-**	(234)
Interest paid	**(1,894)**	(1,119)
Free cash flow	**(394)**	4,658
Proceeds on disposal of Doc Sol (net of costs)	**-**	16
Payments in respect of business combination	**-**	(1,227)
Proceeds from borrowings	**2,500**	25,500
Repayments of borrowings	**(2,400)**	(18,100)
Lease liability payments	**(975)**	(885)
(Decrease) / increase in cash and cash equivalents	**(1,269)**	9,962
Cash and cash equivalents/(bank overdrafts) at start of period	**6,136**	(3,869)
Exchange differences	**(21)**	43
Cash and cash equivalents at end of period	**4,846**	6,136
Bank borrowings	**(23,000)**	(22,900)
Net debt excluding issue costs of debt and IFRS 16 liabilities	**(18,154)**	(16,764)

Adjusted EBITDA	**9,139**	4,356

The Group generated £5.0m (2022: £9.8m) of cash from operating activities and operating cashflow before changes in working capital of £5.3m (2022: £3.5m).

Cash conversion (C) in 2023 was 97% (2022: 245%).

Capital expenditure of £3.5m (2022: £3.3m) was incurred relating to the ongoing investment in the ICON platform and IT infrastructure.

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 facilities are given in note 21.

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

Risk management

The Board has overall responsibility for setting the risk appetite for the business and for ensuring that the Group's ongoing risk profile aligns with this. The Board is also responsible for identifying the business risks and uncertainties faced by the Group that could have a material adverse effect on the business, most of which are beyond its control, and for determining the appropriate course of action to manage these. It reviews a dynamic risk report quarterly, the process behind which is monitored by the Audit and Risk committee. The most significant current risks and uncertainties are described below; the extent of the impact of each would naturally depend on the precise nature and duration of the event. This list is not exhaustive and there may be risks and uncertainties of which we are currently unaware, or which we currently believe are immaterial, that could have an adverse effect on the business.

Nature of risk	How do we mitigate the risk?	Trend
Disruptive technology changes the landscape of the market, and the Group may not keep pace with product and service innovation.	Maintel has a dedicated product function to ensure that the Group's product and service portfolio remains competitive. We have also re-structured the business to ensure focus on accelerating developments, including those of the ICON platform.	Risk unchanged from last year
A catastrophic event – for example a power outage or pandemic - means that the Group is unable to service its customers.	All employees can work remotely, and the Group's operational and administrative servers are located and managed such that damage from an outage is minimised. A business continuity plan is in place which is reviewed regularly and enhanced from the results of testing. The Group is also increasingly moving to cloud based systems which are more readily available for a response to a catastrophic event. ISO22301- Business Continuity is maintained and externally audited on an annual basis.	Risk unchanged from last year

Nature of risk	How do we mitigate the risk?	Trend
Cyber-attacks on Maintel, customer or supplier systems rendering them unusable temporarily or permanently.	The Group has an outsourced Security Operations Centre (SOC) and compliments this with in-house systems and tools to ensure Maintel and its customer systems are secured. Customer networks and data are completely segregated from the Group's and data and systems are replicated in more than one location. Maintel holds several security accreditations including Cyber Essentials, ISO 27001 Information Security, ISO22301-Business Continuity and PCI DSS, all of which entail extensive external auditing of the Group's systems and processes. Maintel is also covered by cyber threat insurance.	Risk increased compared with last year
Loss of key supplier through its business failure or termination of relationship with Maintel.	The Group has a multi-vendor strategy to reduce this risk and has defined product managers who work closely with each supplier to maintain constructive relationships and promptly identify potential issues, formalised by monthly internal review meetings. Due to the unprecedented semi-conductor shortage, we are monitoring our key suppliers more closely for adverse impacts and have raised the risk level accordingly.	Risk reduced compared with last year
Loss of major customer through its business failure or termination of relationship with Maintel or Maintel's partners.	The impact of this risk is partly mitigated by the fact that no customer provides more than 10% of the Group's revenue. We have developed various initiatives to manage this risk including executive sponsorship and improved account management and engagement. We are actively monitoring customer churn and continue to develop our customer offering and service delivery.	Risk unchanged from last year

The Group's approach to financial risk management is further explained in note 23 to the financial statements.

FINANCIAL STATEMENTS

Consolidated statement of comprehensive income for the year ended 31 December 2023

	Note	2023 £000	2022 £000
Revenue	4	**101,262**	91,036
Exceptional items	12	**-**	(278)
Other cost of sales		**(70,022)**	(62,900)
Cost of sales		**(70,022)**	(63,178)
Gross profit		**31,240**	27,858
Other operating income	7	**550**	540
Intangibles amortisation	13	**(5,111)**	(5,437)
Exceptional items	12	**(6,979)**	(626)
Share-based payments	27	**(189)**	(181)
Other administrative expenses	7	**(24,123)**	(25,902)
Administrative expenses		**(36,402)**	(32,146)
Operating loss	7	**(4,612)**	(3,748)
Financial expense	8	**(2,168)**	(1,141)
Loss before taxation		**(6,780)**	(4,889)
Taxation credit	9	**1,429**	528
Loss for the year		**(5,351)**	(4,361)
Other comprehensive (expense)/income for the year			
Items that maybe reclassified to profit or loss:			
Exchange differences on translation of foreign operations		**(16)**	19
Total comprehensive expense for the year		**(5,367)**	(4,342)
Loss per share (pence)			
Basic	10	**(37.3)p**	(30.4)p
Diluted	10	**(37.3)p**	(30.4)p

The attached notes form part of these consolidated financial statements.

Consolidated statement of financial position
at 31 December 2023

	Note	31 December 2023 £000	31 December 2023 £000	31 December 2022 £000	31 December 2022 £000
Non-current assets					
Intangible assets	13		**48,644**		52,989
Right of use assets	16		**1,036**		2,263
Property, plant and equipment	15		**1,109**		1,381
Trade and other receivables	18		**-**		90
Deferred tax	20		**471**		-
			51,260		56,723
Current assets					
Inventories	17	**1,677**		2,594	
Trade and other receivables	18	**25,408**		27,376	
Cash and cash equivalents		**4,846**		6,136	
Total current assets			**31,931**		36,106
Total assets			**83,191**		92,829
Current liabilities					
Trade and other payables	19	**43,938**		47,115	
Lease liabilities	22	**909**		820	
Borrowings	21	**2,322**		22,726	
Total current liabilities			**47,169**		70,661
Non-current liabilities					
Other payables	19	**502**		370	
Lease liabilities	22	**731**		1,452	
Deferred tax	20	**-**		958	
Borrowings	21	**20,579**		-	
Total non-current liabilities			**21,812**		2,780
Total liabilities			**68,981**		73,441
Total net assets			**14,210**		19,388
Equity					
Issued share capital	24		**144**		144
Share premium	25		**24,588**		24,588
Other reserves	25		**64**		80
Retained losses	25		**(10,586)**		(5,424)
Total equity			**14,210**		19,388

The consolidated financial statements were approved and authorised for issue by the Board on 30 April 2024 and were signed on its behalf by:

Gab Pirona
Chief Financial Officer

The attached notes form part of these consolidated financial statements.

Consolidated statement of changes in equity
for the year ended 31 December 2023

	Share capital £000	Share premium £000	Other reserves £000	Retained losses £000	Total £000
Balance at 1 January 2022	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 payments	-	-	-	181	181
At 31 December 2022	**144**	**24,588**	**80**	**(5,424)**	**19,388**
Loss for the year	-	-	-	(5,351)	(5,351)
Other comprehensive expense:					
Foreign currency translation differences	-	-	(16)	-	(16)
Total comprehensive expense for the year	-	-	(16)	(5,351)	(5,367)
Transactions with owners in their capacity as owners:					
Share-based payments	-	-	-	189	189
At 31 December 2023	**144**	**24,588**	**64**	**(10,586)**	**14,210**

The attached notes form part of these consolidated financial statements.

Consolidated statement of cash flows
for the year ended 31 December 2023

	2023 £000	2022 £000
Operating activities		
Loss before taxation	**(6,780)**	(4,889)
Adjustments for:		
Net gain on disposal of Doc Sol	**-**	(16)
Intangibles amortisation	**5,111**	5,437
Share-based payments	**189**	181
Depreciation of plant and equipment	**637**	642
Depreciation of right of use asset	**835**	940
Impairment of property, plant and equipment	**53**	-
Impairment of right of use assets	**761**	-
Impairment of intangible fixed assets	**2,288**	-
Interest payable	**2,168**	1,141
Other non-cash items	**-**	67
Operating cash flows before changes in working capital	**5,262**	3,503
Decrease/(increase) in inventories	**917**	(1,585)
Decrease in trade and other receivables	**2,058**	3,469
(Decrease)/increase in trade and other payables	**(3,265)**	4,452
Cash generated from operating activities	**4,972**	9,839
Tax received/(paid)	**-**	(491)
Net cash inflows from operating activities	**4,972**	9,348
Investing activities		
Purchase of plant and equipment	**(418)**	(932)
Purchase of intangible assets	**(3,054)**	(2,405)
Consideration for previously acquired businesses	**-**	(1,227)
Net proceeds from disposal of Doc Sol	**-**	16
Net cash outflows from investing activities	**(3,472)**	(4,548)
Financing activities		
Proceeds from borrowings	**2,500**	25,500
Repayment of borrowings	**(2,400)**	(18,100)
Lease liability repayments	**(975)**	(885)
Interest paid	**(1,894)**	(1,119)
Issue costs of debt	**-**	(234)
Net cash (outflows)/inflows from financing activities	**(2,769)**	5,162
Net (decrease)/increase in cash and cash equivalents	**(1,269)**	9,962
Cash and cash equivalents/(bank overdrafts) at start of year	**6,136**	(3,869)
Exchange differences	**(21)**	43
Cash and cash equivalents at end of year	**4,846**	6,136

Consolidated statement of cash flows
for the year ended 31 December 2023 *(continued)*

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)

	2023	**2022**
	£000	**£000**
At 1 January	**22,726**	19,362
Proceeds from borrowings	**2,500**	25,500
Repayment of borrowings	**(2,400)**	(18,100)
Repayment of bank overdraft	**-**	(3,869)
Payments of interest on bank loans and overdraft	**(1,821)**	(1,022)
Interest expense on bank loans and overdraft (non-cash movement)	**2,009**	950
Movement on interest accrual (balance held within accruals – non-cash movement)	**(188)**	72
Issue costs of debt	**-**	(234)
Amortisation of issue costs (non-cash movement)	**75**	67
At 31 December	**22,901**	22,726

Lease liabilities (Note 22)

	2023	**2022**
	£000	**£000**
At 1 January	**2,272**	3,157
Capital lease repayments	**(975)**	(885)
Interest repayments	**(73)**	(97)
Interest expense (non-cash movement)	**73**	97
New leases (non-cash movement)	**343**	-
At 31 December	**1,640**	2,272
Current	**909**	820
Non-current	**731**	1,452

The notes on following pages form part of these consolidated financial statements.

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. The facility with HSBC Bank plc ("HSBC") consisting of a revolving credit facility ("RCF") of £20m with a £6m term loan on a reducing basis, remained in place during the year and has been extended to 30 September 2025 in March 2024. Repayments started in October 2022, and at 31 December 2023, £3m remained outstanding. The key covenants include net leverage ratio and interest cover tests, assessed on a quarterly basis. During 2023, the Company successfully met the temporary milestones and HSBC being satisfied that the recovery phase had been successfully completed, the initial covenants of the loan were reinstated in early 2024. As a consequence, the debt has been classified to long term liabilities at 31 December 2023, whilst the debt had been reclassified as current liabilities in 2022.

As highlighted in the risk management section the Board has put robust business continuity plans in place to ensure continuity of trading and operations. Management believes that following the strategic pivot operated in 2023, with a product offering aligned to its strategy, the pipeline will enable Maintel to deliver upside from the budgeted revenue, whilst maintaining the efficiency of its cost base and continuously enhancing margins.

The Group's forecasts and projection models have been built on a prudent basis, taking into account inflationary pressure, reasonable prudence with regard to both project delivery and timing of pipeline conversion. 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 operating costs 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. Therefore, the Group financial statements have been prepared on a going concern basis.

(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 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 three years in respect of the Microsoft licences.

The net book value of the Callmedia capitalised systems, software and development costs has been impaired in the year in line with the decision made in 2023 to exit the Callmedia business by January 2024. See Note 13 for further information.

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 at 31 December 2022 represented foreign exchange contracts held to manage the cash flow exposures of forecast transactions denominated in foreign currencies. The Group entered into derivative financial instruments principally with financial institutions with investment grade credit ratings. No such instruments were held at December 2023, as the Group had no material exposure to foreign currency at that time.

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 at 31 December 2023 have a functional currency of Pound Sterling, 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.

As at 31 December 2023, the Group, did not hold any interest in foreign subsidiaries, following the transfer of the control of Maintel International Limited ("MIL") to the liquidators of MIL. Certain non-material contracts had been transferred to Maintel Europe Limited ("MEL") prior to the appointment of the liquidator. See Note 14 for further information.

On consolidation the results of MIL, which are included in the consolidated statement of comprehensive income up to the transfer of the entity to the liquidators, 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) Share-based payments

The Group uses the Black-Scholes Model to calculate the appropriate fair value at the date the options are granted to the employee.

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

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

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

(u) Accounting standards issued

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

- IFRS 17 – Insurance Contracts
- Deferred tax related to assets and liabilities arising from a single transaction – amendments to IAS 12
- International tax reform and temporary exception for deferred tax assets and liabilities related to the OECD pillar two income taxes – amendments to IAS 12
- Definition of Accounting Estimates – amendments to IAS 8
- Disclosure of Material Accounting Policies – amendments to IAS 1 and IFRS Practice Statement 2

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

(v) 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 2024

- Lease liability in a sale and leaseback transaction – amendments to IFRS 16
- Non-current liabilities with covenants – amendments to IAS 1
- Supplier finance – amendments to IAS 7 and IFRS 7

Effective for annual periods beginning on or after 1 January 2025

- Lack of exchangeability in currencies – amendments to IAS 21

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 2023

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	52,097	45,317	3,848	**101,262**
Gross profit	12,285	17,387	1,568	**31,240**
Other operating income				**550**
Other administrative expenses				**(24,123)**
Share-based payments				**(189)**
Intangibles amortisation				**(5,111)**
Exceptional items				**(6,979)**
Operating loss				**(4,612)**
Financial expense				**(2,168)**
Loss before taxation				**(6,780)**
Taxation				**1,429**
Loss after taxation				**(5,351)**

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

Analysis of revenue by geographical location:

	2023 £000	2022 £000
United Kingdom	**99,526**	89,037
European Union	**1,655**	1,951
Rest of the world	**81**	48
	101,262	91,036

In 2023 the Group had no customer (2022: None) which accounted for more than 10% of its revenue.

Analysis of revenue by timing of recognition:

	2023 £000	2022 £000
Revenue recognised at a point in time	**26,290**	20,900
Revenue recognised over time	**74,972**	70,136

	2023	2022
	101,262	91,036

Analysis of movements in deferred income:

	2023 £000	2022 £000
Deferred income – opening balance	**(20,135)**	(18,572)
Revenue recognised in the year	**17,676**	17,188
New revenue deferrals in the year	**(19,407)**	(18,751)
Deferred income – closing balance	**(21,866)**	(20,135)

Analysis of other expenses:

	Managed service and technology £000	Network services £000	Mobile £000	Central £000	Total £000
Other expenses					
Intangibles amortisation	-	-	-	(5,111)	**(5,111)**
Depreciation	-	-	-	(1,472)	**(1,472)**
Exceptional items	(1,104)	(1,516)	-	(4,359)	**(6,979)**

Exceptional items attributed to Managed service and technology relate to transformation costs incurred. Please see Note 12 for further details.

Year-ended 31 December 2022

	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 payments				**(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)**

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 in the year to 31 December 2022 relate to foreign exchange expenses on delayed orders. Please see Note 12 for further details.

5 Employees

The average number of employees, including Directors, during the year was:	2023 Number	2022 Number
Corporate and administration	**98**	88
Sales and customer service	**162**	175
Technical and engineering	**222**	230
Total employees	**482**	493

Staff costs, including Directors, consist of:	**£000**	£000
Wages and salaries	**26,167**	27,004
Social security costs	**2,859**	3,317
Pension costs	**709**	748
Share-based payments	**189**	181
Total staff costs	**29,924**	31,250

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 £166,000 (2022: £167,000) 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:

	2023 £000	2022 £000
Directors' emoluments	**1,383**	833
Pension contributions	**36**	17
Total Directors' remuneration	**1,419**	850

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

	2023 £000	2022 £000
Director's emoluments	**492**	326
Pension contributions	**12**	9
Total remuneration of the highest paid Director	**504**	335

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 (2022: six, two auto-enrolled, three defined contribution, one both defined contribution and auto enrolled).

Further details of Director remuneration are shown in the Remuneration Committee report included in the annual report.

7 Operating loss

	2023 £000	2022 £000
This has been arrived at after charging/(crediting):		
Depreciation of property, plant and equipment	**637**	642
Depreciation of right of use assets	**835**	940
Amortisation of intangible fixed assets	**5,111**	5,437
Impairment of property, plant and equipment[1]	**53**	-
Impairment of right of use assets[1]	**761**	-
Impairment of intangible fixed assets[1]	**2,288**	-
Foreign exchange movement	**(36)**	232
Fees payable to the Company's auditor for the audit of the parent and consolidated accounts	**59**	55
Fees payable to the Company's auditor for other services:		
- Audit of the Company's subsidiaries pursuant to legislation	**122**	113
- Audit-related assurance services	**22**	24
Fees payable to other advisors for tax compliance services	**18**	17

[1] All impairment charges have been recognised in exceptional items. Please see Note 12 for further details.

Other income in the year relates primarily to research and development credits of £331k (2022: £540k).

8 Financial expense

	2023 £000	2022 £000
Interest payable on bank loans	**2,084**	1,017
Interest payable on deferred consideration	**-**	27
Interest expense on leases	**73**	97
Other interest payable	**11**	-
Total financial expense	**2,168**	1,141

Interest payable on bank loans includes £75,000 (2022: £67,000) amortisation of issue costs.

9 Taxation

	2023 £000	2022 £000
UK corporation tax		
Corporation tax on UK loss for the year	**-**	-
Adjustment for prior year	**-**	67
	-	67
Overseas tax		
Corporation tax on overseas profit for the year	**-**	5

Total current taxation on loss on ordinary activities	**-**	72
Deferred tax (Note 20)		
Current year	**(1,383)**	(895)
Adjustment for prior year	**(46)**	295
Total deferred taxation	**(1,429)**	(600)
Total taxation credit on loss on ordinary activities	**(1,429)**	(528)

9 **Taxation** (continued)

The standard rate of corporation tax in the UK for the year was 23.52% (2022: 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 before tax are as follows:

	2023 £000	**2022 £000**
Loss before tax	**(6,780)**	(4,889)
Loss at the standard rate of corporation tax in the UK of 23.52% (2022: 19.00%)	**(1,595)**	(929)
Effect of:		
Net expense not deductible	**213**	-
Net income not taxable	**-**	(42)
Adjustments relating to prior years	**(46)**	465
Effects of overseas tax rates	**-**	(3)
Effects of changes in tax rates	**(25)**	6
Capital allowances less than/(in excess) of depreciation	**21**	(25)
Other	**3**	-
Total taxation credit on loss on ordinary activities	**(1,429)**	(528)

Included within 'Adjustments relating to prior years' is £Nil (2022: £103,000) in relation to R&D expenditure credits for previous accounting periods. The £46,000 adjustment for the year ended 31 December 2023 relates to a decrease in deferred tax timing differences on losses and other items per the final 2022 trading subsidiary Corporation tax return as compared to the draft tax return available at the time of signing of the 2022 financial statements.

Factors that may affect future tax charges/credits:
The rate of UK Corporation tax increased from 19% to 25% on 6 April 2023. Existing deferred tax assets and liabilities had been calculated at the rate at which the relevant balances were expected to be recovered or settled. This rate was 25% and therefore existing deferred tax liabilities have not had to be remeasured.

There are no future factors at the reporting date that are expected to impact the Group's future tax charge. The Group is not within the scope of the OECD Pillar Two model rules.

10 **Earnings per share**

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

	2023 £000	2022 £000
Loss after tax	**(5,351)**	(4,361)
Adjustments:		
Intangibles amortisation (net of non-acquired element)	**3,724**	4,051
Exceptional items (Note 12)	**6,979**	904
Tax relating to above adjustments	**(2,176)**	(1,184)
Share-based payments	**189**	181
Interest charge on deferred consideration	**-**	27
Tax adjustments relating to prior years	**30**	67
Adjustment for the tax impact of the change in the deferred tax rate	**-**	81
Adjusted earnings used in adjusted EPS	**3,395**	(234)

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

	2023 Number (000s)	2022 Number (000s)
Weighted average number of ordinary shares of 1p each used as the denominator in calculating basic EPS and diluted EPS	**14,362**	14,362
Potentially dilutive shares	**76**	11
Weighted average number of ordinary shares of 1p each used as the denominator in calculating diluted Adjusted EPS	**14,438**	14,362

6		
Earnings/(loss) per share		
Basic	**(37.3)p**	(30.4)p
Diluted	**(37.3)p**	(30.4)p
Adjusted - basic	**23.6p**	(1.6)p
Adjusted - diluted	**23.5p**	(1.6)p

The adjustments to losses have been made in order to provide a clearer picture of the trading performance of the Group after removing amortisation and 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 current or prior year on the basis that they are anti-dilutive, however they may become dilutive in future periods.

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

	Note	2023 £000	2022 £000
Loss before tax		**(6,780)**	(4,889)
Financial expense	**8**	**2,168**	1,141
Depreciation of property, plant and equipment	**15**	**637**	642
Depreciation of right of use assets	**16**	**835**	940
Amortisation of intangible fixed assets	**13**	**5,111**	5,437

EBITDA		**1,971**	3,271
Share-based payments	**27**	**189**	181
Exceptional items	**12**	**6,979**	904
Adjusted EBITDA		**9,139**	4,356

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:

	2023 £000	**2022 £000**
Exceptional items included within cost of sales		
Transformation costs	**-**	-
Foreign exchange expense on delayed orders	**-**	278
Exceptional items included within administrative expenses		
Transformation costs	**5,051**	-
Staff restructuring and other employee related costs	**1,548**	417
Fees relating to revised credit facilities agreement	**380**	162
Costs relating to an onerous property lease	**-**	63
Gain on disposal of Doc Sol	**-**	(16)
Total exceptional items	**6,979**	904

Exceptional items included within cost of sales

Foreign exchange expense on delayed orders in the prior year of £278,000 related 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

Transformation costs of £5,051,000 (2022: £Nil) incurred in the year include the following items relating to the ongoing strategic review of the business which was implemented during the year:

Impairment charges amounting to £2,288,000 (2022: £Nil) relating to previously capitalised 'Callmedia' software development and development costs of £333,000 net of associated revenues, resultant to the decision made during the year to discontinue the development of our own "Callmedia" Contact Centre product line, including the CX Now public cloud CCaaS variant. Refer to Note 13 Intangible assets.

Onerous lease costs of £1,342,000 include £761,000 relating to the impairment of the right of use asset in relation to the Blackfriars Road London office lease, £53,000 relating to the impairment of leasehold improvements and other onerous operating lease costs of £528,000. In addition, exceptional service charges of £237,000 were incurred in the year also relating to the downsizing of the London office space.

Other transformation costs in the year of £851,000, included professional fees from third party specialists engaged by the company to perform a strategic and product review of the business and costs associated with the implementation of the results of the strategic and full product review.

Staff restructuring and other employee related costs of £1,548,000 (2022: £417,000) principally include redundancy costs.

Fees relating to the credit facilities agreement of £380,000 (2022: £162,000) include associated professional fees incurred to negotiate the temporary terms in place during the phase of transformation of the Company. In 2022, fees of £162,000 included the professional fees associated with the negotiating of the facility that commenced in that year.

Onerous lease costs in the prior year of £63,000 relate to the Fareham property and included the remaining expected costs of completion in relation to the onerous contract to July 2023.

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 2022	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
Additions	-	-	-	220	2,834	-	3,054
At 31 December 2023	**40,516**	**43,721**	**3,480**	**2,858**	**13,500**	**250**	**104,325**
Amortisation and Impairment							
At 1 January 2022	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
Amortisation in the year	-	3,062	410	352	1,237	50	5,111
Impairment in the year	-	-	-	-	2,288	-	2,288
At 31 December 2023	**317**	**39,960**	**3,344**	**1,968**	**9,950**	**142**	**55,681**
Net book value							
At 31 December 2023	**40,199**	**3,761**	**136**	**890**	**3,550**	**108**	**48,644**

At 31 December 2022	40,199	6,823	546	1,022	4,241	158	52,989

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 2023 is £1,387,000 (2022: £1,386,000) relating to amortisation from non-acquired intangible assets (here meaning assets not acquired as part of a business combination).

Impairment charges for the year of £2,288,000 (2022: £Nil) relate to Callmedia and have been recognised within exceptional items (Note 12).

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.

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

	2023 £000	**2022 £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 and a pre-tax discount rate of 14.92% (2022: 13.93%) 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 15.9% (2022: 7.6%), terminal growth rate 3.0% (2022: 2.0%), average gross margin 41.7% (2022: 42.6%).

Managed service and technology division: average annual revenue growth rate 1.4% (2022: 3.9%), terminal growth rate 3.0% (2022: terminal growth rate 2.0%), average gross margin 25.7% (2022: 25.7%).

Mobile division: average annual revenue growth rate 1.1% (2022: 1.9%), terminal growth rate 0.0% (2022: 0.1%), average gross margin 47.9% (2022: 45.7%).

The Group's impairment assessment at 31 December 2023 indicates that there is 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 growth rate 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 principal subsidiary undertaking at the end of the year was:

Maintel Europe 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.

In addition, the following subsidiaries of the Company were dormant as at 31 December 2023 and had been placed under members' voluntary liquidation during the year:

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

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

The registered address of Maintel Europe Limited is the same as that of the parent. The registered address of each other subsidiary, other than Maintel International Limited, is Teneo Financial Advisory Limited, The Colmore Building, 20 Colmore Circus Queensway, Birmingham, B4 6AT. The registered address of Maintel International Limited is Teneo, 3rd Floor, 20 on Hatch, Hatch 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 2022	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
Additions	-	418	-	418
At 31 December 2023	**513**	**2,531**	**-**	**3,044**
Depreciation and impairment				
At 1 January 2022	593	6,924	47	7,564
Depreciation in the year	57	585	-	642
Disposals	(325)	(6,589)	(47)	(6,961)
At 31 December 2022	325	920	-	1,245

Depreciation in the year	57	580	-	637
Impairment in the year	53	-	-	53
At 31 December 2023	**435**	**1,500**	**-**	**1,935**
Net book value				
At 31 December 2023	**78**	**1,031**	**-**	**1,109**
At 31 December 2022	188	1,193	-	1,381

During the prior year, the Group underwent a review of its fixed asset registers and disposed of £325,000 Leasehold improvements, £6,589,000 Office and computer equipment and £47,000 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 prior year end. No profit or loss on disposal was recognised on these disposals.

Impairment charges for the year of £53,000 (2022: £Nil) relate to onerous lease costs and have been recognised within exceptional items (Note 12).

16 Right of use assets

	Land and buildings £000	Office and computer equipment £000	Motor vehicles £000	Total £000
Cost				
At 1 January 2022	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
Additions	26	343	-	369
At 31 December 2023	**5,334**	**734**	**-**	**6,068**
Depreciation and impairment				
At 1 January 2022	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
Depreciation charge for the year	525	310	-	835
Impairment charge for the year	761	-	-	761
At 31 December 2023	**4,506**	**526**	**-**	**5,032**
Net book value				
At 31 December 2023	**828**	**208**	**-**	**1,036**
At 31 December 2022	2,088	175	-	2,263

During the prior year, the Group underwent a review of its fixed asset registers and disposed of £229,000 Buildings-related assets, £822,000 Office and computer equipment and £188,000 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 prior year end. No profit or loss on disposal was recognised on these disposals.

Impairment charges for the year of £761,000 (2022: £Nil) relate to onerous lease costs and have been recognised within exceptional items (Note 12).

17 Inventories

	2023 £000	2022 £000
Maintenance stock	**-**	26
Stock held for resale	**1,677**	2,568
Total inventories	**1,677**	2,594
Cost of inventories recognised as an expense	**13,831**	10,992

No provisions were made against maintenance stock in 2023 (2022: £10,000). This is recognised in cost of sales. No provisions were made against Stock held for resale in 2023 or 2022 as this balance represents new hardware awaiting installation at customer sites.

18 Trade and other receivables

Current trade and other receivables	2023 £000	2022 £000
Trade receivables	**12,336**	12,975
Other receivables	**315**	713
Prepayments and accrued income	**12,757**	13,688
Total current trade and other receivables	**25,408**	27,376

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

Non-current trade and other receivables	2023 £000	2022 £000
Trade receivables	**-**	90
Total non-current trade and other receivables	**-**	90

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 £1.9m in 2022 to £1.3m at the reporting date;
- Prepayments decreased from £11.9m in 2022 to £11.5m at the reporting date;
- Deferred income increased from £20.1m in 2022 to £21.9m at the reporting date; and
- Deferred costs net of accrued costs decreased from £9.6m in 2022 to £9.3m at the reporting date.

18 Trade and other receivables *(continued)*

The corresponding adjustments for these movements represent revenues and costs recognised in the income statement in the year, driven by an increase in recurring revenues and associated level of advance billings, combined with the discharging of technology inventories used in the delivery of projects.

19 Trade and other payables

Current trade and other payables	**2023 £000**	**2022 £000**
Trade payables	**12,761**	18,631
Other tax and social security	**2,351**	2,227
Other payables	**3,521**	2,823
Accruals	**3,439**	3,169
Deferred income	**21,866**	20,135
Derivative financial instruments (Note 23)	**-**	130
Total current trade and other payables	**43,938**	47,115

The £5.9m decrease in Trade payables in the year is predominantly due to prior year 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. These delays have significantly reduced during the current year.

Non-current other payables	**2023 £000**	**2022 £000**
Intangible licences and other payables	**298**	118
Advanced mobile commissions	**61**	58
Other payables	**143**	194
Total non-current trade and other payables	**502**	370

20 Deferred taxation

	Property, plant and equipment £000	**Intangible assets £000**	**Tax losses £000**	**Other £000**	**Total £000**
Net (asset)/liability at 1 January 2022	(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
Charge/(credit) to consolidated statement of comprehensive income	169	(787)	(587)	(178)	(1,383)
Adjustment to prior year to consolidated statement of comprehensive income	-	-	(33)	(13)	(46)
Net (asset)/liability at 31 December 2023	**(762)**	**1,854**	**(1,295)**	**(268)**	**(471)**

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

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 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 asset balance at 31 December 2023 has been calculated on the basis that the associated assets and liabilities will unwind at 25% (2022: 25%).

21 Borrowings

	2023 £000	2022 £000
Current bank loan – secured	**2,322**	22,726
Non-current bank loan - secured	**20,579**	-
Total borrowings	**22,901**	22,726

The facility with HSBC Bank plc ("HSBC") consisting of a revolving credit facility ("RCF") of £20m with a £6m term loan on a reducing basis, remained in place during the year and has been extended to 30 September 2025 in March 2024.

The term loan is being repaid in equal monthly instalments, starting in October 2022.

The year-end principal balance of the term loan was £3.0m (2022: £5.4m) and of the RCF was £20.0m (2022: £17.5m).

The key covenants include net leverage ratio and interest cover tests, assessed on a quarterly basis. During 2023, the Company successfully met the temporary milestones and HSBC being satisfied that the recovery phase had been successfully completed, the initial covenants of the loan were reinstated in early 2024. As a consequence, the debt has been classified to long term liabilities at 31 December 2023, whilst the debt had been reclassified as current liabilities at 31 December 2022.

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

The current bank borrowings above are stated net of unamortised issue costs of debt of £0.1m (2022: £0.2m).

The facilities are secured by a fixed and floating charge over the assets of the Company and its subsidiaries. Interest is payable on amounts drawn on the revolving credit facility and 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

	2023 £000	2022 £000
Maturity analysis – contractual undiscounted cash flows		
In one year or less	**958**	872
Between one and five years	**698**	1,389
In five years or more	**74**	145
Total undiscounted lease liabilities at 31 December 2023	**1,730**	2,406
Discounted lease liabilities included in the statement of financial position		
Current	**909**	820
Non-current	**731**	1,452
Total lease liabilities included in the statement of financial position	**1,640**	2,272
Amounts recognised in the comprehensive income statement		
Interest expense on lease liabilities	**73**	97
Expenses relating to short term leases	**1**	89
Amounts recognised in the statement of cash flows		
Total cash outflow (including payments relating to short term leases)	**1,049**	1,071

Lease liabilities predominantly relate to the Company office premises in London, Blackburn and Cannock and Office and computer equipment. During the years ended 31 December 2023 and 31 December 2022 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 (2022: £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	
	2023	**2022**
	£000	**£000**
Non-current financial assets		
Trade receivables	**-**	90
Total	**-**	90
Current financial assets		
Trade receivables	**12,336**	12,975
Accrued income	**1,307**	1,920
Other receivables	**315**	713
Total	**13,958**	15,608

	Financial liabilities measured at amortised cost	
	2023	**2022**
	£000	**£000**
Non-current financial liabilities		
Other payables	**502**	370
Lease liabilities	**731**	1,452
Borrowings	**20,579**	-
Total	**21,812**	1,822
Current financial liabilities		
Trade payables	**12,761**	18,631
Borrowings	**2,322**	22,726
Other payables	**3,521**	2,823
Accruals	**3,439**	3,169
Lease liabilities	**909**	820
Total	**22,952**	48,169

	Financial liabilities measured at fair value	
	2023	**2022**
	£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 at 31 December 2022 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 for further information.

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

	Assets		**Liabilities**	
	2023	**2022**	**2023**	**2022**
	£000	**£000**	**£000**	**£000**
US Dollars	**210**	327	**71**	3,965
Euros	**350**	526	**122**	43
Total	**560**	853	**193**	4,008

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 £194,000 is provided at 31 December 2023 (2022: £389,000). 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 2023 owed to the Group was £1.0m including VAT (2022: £0.7m). The Group's customers are spread across a broad range of sectors and consequently it is not otherwise exposed to significant concentrations of credit risk on its trade receivables.
'The movement on the provision for trade receivables is as follows:

	2023	**2022**
	£000	**£000**
Provision at start of year	**389**	420
Provision created	**43**	103
Provision reversed	**(238)**	(134)
Provision at end of year	**194**	389

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

	Current	< 30 days	31–60 days	> 60 days	Total
31 December 2023					
Expected credit loss % range	0%-1%	2%-5%	3%-10%	10%-100%	
Gross debtors (£'000)	10,630	691	800	409	**12,530**
Expected credit loss rate (£'000)	(37)	(19)	(26)	(112)	**(194)**
Accrued income	1,307				**1,307**
					13,643

	Current	< 30 days	31–60 days	> 60 days	Total
31 December 2022					
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

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 at 31 December 2023 is Pound Sterling.

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 held no foreign exchange contracts as at 31 December 2023.

The Group was 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 at 31 December 2022 represents the negative change in their fair value.

In the prior year, the Group entered 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 £22.9m at 31 December 2023 (2022: £22.7m). 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 the year, and all other variables were held constant, the Group's loss (2022: loss) for the year would have been £121,000 (2022: £86,000) higher/lower due to the variable interest element on the loan.

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

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

Financial liabilities:

	0 to 6 months £000	**6 to 12 months £000**	**2 to 5 Years £000**	**More than 5 years £000**	**Total £000**
Trade payables	12,761	-	-	-	**12,761**
Other payables	2,319	1,202	502	-	**4,023**
Lease liabilities	511	447	772	-	**1,730**
Accruals	3,439	-	-	-	**3,439**
Borrowings (including future interest)	2,218	2,144	21,853	-	**26,215**
At 31 December 2023	21,248	3,793	23,127	-	**48,168**

	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
Derivative financial	130	-	-	-	130

instruments					
At 31 December 2022	25,671	24,611	1,904	-	52,186

[1] HSBC granted a waiver on the covenants over the Group's borrowings at 31 December 2022 after the prior reporting period had ended. Therefore, the total borrowings at 31 December 2022 have been classified as current liabilities 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 losses. 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			
	2023 Number	**2022 Number**	**2023 £000**	**2022 £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 (2022: Nil).

No shares were repurchased during the year (2022: Nil).

25 Reserves

Share premium, translation reserve, and retained losses represent balances conventionally attributed to those descriptions. Other reserves include a capital redemption reserve of £31,000 (2022: £31,000) and a translation reserve of £33,000 (2022: £49,000).

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 has 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 2023 (2022: £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, included in the annual report, describes the options granted over the Company's ordinary shares to the Directors.

In aggregate, options are outstanding over 5.8% (2022: 6.6%) 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.

	2023 Number of Options	**2023 Weighted Average Exercise price**	**2022 Number of Options**	**2022 Weighted Average Exercise price**
Outstanding at 1 January	**947,279**	**348.61p**	314,409	383.40p
Granted during the year	**575,000**	**120.22p**	637,870	331.31p
Lapsed during the year	**(695,245)**	**354.08p**	(5,000)	330.00p
Outstanding at 31 December	**827,034**	**185.21p**	947,279	348.61p
Exercisable at year-end	**-**	**-**	126,409	469.23p

The weighted average contractual life of the outstanding options was 8 years (2022: 4 years), exercisable in the range 115p to 375p (2022: 221p to 880p).

No share options were exercised in the year by way of issue of new shares (2022: none).

Outstanding share options by exercisable price range	**2023 Number of Share options**	**2022 Number of Share options**
Exercisable Price range		
115p to 175p	**575,000**	-
221p to 274p	**-**	65,000
330p to 375p	**252,034**	755,870
430p to 505p	**-**	113,000
675p to 880p	**-**	13,409
Total share options outstanding	**827,034**	947,279

The Group recognised £189,000 of expenditure related to equity-settled share-based payments in the year (2022: £181,000).

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	28 April 2023	11 August 2023
Number of options granted	525,000	50,000
Share price at date of grant	115.00p	175.00p
Exercise price	115.00p	175.00p
Option life in years	10	10
Expiry date	28 April 2033	11 August 2033
Vesting period	3 years	3 years
Risk-free rate	3.72%	4.53%
Expected volatility	40.26%	41.02%
Expected dividend yield	0%	0%
Fair value of options	0.360p	0.882p

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:

	2023 £000	**2022 £000**
Short term employment benefits	**1,952**	1,605
Social security costs	**241**	206
Contributions to defined contribution pension schemes	**49**	41
	2,242	1,852

Other transactions – Group
During the year, the Group paid fees of £Nil (2022: £83,483) 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 2023 (2022: £Nil).

29 Post balance sheet events

The facility with HSBC Bank plc consisting of a revolving credit facility of £20m with a £6m term loan on a reducing basis, remained in place during the year and has been extended to 30 September 2025 in March 2024.

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

30 Contingent liabilities

As security on the Group's loan and overdraft facilities, the Company has entered into a cross guarantee with its subsidiary undertakings in favour of HSBC Bank plc. At 31 December 2023 each subsidiary undertaking had a 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.