Maintel Europe Limited

Report and Financial Statements

Year Ended

31 December 2019

Company Number 02665837

Maintel Europe Limited

Report and financial statements
for the year ended 31 December 2019

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Directors

J D S Booth	Chairman, Non-Executive
I G MacRae	Chief Executive
A J McCaffery	Director
M V Townsend	Director

Registered office

160 Blackfriars Road, London, SE1 8EZ

Company number

02665837

Auditors

RSM UK Audit LLP, 25 Farringdon Street, London EC4A 4AB

Maintel Europe Limited

Strategic report
for the year ended 31 December 2019

Business review

Maintel Europe Limited ('the Company') is a cloud and managed services company focused on communication. It also supplies and installs voice and data equipment to managed services customers, both to our direct clients and into our partner customers,

The Company has experienced a year of continued transition where we have made good progress against our strategic objective of repositioning the business as a cloud and managed services provider, delivering significant growth in the number of cloud seats on the Maintel platform and increasing the proportion of total revenues generated from our cloud and software offering. However, we faced a number of challenging headwinds throughout the year with macro-economic factors, coupled with contract losses suffered by some of our large channel partners, impacting financial performance.

New IFRS implementation

Maintel has adopted "IFRS 16 – Leases" for the financial year ending 31 December 2019. Comparatives have not been restated.

The results for the year and financial position of the Company are shown in the annexed financial statements.

Key Performance Indicators

The Company's revenues were £122m in 2019, a decrease of 10% in the year.

The table below summarises the revenue performance of the core operating segments of the business.

	2019	2018	% increase / (decrease)
Revenue analysis	**£000**	**£000**	
Managed services	41,901	46,047	(9)%
Technology	36,862	42,405	(13)%
Managed services & Technology	78,763	88,452	(11)%
Network services	37,649	40,946	(8)%
Mobile	5,430	5,625	(3)%
Total revenue	**121,842**	135,023	**(10)%**

Managed services

Our managed support base saw a reduction in revenue of 9% to £42m which was driven in part by some price erosion as customers downsized their estates as a result of their migration to cloud, and by two channel partners losing four major customer contracts with a resulting loss of revenue to Maintel.

Technology sales

Technology division revenues reduced by 13% to £37m (2018: £42m). This reduction was driven by two main factors: the hiatus in public-sector procurement caused by the delay in the re-letting of the procurement framework RM1045 into the new framework RM3808; and a number of large projects being placed on hold by customers concerned over political and economic uncertainty

Despite these external factors the number of subscribers on our ICON cloud platform climbed by 25% in the year, with new customers coming both from private and public sectors and incorporating our first cloud deals through channel. We also launched a mid-market offer towards the end of the year, ICON Now, and are pleased to report that this is already selling both through our direct sales team and via our channel.

Key Performance Indicators *(continued)*

Network services

Network services revenue decreased by 8%, with gross margins in the division growing by seven percentage points to 31% (2018: 24%), reflecting the significantly richer contributions from cloud service.

Traditional fixed line revenues decreased by 11% to £14.0m (2018: £15.7m), which reflects the overall market decline and a shift in focus of the Company to meet the higher demand for margin rich cloud and SIP services.

Mobile

Revenue fell 3% to £5.4m (2018: £5.6m) with gross margin at 46%. The mobile market is highly competitive, but our prospect pipeline remains healthy and growing across both brand-new customers and the existing Company customer base, through cross-selling opportunities.

Other operating income

Other operating income of £1,035k (2018: £476k) includes monies associated with the recovery of an R&D credit of £784k (2018: £320k) and rental income from the sub-letting of a part of the Company's London premises of £155k (2018: £155k) and Haydock premises of £96k (2018: £nil).

Headcount	**Average 2019**	**Average 2018**	**At 31 December 2019**
Sales and customer service	214	217	210
Engineers	283	285	274

	2019	**2018**	**Decrease**
Gross profit (£000)	34,984	38,524	(3,540)
Gross profit %	29%	29%	-

Given the application of common resource across both managed service and technology sales, it is not practical to quote definitive margin data on the separate business sectors; however, management figures are used to monitor constituent elements internally.

New IFRS implementation

Maintel has adopted IFRS 16 – Leases for the financial year ending 31 December 2019, and it has chosen to use the modified retrospective approach to adoption which means there are no restatements to the prior year figures.

IFRS 16 introduces a single lessee accounting model, whereby the Company will recognise a lease liability and a right of use asset at 1 January 2019 for leases previously classified as operating and finance leases. Within the income statement, rent expense is replaced by depreciation and interest expense.

The adoption of IFRS 16 has resulted in a right of use asset of £4.1m, with a corresponding lease liability of £4.4m, being recognised as at 31 December 2019.

Statement of financial position

Net assets increased by £0.6m in the year to £6.7m, with key movements explained below.

Intangible assets valued at £78.4m, decreased by £1.2m driven by capitalised development costs associated with the Company's ongoing investment in our contact centre software, Callmedia, offset by the amortisation charge in the year of £2.3m (2018: £1.5m).

A right of use asset of £4.1m (2018: nil) associated with adoption of IFRS 16 has been created (see note 15).

Inventories are valued at £3.2m, a decrease of £5.0m in the year, as a result of a reduction in the level of deferred costs associated with projects in progress at year-end 2018 not being replicated at year-end 2019.

Debtors decreased by £7.3m to £26.7m (2018: £34.0m) driven by lower revenues and associated billing activity in Q4 2019 compared to Q4 2018, resulting in reduced trade receivables of £4.6m and accrued income of £2.4m.

Creditors falling due within one year decreased by £11.6m to £101.2m (2018: £112.8m), with the main factors being; (i) lower trade payables of £3.9m resulting from a lower level of project activity in Q4 2019 compared to Q4 2018 combined with a number of different supplier and delivery timing factors affecting the balance; (ii) a decrease in deferred managed service income of £4.3m driven by a decline in the managed service base and associated level of advance billings; and (iii) a reduction in other deferred income of £3.7m primarily as a result of a lower volume of projects in delivery phase compared to year-end 2018.

Creditors falling due after one year increased by £1.5m to £6.3m (2018: £4.8m), driven by the creation of lease liabilities of £3.4m as a result of adopting IFRS 16 (see note 15), a reduction in the deferred consideration relating to the acquisition of the customer base from Atos of £1.4m and a reclassification of deferred rent incentives to opening equity as a result of adopting IFRS 16 of £0.5m.

Directors' duties

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 Section 172 of the Companies Act 2006 (s.172 CA).

The directors consider, both individually and together, that they have acted in the way that they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, having regard to the stakeholders and matters set out in s.172 CA in the decisions taken during the year.

The directors fulfil their duties partly through a governance framework that delegates day-to-day decision-making to managers. The following paragraphs summarise how the directors fulfil their duties:

Principal risks and uncertainties

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.
The directors have overall responsibility for setting the risk appetite for the business and for ensuring that the Company's ongoing risk profile aligns with this. The Directors are also responsible for identifying the business risks and uncertainties faced by the Company 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. 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.

Principal risks and uncertainties (*continued*)

Nature of risk	**How do we mitigate the risk?**	**Trend**
Disruptive technology changes the landscape of the market and the Company may not keep pace with product and service innovation.	Maintel has a dedicated product function to ensure that the Company'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 Company is unable to service its customers.	All employees are able to work remotely, and the Company'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 Company is also increasingly moving to cloud based systems which are more readily available for a response to a catastrophic event. A fuller explanation of the Company's response to the Covid-19 pandemic can be found on page 7.	⇧
Cyber-attacks on Maintel, customer or supplier systems rendering them unusable temporarily or permanently.	The Company has a dedicated security team, a specialist Security Operations Centre (SOC) and has invested significantly in training, 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 Plus, ISO 27001 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. While there is evidence that some cyber criminals are looking to exploit the COVID-19 pandemic, the Company is well placed to resist such threats.	⇔

Principal risks and uncertainties (*continued*)

The Company has inherited a range of systems and processes from recent acquisitions, some of which are antiquated and lacking in integration. Inefficiencies may cause loss of profits through errors or the additional resource required to manage the systems.	The major systems and processes inherited from the acquisitions have been replaced. A new integrated system was successfully implemented in 2019, with the last of the inherited systems due to be replaced in 2020.	
Loss of key supplier through its business failure or termination of relationship with Maintel.	The Company 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. We have not identified any immediate elevation of supplier failure risk as a result of the COVID-19 pandemic or, at the time of writing, seen any disruption in our supply chains.	
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 Company'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 continuing to develop our customer offering and service delivery. However, we acknowledge that some of our customers may come under financial stress as a result of the COVID-19 pandemic (those in the retail sector, for example) and so we consider this risk to have been raised since last year. As always, we are maintaining regular contact with all our customers in order to identify and respond to particular risks as early and beneficially as possible.	

Risk unchanged from last year

Risk reduced compared with last year

Risk increased compared with last year

Principal risks and uncertainties (*continued*)

The Directors are ultimately responsible for the Company'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 Directors believe that the Company has internal control systems in place appropriate to the size and nature of its business.

The Company maintains a comprehensive process of financial reporting. The annual budget is reviewed and approved by the Company before being formally adopted, following which the Directors receive at least monthly financial reports of the Company's performance compared to the budget, with explanations of significant variances. Monthly cash flow forecasts are provided to the Directors , 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.

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.

The directors recognise the importance of establishing and maintaining a consistent, positive corporate culture, aligned to the Maintel Values. The promotes a defined set of Maintel Values, framing the culture of the ~~Group~~ Company in a range of areas. These values are designed to be applied to all aspects of the Company's operations, are regularly communicated to staff, enshrined in the Company Handbook and set out separately on the Group's intranet.

Key elements of the values include integrity, creativity and agility in customer delivery, and personal development in an enjoyable work environment, which the Directors consider particularly important to the ongoing profitability and growth of the Company by way of attracting and retaining satisfied customers and employees. The values also allow other stakeholders to assess the quality and aspirations of the Company.

The directors are committed to nurturing an open and communicative culture which encourages employee participation in the exchange of ideas, information and suggestions. The culture is also conveyed throughout the Company by way of regular employee newsletters and an employee forum, together with interactive presentations by the executive directors to employees across the Company's four offices.

Business relationships

Our strategy prioritises organic growth, driven by cross-selling and up-selling services to existing clients and bringing new clients into the Company. To do this, we need to develop and maintain strong client relationships. We value and have continued to strengthen how we engage with our suppliers during the year, Contacts are maintained at senior level with all the Company's main suppliers. The Company also employs product managers to monitor the changing products and services of the suppliers and manage relationships with them. The Company regularly assesses the risk profile of these relationships and considers the impact on principal decisions taken by the Company during the financial year.

Principal risks and uncertainties *(continued)*

COVID-19

The business has robust business continuity plans in place to enable us to continue our operations in the face of various adverse scenarios. These have been fully implemented in response to the COVID-19 pandemic and are working well. Since late March, the vast majority of our employees, except for a small number of staff based in our warehouses and some on-site support personnel supporting front-line operations, are working remotely, fully supporting our customers to ensure they have flexible and remote working solutions in place to protect their operations.

While demand for the Company's services in the first quarter of 2020 was in line with expectations, we are now seeing both an increase in demand for cloud services but also some delay in the rollout of other, particularly on-premise, projects. There is also evidence that some customers are delaying placing orders in response to COVID-19.

The unknown duration and extent of the macro and micro economic consequences of the pandemic makes predicting future near term demand for the Company's offering difficult at this stage. The Board has moved swiftly to implement measures to reduce the Group's cost base and preserve cash.

Going concern

The Company has a sound financial record including strong operating cash flows derived from a substantial level of recurring revenue across a range of sectors. Post year end an amendment and extension to the Group's existing banking facilities was signed, providing the Group and the Company with additional liquidity and more flexible covenants than the previous facility. The revised agreement provides a facility of £34.5m, made up of a revolving credit facility ("RCF") of £30m and a £4.5m amortising term loan issued under the Coronavirus Large Business Interruption Loan Scheme ("CLBILS") by the British Business Bank, with a maturity date of 27 October 2021. The key covenants that will prevail over this period include net leverage ratio, minimum liquidity and interest cover tests.

As highlighted in the principal risks and uncertainties (see page 3) the Board has put robust business continuity plans in place to ensure continuity of trading and operations and has taken significant steps to preserve working capital and maintain a satisfactory liquidity position. Management has modelled the expected impact of the COVID-19 pandemic on its revenues, costs and cash flow. The Board has reviewed the model in detail and 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. It has also identified further cost savings that could be made, beyond those already made or planned, should they prove necessary.

However, the directors are mindful of the uncertainties created by the current pandemic and the impact this may have on the trading performance of the Company and, consequently, its ability to comply with its banking covenants. As a result, at the date of approval of the financial statements the potential impact of COVID-19 indicates the existence of a material uncertainty which may cast doubt on the Companys' ability to continue as a going concern. Therefore, while the Board acknowledges that uncertainty around the medium-term impact of the pandemic means that actual performance could fall short of management forecasts to such an extent that, despite activating further mitigating measures, the forecast headroom on the banking covenants proved insufficient, 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.

Future developments and events after the reporting date

The directors intend to promote the growth of the Company through increasing revenues from its existing products and services, and the development of new revenue streams where these can be implemented profitably. The directors also continue to review the Company structure and the associated roles and responsibilities to maximise efficiencies and ensure effective cost control with the Company.

On behalf of the board

I G MacRae
Director
30 June 2020

The directors present their report together with their strategic report and the audited financial statements for Maintel Europe Limited ('MEL') for the year ended 31 December 2019. The Company is a private limited company.

Dividends

The Company paid interim dividends of £7,500k (2018 - £7,500k) during the year. The directors do not recommend payment of a final dividend (2018 - £Nil).

Strategic report

Information required to be in the Directors' Report is included in the strategic report under S414c(11) on pages 1 to 8.

Directors

The directors of the Company during the year were:

J D S Booth
E Buxton (resigned 4 October 2019)
I G MacRae (appointed 14 October 2019)
A J McCaffery
K Stevens (resigned 30 June 2020)
M V Townsend

No director has any interest in the share capital of the Company. All directors were also directors of the ultimate parent company, Maintel Holdings Plc. The directors' interests in the share capital of that company are shown in its financial statements.

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 Company also maintained insurance cover during the year for its directors and officers 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.

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 Company 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 Company.

The investment in a Learning and Development function 18 months ago demonstrates the Company's ongoing commitment to its employees' careers and to developing high performing teams to support long term success. This programme of work includes a clear focus on leadership development to underpin talent management and succession planning across the Company. 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 Executive Management Team, a monthly update which is emailed to all employees and regular team and individual meetings with employees.

Employees *(continued)*

Two-way communication is key to the success of the Company 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.

Subsequent Events

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

Directors' responsibilities

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards) and applicable law. 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 Company and of the profit or loss of the Company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Company's auditors for the purposes of their audit and to ensure that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

RSM UK Audit LLP has expressed their willingness to remain in office and a resolution to re-appoint them will be proposed at the annual general meeting.

On behalf of the board

I G MacRae
Director

30 June 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MAINTEL EUROPE LIMITED

Opinion
We have audited the financial statements of Maintel Europe Limited (the 'company') for the year ended 31 December 2019 which comprise the statement of comprehensive income, statement of financial position, statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union;
- 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 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, 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.

Material uncertainty related to going concern
We draw attention to note 1(c) in the financial statements, which indicates that the company may be adversely affected by the growing impact of the Covid-19 (Coronavirus) outbreak. Whilst the directors are taking action to mitigate the impact, given the unpredictable nature and impact of the outbreak, and how rapidly the responses to the outbreak are changing, the directors are unable to predict the full extent of the impact with regards to the going concern basis of accounting and its related disclosures. As stated in note 1(c), these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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. 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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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 company and its environment obtained in the course of the audit, we have not identified material misstatements in the [strategic report or the] [Note 2] 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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; or

Responsibilities of directors
As explained more fully in the directors' responsibilities statement set out on page 10, 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 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 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.

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/auditorsresponsibilitiesThis 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.

RSM UK Audit LLP

David Clark (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
25 Farringdon Street
London EC4A 4AB
Date : 30 June 2020

Maintel Europe Limited

Statement of comprehensive income
for the year ended 31 December 2019

	Note	2019 £000	2018 £000
Revenue	3	**121,842**	135,023
Cost of sales		**(86,858)**	(96,499)
Gross profit		**34,984**	38,524
Other operating income	4	**1,035**	475
Income from shares in subsidiaries - dividends received		**-**	6,038
Intangibles amortisation	13	**(2,261)**	(1,538)
Exceptional costs	11	**(320)**	(798)
Other administrative expenses		**(26,234)**	(27,258)
Administrative expenses		**(28,815)**	(29,594)
Operating profit	7	**7,204**	15,443
Interest payable	8	**(316)**	(104)
Profit on ordinary activities before taxation		**6,888**	15,339
Taxation on profit on ordinary activities	9	**571**	(1,244)
Profit on ordinary activities after taxation		**7,459**	14,095

All amounts relate to continuing activities.
There is no other comprehensive income in the current or prior year.

The notes on pages 16 to 34 form part of these financial statements.

Maintel Europe Limited

Statement of financial position
as at 31 December 2019

Company number *02665837*	Note	31 December 2019 £000	31 December 2019 £000	31 December 2018 £000	31 December 2018 £000
Fixed assets					
Investment in subsidiaries	12		-		-
Intangible assets	13		78,398		79,558
Tangible assets	14		1,514		2,046
Right of use assets	15		4,087		-
			83,999		81,604
Current assets					
Stock	16	3,179		8,201	
Debtors	17	26,773		34,053	
Cash at bank and in hand		856		445	
		30,808		42,699	
Creditors: amounts falling due within one year	18	(101,241)		(112,809)	
Net current liabilities			(70,433)		(70,110)
Total assets less current liabilities			13,566		11,494
Creditors: amounts falling due after more than one year	19		(6,265)		(4,760)
Provisions for liabilities	22		(583)		(617)
Net assets			6,718		6,117
Capital and reserves					
Called up share capital	23		1		1
Retained earnings			6,717		6,116
Shareholders' funds			6,718		6,117

The financial statements were approved, authorised for issue by the board and signed on its behalf on 30 June 2020 by

M V Townsend
Director

The notes on pages 16 to 34 form part of these financial statements.

Maintel Europe Limited

Statement of changes in equity
for the year ended 31 December 2019

	Share capital £000	Retained earnings £000	Total £000
At 31 December 2018 (as previously reported)	1	6,116	6,117
Change in accounting policy (note 1)	-	642	642
At 1 January 2019 (as restated)	1	6,758	6,759
Profit for the year	-	7,459	7,459
Total comprehensive income for the year	-	7,459	7,459
Dividends (note 10)	-	(7,500)	(7,500)
At 31 December 2019	1	6,717	6,718

The notes on pages 16 to 34 form part of these financial statements.

1 Accounting policies

The financial statements have been prepared in accordance with Financial Reporting Standard 100 *Application of Financial Reporting Requirements* and Financial Reporting Standard 101 *Reduced Disclosure Framework.*

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The financial statements of the Company are presented as required by the Companies Act 2006.

The Company has applied FRS 101 'Reduced Disclosure Framework' in these financial statements, which is based on the recognition and measurement requirements of International Financial Reporting Standards (IFRS) as adopted by the European Union. It intends to continue to use FRS 101 for the foreseeable future.

(b) Consolidated financial statements

The company has taken advantage of the exemption in section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements, as it is a wholly owned subsidiary of Maintel Holdings PLC, a company incorporated in the United Kingdom. Consequently, these financial statements present the financial position and financial performance of the company as a single entity.

(c) Going concern

As highlighted in the Directors' report the Board has put robust business continuity plans in place to ensure continuity of trading and operations and has taken significant steps to preserve working capital and maintain a satisfactory liquidity position. Management has modelled the expected impact of the COVID-19 pandemic on its revenues, costs and cash flow. The Board has reviewed the model in detail and 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. It has also identified further cost savings that could be made, beyond those already made or planned, should they prove necessary.

However, the directors are mindful of the uncertainties created by the current pandemic and the impact this may have on the trading performance of the Company and, consequently, its ability to comply with its banking covenants. As a result, at the date of approval of the financial statements the potential impact of COVID-19 indicates the existence of a material uncertainty which may cast doubt on the Company's ability to continue as a going concern. Therefore, while the Board acknowledges that uncertainty around the medium-term impact of the pandemic means that actual performance could fall short of management forecasts to such an extent that, despite activating further mitigating measures, the forecast headroom on the banking covenants proved insufficient, the directors have a reasonable expectation that the Company has 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.

(d) Investments

Investments in subsidiary undertakings are stated at the lower of cost and recoverable value at the reporting date. The carrying values of investments are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

Dividend income from shares in subsidiary undertakings is recognised in other operating income through profit and loss at the time the dividends are declared and authorised by the investees and the company has an unconditional right to receive payment of the dividends

1 Accounting policies *(continued)*

(e) Leased assets

The Company applies IFRS 16 via the modified retrospective approach from 1 January 2019. Comparative figures have not been restated. The policy applies to leased properties, motor vehicles and certain office and computer equipment.

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

A lease liability shall be recognised at the transition date and will be measured at the present value of the remaining lease payments discounted using the Companys' incremental borrowing rate at the date of initial application. 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 transition date. The right of use asset will be measured at an amount equal to the lease liability adjusted by the amount of any prepaid or accrued lease payments relating to that lease, recognised in the statement of financial position immediately before the date of initial application. The right of use asset will subsequently be measured at cost less accumulated depreciation and any accumulated impairment losses. The depreciation policy for leased property, motor vehicles and office and computer equipment is on a straight-line basis over the shorter of the lease term and the useful life of the asset.

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

The discount rate of 3.5% has been applied, being the Company's incremental borrowing rate.

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.
The impact of IFRS 16 is to decrease operating profit by £0.1m, through the removal of operating lease expenses of £1.2m and an increase in depreciation charge of £1.3m.

(f) 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 taxation is provided at appropriate rates on all material temporary differences using the liability method only to the extent that, in the opinion of the directors, there is a reasonable probability that a liability or asset will crystallise in the foreseeable future. Deferred tax assets and liabilities are not discounted

(g) 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.

1 Accounting policies *(continued)*

(h) Disclosure exemptions adopted

In preparing these financial statements the Company has taken advantage of all disclosure exemptions conferred by FRS 101. Therefore these financial statements do not include:

- certain comparative information as otherwise required by EU endorsed IFRS;
- 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 FRS 101 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 impairment of assets, revenue from contracts with customers, IFRS 16 leases and financial instruments. The financial statements of Maintel Holdings Plc can be obtained as described in note 28.

(i) Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Company but are presented separately due to their size or incidence as described in note 11.

(j) Revenue

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

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

Managed services and technology

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

Technology revenues for contracts with customers, which include both supply of technology goods and installation services, represent in substance one performance obligation and result in revenue recognition at a point in time, when the Company has fulfilled its performance obligations under the relevant customer contract. Under these contracts, the Company 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.

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

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

1 Accounting policies *(continued)*

Revenue (continued)

Managed services and technology

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

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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 Company'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 Company performs the services under the contract. Where the Company's performance of its obligations under a contract are less than amounts received, deferred income is recognised.

Mobile

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

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

1 Accounting policies *(continued)*

(k) Property, plant and equipment

Property, plant and equipment are initially recognised at cost. As well as the purchase price, cost includes directly attributable costs.

Depreciation is provided to write off the cost or valuation, less estimated residual values, of all fixed assets over their expected useful lives. It is calculated at the following rates:

Freehold buildings	-	40 years straight-line basis
Leasehold improvements	-	over the remaining period of the lease
Office and computer equipment	-	25% per annum on cost

(l) Intangible assets

i. Customer relationships
Intangible assets are stated at cost less accumulated amortisation and consist of customer relationships, which are amortised over their estimated useful lives of five or six years. Amortisation is charged to administrative expenses in the income statement.

ii. Goodwill
Goodwill recognised in relation to acquired businesses represents the excess of the fair value of purchase over the fair value of the identifiable assets, liabilities and contingent liabilities acquired.

Goodwill is capitalised as an intangible asset and is annually assessed for impairment and any adjustment for impairment is charged to profit and loss.

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

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

(m) Stock

Stock is valued at the lower of cost and net realisable value. Cost is based on the average cost of purchase. Net realisable value is based on estimated selling price less additional costs to completion and disposal.

(n) Foreign currency

The Company's functional and presentation currency is pound sterling. Transactions entered into by the Company in a currency other than the functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences on the retranslation of unsettled monetary assets and liabilities are recognised immediately in the income statement.

(o) Judgements and key areas of estimation uncertainty

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires the Company's directors to exercise judgement in applying the Company's accounting policies. The areas where significant judgements and estimates have been made in preparing the financial statements and their effect are disclosed in note 2.

1 Accounting policies *(continued)*

(p) Financial assets and liabilities

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

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 Company 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 Company 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.

(q) Accounting standards issued

IFRS 16 Leases

Previous accounting policy

Operating leases

Where substantially all of the risks and rewards incidental to ownership are not transferred to the Company (an "operating lease"), the total rentals payable under the lease are charged to the consolidated statement of comprehensive income on a straight-line basis over the lease term. The aggregate benefit of lease incentives is recognised as a reduction of the rental expense over the lease term on a straight-line basis.

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.

Policy applied from 1 January 2019 – see note 1(e)

(r) Impairment of non-current assets

The Company is required to test, on annual basis, whether goodwill has suffered any impairment. The Company 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.

1 Accounting policies *(continued)*

(s) Standards in issue but not yet effective

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

Amendments to References to the Conceptual Framework in IFRS Standards (effective 1 January 2020)

Amendment to IFRS 3 Business Combinations (effective 1 January 2020, not yet endorsed by EU)

Amendments to IAS 1 and IAS 8: Definition of Material (effective 1 January 2020)

Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform (effective 1 January 2020)

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

2 Critical accounting estimates and judgements

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 estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Judgements:

Deferred tax asset relating to brought forward losses	At 31 December 2019, the directors have had to assess the validity of the carrying value of tax losses attributable to the former Datapoint UK businesses that might be used against future profits, shown in note 22, which involves estimating the profitability for the Datapoint businesses, which are now reported within Maintel Europe Ltd. The company recognises the deferred tax asset for Datapoint tax losses on a streamed basis against forecast future taxable profits, which are expected to be generated by the former Datapoint businesses.
Impairment of non-current assets	The Company is required to test, on annual basis, whether goodwill has suffered any impairment. The Company 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.

3 Revenue

Other than sales of £3,515k to EU countries (2018 - £3,476k) and £614k to the rest of the world (2018 - £800k), revenue is wholly attributable to the principal activities of the Company and arises within the United Kingdom.

4 Other operating income

Other operating income includes monies associated with the recovery of an R&D tax credit of £784k (2018: £320k) and rental income of £155k (2018: £155k) for the sublet of part of the London head offices and rental income of £96k (2018:£nil) for the sublet of the Haydock office.

5 Directors

All of the directors who held office during the year were employees of Maintel Holdings Plc and received remuneration from that company.

6 Employees

	2019 Number	2018 Number
The average number of employees, including directors, during the period was:		
Corporate and administration	**91**	84
Sales and customer service	**214**	217
Technical and engineering	**283**	285
	588	586

Staff costs (excluding directors) consist of:	**£000**	**£000**
Wages and salaries	**32,147**	31,950
Social security costs	**3,519**	3,655
Other pension costs	**835**	634
	36,501	36,239

The Company makes contributions to defined contribution personal pension schemes for employees. Contributions to defined contribution personal pension schemes for the Company directors were received from Maintel Holdings Plc. The assets of the schemes are distinct from those of the Company. Pension contributions totalling £185k (2018: £165k) were payable to the schemes at the year end and are included in other creditors.

7 Operating profit

	2019 £000	2018 £000
This has been arrived at after charging/(crediting):		
Depreciation of property, plant and equipment	**695**	710
Depreciation of right of use assets	**1,267**	-
Amortisation of intangible fixed assets	**2,261**	1,538
Operating lease rentals:		
- land and buildings	**-**	1,094
- plant and machinery	**-**	315
Foreign exchange (gains) / losses	**(1)**	19
Auditors' remuneration:		
- audit services	**113**	180
- other services	**44**	17
Exceptional costs (see note 11)	**320**	798

8 Financial expense

	2019 £000	2018 £000
Interest payable on deferred consideration	**135**	84
Interest expense on leases	**181**	20
	316	104

9 Taxation on profit from ordinary activities

	2019 £000	2018 £000
UK corporation tax		
Current tax on profits of the year	**-**	1,122
Adjustment for prior year	**(720)**	(491)
	(720)	631
Deferred tax (note 22)		
Origination and reversal of temporary differences	**76**	163
Adjustment for prior year	**73**	451
	149	614
Taxation on profit on ordinary activities	**(571)**	1,244

9 Taxation on profit from ordinary activities (*continued*)

The tax assessed for the year is lower than (2018: lower than) the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%). The differences are explained below.

	2019 £000	2018 £000
Profit on ordinary activities before tax	**6,888**	**15,339**
Profit on ordinary activities at the standard rate of corporation tax in the UK of 19 % (2018 – 19%)	**1,309**	2,914
Effect of:		
(Income) / expenses not deductible for tax purposes	**(198)**	135
Tax effect of difference between capital allowances and depreciation	**-**	135
Adjustment for prior year	**(647)**	(40)
Non-taxable income (dividends)	**-**	(1,147)
Tax effect of intangible assets timing differences	**-**	(253)
Tax effect of tax losses recognised	**(820)**	(500)
Tax effect of utilisation of group relief	**(233)**	-
Other timing differences not recognised for tax	**18**	-
Total tax (credit) / charge for the period	**(571)**	1,244

10 Dividends

	2019 £000	2018 £000
Ordinary shares of £7,500 per share (2018: £7,500 per share)	**7,500**	7,500

11 Exceptional items

These are transactions that fall within the ordinary activities of the Company but are presented separately due to their size or incidence and consist of:

	2019 £000	2018 £000
Gain on sale of freehold property	**-**	(700)
(Provision releases) / costs relating to the closure of properties	**(119)**	43
Costs relating to an onerous property lease	**23**	244
Fees and integration costs relating to the acquisition of a customer base	**-**	45
Remeasurement of deferred consideration to fair value	**(746)**	-
Impairment of customer relationship assets (see note 13)	**339**	-
Systems integration costs	**163**	77
Net effect of the release of provisions relating to acquisitions	**44**	-
Property-related legal and professional costs	**63**	12
Acquisition and restructuring related redundancy costs	**451**	1,077
Other Legal and professional costs	**50**	-
Costs relating to Director's share options	**52**	-
	320	798

12 Investment in subsidiaries

	Shares in subsidiary Undertakings
	£000
Cost	
At 1 January 2019 and 31 December 2019	**42,945**
Provision for impairment	
At 1 January 2019 and 31 December 2019	**(42,945)**
Net book value	
At 1 January 2019 and 31 December 2019	**-**

Name of subsidiary	Transfer date of equity	Place of Incorporation	Proportion of Ownership Interest %	Proportion of voting power held %
Azzurri Communications Ltd	01 January 2017	England & Wales	100	100
Maintel Voice & Data Ltd	01 October 2016	England & Wales	100	100
Datapoint Customer Solutions Ltd	01 October 2016	England & Wales	100	100
Datapoint Global Services Ltd	01 October 2016	England & Wales	100	100
Intrinsic Technology Ltd	01 January 2018	England & Wales	100	100

The registered office for each of the subsidiaries is the same as the company 160 Blackfriars Road, London SE1 8EZ.

13 Intangible assets

	Customer relationships £000	Goodwill £000	Software £000	Total £000
Cost/Deemed cost				
At 1 January	14,201	66,580	4,733	85,514
Transfer from property, plant and equipment	-	-	483	483
Additions	-	-	1,142	1,142
Fair value adjustment	(339)	-	-	(339)
At 31 December 2019	**13,862**	**66,580**	**6,358**	**86,800**
Amortisation				
At 1 January 2019	2,715	-	3,241	5,956
Transfer from property, plant and equipment	-	-	185	185
Charge in the year	1,553	-	708	2,261
At 31 December 2019	**4,268**	**-**	**4,134**	**8,402**
Net book value				
At 31 December 2019	**9,594**	**66,580**	**2,224**	**78,398**
At 31 December 2018	11,486	66,580	1,492	79,558

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

During the year the fair value of customer relationships relating to certain UK customer contracts acquired from Atos in the prior year was adjusted by £339,000.

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

14 Property, plant and equipment

	Leasehold Improvements £000	Office and computer equipment £000	Motor vehicles £000	Total £000
Cost or valuation				
At 31 December 2018	1,834	7,423	47	9,304
Additions	-	759	-	759
Disposals	(925)	(546)	-	(1,471)
Transferred to intangible fixed assets	-	(483)	-	(483)
Transferred to right of use assets	-	(263)	-	(263)
At 31 December 2019	**909**	**6,890**	**47**	**7,846**
Depreciation				
At 31 December 2018	1,276	5,935	47	7,258
Fair value adjustment	-	-	-	-
Disposals	(925)	(445)	-	(1,370)
Transferred to Intangible fixed assets	-	(185)	-	(185)
Transferred to right of use assets	-	(66)	-	(66)
Provided in year	93	602	-	695
At 31 December 2019	**444**	**5,841**	**47**	**6,332**
Net book value				
At 31 December 2019	**465**	**1,049**	**-**	**1,514**
At 31 December 2018	558	1,488	-	2,046

15 Right of use assets

	Land and buildings £000	Office and computer equipment £000	Motor vehicles £000	Total £000
Cost or valuation				
At 1 January 2019 – recognition on transition to IFRS 16	4,487	141	296	4,924
Transfer from property, plant and equipment	-	263	-	263
Additions	-	189	44	233
At 31 December 2019	**4,487**	**593**	**340**	**5,420**
Depreciation				
At 1 January 2019 – recognition on transition to IFRS 16	-	-	-	-
Transfer from property, plant and equipment	-	66	-	66
Charge for the year	951	187	129	1,267
At 31 December 2019	**951**	**253**	**129**	**1,333**
Net book value				
At 1 January 2019	4,806	338	296	5,440
At 31 December 2019	**3,536**	**340**	**211**	**4,087**

16 Stock

	2019 £000	2018 £000
Maintenance stock	**1,300**	1,445
Stock held for resale	**1,879**	6,756
	3,179	8,201

In the opinion of the directors, there is no material difference between the replacement cost of stock and the amounts stated above.

Inventories recognised as an expense through the statement of comprehensive income for the period were as follows:

	2019 £000	2018 £000
Cost of Inventories recognised as an expense	**20,263**	26,052

17 Debtors

	2019 £000	2018 £000
Trade debtors	**15,597**	20,244
Other debtors	**690**	919
Prepayments and accrued income	**10,477**	12,890
Corporation Tax	**9**	-
	26,773	34,053

All amounts shown under debtors fall due for payment within one year.

18 Creditors: amounts falling due within one year

	2019 £000	2018 £000
Trade creditors	**10,844**	14,734
Amounts owed to parent company	**14,234**	11,581
Amounts owed to group undertakings	**42,881**	42,826
Taxation and social security	**3,402**	3,932
Corporation tax	**-**	1,007
Other creditors	**4,804**	4,119
Deferred consideration in respect of business combination	**990**	639
Accruals	**4,412**	7,434
Deferred income	**18,687**	26,537
Lease liabilities	**987**	-
	101,241	112,809

The company's ultimate parent company (Maintel Holdings plc) has agreed to provide financial support to the company to enable it to pay its debts as when they fall due for a period of one year from 26 July 2019, including support for balances owed to group undertakings.

19 Creditors: amounts falling due after more than one year

	2019 £000	2018 £000
Deferred rent incentive	**-**	512
Intangible licences payable	**125**	379
Advanced mobile commissions	**370**	43
Deferred consideration in respect of business combination	**2,403**	3,826
Lease liabilities	**3,367**	-
	6,265	4,760

20 Lease Liabilities

	2019 £000
Maturity analysis – contractual undiscounted cashflows	
In one year or less	1,174
Between one and five years	3,131
In five years or more	460
Total undiscounted lease liabilities at 31 December 2019	4,765
Current	987
Non-current	3,367
Lease liabilities included in the statement of financial position	4,354
Amounts recognised in the comprehensive income statement	
Interest expense on lease liabilities	165
Expenses relating to short term leases	98

During the years ended 31 December 2019 and 31 December 2018 there were no variable lease payments not included in the measurement of lease liabilities and there were no sale and leaseback transactions. Income from subleasing right of use assets in the year was £251,000

Reconciliation of operating lease commitments
At 31 December 2018 and 1 January 2019

	Operating lease commitments at 31 December 2018 £000	Incremental borrowing rate at 1 January 2019 £000	Discounted lease commitment at 1 January 2019 £000	Lease liability recognised at 1 January 2019 £000	Difference at 1 January 2019 £000
Land and buildings	5,344	3.5%	4,840	4,665	175
Other	463	3.5%	441	436	5
Total	5,807		5,281	5,101	180

The difference of £175k on land and buildings includes a short-term operating lease and non-lease components which were previously included within operating lease commitments at 31 December 2018

21 Provisions for liabilities

Non-current	2019 £000	2018 £000
Property dilapidations	-	183
Deferred tax liability	583	434
	583	617

Property dilapidations

Property dilapidations relate to the estimated cost of returning the leasehold offices in London, Aldridge and Weybridge to their original state at the end of the lease in accordance with the lease terms. Provision for property dilapidations has been reclassed to right of use assets under IFRS16 as at 1 January 2019.

Deferred taxation

Deferred tax is provided in respect of all temporary differences that have arisen but not reversed by the balance sheet date, as a result of the differences between the treatment of certain items for accounting and taxation purposes.

22 Deferred tax asset/(liability)

	2019 £000	2018 £000
The deferred tax asset/(liability) at the reporting date represents:		
Plant and equipment – capital allowances	1,266	1,137
Tax losses	-	632
Intangible assets- software licences	(133)	(133)
Intangible assets – customer relationships	(1,716)	(2,070)
	(583)	(434)

Analysis of movements in deferred tax liability

	2019 £000	2018 £000
At beginning of year	(434)	2,312
Transfer through profit and loss	(149)	(614)
On acquisition of intangibles	-	(2,132)
At end of year	(583)	(434)

23 Share capital

	Authorised		Allotted, called up and fully paid	
	2019	2018	2019	2018
	£000	£000	£000	£000
1,000 Ordinary shares of £1 each	1	1	1	1

24 Reserves

The following describes the nature and purpose of each reserve within equity:

Reserve	Description and purpose
Retained earnings	All gains and losses recognised through profit and loss and dividend transactions with owners.

25 Commitments under operating leases

The total future value of minimum lease payments payable are due as follows:

	2019 Land and buildings £000	2019 Other £000	2018 Land and buildings £000	2018 Other £000
Not later than one year	22	125	1,130	239
Later than one year and not later than five years	-	125	3,326	223
Later than five years	-	-	888	-
	22	250	5,344	462

The commitment relating to land and buildings is in respect of the Group's London, Aldridge, Haydock, Blackburn and Fareham offices and Haydock warehouse facility. The remaining commitment relates to contract hired motor vehicles (which are typically replaced on a 3-year rolling cycle), office equipment, datacentre space rental, licencing of billing software and office supplies.

25 Commitments under operating leases *(continued)*

Part of the London premises has been sublet, with future minimum rentals receivable under non-cancellable operating leases as set out below:

	2019 Land and buildings £000	2018 Land and buildings £000
The total future value of minimum lease payments receivable are due as follows:		
Not later than one year	**133**	234
Later than one year and not later than five years	**-**	376
	133	610

26 Contingent liability

At 31 December 2019, the Company had entered into a cross guarantee in favour of Royal Bank of Scotland plc in respect of facilities extended by RBS to the Company's parent company, Maintel Holdings Plc, and its subsidiary undertakings. At 31 December 2019, the carrying value of the debt facilities owed by Maintel Holdings Plc to RBS was £26m. As at 31 December 2019, the fair value of the guarantee liability is £Nil (2018: £Nil).

27 Events after the end of the reporting period

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

28 Ultimate parent company

At 31 December 2019 the Company's ultimate parent company was Maintel Holdings Plc, a company incorporated in the UK. Copies of the financial statements of Maintel Holdings Plc are available from Companies House.