Maintel Holdings Plc

Report and Financial Statements.

Year-ended
31 December 2023

Company Number 3181729

maintel

Contents.

11.3%
£101.3m
Group revenue
(2022: £91.0m)

8.3%
182,000
Contracted cloud seats
(2022: 168,000)

106.8%
£9.1m
Group adjusted EBITDA[1]
(2022: £4.4m)

1 Adjusted EBITDA is EBITDA of £2.0m (2022: £3.3m), adjusted for exceptional items (note 12) and share based payments (note 27).

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 the 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.

Dan Davies
Interim Chief Executive Officer

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 undoubtedly 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's 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

Maintel overview.

Key Performance Indicators

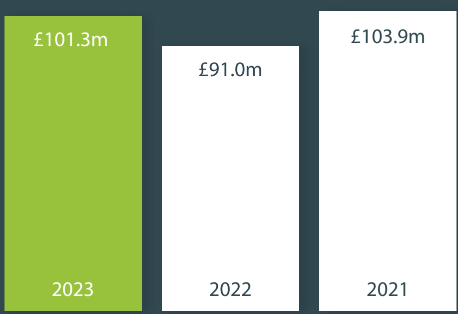
Strategic Report

Revenue

£101.3m **+11.3%**

(2022: £91.0m)

The total of sales from all customers and partners in all markets. An indicator of the size of our Company.

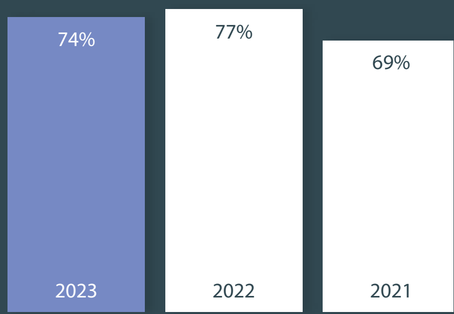


Recurring Revenue %

74% **-3.0pp, at £75.0m**

(2022: 77%, at £70.1m)

The percentage of overall revenue that is contracted and recurring. An indicator of visibility and predictability of earnings.

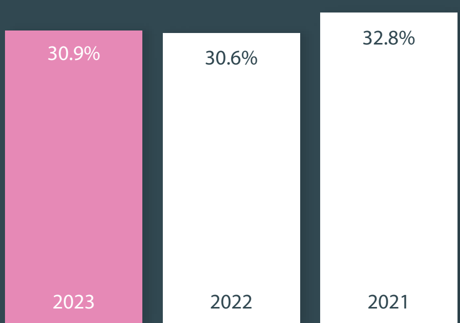


Gross Margin %

30.9% **+0.3pp**

(2022: 30.6%)

Gross Margin % as per the consolidated statement of comprehensive income less cost of sales.

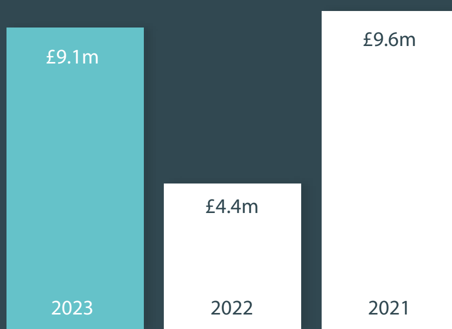


Adjusted EBITDA

£9.1m **+106.8%**

(2022: £4.4m)

Adjusted EBITDA is EBITDA adjusted for exceptional items and share based payments. An indicator of trading performance. See page 16.

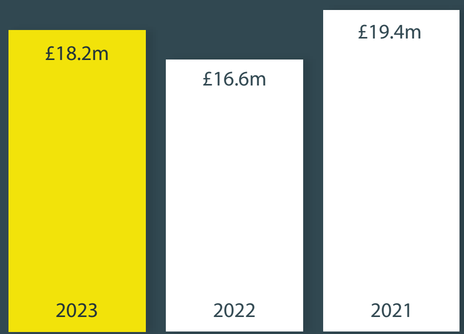


Net Debt

£18.2m **+£1.6m**

(2022: £16.6m)

The net position of cash debt at year-end (31 December 2023). A measure of control over the Group's liquidity.

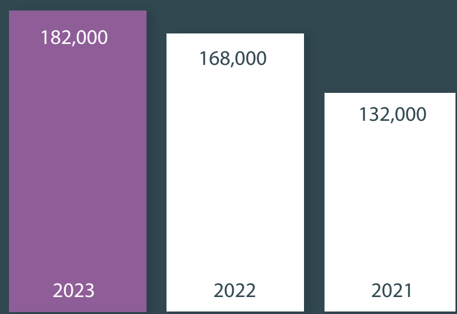


Cloud Seats

182,000 **+8.3%**

(2022: 168,000)

The total number of contracted cloud seats across all the Group's cloud offers. A vital measure of the Group's transformation to a next-generation cloud business.

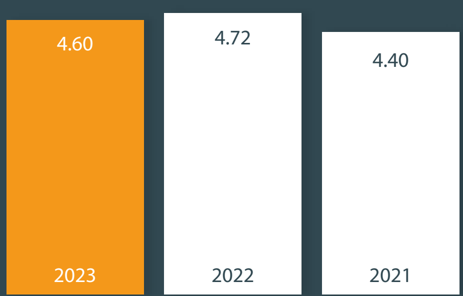


Customer Satisfaction Score

4.60 **-2.5%**

(2022: 4.72)

A key measure of customer satisfaction taken as the average through the year from sampled responses each month.

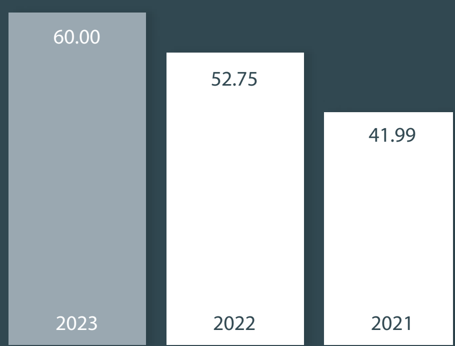


Net Promoter Score

60.00 **+13.7%**

(2022: 52.75)

An internationally recognised metric which provides a good indication of the quality of customer experience provided.



Maintel overview.

Our Proposition

Maintel conducted a full strategic review in 2022 and early 2023, as part of a comprehensive transformation plan that included organisational and cost reduction changes. Maintel had grown both organically and through M&A into a Communications generalist Managed Service Provider, which created some difficulties for the business, driven by the need to allocate key go-to-market resources across a wide range of technologies, while facing competition from the larger generalists and more specialised market players.

The strategy review was a thorough process and included assistance from an external independent consultancy which provided a full analysis of the market opportunity and competitive landscape, identified of a number of strategic options and recommendations. It examined not only the areas of Communications Managed Services that the Maintel portfolio encompassed at the time, but also an analysis of the broader IT Managed Service industry to identify other high growth sectors that should be considered for diversification.

The result of this process was a decision to move away from our generalist position in the market and to focus on three key areas of the portfolio, which each have double digit forecasted compound annual growth rates (CAGR), with UK market sizes of between ~£400m and ~£1.2bn. Pleasingly, all three of these "pillars" of focus were already established lines of business, introduced to the portfolio in 2020.

This strategy allows Maintel to concentrate its sales and marketing activities on promoting these high growth technology segments in the main vertical markets where Maintel already has deep expertise, and where those technologies have the most impact. Maintel enhances its offering in each pillar by providing more comprehensive advisory/consultancy services, advanced deployment automation, improved managed service offerings, closer and stronger vendor relationships and exclusive integrations and applications developed by its in house R&D and Professional Service teams.

Our focus pillars:

Unified Communications and Collaboration

Making our 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 our customers to acquire, delight and retain their customers through the use of 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 our 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.

Our Platforms

Underpinning the services that Maintel delivers is the power of Maintel's platforms.

These platforms are used to orchestrate, deliver, host, connect and develop our services, resulting in a unique and differentiated offering that is deeply integrated with our customers' systems and processes, driving loyalty and retention.

Maintel Infrastructure Platform

(formerly ICON) – A highly resilient, highly secure and carrier grade core network, multi-cloud compute, security and SIP Trunking platform.

Maintel Orchestration Platform

A suite of automation, monitoring and management systems, presented to our customers though our unique ICON Portal.

Maintel Application Platform

An application and middleware platform, anchored within the AWS public cloud, that enables Maintel to deliver our own apps and middleware "as a service".

Our Managed Service Products

Unified Communications and Collaboration

Making our customer's people more effective, efficient and collaborative with UC&C technology.

ICON Communicate	Enterprise class private cloud unified communications	Highly secure, highly available, highly customisable. With ICON Communicate we can deliver the flexibility of on-premises technology with the benefits of a cloud delivery model, backed up by Maintel's renowned managed service capability.
ICON Now	Simple private cloud unified communications	Our Unified Communications as a Service (UCaaS) offer for the mid-market. Highly capable, simple to use, contract and deploy.
ICON Teams Connector	Enterprise class secure voice services for a range of public cloud communications platforms	Connecting Microsoft Teams to the outside world via VoIP technology and adding advanced capabilities such as cross platform integration and call recording, using our carrier class Maintel Infrastructure Platform.
ICON SIP	Carrier resilient SIP Trunking	Highly scalable, resilient and feature rich, VoIP based connectivity to the outside world. Supporting our Private and Public Cloud communications services, as well as SIP enabling legacy on premise customer PBX and Contact Centre environments.
Maintel RingCentral	Public cloud Unified Communications "as a Service" (UCaaS) and Contact Centre "as a Service" (CCaaS)	A multi-tenanted public cloud unified communications service, with integrated Contact Centre capabilities. Global leader for UCaaS, combined with Maintel's rich experience in communications.
Maintel Gamma Horizon	Public Cloud Communication for the small to medium business	Specifically designed for the SMB segment, providing advanced capabilities and contact centre functionality.
Maintel Managed Mobile	Mobile device & application management "as a Service"	A fully managed mobile voice & data airtime and handset provisioning and management service.

Customer Experience

Helping our customers to acquire, delight and retain their customers with customer experience technology.

ICON Contact	Enterprise class private cloud contact centre	Our cloud managed contact centre service, offering deep application integration, self-service, comprehensive compliance and flexible technology and commercial options.
Maintel Genesys Cloud	Public cloud Contact Centre "as a Service" (CCaaS)	A multi-tenanted public cloud contact centre platform. Global leader for CCaaS.
Maintel Avaya Experience Platform	Public cloud Contact Centre "as a Service" (CCaaS)	A multi-tenanted public cloud contact centre platform from the long-standing leader in customer experience solutions.

Connectivity and Security

Securely connecting our customer's people, partners and guests to their cloud platforms, applications and data with secure connectivity, and protecting their business from Cyber Threat.

ICON Connect SD-WAN	Software Defined and Hybrid Wide Area Network (SD-WAN)	Maintel's software defined managed network service enabling users to securely access their applications and their data, without performance delay, in a multicloud and hybrid working age.
ICON Connect Security Service Edge	Cloud-based security for secure access to websites, SaaS apps and private apps, fully integrated in to Maintel SD-WAN	A fully managed cloud based security service including Secure Web Gateway (SWG), Firewall as a Service (FWaaS), Zerto Trust Network Access (ZTNA) & Cloud Access Security Broker (CASB).
ICON Secure	Managed Firewall & Internet Connectivity	Centralised and secure managed Internet breakout, secured by a managed firewall service.
ICON Gateway	Network peering service	A service that interconnects a customer's existing network environment with the Maintel Infrastructure Platform, at a carrier level, for seamless migrations and private access to Maintel's cloud services.
Cloud Connect	Private connectivity to cloud based platforms & application	Private connectivity to a large range of cloud provider platforms and application, with dedicated bandwidth, fully integrated with Maintel SD-WAN.
Maintel Cyber Security Services	Cyber Managed and Professional Services	A suite of cyber security services including Managed Detection & Response, Incident Response, Cyber Maturity Assessment and Virtual CISO.

In addition to the above Maintel also offers a full range of customer premise-based & hybrid solutions and services, covering such areas as Local Area Networking (LAN), Wi-Fi, security, telephony, Unified Communications, Collaboration and Contact Centre. We also offer a full suite of voice network services, to complement our Maintel SIP Trunking service, such as inbound call management and a host of Wholesales Line Rental (WLR) replacement services that allow customers to migrate away from the legacy BT PSTN network (due to be turned off in 2025) and on to modern IP based digital solutions.

Maintel's Vendor Alliance & Carrier Partners

Maintel is proud to work with world-class technology companies to deliver services to customers – either via the Maintel Infrastructure Platform, the public cloud, on-premises or a hybrid combination of these. While there are a host of vendors & carriers required to deliver complete solutions to customers, there are several strategic partners that form the core of our services, combined with our own intellectual property.

Partner	Status	Focus Area	Key Points
AVAYA	**Avaya Diamond Partner**	Customer Experience and Unified Communications, particularly strong in financial services and utilities, cloud delivered via Maintel Infrastructure Platform (formerly ICON) and from the public cloud	• Highest possible level of accreditation. • Biggest UK subscription partner for Avaya. • Top three UK partner, most accredited partner in Europe. • Early adopter of Avaya's flagship Experience Platform (AXP) public cloud contact centre as a service (CCaaS) offering and the first UK partner to integrate the platform with our Maintel Infrastructure Platform for voice services.
BT WHOLESALE	**Elite Partner**	The UK's largest network provider	• Tightly integrated with the Maintel Infrastructure Platform. • Widest reaching connectivity as part of the Maintel SD-WAN solution.
CISCO	**Cisco Gold Service Provider** **Catalyst SD-WAN, Meraki SD-WAN and SASE "Powered" service provider**	Maintel's lead partner for SD-WAN, SASE/Security, wired and wireless networking	• Highest possible level of accreditation. • Focus partner for SD-WAN. • Focus partner for Security. • Deep specialisations. • Customer Success/ Experience Specialised.
Gamma	**Platinum Partner**	The UK's leading SIP Trunking provider, plus public cloud based Unified Communications and Customer Experience for the UK mid-market	• Highest possible level of accreditation. • Tightly integrated with the Maintel Infrastructure Platform.
GENESYS	**Gold Partner**	Enterprise Customer Experience	• Highest possible level of accreditation. • Continued momentum with significant wins, including a major financial services win.
Mitel	**Mitel Platinum Partner** **Mitel Solutions Alliance Developer Partner**	Unified Communications and Customer Experience in public sector and mid-enterprise markets, with cloud options delivered via the Maintel Infrastructure Platform	• Highest possible level of partner accreditation. • One of the largest Mitel cloud partners in the UK. • In a strong position, with Mitel's strategic partnership with RingCentral.
PLATFORMX Formerly TalkTalk Business Wholesale	**Strategic Partner**	The UK's fastest growing independent wholesale telecoms platform	• Tightly integrated with the Maintel Infrastructure Platform. • Nationwide UK network coverage.
RingCentral	**Gold Partner**	Public cloud Unified Communications & Customer Experience	• Significant customer wins in 2023 across public and private sector. • Well positioned with significant legacy bases of Avaya, Mitel and Unify, all of which have a strategic relationship with RingCentral for public cloud UCaaS.
Unify	**"Master 3" Unify Partner**	Unified Communications and Customer Experience in public sector markets and retail	• One of the biggest Unify customer bases in the UK. • Highest possible level of partner accreditation, with "Master" status across all three core product areas. • In a strong position, with strategic partnership with RingCentral & with recent acquisition by another of Maintel's strategic vendor partners Mitel.

Maintel's Intellectual Property

Maintel also owns Intellectual Property (IP), deployed alongside Vendor Alliance & Carrier Partners services and to enhance offers from our key technology partners.

Our Intellectual Property is extremely important to Maintel. It comes in the form of software and middleware that enhance our core offerings, our customer experience and our operational efficiency, rather than standalone software products. Our IP is held in three categories:

- **Customer experience enhancements –** ICON Portal is Maintel's digital customer engagement platform for all support and in-life management interactions for customers, providing a single interface, with a single logon, where customers can access service monitoring status, support ticketing, planned maintenance schedules, mobile usage reporting, quote/project status reporting and analytics/insight into key services.
- **Core offering enhancements –** Maintel have a long standing and rich capability to develop both standardised and bespoke applications and integration middleware. We use these to integrate the core cloud communication services we deliver with a customer's wider business application ecosystem and workflows, to allow them to create automated or optimised processes, remove data silos and deliver an exceptional experience to their customers.
- **Quoting, delivery and managed service enhancements –** Maintel has developed a set of tools and platforms to automate the quoting, provisioning and support of its cloud and network services. This allows us to accelerate the time taken to quote and provision services, to simplify both implementation and in-life support and to remove human error from repetitive deployment and maintenance activities.

Our Market and Our Customers

Maintel provides its cloud communications, network and security managed services mainly to the UK public and private sectors. We provide international services, typically where the head office/contracting entity is in the UK.

Our 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. Although we serve the whole market, we are particularly focused on six key verticals:

Public and not-for-profit sector

Health

We are entrusted by 40+ health trusts to provide them with the mission critical communications services they use to ensure the effective operation of hospitals and community care services.

Customers include
UCLH, Royal Brompton & Harefield, Guys and St. Thomas's, Hywel Dda Health, NHS Tayside

Local Government

We enable the staff of over 35 unitary and other local authorities to better serve a combined total of over 15 million UK citizens.

Customers include
Durham County Council, Liverpool City Council, West Lothian Council

Social Housing

We enable the smooth running of many UK housing associations, helping them to support the residents of over 300,000 homes.

Customers include
Muir Housing, Sanctuary Housing, Onward Housing

We also have several customers in "Blue Light" emergency services (including control room systems), education, government agencies, large charities and some national government departments.

Private sector

Retail

We provide services to enable the smooth and secure running of c10,000 bricks and mortar retail sites alongside numerous online brands, enabling them to minimise their costs, maximise their information security and serve their customers better.

Customers include
JD Sports, Curry's, Southern Co-Op, Matalan

Financial Services

We help banks, insurers and service providers to serve their customers securely across any channel, providing the right blend of automation, self-service and personalised experience.

Customers include
Vanquis Banking Group, Admiral Insurance, Lowell Financial

Utilities and services

We help utility providers across energy and water to provide their products and services to their customers.

Customers include
Severn Trent Water, Biffa, Electricity North West

We have private sector customers in adjacent industries, including transport and logistics, business process outsourcing, entertainment and leisure and professional services.

Our People and Culture

It is our people who deliver our cloud, network and security managed services and who add value to our clients, helping them to transform their businesses for the better. We're proud of our people - they are our most valuable asset, who continually go above and beyond every single day.

Our people strategy

Our people are front and centre in everything we do. Our people strategy is focused on attracting, retaining and developing the talent we need to be successful; creating a culture where our people are empowered and engaged, not only to drive the business forward, but also to develop a successful personal long-term career with Maintel.

We're proud of the diversity within our business, and the variety of talent we're able to attract and retain. Recognising and leveraging the benefits of differing experiences, backgrounds, cultures and personalities enables us to continually evolve and embrace new ideas and approaches, whilst also collectively celebrating our successes.

Our HR team support the business on all aspects of the employee journey, from the moment we welcome new talent into the business to the moment they retire.

2023 saw the continuation of our focus to review, improve and invest in employee benefits offerings, whilst harmonising terms and conditions of employment inherited from various legacy contracts and reducing our Gender Pay Gap. The aim – to create a level playing field for all and an environment where all of our people feel equally valued.

As part of our transformational journey, 2023 proved to be a challenging year for employees. A whole business structural review to rightsize and realign our business over a two-phased approach in H1 subsequently resulted in a number of redundancies and employee relations issues. This, however, also provided opportunity for role and salary realignment, and the introduction of new roles to create wider career and promotional opportunities.

We continue to fully embrace and recognise the importance of work/life balance, offering a mixture of home and hybrid working, appreciating the importance such flexibility brings to our people. This also allows us to react to the external recruitment landscape and tap into a wider talent pool.

Our culture

Our culture is an important aspect of who we are, our identity – how we enable our people to reach their full potential, how we service our customers, and how we ensure we stay ahead of the curve in a rapidly developing technology sector.

Our values

Our values inform every aspect of how we work and behave with each other and with our customers, how we act corporately and individually, and our tactical and strategic decision making. At Maintel, we are aligned to this established set of values:

We play it straight
Honesty, transparency and integrity in our dealings with each other, our partners and our customers.

We enjoy what we do and work as a team
Enjoying being at work, being serious without taking ourselves too seriously. Valuing each and every individual, while putting what's right for the team first.

We are pioneering
Being courageous and resourceful, developing our business by improving those of our customers, anticipating change and challenging the status quo.

We are empowered, and accept accountability
Doing what's right and taking responsibility. Being accountable for our targets, actions and commitments.

We are agile and flexible
Flexible and agile people, processes and services – able to adapt quickly.

We constantly learn and grow
Always learning – never standing still.

Our Future

The technology landscape always moves and changes apace. However we now find ourselves at the start of a technology acceleration that has the potential to transform the way we work and live as significantly as the Internet did before it, and potentially more. At Maintel we have no doubt that Artificial Intelligence (AI) will play a central role in both how we operate our own business and in how our managed service solutions will help our customers in the future.

As with all new technologies it's important to be cognisant of the inevitable hype cycle that surrounds it, a phenomenon that applies to AI perhaps more than any new technology that went before it. It seems that nearly every new product or feature launch recently claims to harness the power of AI in some way, shape or form and there's a real danger of organisations becoming disillusioned by "AI washing". Technology providers such as Maintel therefore have to help customers identify where the real use cases are, and to understand how to harness them to deliver true business benefit.

It is absolutely the case that AI, harnessing technologies such as Large Language Models (LLMs), Generative AI (GenAI) and Machine Learning (ML), will play a significant role in each of our three focus pillars of technology. Whether that be through the use of AI Assistants in our Unified Communications & Collaboration pillar, or AI powered agent assistance, chatbots & analytics in our Customer Experience pillar, or the use of AI to detect cyber threat quicker and expedite an effective response in our Security & Connectivity pillar. These are just a few examples of several use cases that Maintel are building an AI strategy around for the future. Some capabilities already exist today, albeit very much in their adolescence but ready for customers to dip their toe in with proof of concept deployments, and others will be future capabilities that we must be ready to help our customers with when the technology sufficiently matures.

AI is not the only next generation technology in emergence. So it's also important that we are not blinded by the enormity of AI and overlook other key next generation technologies such as the rapid evolution of Secure Access Service Edge (SASE), Security Service Edge (SSE) and Zerto Trust Strategies in the security & connectivity space, Augmented Reality in the collaboration and customer experience space, and the advancement in big data analytics capability. All of these technologies and more will play key roles in the future of Maintel's proposition in the mid to long term.

In the shorter term we must continue to complement the technologies we harness from our strategic global vendor partners with our own differentiating intellectual property, delivered from our newly launched (post reporting period) Maintel Application Platform. The Application Platform uses a leading edge serverless microservices architecture to allow for the rapid, consistent and secure development and deployment of our own, cloud based apps and middleware integrations, which will allow our customers to extract the best possible value from the services we deliver for them.

It's an exciting and everchanging time to be in the technology industry. Maintel plans to embrace this change and the significant opportunity it represents.

Glossary.

Term	Definition
Contact Centre as a Service (CCaaS)	The implementation of a contact centre platform without the need to install any on-premise equipment or purchase technology up-front. CCaaS is typically provided on a "per user, per month" basis, alongside alternate pricing models such as paying per transaction or perpetual licencing.
Communication Platform as a Service (CPaaS)	A public cloud-based API toolkit for communications. Making communications capabilities such as SMS, voice and social messaging readily available to the software development community via standardised API frameworks.
Customer Experience (CX)	The practice of using the experiences of customers as a competitive differentiator. Maintel's CX practice is primarily concerned with the design, implementation and support of technology to facilitate customer interactions via the contact centre or digital channels.
Digital Transformation (DX)	The use of digital technologies to optimise and automate internal systems and process, and to digitally engage with customers, partners and/or citizens.
Hybrid Cloud	The use of more than one cloud environment (normally two) to deliver a single IT application or infrastructure. For example, a unified communications application that's delivered from a private cloud, but with elements deployed on customer premise to provide resilience in the event of a loss of communication to the private cloud.
Infrastructure as a Service (IaaS)	The delivery of an infrastructure platform, where the provider is responsible for everything up to the physical servers and virtualisation layer and the customer is responsible for the rest. Often these providers offer many value-add services too. For example, Amazon Web Services, Microsoft Azure and Google Cloud Platform.
Internet of Things (IoT)	The use of the Internet for Machine to Machine (M2M) communication. The use cases are many and varied, from sensors of all variety reporting back central cloud data analytics and/or alerting platforms, to the connectivity of everyday objects such as fridges and televisions.
Multicloud	The use of more than one cloud environment by a single organisation, to deliver disparate IT applications and infrastructure. This can include both public and private cloud and SaaS, PaaS and IaaS based services. For example, using a particular IaaS provider for delivery of an ERP platform and a separate cloud SaaS provider to deliver a CRM application.
On-premise	Any equipment or software deployed within a customer's own office, branch or datacentre.
PBX	"Private Branch Exchange". The use of a locally deployed telephony system to act as an aggregation point for local users and external trunks.
Platform as a Service (PaaS)	The delivery of a platform capability from the cloud, where the provider is responsible for the layers of the platform up to and including the Operating System and API layer, and the customer is responsible for the application that consumes its service. For example, CPaaS providers such as Twilio and Amazon Connect.
Public Switched Telephone Network (PSTN)	The legacy analogue BT telephony network, which is being switched off in 2025 with exchange stop-sells occurring across the country each month between now and the forecast end date of this program.
Secure Access Service Edge (SASE)	An architecture that combines network connectivity and network security into a common fabric.
Session Initiation Protocol (SIP) Trunking	SIP Trunking is the IP based digital replacement for all multi-line use cases of the legacy Public Switched Telephone Network.
Software as a Service (SaaS)	The delivery of an application from the cloud, where the provider is responsible for all layers of the platform and the customer simply consumes the application. For example, Salesforce.
Software Defined Wide Area Network (SD-WAN)	The latest generation of wide area networking technology which enables centralised and simple configuration and connection irrespective of the underlying circuit or wireless technology, plus a range of business-oriented networking services.
Unified Communications (UC)	Unified communications is a suite of tools to allow team members to collaborate, including instant messaging (IM), presence, screen and document collaboration and both audio and video conferencing.
Unified Communications as a Services (UCaaS)	The implementation of unified communications tools without the need for an organisation to install hardware or software on their premises or in their data centres. UCaaS is typically provided on a "pay as you go" basis with minimal up-front costs and sometimes with the ability to flex the capacity of the service up and down during the term of the agreement.

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

Strategic Report

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 1.0pt 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.	↔
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.	↔
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.	↑
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.	↓
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 ↓ Risk reduced compared with last year ↑ Risk increased compared with last year

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

Post year-end events

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

Section 172 statement

A Director of a Company must act in a way that they consider, in good faith, would most likely promote the success of the Company for the benefit of its members as a whole, taking into account the factors listed in section 172 of the Companies Act 2006 (s.172 CA).

Engaging with our stakeholders and acting in a way that promotes the long-term success of the Company, while taking into account the impacts of business decisions on our stakeholders, are central to the Directors' strategic thinking and duties in accordance with s.172 CA. We are aware that each stakeholder group requires a tailored engagement approach in order to foster effective and mutually beneficial relationships. Our understanding of stakeholders is then factored into boardroom discussions, regarding the potential long-term impacts of our strategic decisions on each group, and how we might best address their needs and concerns. The Board acknowledges its duty to act fairly between members, balance competing interests from the Group's various stakeholders in reaching decisions. Where there are conflicting interests, the Board will act as fairly as it is able to take into account the implications of each stakeholder. See page 28 for who our key stakeholders are and how the Board has made principal decisions relating to each stakeholder group.

The Board's intent is to maintain high standards of business conduct. See page 31 for how the Board promotes a corporate culture that is based on ethical values and behaviours.

Throughout this Annual Report, including particularly the Corporate Governance Report, we provide examples of how we:

- Take into account the likely consequences of long-term decisions
- Foster relationships with stakeholders
- Understand the importance of engaging with our employees
- Understand our impact on our local community and the environment; and
- Demonstrate the importance of behaving responsibly.

As part of their induction, Directors are briefed on their duties and they can access professional advice on these, either from the Company Secretary or, if they judge it necessary, from an independent adviser. It is important to recognise that in a large organisation such as Maintel, the directors fulfil their duties partly through a governance framework that delegates day-to-day decision-making to managers and details of this can be found in our Governance Report on pages 28-35.

The following paragraphs summarise how the Directors fulfil their duties:

Risk management

Maintel provides business-critical services to its clients. It is therefore vital that we effectively identify, evaluate, manage, and mitigate the risks we face, and that we continue to evolve our approach to risk management.

For details of our principal risks and uncertainties, and on how we manage our risk environment, please see page 22, the Audit and Risk Committee Report on page 34 and the Remuneration Committee Report on page 36-40.

Responsible business

The Board's intention is to behave responsibly and ethically at all times, in line with our Company values, and to ensure that our management teams operate the business in a responsible manner and to the highest standards of business conduct and good governance. For further details on our people, please see page 28. A broader analysis of our activities can be found in the separate Sustainable Business Report.

Business relationships

Our strategy prioritises organic growth, driven by cross-selling and up-selling services to existing clients and bringing new clients into the Group. To do this, we need to develop and maintain strong client relationships. We value and have continued to strengthen how we engage with our clients and suppliers during the year.

For further details on how we work with our clients and suppliers, please see pages 8-10.

Shareholders

The Board is committed to openly engaging with our shareholders, as we recognise the importance of a continuing effective dialogue, whether with major institutional investors or private shareholders. It is important to us that shareholders understand our strategy and objectives, so these must be explained clearly, feedback heard and any issues or questions raised properly considered.

For further details on how we engage with our shareholders, please see page 28.

Employees

The Board understands how vital our employees are to the success of our business. During 2022, the Board engaged with employees through regular consultations and CEO updates, in addition to providing our staff a voice on matters that concern them through a directly elected employee forum. Maintel also maintains a whistleblowing procedure and a prevention of modern slavery policy.

For further details on how we engage with our employees, please see page 32.

On behalf of the Board

Dan Davies
Interim Chief Executive Officer
30 April 2024

Corporate Governance

In this section

Board of Directors.

Dan Davies

Interim Chief Executive Officer

Date of appointment:
11 September 2020

Board committees:
NONE

Previous experience:
Dan joined Maintel in 2014 as part of the acquisition of Proximity Communications, where he was the Product and Solutions Director and board member. With over 20 years' experience in the communications sector and an engineering and design consultancy background, he is driven by making sure our technology has a meaningful impact on our customers' organisations, with business focussed outcomes that help them to achieve success.

External appointments
No relevant external appointments

John Booth

Deputy Chair Non-Executive Director

Date of appointment:
7 June 1996

Board committees:
N A Chair (interim) R

Previous experience:
John was appointed Deputy- Chair in November 2022, before that he was Chair of Maintel from 1996-2022. John's career has been spent in equity investment and broking where he has held several senior positions including Head of Equities at Bankers Trust and co-founder and Executive Chair of the Link Group, acquired by ICAP Plc in 2008. He has extensive venture capital experience and holds a number of Non-Executive Directorships in investment management.

External appointments
John is Chair of the London Theatre Company, Natilik Ltd and Rinkit Ltd, a Non-Executive Director of several private companies in investment management and a consultant to Herald Venture Partners. He is also Chair of The Prince's Trust and the National Gallery, and a trustee of several other charities.

Board committees:
- N Nomination
- A Audit and Risk
- R Remuneration

Clare Bates

Non-Executive Director

Date of appointment:
11 May 2023

Board committees:
N Chair A R Chair

Previous experience:
Clare has over 20 years' experience in senior human resources roles, gained in both private and public companies. Between 2009 and 2017 she held the position of HR and Transformation Director at SSP Limited, the global software company, where she had the responsibility of leading the global people agenda through multiple corporate events. Prior to SSP Limited, she held senior HR roles at Saint Gobain plc, E.ON AG, and Powergen plc. Most recently she has been applying her knowledge and experience as a consultant across a range of sectors.

External appointments
No relevant external appointments

Gabriel Pirona

Chief Financial Officer

Date of appointment:
2 May 2022

Board committees:
NONE

Previous experience:
Gabriel Pirona trained at PwC and has over 25 years of financial experience, gained in both industry and public practice. Prior to joining Maintel, he held the position of Group Chief Financial Officer at Agilisys, the fast-growing cloud and digital transformation specialists. Prior to Agilisys, he was Group Chief Financial Officer at Selecta, and has also served as Group Chief Financial Officer at Photo-Me International plc, and as Regional Chief Financial Officer at Recall, gaining extensive and relevant strategic financial and business transformation experience.

External appointments
No relevant external appointments

Report on Corporate Governance.

Our purpose

The Board's overriding objective is to produce long-term value for its shareholders. We believe that this can best be achieved by understanding and recognising, alongside our shareholders' goals, the legitimate interests of our other stakeholders, and by ensuring that our conduct is in tune with the environmental and social concerns of society at large.

We believe that a sound and well understood governance structure is essential to achieving these objectives. The Board sets strategy and reviews operational performance in order to ensure that the Group's actions are consistently geared towards achieving its strategic aims.

Maintel follows the QCA Corporate Governance Code ("the Code") as a benchmark for measuring our adherence to good governance principles. The Code sets out 10 principles, which provide a framework for assessing our performance as a Board and as a Company:

The 10 Principles of the Code and the Company's application of them:

1 Establish a strategy and business model which promote long-term value for shareholders

The Group's strategy and business model are detailed in the Maintel overview section, in particular on pages 6-14.

The principal risks and uncertainties affecting the Group are shown on page 22.

2 Seek to understand and meet shareholder needs and expectations

The Board is committed to providing shareholders with clear information on Maintel's financial position and strategy. We believe that a relationship of mutual trust between shareholders and the Board is essential for a well-governed Company to achieve its business objectives.

Twice-yearly meetings are held with larger shareholders following results announcements and the Company's broker provides formal (after the twice-yearly meetings) and informal ad hoc feedback on shareholder and prospective shareholder views. The Group's broker also produces research following the two results announcements and any other significant announcements.

The Company's AGM provides the opportunity for an exchange of views with private as well as institutional shareholders. The Board is committed to providing an open AGM and those who wish to attend the 2024 meeting will be welcome. Trading updates and other announcements are made to the market via the Regulatory News Service as required. Financial reports and other key documents are available on the Company's website.

The website also includes contact details for the Interim Chief Executive Officer and Chief Financial Officer. The Company is currently recruiting for a permanent Chief Executive Officer and an Independent Non-Executive Chair. Once appointed, the Chief Executive Officer and Chair contact details will also appear on the website and both will make themselves available as appropriate.

3 Take into account wider stakeholder and social responsibilities and their implications for long-term success

The Directors consider a range of stakeholders essential to the Group's success: our shareholders, who share in the success of the Company through dividends and through share price appreciation, and on whose long-term support the Company depends; our employees, whose talent, dedication and commitment both to the Company and its customers is essential for all aspects of our business operations; our customers – both direct and indirect – whom the Company exists to serve; our suppliers, who play a critical part in the products and services provided by the Company be that via technology or carrier capacity; and the wider society in which all our stakeholders exist.

Shareholders
As noted under Principle 2 above, the Directors maintain contact with shareholders with a view to understanding their needs and maximising their long-term returns.

Employees
Maintel's success is dependent on the knowledge, skill and engagement of its employees and the Board actively seeks out their views. The Interim Chief Executive Officer and other members of the Operating Board held regular 'town hall' meetings, both across the Company's offices and online, backed up with e-mailed updates to all staff. The Group's employee representative and engagement forum, "Maintel Matters", met at regular intervals throughout the year, with regular attendance by various members of the Operating Board. At these forums, employee views on proposed actions were sought and gained, providing vital input to decision

making around the development of hybrid working practices, harmonisation of terms and conditions of employment, environmental matters and much else.

Additional information about the Group's employment policies can be found on page 38.

Customers
The Group's product and service offerings are described in the Maintel overview section on pages 7-9. These products and services are sold by the Group Direct Sales Teams into both existing and prospective customers. The sales activities are supported by a multichannel marketing strategy centred around social media, blogs, industry events, exhibitions, and conferences. There is further contact through our Customer Operations and Professional Services teams.

Key customer relationships also have the benefit of the Executive sponsorship within the Group. This includes Executive peering, periodic Executive service reviews which also provides a forum to discuss the customers priorities and how the Group at a strategic level can assist. These forums also provide a means of communicating the Group's strategic direction to ensure we remain relevant to our customers ever changing needs. These engagements also inform the Group's product portfolio planning and development.

Our success depends on our ability to provide the products and services that our clients need – when they need them. The Group has placed additional emphasis on understanding the business outcomes our customers are trying to achieve. The Group then offer customer's technology-based solutions that achieve these desired outcomes.

Suppliers
Contacts are maintained at senior level with all the Group's main suppliers. The Group also employs product managers to monitor the changing products and services of existing and potential new suppliers and manage relationships with them, and vendor managers to maintain these key relationships. Key suppliers have an allocated executive sponsor, and throughout the year regular communication was in place to ensure good operations between the Company and its business partners. These key relationships also enable the Executive Directors to inform the Board about the view of the market from the perspective of suppliers – and in particular about future technological developments – providing vital input to the Board's Annual Strategic Review.

Other
The Board recognises the responsibilities it has not only to those stakeholders with whom it interacts directly but also to the wider social ecosystems in which it operates. Global challenges, whether short-term or long-term require all citizens – corporate and individual – to play their part.

2023 saw a continued focus on the Group's commitment to sustained improvements in its environmental, social and governance activities, following the move in 2021 to align our journey specifically to the UN Sustainable Development Goals a further materiality assessment was undertaken in September 2023 to check and update the material UN Sustainable Development Goals.
There are many goals that we contribute to, and we are continuing to improve. The ones that we have identified as material to our business are:

- SDG 8 – Decent Work and Economic Growth
- SDG 12 – Responsible consumption and production
- SDG 13 – Climate Action
- SDG 16 – Peace, Justice and Strong Institutions

We measure our contribution to those goals against defined metrics.

4 Embed effective risk management, considering both opportunities and threats, throughout the organisation

The Board annually reassesses its risk appetite across six areas of operations:

- Financial
- Health and safety
- Environmental
- IT security
- Legal and regulatory compliance
- Strategic suppliers and partners

This exercise determines the risk profile the business is prepared to accept in pursuit of its strategy. The Group operates a robust risk management framework to identify, monitor and mitigate risks to the achievement of its strategic goals. The principal risks are reviewed by the Board quarterly, with newly identified or intensified risks being addressed as the need arises.

The Audit and Risk committee is responsible for the monitoring of risk, including reviewing the effectiveness of the risk management process annually; its report on page 34 further describes its responsibilities and actions taken during 2023. The principal risks affecting the Group are described on page 22.

5 Maintain the Board as a well-functioning, balanced team led by the chair

The structure of the Board of Directors is described on page 26. Typically, the Chair is responsible for ensuring that the Company has a well-balanced and qualified Board of Directors.

In May 2023, the Board appointed Clare Bates as independent Non-Executive Director and Chair of the Remuneration Committee. Clare is a qualified HR professional with over 20 years in senior roles across both private and public companies. She has significant experience in the areas of organisational development employee engagement and executive coaching and mentoring. Clare replaced Nicholas Taylor, who after 9 years' service with Maintel plc, did not seek re-election at the 2023 AGM. More biographical details can be found on page 26.

Whilst an executive search agency had been appointed, the search for a permanent CEO in 2023 was unsuccessful, and no suitable candidates were identified. On the back of our improved trading results in 2023, we have engaged a new executive search consultancy, specialising in C Suite recruitment in the technology space, and have embarked on a refreshed and refocused recruitment campaign. The Board will a make a further announcement as soon as an appointment has been made.

On 18 April 2024, Carol Thompson left her role as Executive Chair and John Booth, Deputy Chair, also advised of his intention not to stand for re-appointment at the Company's 2024 Annual General Meeting.

Further to the exit of the Executive Chair and the decision of John Booth to not stand for re-election at the AGM, we have revisited our ideal Board composition and have commenced a focused search for a Non-Executive Chair. The Board will make further announcements as soon as these appointments have been made.

The Board operates to a schedule of matters reserved to it, which is reviewed annually. It was last reviewed in June 2023 (with no changes deemed necessary) and is due to be reviewed again in June 2024.

Each Non-Executive Director must be able to devote sufficient time to the role to discharge his or her responsibilities effectively. Typically, the Chair assesses the time commitment of the individual Non-Executive Directors as part of the annual review of their effectiveness, and the Non-Executive Directors review the time commitment of the Chair.

The Company has effective procedures in place to monitor and deal with conflicts of interest. The Board is aware of the other commitments and interests of its Directors, and changes to these commitments and interests are reported to and, where appropriate, agreed with the rest of the Board.

The Remuneration Committee reviews the performance of the Executive Directors annually (see the report of the Remuneration Committee on pages 36-40. The Chair reviews the performance of the Non-Executive Directors and, the Non-Executive Directors also meet without the Chair present to discuss their performance. The Board reviews its effectiveness as a whole as set out under Principle 7 below.

The Directors are agreed that, as described in the Board of Directors section on page 26, the Non-Executive Directors exercise independent judgement, challenge the Executive Directors effectively, and commit sufficient time to the fulfilment of their duties as Directors of the Company.

Terms of reference of the Remuneration, Nomination and Audit and Risk committees are summarised on pages 36-40 and on the Company's website, maintel.co.uk. The Directors believe that, given the knowledge and insight gained as Directors of the Company, the members of each committee have the appropriate experience to fulfil their committee responsibilities.

The record of Directors' attendance at Board and committee meetings during 2023 can be found on page 35.

6 Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities

The Directors' biographies on pages 26-27 show the depth of skills and experience of each Director, which the Board believes represents an appropriate balance.

The Board believes that its members are able to keep abreast of technological change with attendance at industry events and regular interaction with suppliers, customers and counterparts in other TMT companies, supported by a management team with frontline technical capabilities. Non-technical expertise is maintained and developed through attendance at financial, legal and other corporate events and regular liaison with advisers.

New Directors receive an induction on their appointment to the Board which covers amongst other things the activities of the Group and its key business and financial risks, the schedule of matters reserved for the Board, the terms of reference of the committees and the latest financial performance of the Group.

The Company continues to employ the services of ONE Advisory Limited to assist the Board and senior management with advice on the AIM Rules, QCA Code compliance and the maintenance of good standards of governance. ONE Advisory was appointed as Company Secretary in 2021.

The Board regularly reviews the appropriateness of and opportunity for continuing professional development, whether formal or informal.

7 Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement

Board effectiveness is evaluated in several ways. The Nomination committee meets annually to review the structure, size, composition and effectiveness of the Board; it is also responsible for making recommendations on changes to Board membership. The Chair and Interim Chief Executive Officer also discuss the performance of the Board as a whole, while the Remuneration Committee reviews the performance of the Executive Directors individually against annual performance objectives defined for the purposes of bonus eligibility criteria; the latter are described in the Remuneration Committee report on page 36. Bonus eligibility is dependent on Group financial performance as well as the achievement of specific non-financial key performance indicators linked to the achievement of the annual business plan.

The Board aims to carry out a formal evaluation process involving both the Executive and Non-Executive members annually. Whereas, in light of the significant transformational programme which took place during 2023, it did not carry out a review during that year, the evaluation process was resumed in early 2024.

Recommendations from prior performance reviews are continuously monitored against current board performance to ensure progress is made in areas identified.

Directors retire in accordance with the Company's articles of association on a three-year rotational basis.

8 Promote a corporate culture that is based on ethical values and behaviours

The Board recognises the importance of establishing and maintaining a consistent, positive corporate culture. The Group promotes a defined set of Maintel values, framing the culture of the Group in a range of areas. These values are designed to be applied to all aspects of the Group's operations, are regularly communicated to employees, and set out separately on the Group intranet.

Given the increased emphasis on the environmental and social aspects of good governance as well as the expansion of hybrid working practices and a focus on employee well-being, the Group will initiate a review of its values in 2024.

The Directors are committed to nurturing an open and communicative culture which encourages employee participation in the exchange of ideas, information, and suggestions. The Board believes this culture is currently embedded in the Group, not only through the way in which the senior leadership team behaves but also by way of regular employee communications: in person at each of the Company's offices; through online interactive meetings; using Maintel Matters - the Group's employee forum; and via regular emails and newsletters. The emphasis is on two-way communication, in order to ensure that cultural aspirations are authentically pursued.

As required by law, the Group complies with The Bribery Act (2010), The Modern Slavery Act (2015) and Data Protection regulations. It is also ISO14001:2015-Environmental certified and has been awarded EcoVadis Silver Medal Sustainable Business rating. The Group reports on its environmental policies on page 42.

Our embedded and confidential Whistleblowing policy, which is linked to disciplinary processes, enables individuals to raise concerns that they may have about conduct of others in the business or the way in which the business is run with assurance that no detriment or victimisation of the reported will take place.

9 Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board

The Board has overall responsibility for all aspects of the business. The Chair is responsible for the Company's governance, including overseeing the running of the Board, and ensuring that no individual or group dominates the Board's decision-making. The Chief Executive Officer is responsible for the management of the Group. The Board has delegated the day-to-day running of the Group to the Chief Executive Officer within certain limits, above which matters must be escalated to the Board for determination in line with the schedule of matters reserved for the Board. The Senior Independent Director's role is to act as a sounding Board for the Chair, to serve as an intermediary for the other Directors where necessary and to be available to shareholders should they have concerns they have been unable to resolve through normal channels, or when such channels would be inappropriate. The Board's governance is continually reviewed as the Company grows and evolves. Further information on appointments to the CEO and Independent non-Executive Chair roles is included under Principle 5 above.

The Board is supported by a Remuneration Committee, a Nomination Committee and an Audit and Risk Committee, whose terms of reference are reviewed regularly. Further information on the roles of these committees, together with reports of their activities during the year, are included on pages 34-40.

Other structures and processes underpinning the governance of the Group and its compliance with the Code are described throughout this report:

- Schedule of Matters reserved for the Board (Principle 5)
- Terms of Reference of Remuneration Committee, Nomination committee and Audit and Risk Committee (Principle 5)
- Risk appetite (Principle 4)
- Maintel values (Principle 8)
- Anti-bribery policy (Principle 8)
- Anti-slavery policy (Principle 8)
- ISO14001:2015 (Principle 8), ISO9001:2015, ISO 45001:2018 (Principle 3), ISO22301:2019 and ISO27001:2013
- Streamlined Energy and Carbon Reporting (SECR) (Principle 8)
- EcoVadis sustainability (Principle 8)
- Shareholder communications (Principle 2).

All governance policies are subject to regular review.

10 Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

The descriptions of the Group's application of Principles 2 and 3 on page 28 explain the primary modes of communication with its shareholders and other stakeholders. The Strategic Report on pages 1-24 provides details of the Group's performance.

The Board is committed to maintaining effective communication and having constructive dialogue with its shareholders. It aspires to having close ongoing relationships with its private shareholders, institutional shareholders and analysts, and for them to have the opportunity to discuss issues and provide feedback at meetings with the Company. The Board maintains that, if there is a resolution passed at a general meeting with 20% votes against, the Company will seek to understand the reason for the result and, where appropriate, take suitable action. At the Annual General Meeting in 2023, all resolutions passed with at least 92% support on a poll except for the resolution to approve the remuneration committee report which attracted 72.35% support.

All corporate announcements including our Corporate Governance Statement can be found on the Company website, maintel.co.uk/investors, as can all Annual Reports, Interim Statements and Notices of General Meetings.

Three key committees of the Board also play a significant role in the governance of the Group: the Audit and Risk Committee, the Nomination Committee and the Remuneration Committee. Each committee's remit is defined by its Terms of Reference, which are reviewed by the Board annually. The reports of each of these committees can be found on pages 34 and 36.

More detailed descriptions of the Group's Corporate Governance processes are given later in this report and in the report of the Directors.

Board of Directors

The Group is governed by the Board. More detail on the composition of the Board is given under Principle 5 above. The Chair is responsible for the effective running of the Board, and reviews its effectiveness on an ongoing basis. The Chief Executive Officer is ultimately responsible for all operational matters and the financial performance of the Group. During 2023, the Executive Chair also performed, on an interim basis, the duties of the Chief Executive Officer, whilst the search for a new Chief Executive Officer was undertaken.

The Non-Executive Directors are independent of management and are free from any business or other relationship which could materially interfere with the exercise of their independent judgement. The Board is satisfied that the broad range and depth of experience and individual strength of character of each of the Non-Executive Directors underpins their ability to exercise independent judgement and apply unbiased rigour to Board decisions. It is also satisfied that they commit sufficient time to the fulfilment of their duties as Directors of the Company.

The Directors' biographies on pages 26 and 27 demonstrate the experience they bring to the Group.

The Board meets regularly, normally monthly, and reviews performance and assesses future strategy for the operating units and for the Group as a whole. It operates to a schedule of matters specifically reserved for its decision. This schedule requires that specific matters are referred to the Board for consideration and approval, including those relating to the overall leadership and management of the Group, budgets, strategy, performance against objectives, significant capital expenditure and contracts, external financial reporting, dividend and treasury policies, overall systems of internal controls and risk management, remuneration and governance, along with any significant proposed changes to business operations or to the structure or capital of the Company. The full schedule of matters reserved for the Board's decision is available from the Company Secretary.

During the year, the Chair also held meetings with the other Non-Executive Directors in the absence of the Executive Directors. The Non-Executive Directors also met in the absence of the Chair.

The Directors are required by the Company's articles to retire on a three-year rotational basis, and to stand for reappointment by shareholders at the AGM. Similarly, any Director appointed since the last AGM must stand for reappointment by shareholders. However, adopting the recommendations from the Quoted Companies Alliance (QCA), all directors will stand for reappointment each year. As a consequence, Dan Davies, Clare Bates and Gabriel Pirona will stand for reappointment at the upcoming Annual General Meeting.

In accordance with its articles, the Company provides an indemnity to all the Company's Directors in respect of all losses arising out of or in connection with the execution of their powers, duties and responsibilities as Directors. The Group also maintained insurance cover during the year for its Directors and Officers and those of subsidiary companies under a Directors' and Officers' liability insurance policy against liabilities that may be incurred by them while carrying out their duties. In each case, the Directors remain liable in the event of their negligence, default, breach of duty or breach of trust.

The Directors are able to seek independent professional advice as necessary, at the Company's expense within designated financial limits, and from time to time they do exercise this facility.

The following Board committees deal with specific aspects of the Group's affairs, reporting their deliberations and conclusions to the Board as appropriate.

Audit and Risk committee

Membership of the Audit and Risk committee is restricted to Non-Executive Directors and comprises John Booth (Chair) and Clare Bates.

The committee is chaired by John Booth on an interim basis, pending the appointment of a new Senior Independent Director who it is intended should become chair of this committee. The Board is satisfied that for the year under review, all members of the committee have adequate recent and relevant commercial and financial knowledge and experience to fulfil their roles.

The remit of the committee includes:

- Considering the continued appointment of the external auditors and their fees, terms of engagement and independence, including the appointment of the auditors to undertake non-audit work
- Liaising with the external auditors in relation to the nature and scope of the audit
- Reviewing the form and content of the financial statements and any other financial announcements issued by the Group, including consideration of significant issues, judgements, policies and disclosures
- Reviewing any comments and recommendations received from the external auditors and considering any other matters which might have a financial impact on the Group
- Reviewing the Group's risk management monitoring processes that identify, report and review corporate level risks and considering annually the requirement for an internal audit function; and
- Reviewing the Group's statements on internal control systems and risk management processes.

The Audit and Risk committee met three times during 2023. Attendees at committee meetings included the Chief Financial Officer, Interim Chief Executive Officer, and representatives of the external auditors. All of these attended at the invitation of the Chair of the committee to enhance the usefulness of the meetings. During the year the committee also liaised informally with the Executive Directors and met with the external auditors in the absence of Executive Management.

The principal issues addressed by the committee during the year were:

- The external auditor's year-end report for 2022, their observations on the internal financial controls arising from the annual audit, the review of the Group's 2022 results and the disclosures in the 2022 annual report
- The announcement of the 2023 half-year results
- The external audit plan for the 2023 financial statements, which included a review of the audit objectives, scope, timetable and deliverables
- The re-appointment of RSM UK Audit LLP as external auditors in respect of the 2023 results, their independence and objectivity and their fees
- Regularly reviewing the output and operation of the risk reporting process and undertaking the annual review of the risk reporting process; and
- Undertaking the annual review of the need for an internal audit function.

The external auditors are retained to perform audit and audit-related work for the Group. The committee monitors the nature and extent of non-audit work undertaken by the auditors, including reviewing the letter of independence provided by the auditors annually, which includes details of audit and non-audit work undertaken. The committee is satisfied that there are adequate controls in place to ensure auditor independence and objectivity. Details of audit and non-audit fees for the period under review are shown in note 7 of the financial statements.

It is the Company's policy to periodically review the appointment of the auditors, considering factors such as audit quality, value for money and period of tenure. The current auditor's tenure commenced for the year-ended 31 December 2019.

Remuneration Committee

Clare Bates is Chair of the Remuneration Committee. Its other current member is John Booth. The committee met four times during the year. Attendees at committee meetings included the Chief People Officer and Interim Chief Executive Officer, who attended at the invitation of the Chair of the Committee to enhance the usefulness of the meetings. The committee's report to shareholders on Directors' remuneration is set out on page 36.

Nomination Committee

Clare Bates is Chair of the Nomination Committee. The other member is John Booth. The committee's terms of reference include:

- Reviewing the structure, size, composition and effectiveness of the Board; and
- Identifying and nominating suitable candidates to fill vacancies on the Board.

The committee met once during 2023.

Board attendances

The following table shows the attendance of the Directors at meetings of the Board and the Audit and Risk, Remuneration and Nomination committees during the year.

	Board	Audit and Risk committee	Remuneration committee	Nomination committee
Number of meetings in the year	11	3	4	1
C Thompson (resigned 18 April 2024)	11	-	-	1
J D S Booth	11	3	4	1
N J Taylor (resigned 30 May 2023)	5	1	-	1
I MacRae (resigned 17 February 2023)	2	-	-	-
G J Pirona	11	-	-	-
D J Davies	11	-	-	-
C E Bates (appointed 11 May 2023)	8	2	4	

Internal control

The Board is ultimately responsible for the Group's systems of internal control and for reviewing their effectiveness. Such systems can provide reasonable, but not absolute, assurance against material misstatement or loss. The Board believes that the Group has internal control systems in place appropriate to the size and nature of its business.

The Group maintains a comprehensive process of financial reporting. The annual budget is reviewed and approved by the Board before being formally adopted, following which the Board receives at least monthly financial reports of the Group's performance compared to the budget, with explanations of significant variances. Monthly cash flow forecasts are provided to the Board, as are budget reforecasts if deemed appropriate. The Executive Directors monitor key performance indicators on a monthly basis, management of these being delegated to the Group's Senior Management.

The key operational functions of the Group are subject to established processes, which are independently externally audited and held within the Maintel integrated Management System. This system encompasses multiple certifications, including ISO9001:2015-Quality, ISO45001:2018-Health and Safety, ISO27001:2013-Information Security, ISO14001:2015-Environmental, ISO22301:2019-Business Continuity, PCI-DSS, Cyber Essentials, EcoVadis Sustainable Business rating, Avetta Corporate Social Responsibility certification, Financial Services Qualification System (FSQS), JOSCAR aerospace, defence and security sector pre-qualification, Financial Conduct Authority (FCA) Limited Credit Brokering, and Safe Contractor Safe Systems in Procurement (SSIP). The Directors consider these certifications to be valuable additional internal and external control tools of the business.

Conflicts of interest

The Group has established procedures for the disclosure and review of any conflicts, or potential conflicts, of interest which the Directors may have and for the authorisation of such conflict matters by the Board. The Board considers that these procedures are operating effectively.

Report of the Remuneration Committee.

On behalf of the Board, I have pleasure in presenting the report of the Remuneration Committee for 2023. The Group's policy on remuneration is designed to support the good functioning of the Board and the Executive Management Team, as described in the Report on Corporate Governance on pages 25-35, and its strategic aims, as set out in the Strategic Report on pages 1-24.

The information in this report is structured as follows:

- A description of the Group's remuneration policy and its alignment to Group strategy, setting out the key elements of this policy
- Details of how the remuneration policy was applied in 2023; and
- How the remuneration policy will be applied in 2024.

The Remuneration Committee is committed to structuring Senior Executive Remuneration that is competitive, incentivises and rewards good performance, and that will help the Group continue to grow profitably, thereby creating value for shareholders while also being mindful of the interests of other stakeholders. Each year the remuneration framework and the packages of the Directors are reviewed to ensure they continue to attract, retain and motivate executives and drive towards these objectives.

The committee's remit is to determine and agree with the Board:

- The broad policy regarding remuneration of the Executive Directors and certain Senior Managers;
- The individual remuneration and incentive packages for Executive Directors;
- In consultation with the Chief Executive Officer, the remuneration packages for key Senior Managers, including the share incentive plans and performance related pay schemes; and
- To provide oversight of the benefit structures across the Group.

The committee has access to independent, professional advice as necessary, at the Company's expense.

During the year, the membership of the committee changed. Clare Bates became Chair of the Remuneration Committee in May 2023, following the resignation from the Board of Nicholas Taylor.

Remuneration policy

The Group operates in large competitive markets with areas of significant growth potential. The Group's Executive Director remuneration policy is designed to attract, reward, incentivise and retain Directors of the calibre required to maintain the Group's position in its marketplace.

The key features of remuneration and the policy for each element of the packages for Executive Directors are shown in the table below:

Element of remuneration	Purpose and link to strategy	Policy and approach
Base salary	To pay a competitive, sustainable level of fixed remuneration, taking into account experience and personal contribution to the Group's strategy; intended to attract and retain the talent (managerial and technical) required to execute the strategy.	Reviewed annually by the committee in Q1. Salary increases will normally be in line with pay review levels across the whole Group. However, reference is also made to changes in role and responsibility and to comparisons with companies of similar size and complexity.
Benefits	These complement an executive's basic salary and are designed to ensure the well-being of employees.	Benefits comprise pension contribution (typically 3% of basic salary), and membership of private health, permanent health and life assurance schemes. Because of the way in which the Group has grown partly by acquisition, a number of different pension schemes operate within the Group. A project to harmonise these schemes as far as possible was begun in 2022 and is ongoing. The Remuneration Committee is satisfied that there is no structural misalignment between the pension benefits offered to Executive Directors and those normally offered to the rest of the workforce.

Element of remuneration	Purpose and link to strategy	Policy and approach
Bonus	A cash bonus designed to incentivise specific short-term goals and objectives, both financial and non-financial.	Bonus plans are linked to the achievement of key annual financial targets as well as the achievement of specific non-financial key performance indicators linked to the achievement of the annual business plan. Individual performance objectives are also set on an annual basis. Executive Directors' bonus targets for 2023 were set at between 75% and 100% of base salary.
Long term incentive plan (LTIP)	To encourage and reward delivery of the Group's long-term growth objectives and provide alignment with shareholders through the use of share-based incentives.	All share-based incentives offered to Executive Directors have minimum three-year vesting schedules. While the Company has limited ability to award nominal priced options through a tax-efficient Company Share Option Plan (CSOP), the majority of its awards are market value options. Share-based incentives ensure that Executive Directors' incentives are directly aligned with the achievement of share price increases. Vesting is not typically subject to performance criteria other than continued employment. The plan rules include amongst other things claw-back and malus provisions and a limitation to ensure that new shares issued, when aggregated with all other employee share awards, must not exceed 10% of issued share capital over any ten-year period. When granting options, the committee considers the potential value that will be created under the performance conditions attached to the grant.

The Remuneration Committee considers that the levels of bonus and LTIP payable are sufficient to motivate the Directors whilst being proportionate to the long-term value created for the benefit of shareholders.

In addition, a number of risks are taken into account when setting remuneration policy:

- Overall remuneration packages will not attract the right level of people to ensure that Maintel can achieve its long-term strategic objectives.

  The remuneration packages are benchmarked against both Maintel's key competitors and against other relevant comparators to ensure that they are at a competitive and fair level.

- Bonus payments are not aligned to company success.

  Bonus KPIs are set each year and are fully aligned to the corporate KPIs required to achieve the Company's goals. If these KPIs are not met, bonuses will be attenuated or not paid at all.

- Share option schemes vest even if the Company has not achieved its goals.

  The vast majority of share option schemes are now based on market priced options. They are therefore fully aligned with share price performance.

  The schemes also have claw-back and malus provisions as a further protection.

  Details of LTIP awards granted during the year can be found on page 40.

Directors' service agreements

Each Executive Director has a six-month rolling service agreement. Copies of all Directors' service agreements and letters of appointment are made available for inspection upon request to the Company Secretary at the Company's registered office, 160 Blackfriars Road, London, SE1 8EZ.

Non-Executive Directors

The Non-Executive Directors each have a contract terminable on three months' notice. The level of remuneration of the Non-Executive Directors is recommended by the Executive Directors to the Board and is based upon the level of fees paid at comparable companies and taking account of the Directors' evolving responsibilities.

The Non-Executive Directors do not participate in the bonus or long-term incentive schemes.

Application of the remuneration policies in 2023

Base salary and benefits

Given the high level of cost inflation within the economy, a general company-wide salary increase envelope of 3% with effect from 1st April 2023 and a further 2% with effect from 1st September was agreed by the Board as part of the 2023 budgeting process. In addition, a 1% pot was made available in September 2023, for required salary adjustments and to recognise outstanding performance.

In establishing appropriate salary increases for the Executive Directors, the Committee took into account both individual performance and benchmark data relating to similar positions in comparable companies.

Salary increases for the Executive Directors were however only made in line with the company wide salary increases set out above.

The Non-Executive Directors received a fee increase of 3% in April 2023 and a further 3% in September 2023, in line with the average for the Group. No changes were made to benefit packages.

Bonuses

Whilst the original intention had been to set measures for 2023 bonus based on the Group's transition to a predominantly cloud-based managed service provider, customer satisfaction and sound environmental and social governance (as reported in the 2022 report), it soon became apparent that more appropriate measures for bonus in 2023 were delivering Adjusted EBITDA and other measures to meet the HSBC bank covenants; as well as other non-financial targets.

Given the need to incentivise outstanding performance the Committee also agreed to increase bonus opportunities for the Executive team to between 75% and 100% of base salary.

Due to the importance of working together as a cohesive Executive team, payment of any element of bonus for 2023 was dependent on achieving the minimum level of Adjusted EBITDA required by our banking covenant. The actual amount of 2023 bonus to be paid, being determined on a sliding scale by the actual level of pre bonus adjusted EBITDA achieved (up to a maximum post-bonus adjusted EBITDA of £10.1m). In addition, each Executive Director was given personal objectives and targets, relating to their required contribution to the Group's strategic goals.

The Remuneration Committee reviewed the Executive Directors' performance against the bonus criteria set for 2023 in April 2024. The level of bonus paid is shown on page 39. A review was also undertaken of each Executive Director's performance against their 2023 personal objectives.

Long term incentive plan

Maintel has a policy of providing long-term incentives to Senior Executives, which are aligned with the interests of shareholders and the long-term sustainability of the Group, As previously reported a number of share options were granted to the Executive team in April and May 2022. However, following this grant, the share price declined and at the beginning of 2023 was below the exercise price of the 2022 options.

In order to keep the Executive team incentivised and motivated, the Remuneration Committee agreed to offer a one-off opportunity for individuals to irrevocably surrender all of their previous options and to be granted new share options in April 2023.

How the remuneration policy will be applied in 2024

Base salary and benefits

The Committee has reviewed the Company's remuneration policies and their application both to the Executive Directors and certain other senior members of staff specifically and to the wider workforce in general. In doing so, it took into account the macro-economic environment, including expectations for inflation and the state of the employment markets in which the Group operates; individual and Group performance; changes to individual roles and responsibilities; and comparative remuneration data supplied by third parties.

As a result of the continuing high cost of living within the UK, the Board suggested as part of the 2024 budgeting process that a general companywide inflationary salary increase of 3% be awarded in April 2024 (2023: 5%) and that as in 2023, a further 1% is used for required salary adjustments and to recognise outstanding performance. The Committee approved this recommendation and also agreed that a further 1% be made available for any further salary adjustments that may be required within the year. No changes were proposed to benefits packages.

Bonuses

The Committee has reviewed the operation of the Group's bonus scheme in 2023 and has provided a broader framework for the bonus scheme for 2024. In addition to a significant emphasis on the achievement of financial objectives, the 2024 scheme will in addition incentivise the achievement of a range of key strategic objectives. Bonuses will be available to Senior Managers depending on the performance of the Group and on meeting the targets set.

No Executive Director's bonus target for 2024 is above 100% of base salary.

Long term incentive plan

The Committee also reviewed the operation of the Company's long term incentive plan and does not propose to make any share option grants to existing staff during 2024. It does however recognise the need to incentive and appropriately award the new CEO, upon their appointment. This will be done using market value options and any options granted will continue to be subject to a three-year vesting period. We believe that this approach is both simple and fair, ensuring that Executive Directors' and other Senior Managers' are incentivised to achieve sustainable increases in the Company's share price and align their interests directly with those of the wider shareholder base. Details of the LTIP awards made in 2023 can be found on page 40.

Details of Directors' remuneration in 2023

The remuneration of the Directors in office during the year was as follows:

£'000	Salaries/ fees	Benefits	Bonus/ commissions	Pension contributions	Total 2023[1]	Total 2022[1]
Non-executive Directors						
J D S Booth	39	-	-	1	40	50
C E Bates[2]	25	-	-	-	25	-
N J Taylor[3]	16	-	-	-	16	38
Executive Directors						
C Thompson[4]	278	2	-	13	293	43
I MacRae[5]	189	2	-	4	195	335
G J Pirona[6]	238	-	254	12	504	153
D J Davies	187	9	144	6	346	231
	972	13	398	36	1,419	850

[1] Excluding social security costs in respect of the above amounting to £171,000 (2022: £109,000).

[2] Clare Bates was appointed as a Director on 11 May 2023. This represents her remuneration from this date.

[3] Nicholas Taylor resigned as a Director on 27 April 2023. This represents his remuneration up to this date.

[4] Carol Thompson was appointed as Executive Chair on 1 December 2022 and Interim Chief Executive Officer on 1 March 2023. This reflects her total remuneration for the year. Carol Thompson left as a Director on 18 April 2024.

[5] Ioan MacRae resigned as a Director on 28 February 2023. This represents his remuneration up to this date.

[6] Gabriel Pirona was appointed as a Director on 2 May 2022. This represents his remuneration from this date.

Share scheme interests awarded in 2023

As previously awarded share options were under water, and there was a need to incentivise the Executive team, in April 2023, the Remuneration Committee agreed to offer a one-off opportunity for Executives to irrevocably surrender all of their previous options and to be granted new share options.

The awards were made under the Maintel 2015 long-term incentive plan and were as market value priced options and the exercise price was determined by reference to the previous dealing day's closing middle market price. The awards are not subject to the achievement of performance conditions. The awards are subject to vesting periods of three years starting from the award dates.

Statement of Directors' Shareholding and Share Interests at 31 December 2023 and 31 December 2022

		Options			
	Beneficially owned shares	With performance conditions	Without performance conditions	Vested and unexercised	Exercised during the year
Executive Directors					
C Thompson	401		200,000		
D J Davies	1,395		100,000		
G J Pirona			125,000		
Non-Executive Directors					
J D S Booth[1]	3,500,000				
Total 2023	3,501,796		425,000		
Total 2022[2]	3,518,652		472,000		

[1] John Booth also holds 4,000 non-beneficial shares which are held in a charitable foundation of which he is a trustee.

[2] Directors' Shareholding and Share Interests at 31 December 2022 includes amounts for directors who held office at 31 December 2022 and also directors who resigned in the period.

The number of beneficially owned shares reduced by 16,856 from 3,518,652 to 3,501,796. This is due to Carol Thompsons appointment to Interim Chief Executive Officer (adding 401 shares) and Nicolas Taylor's resignation as a Director (removing 17,257 shares).

The report of the Remuneration Committee was approved by the Board on 30 April 2024.

Clare Bates
Chair of the Remuneration Committee

Report of the Directors.

The Directors present their annual report together with the audited financial statements for the year-ended 31 December 2023.

Strategic Report

The Maintel overview, Chair's statement and Business review on pages 1-24 comprise the Strategic Report, which is incorporated in the Directors' report by reference. The Business review also contains an indication of likely future developments for the business.

Results and dividends

The consolidated statement of comprehensive income is set out on page 51 and shows the loss of the Group for the year.

The Company did not pay any dividend during the year (2022: £nil).

Directors

The Directors of the Company during the year and their interests in the ordinary shares of the Company at 31 December 2023 can be found on page 40.

Substantial shareholders

In addition to the Directors' shareholdings, the Company had been notified of the following shareholdings of 3% or more in the ordinary share capital of the Company at 31 March 2024:

	Number of 1p ordinary shares	% of issued ordinary shares
Harwood Capital LLP	2,713,000	18.89
J A Spens	2,506,959	17.46
A J McCaffrey	1,662,882	11.58
Herald Investment Trust Plc[1]	804,217	5.60

[1] John Booth is a shareholder in Herald Investment Trust Plc, which has notified the Company of an interest in 804,217 1p ordinary shares; this is in addition to Mr Booth's beneficial holding on page 40.

Share capital

Details of the share capital of the Company are shown in note 24 of the financial statements.

No new shares were issued in the year (2022: nil).
No shares were repurchased during the year (2022: nil).

The existing authority for the repurchase of the Company's shares is for the purchase of up to 2,152,787 shares. A fresh authority, for the purchase of up to 2,152,787 shares, will be sought at the forthcoming annual general meeting.

Employees

Maintel's success is dependent on the knowledge, experience and engagement of its employees. Its ability to attract and retain those people is key and therefore the Group is committed to providing a competitive total employment package that includes both financial and non-financial rewards, to align employee interests with those of the Group.

Full and fair consideration is given to applications for employment from disabled persons, having regard to their aptitudes and abilities and to their training and career development. This includes, where applicable and possible, the retraining and retention of staff who become disabled during their employment.

The approach to communication with employees is reviewed on a regular basis to ensure relevance of both delivery methods and content of information. This currently includes channels such as face to face updates from the Operating Board and regular news updates emailed to all employees, as well as regular team and individual meetings with employees. Two-way communication is key to the success of the Group and an employee forum developed in previous years is now a well-established mechanism to achieve this, accompanied by an annual employee survey, with action taken on the results where practicable.

The Company established a Share Incentive Plan in 2006, allowing all employees to invest tax effectively in its shares, and so aligning employee interests with those of shareholders. Under the plan, shares are acquired by employees out of pre-tax salary, with ownership vesting at that time, and are held by trustees on behalf of the employees.

Maintel employs 135 women, 30.8% of our workforce. We believe that achieving greater gender equality strengthens our company by giving us a better understanding and an overall more balanced view. Our Sustainability report details our key activities and targets for Gender Equality and Quality Education. We have a long-term target of achieving 40% women employees.

Environment

The Group acknowledges its responsibilities for the environment and Maintel's environmental sustainability progress is externally audited through Streamlined Energy and Carbon Reduction (SECR) regulation, International standard ISO14001:2015-Environmental and EcoVadis Sustainable Business certification.

Methodology used to estimate the quantities of emissions is in accordance with the Environmental Reporting Guidelines: GHG Reporting protocol – Corporate Standard and includes Streamlined Energy and Carbon Reporting Guidance.

In accordance with SECR, a full review of energy consumption across our offices and operations has been undertaken for the 12 months to December 2023. The SECR accounting period has been fully aligned to Maintel's financial year. The table below identifies the baseline reference measurement across all Maintel offices for gas and vehicles owned or controlled by Maintel within Scope 1, electricity within Scope 2 and transport within Scope 3.

- **Scope 1** = Direct emissions from Gas and vehicles owned or controlled by Maintel
- **Scope 2** = Indirect emissions associated with the purchase of electricity
- **Scope 3** = Indirect emissions associated with employee travel

Energy use (kWh)	2023	2022	Increase/ (decrease)
Scope 1 - Combustion of fuel, owned transport	8,024.43	1,549.55	417.9%
Scope 2 - Consumption of Electricity	130,955.14	205,148.94	(36.2%)
Scope 3 - Business Travel in employee owned vehicles	698,195.45	703,120.00	(0.7%)
Total energy use	837,175.02	909,818.49	(8.0%)
GHG emissions (tonne CO2e)			
Scope 1 - Combustion of fuel, owned transport	1.99	0.39	410.3%
Scope 2 - Consumption of Electricity	27.12	39.67	(31.6%)
Scope 3 - Business Travel in employee owned vehicles	173.24	161.66	7.2%
Total gross CO2e emissions	202.35	201.72	0.3%
Gold Standard offset	0	0	0%
Total net CO2e emissions after Gold Standard offset	202.35	201.72	0.3%
Intensity ratio			
Average number of employees	452	493	(12.2%)
Total GHG emission per employee (Tonne CO2e/employee)	0.45	0.41	9.8%

The key focus during 2023 has been to reduce the electricity consumption across all offices with a range of initiatives. Combustion of fuel in our own transport rose sharply due to the TUPE arrangements for a set of field engineers for a specific customer contract.

We are committed to year-on-year improvements in our operational energy efficiency. As such, a register of energy efficiency measures available to us has been compiled, with a view to implementing these measures in the next five years. In addition to the publication of an annual Carbon Reduction Plan in accordance with our Public Sector customer requirements and UK Gov Procurement Notice PPN/06/21.

Measures ongoing and undertaken through 2023:

- **Internal IT Systems change to Cloud-based software:** We are reducing energy by moving from older technologies to newer, more energy-efficient ones and making full use of cloud technologies.
- **Reducing electricity usage and carbon emissions:** We have installed energy-efficient systems in our office estate including LED sensor lighting and grade-A kitchen appliances, where possible.

  We are centrally controlling the use of heating and cooling throughout our estate, ensuring optimal temperature, when employees are in the office.

Measures prioritised for implementation in 2023:

- **Procurement of renewable energy:** For our landlord sites, we work with our landlords to increase the use of renewable energy consumed.
- **Reducing electricity usage and carbon emissions:** We are currently planning and assessing the reduction of our office estate, to further reduce our energy consumption.

  We are also implementing overnight switch off for electricity points that are not required outside of office hours.

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. At 31 December 2023, The Group benefited from a financing facility in place with HSBC Bank plc ("HSBC") consisting of a revolving credit facility ("RCF") of £20m with a £6m term loan on a reducing basis. Repayments started in October 2022, and at 31 December, £3.0m remained outstanding. The key covenants include net leverage ratio and interest cover tests, assessed on a quarterly basis. While the main terms of the financing facility remain unchanged, in early 2023 the Company and HSBC agreed to accommodate further leeway in the covenants to allow for the temporary deterioration in profits, whilst the Company completed its transformation programme. 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. In March 2024, the facility was extended to 30 September 2025, from the initial term ending on 24 March 2025.

As highlighted in the risk management section (see page 22) the Board has put robust business continuity plans in place to ensure continuity of trading and operations. Management believes the pipeline will enable Maintel to deliver upside from the budgeted revenue, whilst focusing on driving efficiency through cost base reduction and margin enhancement.

The Group's forecasts and projection models have been built on a prudent basis, taking into account uncertainty around the impact of the supply chain issues with regard to both project delivery and timing of pipeline conversion, allows for actual performance to exceed management forecasts in terms of revenue expectations. The Board has reviewed the model in detail, taking account of reasonably possible changes in trading performance, including sensitivities in pipeline conversion and renewal risk, together with further mitigating actions it could take such as overhead savings. As a result, the Board believes that the Group has sufficient headroom in its agreed funding arrangements to withstand a greater negative impact on its cash flow than it currently expects.

On this basis, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Corporate Governance Code

Maintel has adopted the QCA Corporate Governance Code ("the Code"). See page 28 for details.

Financial instruments

Details of the use of financial instruments by the Group are contained in note 23 of the Financial Statements.

Annual General Meeting

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

Stakeholder engagement

Details of stakeholder engagement can be found on pages 28-29.

Research and development

In the year, there were no amounts (2022: £Nil) expensed to the statement of profit and loss in relation to research and development expenditure.

Post balance sheet events

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

Auditors

- As far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware; and
- The directors have taken all of the steps that he/she ought to have taken as a director in order to make him/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Signed on behalf of the Board

Dan Davies
Interim Chief Executive Officer

Statement of Directors' responsibilities.

Directors' responsibilities

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Company financial statements for each financial year. The Directors have elected under company law and are required by the AIM Rules of the London Stock Exchange to prepare the Group financial statements in accordance with UK-adopted International Accounting Standards and have elected under company law to prepare the company financial statements in accordance with UK-adopted International Accounting Standards and applicable law.

The Group and Company financial statements financial statements are required by law and UK-adopted International Accounting Standards to present fairly the financial position of the Group and the Company and the financial performance of the group. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the group for that period.

In preparing each of the Group and Company financial statements, the Directors are required to:

a. Select suitable accounting policies and then apply them consistently;

b. Make judgements and accounting estimates that are reasonable and prudent;

c. State whether they have been prepared in accordance with UK-adopted International Accounting Standards;

d. Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Maintel Holdings plc website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Financial Statements

In this section

Independent Auditor's Report.

to The Members of Maintel Holdings Plc

Opinion

We have audited the financial statements of Maintel Holdings plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2023 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows, the company balance sheet, the company statement of changes in equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and UK-adopted International Accounting Standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2023 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted International Accounting Standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach

Key audit matters	**Group** • Revenue recognition **Parent company** • None
Materiality	**Group** • Overall materiality: £400,000 (2022: £367,000) • Performance materiality: £300,000 (2022: £275,000) **Parent Company** • Overall materiality: £1,350,000 (2022: £183,000) • Performance materiality: £1,010,000 (2022: £137,000)
Scope	Our audit procedures covered 99.5% of revenue, 100% of total assets and 100% of loss before tax.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the group financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the group financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition

Key audit matter description	The Group has a number of revenue streams. Details of the accounting policies applied during the period are given in note 2 (e). Management make judgements in relation to revenue recognition for Managed Services and Technology sales under IFRS 15. These include determining Maintel's performance obligations in its contracts with customers and whether, as at the reporting date, the group has completed its performance obligations such that: • Revenues on technology sales for supply and installation projects are recognised at a point in time where Maintel has completed its performance obligations. • Recognition of revenues for managed services only commences after the group has completed installation works, the technology equipment is fully operational in the customer's business and provision of the services have begun. We consider there to be a significant risk around the completeness and existence of some elements of revenue. We also consider there to be a risk of misstatement of the financial statements related to transactions occurring close to the year end, as transactions could be recorded in the wrong financial period (cut-off).
How the matter was addressed in the audit	In order to address of the risks associated with these revenue streams we obtained an understanding of the process and controls around revenue recognition. Our procedures also included reviewing a sample of contracts to assess whether: • revenue had been recognised in accordance with the Group's accounting policy and IFRS 15 requirements; • revenue was recognised appropriately based on whether Maintel had completed its performance obligations under the contract prior to the reporting date by reference to its obligations stated in the customer contracts, correspondence with customers on supply and installation works and discussions with project managers; and • any other terms within the contract had any material accounting or disclosure implications. In addition, we have: • used data analytics software to test the sales cycle for all revenue transactions in the group and analysed the postings to identify any items which did not appear to match the expected transaction flows; • tested the reconciliation between the group's revenue recording systems; • traced cash book receipts to supporting invoices and bank statements; and • completed cut-off testing around the reporting date.

Our application of materiality

When establishing our overall audit strategy, we set certain thresholds which help us to determine the nature, timing and extent of our audit procedures. When evaluating whether the effects of misstatements, both individually and on the financial statements as a whole, could reasonably influence the economic decisions of the users we take into account the qualitative nature and the size of the misstatements. Based on our professional judgement, we determined materiality as follows:

	Group	Parent company
Overall materiality	£400,000 (2022: £367,000)	£1,350,000 (2022: £183,000)
Basis for determining overall materiality	4.4% of adjusted EBITDA	4.5% of Net assets In the prior year the percentage applied to the 2022 benchmark was restricted for the purpose of setting component materiality.
Rationale for benchmark applied	Profit measure used for the trading activities of the Group.	Parent company is a holding company so net assets used as the benchmark.
Performance materiality	£300,000 (2022: £275,000)	£1,010,000 (2022: £137,000)
Basis for determining performance materiality	75% of overall materiality	75% of overall materiality
Reporting of misstatements to the Audit Committee	Misstatements in excess of £20,000 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.	Misstatements in excess of £67,800 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

The group consists of 3 components, all of which are based in the UK and the Republic of Ireland. Full scope audits were performed on 2 components and analytical procedures were performed on 1 component.

The coverage achieved by our audit procedures was:

	Number of components	Revenue	Total assets	Loss before tax
Full scope audit	2	99.5%	100%	100%
Analytical procedures	1	0.5%	0%	0%
Total	3	100%	100%	100%

All audit work was completed by the group audit team and no component auditors were used in our audit.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included reviewing and evaluating management's forecasts and the results of scenario analysis. Disclosure of the group's going concern assessment is disclosed on page 56 of the accounting policies and based on the results of the audit procedures outlined above, we have no observations to report.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's or the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 44, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the group audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory frameworks that the group and parent company operate in and how the group and parent company are complying with the legal and regulatory frameworks;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

The most significant laws and regulations were determined as follows:

Legislation / Regulation	Additional audit procedures performed by the Group audit engagement team included:
UK-adopted International Accounting Standards, FRS 101 and Companies Act 2006	Review of the financial statement disclosures and testing to supporting documentation; and completion of disclosure checklists to identify areas of non-compliance.
Tax compliance regulations	Inspection of any advice received from internal / external tax advisors; and consideration of whether any matter identified during the audit required reporting to an appropriate authority outside the entity.

The areas that we identified as being susceptible to material misstatement due to fraud were:

Risk	Audit procedures performed by the audit engagement team:
Revenue recognition	The audit procedures performed in relation to revenue recognition are documented in the key audit matter section of our audit report.
Management override of controls	Testing the appropriateness of journal entries and other adjustments; Assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and Evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: http://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

David Clark (Senior Statutory Auditor)

For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
25 Farringdon Street
London EC4A 4AB
30 April 2024

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 notes on pages 56-82 form part of these consolidated financial statements.

Consolidated statement of financial position.

at 31 December 2023

	Note	31 December 2023 £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 notes on pages 56-82 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 notes on pages 56-82 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

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 £000	2022 £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 £000	2022 £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 pages 56-82 form part of these consolidated financial statements.

Notes forming part of the consolidated financial statements.

for the year-ended 31 December 2023

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 (see page 22) 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
	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 on pages 36-40.

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.

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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)

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
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		
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

	2023 £000	2022 £000
Current trade and other receivables		
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.

	2023 £000	2022 £000
Non-current trade and other receivables		
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.

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

	2023 £000	2022 £000
Current trade and other payables		
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.

	2023 £000	2022 £000
Non-current other payables		
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 £000	**2022 £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 £000	**2022 £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 £000	**2022 £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 on page 78 for further information.

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

	Assets		Liabilities	
	2023 £000	2022 £000	2023 £000	2022 £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 £000	2022 £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. This carrying value is disclosed on page 76.

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 instruments	130	-	-	-	130
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 on pages 36-40 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.

Company balance sheet.

at 31 December 2023

Company number 3181729

	Note	31 December 2023 £000		31 December 2022 £000	
Non-current assets					
Investment in subsidiaries	3		46,417		49,560
Deferred tax	4		861		312
Trade and other receivables	5		6,962		9,123
			54,240		58,995
Current assets					
Trade and other receivables	5	8		14	
Cash and cash equivalents		126		16	
Total current assets			134		30
Total assets			54,374		59,025
Current liabilities					
Trade and other payables	6	346		382	
Borrowings	7	2,322		22,726	
Total current liabilities			2,668		23,108
Non-current liabilities					
Borrowings	7	20,579		-	
Total non-current liabilities			20,579		-
Total liabilities			23,247		23,108
Total net assets			31,127		35,917
Equity					
Issued share capital	8		144		144
Share premium			24,588		24,588
Capital redemption reserve			31		31
Retained earnings			6,364		11,154
Shareholders' funds			31,127		35,917

The Company has taken advantage of the exemption under S408 of the Companies Act 2006 and has not presented its own profit and loss account in these financial statements. The loss for the year of the Company, after tax and dividend income, was £5.0m (2022: £1.2m).

The Company 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 notes on pages 85-90 form part of these financial statements.

Company statement of changes in equity.

for the year-ended 31 December 2023

	Share capital £000	Share premium £000	Capital redemption reserve £000	Retained earnings £000	Total £000
At 1 January 2022	144	24,588	31	12,124	36,887
Loss and total comprehensive loss for year	-	-	-	(1,151)	(1,151)
Transactions with owners in their capacity as owners:					
Share-based payments	-	-	-	181	181
At 31 December 2022	144	24,588	31	11,154	35,917
Loss and total comprehensive loss for year	-	-	-	(4,979)	(4,979)
Transactions with owners in their capacity as owners:					
Share-based payments	-	-	-	189	189
At 31 December 2023	144	24,588	31	6,364	31,127

The notes on pages 85-90 form part of these financial statements.

Notes forming part of the Company financial statements.
at 31 December 2023

1. Accounting policies

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

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

(a) Basis of preparation

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

(b) Investments

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

(c) 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 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 (see page 22) 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 Company'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 Company 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 has adequate resources to continue in operational existence for the foreseeable future. Therefore, the Company financial statements have been prepared on a going concern basis.

(e) Financial assets and liabilities

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

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.

Trade and other payables are not interest bearing and are stated at their amortised cost.

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

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

(f) 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 statement of comprehensive income over the period of the borrowing using the effective interest method.

(g) 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 on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The following temporary differences are not provided for:

- The initial recognition of goodwill;
- The initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination; and
- Differences relating to investments in subsidiaries to the extent that it is probable that the differences will not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

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

(h) Dividends

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

(i) Foreign currency

The presentation and functional currency of the Company is Pound Sterling. Transactions in currencies other than Pound Sterling are recorded at the rates of exchange prevailing on the dates of the transactions.

(j) Disclosure exemptions adopted

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

- Certain disclosures regarding the Company's capital
- A statement of cash flows
- The effect of future accounting standards not yet adopted
- The disclosure of the remuneration of key management personnel; and
- Disclosure of related party transactions with other wholly owned members of the Group headed by Maintel Holdings Plc.

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

- Share-based payments
- Impairment of assets
- Disclosures required in relation to financial instruments and capital management

(k) Judgements and key areas of estimation uncertainty

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

The Company assesses at each reporting date whether there is an indication that its investments may be impaired. In undertaking such an impairment review, estimates are required in determining an asset's recoverable amount; those used are shown in Note 13 of the consolidated accounts. These estimates include the asset's future cash flows and an appropriate discount to reflect the time value of money. The range of estimates reflects the relative risk profiles of the relevant cash generating units.

2. Employees

Staff costs, including Directors, consist of:

	2023 £000	2022 £000
Wages and salaries	1,383	833
Social security costs	171	109
Pension costs	36	17
Total staff costs	1,590	959

	2023 Number	2022 Number
The average number of employees, including Directors, during the year was:	5	6

3. Investment in subsidiaries

	Shares in subsidiary undertakings £000
Cost	
At 1 January 2022, 31 December 2022 and 31 December 2023	49,640
Provision for impairment	
At 1 January 2022 and 31 December 2022	80
Impairment in the year	3,143
At 31 December 2023	3,223
Net book value	
At 31 December 2023	46,417
At 31 December 2022	49,560

Details of the Company's subsidiaries are shown in Note 14 of the consolidated financial statements.

During the year, the Company recognised an impairment charge of £3,143,000 (2022: £Nil) in relation to its investment in Warden Midco Limited.

Based on the results of the current year impairment review of the carrying value of investments in subsidiary undertakings, no further impairment charges have been recognised by the Company for the year ended 31 December 2023 (2022: £Nil). Having assessed the anticipated future cash flows, the Directors do not currently foresee any reasonable changes in assumptions that would have led to such any further impairment charges in the year ended 31 December 2023.

4. Deferred taxation

	Tax losses £000	Total £000
At 1 January 2022	-	-
Credit to income statement	312	312
Asset at 31 December 2022	312	312
Credit to income statement	549	549
Asset at 31 December 2023	861	861

The deferred tax asset arises on current year taxable losses which are expected to be utilised against future year taxable profits.

The Board has reviewed the Group and Company's 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 Company's 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 deferred tax asset balance at 31 December 2023 has been calculated on the basis that the associated assets and liabilities will unwind at 25%.

5. Trade and other receivables

	2023 £000	2022 £000
Current trade and other receivables		
Prepayments	1	-
Other tax and social security	7	14
Total current receivables	8	14

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

	2023 £000	2022 £000
Non-current trade and other receivables		
Amounts owed by subsidiary undertakings	6,962	9,123
Total non-current receivables	6,962	9,123

The amounts owed by subsidiary undertakings are unsecured, with no interest payable, and are repayable on demand. The Company has assessed the position of the balance at 31 December 2023 and 2022, and concluded that classification as a non-current asset is appropriate given that repayment of the balance is expected in more than 12 months from the year ends.

6. Trade and other payables

	2023 £000	2022 £000
Amounts due to subsidiary undertakings	-	145
Trade payables	42	27
Accruals and deferred income	304	80
Derivative financial instruments	-	130
Total payables	346	382

The amounts due to subsidiary undertakings are unsecured, with no interest, repayable on demand.

Refer to Note 23 of the consolidated financial statements for information regarding the derivative financial instruments.

7. 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, which started 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.

8. 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. There are no restrictions on the distribution of dividends or the repayment of share capital.

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

9. Related party transactions

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

10. Contingent liabilities

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

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

11. Post balance sheet events

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.

Directors, Company details and advisers.

Directors.

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D J Davies	Interim Chief Executive Officer
G J Pirona	Chief Financial Officer
C E Bates	Non-Executive Director

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