

IDE Group Holdings Plc
(“IDE”, the “Group” or the “Company”)
Audited Results for the Year Ended 31 December 2020

IDE, the mid-market network, cloud and IT Managed Services provider, announces its audited results for the year ended 31 December 2020.

The Annual Report and Accounts for the year ended 31 December 2020 will shortly be available on the Company’s website at www.idegroup.com.

Copies of the Annual Report and Accounts are being posted to shareholders shortly.

Business summary

- While revenues declined in 2020 to £24.1 million from £28.2 million in 2019, gross margins have increased to 24.0% (2019: 22.8%) reflecting continued strong performance of our Manage business more than offsetting continued margin pressure in our Connect business. Adjusted EBITDA** declined to £0.5 million from £1.1 million in 2019. Losses on ordinary activities before taxation amount to £21.6 million (2019: £10.9 million).
- While 2020 saw reductions in both revenues and Adjusted EBITDA, the Group results reflect the consolidated position across two core businesses which operate in very distinct sectors. Our Connect business operates in the very congested market for networking and connectivity and experiences continued pressures on both revenues and margins. Our Manage business on the other hand operates very successfully within the managed services arena and has demonstrated continued revenue and margin growth with strong momentum.
- We have made an excellent start to 2021 within our Manage business, demonstrating significant growth in revenues and profitability. These results are based on developing long-term relationships with third-party system integrators and supply contracts typically with 3-5 year terms. Therefore, as we experience further growth we are generating a strong annuity income stream. With a pipeline of prospects within our Manage operations we can look forward to continued strong financial performance. Our Connect business is returning modest profits before the allocation of overheads.
- Given that the Group results reflect the very different levels of performance across two distinct business sectors we have commenced a full review of our operations. This review is focussed on growing momentum within our managed services business while we decide how best to return value to our shareholders in the networking and connectivity arena, which may or may not include the divestment of the Connect business. This review is ongoing and is a priority for the Board and management team.
- We have made key leadership appointments in 2020 and 2021 and have an experienced senior management team in place. The Group remains debt-free other than to key shareholders.

We have built a strong base to support a period of sustained growth and we are exploring organic and acquisitive methods to accelerate this development.

** Adjusted EBITDA is defined as earnings before interest, tax, depreciation, amortisation, impairment charges, exceptional items, loss on disposal of fixed assets and share-based payments

Andy Parker, Non-Executive Chairman
David Templeman, CFO

finnCap Limited

Nominated Adviser and Broker
Corporate finance: Jonny Franklin-Adams/ Abby Kelly
ECM: Tim Redfern/ Richard Chambers

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Chairman's Statement

2020 was an important year in the ongoing rationalisation of our trading businesses and we have continued the good work from 2019 in positioning the Group for a period of sustained growth which is now bearing fruit in 2021.

One key activity that we continued to focus on in 2020 and into the current year is the delineation between the core service-offerings across our Manage and Connect businesses. Our Manage business encompasses service lines broadly covering field and site engineering, projects and lifecycle, network monitoring and service desk support. Our Connect business services are broadly networking and connectivity, cloud and hosting, and voice/telephony.

During 2020 we continued to realign customer relationships more clearly associating them with the respective Manage or Connect offerings and allowing us to focus sales and marketing activity within the management team, and to allow a clear understanding of the shared overheads across the two businesses. This process has allowed us to target our sales activity and to improve management focus.

Manage

We appointed a new Managing Director of the Connect business in June 2020 (see also below) allowing our existing senior team to focus on developing our successful Manage business, with strong relationships being built with key customers. This has greatly benefitted the group's performance as we win significant long-term contracts in our Manage business, giving us excellent visibility of income in that business and strong performance moving into 2021. Our relationship with third-party system integrators has continued to develop on the excellent grounding already put in place, and we have seen further growth in opportunities both in service provision and project work through this channel particularly into the public sector. We are delivering IT services into a growing number of government departments and blue-chip institutional clients.

Securing and developing our partnership channels has proven to be a successful model with new customer wins in both the public and private sectors. We can look forward with great confidence to continued success in this area.

2020 saw revenues fall to £11.5 million (2019: £14.7 million). This was largely due to some cyclical variability in our supplies to system integrators (at somewhat less than £1m) and the novation of contracts to our Connect business. The division has seen strong improvement in gross profit margins to 39% (2019: 31% and 2018: 21%) and a continued reduction in overheads. The sum of these moved adjusted EBITDA to a profit in 2020 of £2.1 million (2019: profit of £1.1 million).

This significant improvement in financial performance, shows that this division is successfully being right-sized, further consolidation of field engineering is underway, and that continued profitable growth will be achieved in 2021.

Connect

In June we brought a new Managing Director on-board to develop and grow our Connect business, together with a small managed services business called Nimoveri Limited which we acquired as part of that onboarding. We began a comprehensive review of the Connect business in 2019 after declines in revenue and complexities in its operations and in 2020 we have continued a rationalisation programme,

concentrating our sales efforts and building a management team around him to drive the business forward. We have continued to concentrate our network and datacentre offerings wherever possible and have built stronger relationships with our customers. As I reported in my last Statement, this is a significant project which will take time to conclude, but we are confident that it is providing the foundations for growth of our datacentre, cloud and connectivity business.

Revenues in Connect were down year-on-year at £13.1 million (2019: £14.6 million) despite the novation of contracts from Manage valued at £1.7m, and we were disappointed to lose more cloud customers. The net result was a deterioration in gross margins to 8.5% (2019: 13%). There has been an increase in overheads level to £5.9 million from £4.5 million. The resulting adjusted EBITDA deteriorated to a loss of £0.8 million (2019: profit £0.7 million).

Our objectives in 2021 are to further reduce costs through datacentre and network consolidation and leverage these savings into more competitive pricing to generate new, and extend existing, business opportunities.

Given the prospects for the Connect business we have again reviewed the carrying value of goodwill, trademarks and customer relationships, contracts and other assets relating to that part of our business which results in an impairment charge of £14.0m in 2020 (2019: £3.0m). These impairment charges now mean that we are only carrying a small amount of goodwill resulting from the acquisition of Nimoveri of £0.2m. Our detailed forecasts for the Connect business demonstrate modest profitability at trading EBITDA (that is before the allocation of group central overheads) and thus allow us to concentrate on the continued progression of the business without the burden of carried intangible assets.

COVID-19

The unprecedented circumstances surrounding the COVID-19 pandemic continue to provide an uncertain economic landscape and increased risk aversion in financial markets. Whilst it is difficult to predict accurately the potential long-term consequences, we remain vigilant and, in common with all businesses, are closely monitoring the situation. The wellbeing of staff and the customers with whom they interact continues to be our overriding priority. We have instituted measures to ensure that our people can work safely and, in most cases, remotely, ensuring the continuity of the business. To date there has been no material effect on the business of the new working practices dictated by a much-changed business and social landscape. As we at last begin to enter into a post-pandemic business landscape we are confident that we have developed robust business practices to provide a solid grounding for sustained growth across our business.

Results

Revenue fell by 14.5% across the Group to £24.1 million for the full year (2019: £28.2 million), but significantly we have seen gross profit margin growth to 24%, (2019: 23%). Resulting gross profit has fallen year-on-year to 5.8 million (2019: £6.4 million).

The significant work undertaken to reduce the Group costs underpins the improvement in gross margins, but with reduced revenues and an increase in overheads (excluding non-underlying costs, impairment, amortisation and depreciation) by some 5% to £5.5 million (2019: £5.3 million) has resulted in Adjusted EBITDA falling to £0.5 million (2019: profit of £1.1 million). We received £0.38 million under the Covid Job Retention Scheme.

The net loss for the year from continuing operations is £18.5 million (2019: loss £8.5 million), after a £17.2 million amortisation and impairment charge (2019: £6.3 million against goodwill and acquired intangible assets).

The Group continues to improve its cash generation and has maintained strong working capital management.

People

The management team has made continued progress in simplifying the structure of the business and aligning services better to support our clients.

The board would like to recognise and thank its employees who have worked hard to deliver excellent client service and retain existing key clients.

Strategy

Having been greatly encouraged by the opportunities identified in the partnership channel and lifecycle businesses, and strong direct customers the Board has outlined a strategy to provide better alignment between our operating businesses, customer needs and driving competitive advantage as we widen the client base to which we offer the full portfolio of our services.

Additionally, changes to our internal operating model will assure consistent quality in our relationship and account management whilst maintaining our strength in financial management.

Our aim is to drive further operating margin improvement and deliver consistent growth in earnings in the medium and long-term.

Financing and dividend

Given the losses from continuing operations the Board is not proposing to declare a dividend at this time but will keep this policy under review.

Current trading and outlook

Trading in the current financial year remains buoyant in our key Manage business with current financial performance significantly ahead of our 2020 results and reflecting the excellent business relationships that we have developed with third-party system integrators. We have also consolidated that business within our existing premises in Dartford in April 2021 from which we can deliver first-class business logistics and support to our field and site engineering, projects and lifecycle, network monitoring and service desk support functions. Our Connect business continues to demonstrate the benefits of the rationalisation programme we commenced in previous years and we can now expect that business at trading EBITDA level to show modest growth in what is a very congested business sector.

Overall, despite the operating losses in our overall group in 2020, in the current year we are now seeing the real benefits of focussing our business strategy on profitable partnership channels and consolidating our group offering across the Manage and Connect operations and we can look to the future with confidence and expect to generate positive operating cashflow for the first time in several years.

We will now undertake a full strategic review of the ongoing operations of the Group with the following objectives:

- Consider how best to capitalise on the excellent progress we are experiencing in our Manage business with a view to build on that progress and consolidate our position within the sector, strengthening further our relationships with partner channels, to build this business organically and to assess market opportunities for acquisitive growth.
- Review our position in the networking and connectivity, cloud and hosting, and voice/telephony sectors serviced by our Connect business. Operational changes have given some promise of a slow recovery in this congested arena, and we will now decide how best that business can contribute to the future success of our combined Group

Andy Parker

Non-Executive Chairman

21 July 2021

Financial Review

The Group reported total revenues for the year to 31 December 2020 of £24.1 million, down from £28.2 million in 2019 and gross profit of £5.8 million (2019: £6.4 million). This shows an improvement year-on-year from 22.8% in 2019 to 24.0% in 2020 which is encouraging and reflects strong gross margin growth in the Manage business more than offsetting a deterioration in the Connect business.

The Group uses Adjusted EBITDA which is a non-GAAP measure of performance as it believes this more accurately reflects the underlying performance of the business. This is one of the key operational performance measures monitored by the Board. Adjusted EBITDA is defined as earnings before interest, tax, depreciation, amortisation, impairment charges, exceptional items, loss on disposal of fixed assets and share-based payments.

The adjusted EBITDA for the year to 31 December 2020 was a profit of £0.5 million (2019: profit of £1.1 million).

A detailed review of the business is set out in the Chairman's Statement and this Financial Review. Included in these reviews are comments on the key performance indicators that are used by the Board on a monthly basis to monitor and assess the performance of the business. These indicators include the level of revenue, gross profit and Adjusted EBITDA together with net debt.

Manage

There was a decrease in revenues to £11.5 million (2019: £14.7 million).

For the year we have seen an improvement in gross profit margins to 39% (2019: 31%), as a result of the services mix and operational efficiencies, and a reduction in overheads to £5.1 million (2019: £7.1 million), which is the result of reduced headcount, costs moving to Connect alongside novated contracts in 2019, and continued stringent cost saving initiatives.

Adjusted EBITDA attributable to Manage has moved to £2.1 million (2019: profit of £1.1 million).

Connect

Revenues in Connect fell to £13.1 million (2019: £14.6 million). This reflects additional revenues from Manage contracts novated offset by further customer losses. Gross margins fell to 8.5% (2019: 13%). Overheads increased to £6.0 million (2019: £4.5 million), and an impairment charge against assets of £14.0 million (2019: £3 million) was incurred following an annual impairment review.

Adjusted EBITDA attributable to Connect has declined to a loss of £0.8 million (2019: profit £0.7 million).

Exceptional items

Non-underlying items, relating to restructuring and reorganisation amount to £0.5 million in the year (2019: £0.6 million).

Finance costs

After incurring net finance costs of £1.8 million relating to interest and arrangement fees for loan notes, leases and bank debt (2019: £1.8 million), the loss before tax is £21.6 million (2019: loss of £10.9 million)

Taxation

The utilisation of tax losses and a deferred tax credit arising on the amortisation and impairment of intangible assets, together with impairment of PPE of £0.6 million has resulted in a tax credit for the year of £3.1 million (2018: £2.4 million)

The Group therefore reported a loss after tax from continuing operations of £18.5 million (2019: loss of £8.5 million), which equates to a basic loss per share of 4.61 pence (2019: loss per share of 2.12 pence).

Statement of Financial Position

Non-current assets

The Group has property, plant and equipment of £1.2 million (2019: £9.7 million) all of which are subject to depreciation as per the policies set out in the accompanying financial statements. During the year there were additions of £0.1m including assets acquired on acquisition (2019: £3.1 million additions, £2.9 million of this is in relation to the IFRS16 transition). Assets amounting to £5.6 million were written down as part of the impairment review of the Connect business.

We invested in operating system licences at the year end in an amount of £2.25 million. These licences will assist with our client operations and are payable in three tranches at the end of 2021, 2022 and 2023 respectively. The licences are capitalised as intangible assets at the present value of the payments, which are included within trade payables at the year end.

Further, intangible assets of goodwill, trademarks, capitalised technology and customer contracts are £11.4 million (2019: £21.1 million) and are subject to amortisation as per the policies set out in the accompanying financial statements. There was an impairment charge of £8.5m against goodwill and customer relationships in 2020 relating to the recoverability against future cashflows from IDE Group Connect (2019: £3 million). Details are shown in note 14.

Trade and other receivables

Trade and other receivables have fallen, reflecting revenue reductions in comparison to the previous year at £5.4 million (2019: £7.6 million) including trade receivables of £4.1 million (2019: £5.4 million) after a credit loss provision of £0.5 million (2019 £0.6 million). Whilst the overall reduction in trade receivables can be attributed to the fall in year-on-year revenues, there have been reductions resulting from improved customer payments and an improvement in the aged profile resulting in lower credit loss provisions.

Trade and other payables

Trade and other payables amounted to £10.1 million (2019: £7.6 million), including trade payables of £7.2 million (2019: £5.6 million) taxation and social security of £1.5 million (2019: £0.2 million) and accruals of £1.2 million (2019: £1.3 million).

The increase in taxation and social security has arisen largely from deferral of liabilities provided as part of Government Covid support.

Contract liabilities arise from customers being invoiced in advance of services delivered, in accordance with individual contractual terms, at the balance sheet date this amounted to £1.4 million (2019: £1.9 million), the decrease reflects the reduction in overall revenues as well as the mix of customers' contractual obligations for payment.

Cashflow and net debt

Net cash generated from operating activities during the year was £2.1 million (2019 £0.04m), reflecting positive underlying performance and careful management of working capital. Cashflow suffered due to customer losses in our Connect business, but our Manage business continues to do very well and has developed excellent relationships with key strategic partners. The Group invested £0.1 million (2019: £0.2 million) in fixed assets and invested £0.1 million in the acquisition of Nimoveri. There were no new borrowings (2019: £6.7 million net), but repayment of lease liabilities consumed £1.9 million (2019: £2.6 million) of cash. The net result is that as at 31 December 2020 there were no bank borrowings or overdraft debt and the cash balance was £0.7 million (2019: £0.7 million).

Dividend

The Directors do not propose a dividend in respect of the current financial year (2019: £nil).

Update and outlook for 2021

Set out within the Chairman's Statement are details of the current trading performance of our two trading businesses. Trading in the first 7 months of 2021 has been particularly strong in our Manage business, including very positive further contract wins from Atos IT Services UK Limited, while our Connect business continues to suffer in the congested networking and connectivity sector. We are carrying out a review of our operations and the Board is confident of the Group's future prospects.

Going concern

The Directors have produced detailed trading forecasts and cashflows which have been discussed with the Group's major shareholder who is represented on the Board. In reaching their conclusion on the going concern assumption, the Directors note and rely on the letter of support provided by MXC Capital Limited, in which they confirm they will continue to provide such financial support needed for continued operations for a period not less than one year from the date of approval of these financial statements. The Directors, having made the necessary inquiries, have satisfied themselves of MXC Capital's ability to provide such finance if necessary. The directors therefore have an expectation that the Group has adequate resources available to it to continue in operational existence for the foreseeable future. Accordingly, the Group continues to adopt the going concern basis in preparing its consolidated financial statements.

Strategic Report

Review of the Business

A detailed review of the business is set out in the Chairman's Statement and the Financial Review. The year under review was another challenging one for the business with overall revenues declining year-on-year, however gross margin improved and adjusted EBITDA* remained positive. Future developments and current trading and prospects are set out in the Chairman's Statement and the Financial Review. These reports together with the Corporate Governance Statement are incorporated into this Strategic Report by reference and should be read as part of this report. The Group's strategy is focused on maximising value for stakeholders by increasing revenues and profits by upselling to our current customer base as well as by bringing new customers on board.

At 31 December 2020, the Board comprised 3 Directors (2019:3) all of which were male. At 31 December 2020 the Group had 221 employees including Directors (2019: 262) of which 173 were male (2019:202) and 48 were females (2019:60).

* Adjusted EBITDA is defined as earnings before interest, tax, depreciation, amortisation, impairment charges, exceptional items, loss on disposal of fixed assets and share-based payments.

Principal Risks and Uncertainties

Identifying, evaluating and managing the principal risks and uncertainties facing the Group is an integral part of the way the Group does business. There are policies and procedures in place throughout the operations, embedded within our management structure and as part of our normal operating processes.

The Board reviews the principal risks on a bi-annual basis. The impact, measures in place and tactics to mitigate risks are assessed on a regular basis. The risk categories, set out below, have been identified by the Board as those currently considered to potentially have the most material impact on the Group's future performance. In addition to these risks, note 25 contains details of financial risks.

COVID-19

The COVID-19 pandemic has caused ongoing significant disruption to the UK economy and the financial impact to the Group continues to be difficult to quantify. During the lock-down periods the Group has seen some reduction in user support desk activities, which were mitigated by furloughing staff through the Job Retention Scheme. However, data centre and connectivity business have remained at expected levels, and we continue to see a significant increase in lifecycle services as certain customers ramped up deployment of equipment to facilitate their own staff working remotely,

We believe that demand for centralised managed services, cloud, user support desk, mobile working & collaboration, and over-arching business continuity solutions will provide good opportunities during the

current situation. The Board continues to monitor the situation and act to mitigate any financial impact which may arise.

Market and Economic Conditions

Market and economic conditions are recognised as one of the principal risks in the current trading environment. Risk is mitigated by the monitoring of trading conditions and changes in government legislation, the development of action plans to address specific legislative changes and the constant search for ways to achieve new efficiencies in the business without impacting service levels.

Exit of UK from European Union

The UK left the European Union on 31 January 2020. As the Group operations are very-much UK-centric, the Group has not had to make significant changes or incur significant disruption following Brexit.

Reliance on Key Personnel and Management

The success of the Group is dependent on the services of key management and operating personnel. The Directors believe that the Group's future success will be largely dependent on its ability to retain and attract highly skilled and qualified personnel and to train and manage its employee base. During the year, the restructuring programme continued which resulted in more members of staff being made redundant and other members of staff moving into new roles. For those who remain there are several employee benefits and active communication is encouraged within the business to mitigate the risk of losing skilled and qualified individuals. Furthermore, there is an apprenticeship scheme which the Group believes will assist in training and retaining younger individuals going forward.

Competition

The Group operates in a highly competitive marketplace and while the Directors believe the Group enjoys certain strengths and advantages in competing for business, some competitors are much larger with considerable scale. The Group monitors competitors' activity and constantly reviews its own services and prices to ensure a competitive position in the market is maintained.

Technology

The market for our services is in a state of constant innovation and change. We devote significant resource to the development of new service lines, ensuring new technologies can be incorporated and integrated with the Group's core services. The nature of the Group's services means that they are exposed to a range of technological risk, such as viruses, hacking and an ever-changing spectrum of security risk. We maintain constant pro-active vigilance against such risks and the Group maintains membership of some of the highest levels of security accreditation as part of the service it offers its customers.

Infrastructure Failure

The Directors believe that one of the key differentiators the Group offers is that its services are provided over its own controlled and managed infrastructure, such as its own networks and data centre. Whilst this provides customers with comfort over the resilience and reliability, the Group is also exposed to risks of infrastructure failure. A critical element of the Group's operating methodologies and procedures is to mitigate such risks through the careful construction, maintenance and management of its infrastructure. All networks and the data centre have fully resilient fail-over procedures with regular testing of back-up and recovery plans.

s.172 Companies Act 2006: Statement of Directors' Duties to Stakeholders

The Board is mindful of the duties of Directors under S.172 of the Companies Act 2006. The Directors act in a way they consider, in good faith, to be most likely to promote the success of the Company for the benefit of its members. In doing so, they each have regard to a range of matters when making decisions for the long-term success of the Company.

The Directors are committed to developing and maintaining a governance framework that is appropriate to the business and supports effective decision making coupled with robust oversight of risks and internal controls.

The main methods used by the Board to perform their duties and ensure decisions are made with section 172 factors in mind are:

- Monthly board meetings
- Board papers that address stakeholder requirements, for example financial overview, strategic decisions, investor relations, rolling agenda points and consistent minute taking
- Consideration of risks facing the business.

Examples of decisions made by the board during the year include the Group's continuing response to Covid-19, the acquisition of Nimoveri, restructuring programmes, and customer servicing, and these decisions involved consideration of all our stakeholders.

Standards of business conduct

The Board's policy is to behave responsibly, ethically and fairly at all times towards shareholders and other external stakeholders, in line with our Company values, and to ensure that our management teams operate the business in a responsible and fair manner and to the highest standards of business conduct and good governance.

The impact our business decisions will have on our stakeholders is central to our strategic thinking as well as our statutory duty under section 172 of the Companies Act 2006.

We have set out below our key groups of stakeholders.

Investors and shareholders

We place considerable importance on the maintenance of regular and open dialogue with our investors and shareholders. Our goal is to deliver returns to them through a return to profitable and sustainable development with efficient use of capital.

Engagement with Employees

In the face of the COVID-19 pandemic, we took early measures to protect employees and successfully executed a transition to remote working across all of its operations. Following careful engagement with employees, the team co-operated fully and adapted their way of working to provide uninterrupted service and support to customers throughout this challenging period.

During the period, the Company faced many challenges including a programme of cost rationalisation as a result of a downturn in certain service lines in part due to the COVID-19 pandemic. Employees were supported throughout this process and management focused on internal performance management and development to ensure employees have clear objectives and an understanding of their contribution to our overall business success and goals.

We strive to create a diverse and inclusive working environment where every employee feels welcome and can do their best work. We believe in the benefits of diversity and the importance of bringing a wide range of skills, experience and perspectives into our business. The Directors continually work with senior management to promote our values and to monitor attitudes and behaviours to ensure that they are consistent with our culture.

Engagement with suppliers, customers and others in a business relationship with the Company:

Suppliers

As a business dependent on suppliers and partners to deliver services for all of our stakeholders, we strive to manage these relationships as closely as possible to ensure they meet our standards. The Company is

committed to ensuring the highest standards and quality across our operations and require both our suppliers and partners to operate to the same high standards.

Customers

Our goal is to deliver best-in-class service for all of our customers and to provide seamless service acting as the outsourced provider of services to our customers and their staff. The provision of high-quality service to customers throughout the COVID-19 pandemic remains a priority for the Group and IDE's employees were able to provide uninterrupted service and support to customers.

Society and Environment

We believe our technology and products will benefit and advance society as a whole.

The Group acknowledges its responsibilities for environmental matters and where practicable adopts environmentally sound policies in its working practices, such as recycling paper and packaging waste and using specialist recyclers of scrap telecommunications and IT equipment. A major consideration when replacing company vehicles is their impact on the environment.

We make use of in-house collaboration tools to reduce the need for travel to meetings and operates flexible working practices where possible, reducing the environmental impact of commuting. Positive experience of an increase in these activities during the COVID-19 pandemic suggests these will continue at a higher level after the end of the pandemic.

Strategy

The market for network, cloud and IT managed services in the United Kingdom is highly fragmented and is served by a broad spectrum of businesses from global telecommunication companies through hardware and software providers, system integrators and a range of independent managed service providers of varying sizes through to companies providing individual elements of the IT managed services spectrum. The market is growing, driven by the continued move towards off-premise solutions and mobile access to secure services.

The Group positions itself in the market as being able to combine the benefits of its network and data centre with a flexible and technically skilled workforce able to deliver and support critical services and solutions in a highly secure environment. The Group seeks to differentiate itself in three distinct ways:

- Innovation – innovation in the design and delivery of services;
- Reliability – the right technical skills organised in the right way, to give predictable high quality results; and
- Value – service offerings that are designed to offer value for money to mid-market customers.

Through these differentiators, the Group aims to attract new customers and to deepen and broaden the relationship with existing customers. The Board's strategy for growth comprises:

- Ongoing investment in expanding and enhancing our own infrastructure so that we can provide our customers with the very highest level of security and service;
- Maximise revenue from our wide ranging customer base through high levels of service and a varied product and service set; and
- Efficient use of our scale and resources to explore and invest in new technologies so that our customers can benefit from the high levels of innovation across the whole industry.

We will also consider acquisition opportunities within the sector which would offer synergies and complementary or additive products and services. Our acquisition criteria are strict and mean that we would only consider buying a business whose operating model is similar to our own, would increase earnings, have high recurring revenues and would not over-leverage the Group.

Despite the continued challenges we met in 2020, the Board believes that the Group's position between the very large system integrators and network operators and the smaller competitors that may lack delivery structure, reputation, reliability and financial strength remains a very compelling one.

We have strong and reliable infrastructure and have developed a delivery model that provides assurance and certainty for customers. This underlying platform is the core strength of the Group and we will continue to consider augmenting underlying organic growth in the Manage business in 2021 with acquisitions to leverage this platform, should there be a compelling strategic and financial case.

On behalf of the Board

Ian Smith
Executive Director
21 July 2021

24 Dublin Street
Edinburgh EH1 3PP

Consolidated Statement of Comprehensive Income
for the year ended 31 December 2020

	Note	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
Continuing operations			
Revenue	3	24,061	28,161
Cost of sales	5	(18,294)	(21,742)
Gross profit		<u>5,767</u>	<u>6,419</u>
Other operating income	4	383	-
Administrative expenses excluding impairment	2 & 5	(11,835)	(12,450)
Impairment loss on trade receivables	5	(142)	(30)
Impairment charge on goodwill and intangibles	14	(8,473)	(3,000)
Impairment charge on property, plant and equipment	13	(5,481)	-
Total administrative expenses		<u>(25,548)</u>	<u>(15,480)</u>
Adjusted EBITDA*		533	1,143
Exceptional items	7	(479)	(588)
Depreciation	13	(2,616)	(3,241)
Amortisation	14	(3,233)	(3,289)
Impairment charge on goodwill and intangibles	14	(8,473)	(3,000)
Impairment charge on property, plant and equipment	13	(5,481)	-
Charges for share-based payments	27	(32)	(86)
Operating loss		<u>(19,781)</u>	<u>(9,061)</u>
Finance costs	9	(1,799)	(1,827)
Loss on ordinary activities before taxation		<u>(21,580)</u>	<u>(10,888)</u>
Income tax	11	3,103	2,411
Loss for the year from continuing operations		<u>(18,477)</u>	<u>(8,477)</u>
Discontinued operations			
Loss after tax for the year from discontinued operations	8	-	(179)
Loss for the year and total comprehensive income attributable to owners of the parent company		<u>(18,477)</u>	<u>(8,656)</u>
From continuing operations			
Basic and diluted loss per share	12	(4.61)p	(2.12)p
From discontinued operations			
Basic and diluted loss per share	12	-	(0.04)p
Total basic and diluted loss per share	12	<u>(4.61)p</u>	<u>(2.16)p</u>

* Adjusted EBITDA is defined as earnings before interest, tax, depreciation, amortisation, impairment charge, exceptional items, loss on disposal of fixed assets and share-based payments

The notes are an integral part of these financial statements.

Statements of Financial Position

As at 31 December 2020

	Note	Group		Company	
		2020 £000	2019 £000	2020 £000	2019 £000
Non-current assets					
Property, plant and equipment	13	1,208	9,706	-	-
Intangible assets	14	11,429	21,106	-	-
Investments	15	-	-	7,877	7,877
Deferred tax asset	11	3,439	1,821	-	-
Trade and other receivables	16	100	-	16,137	18,940
		16,176	32,633	24,014	26,817
Current assets					
Trade and other receivables	16	5,444	7,621	140	29
Cash and cash equivalents	17	693	679	7	103
		6,137	8,300	147	132
Total assets		22,313	40,933	24,161	26,949
Current liabilities					
Trade and other payables	18	8,487	7,562	1,830	2,075
Contract liabilities	19	1,370	1,926	-	-
Borrowings	21	531	1,766	-	-
Provisions	20	221	192	50	50
		10,609	11,446	1,880	2,125
Non-current liabilities					
Trade and other payables	18	1,584	-	-	-
Contract liabilities	19	15	6	-	-
Borrowings	21	14,847	14,333	13,988	12,474
Convertible loan notes	22	1,983	1,803	1,983	1,803
Provisions	20	91	230	-	-
Deferred tax liabilities	11	1,786	3,272	-	-
		20,306	19,644	15,971	14,277
Total liabilities		30,915	31,090	17,851	16,402
Net (liabilities)/assets		(8,602)	9,843	6,310	10,547
Equity attributable to equity holders of the parent					
Share capital	26	10,020	10,020	10,020	10,020
Share premium		35,439	35,439	35,439	35,439
Equity reserve		967	967	967	967
Retained earnings		(54,878)	(36,433)	(40,116)	(35,879)
Foreign currency translation reserve		(150)	(150)	-	-
Total equity		(8,602)	9,843	6,310	10,547

The notes are an integral part of these financial statements. The Company made a loss of £4.3 million in the year ended 31 December 2020 (2019: £21.7 million) and in accordance with s408 of the Companies Act 2006 has not presented a company statement of comprehensive income. These financial statements were approved by the Board of Directors on 21 July 2020 and were signed on its behalf by:

Ian Smith
Executive Director

Company registered number: SC368538

Statements of Changes in Equity for the year ended 31 December 2020

Group	Share Capital (a)	Share Premium (b)	Equity reserve (c)	Retained Earnings (d)	Foreign currency translation reserve (e)	Total equity
	£000	£000	£000	£000	£000	£000
Balance at 1 January 2019	10,020	35,439	967	(27,863)	(150)	18,413
Loss for the financial year and total comprehensive expense	-	-	-	(8,656)	-	(8,656)
<i>Transactions with owners recorded directly in equity:</i>						
Share based payments	-	-	-	86	-	86
Balance at 31 December 2019	10,020	35,439	967	(36,433)	(150)	9,843
Loss for the financial year and total comprehensive expense	-	-	-	(18,477)	-	(18,477)
<i>Transactions with owners recorded directly in equity:</i>						
Share based payments	-	-	-	32	-	32
Balance at 31 December 2020	10,020	35,439	967	(54,878)	(150)	(8,602)

(a) Share capital represents the nominal value of equity shares

(b) Share premium represents the excess over nominal value of the fair value of consideration received for equity shares net of expenses of the share issue;

(c) The equity reserve consists of the equity component of convertible loan notes that were issued as part of the fundraising in August 2018 less the equity component of instruments converted or settled.

The fair value of the equity component of convertible loan notes issued is the residual value after deduction of the fair value of the debt component of the instrument from the face value of the loan note.

(d) Retained earnings represents retained profits and accumulated losses

(e) On consolidation, the balance sheets of the Group's foreign subsidiaries are translated into sterling at the rates of exchange ruling at the balance sheet date. Exchange gains or losses arising from the consolidation of these foreign subsidiaries are recognised in the foreign currency translation reserve.

Company	Share Capital (a)	Share Premium (b)	Equity reserve (c)	Retained Earnings (d)	Total equity
	£000	£000	£000	£000	£000
Balance at 1 January 2019	10,020	35,439	967	(14,269)	32,157
<i>Total comprehensive loss for the year</i>					
Loss for the year	-	-	-	(21,696)	(21,696)
<i>Transactions with owners recorded directly in equity:</i>					
Share based payments	-	-	-	86	86
Balance at 31 December 2019	10,020	35,439	967	(35,879)	10,547
<i>Total comprehensive loss for the year</i>					
Loss for the year	-	-	-	(4,269)	(4,269)
<i>Transactions with owners recorded directly in equity:</i>					
Share based payments	-	-	-	32	32
Balance at 31 December 2020	10,020	35,439	967	(40,116)	6,310

- (a) Share capital represents the nominal value of equity shares
- (b) Share premium represents the excess over nominal value of the fair value of consideration received for equity shares net of expenses of the share issue;
- (c) The equity reserve consists of the equity component of convertible loan notes that were issued as part of the fundraising in August 2018 less the equity component of instruments converted or settled.
- The fair value of the equity component of convertible loan notes issued is the residual value after deduction of the fair value of the debt component of the instrument from the face value of the loan note.
- (d) Retained earnings represents retained profits and accumulated losses

Statements of Cash Flows

for the year ended 31 December 2020

Group	Note	2020 £000	2019 £000
Cash flows from operating activities			
Loss before tax for the year:			
Continuing operations		(21,580)	(10,888)
Discontinued operations		-	(216)
Total loss before tax		(21,580)	(11,104)
<i>Adjustments for:</i>			
Depreciation	13	2,616	3,241
Amortisation	14	3,233	3,289
Impairment charge on goodwill and intangibles	14	8,473	3,000
Impairment charge on property, plant and equipment	13	5,481	-
Net finance expenses	9	1,799	1,827
Share based payments	27	32	86
		54	339
Decrease in trade and other receivables		2,175	1,271
Increase/(Decrease) in trade and other payables and contract liabilities*		(4)	(1,355)
(Decrease)/increase in provisions		(111)	(208)
Net cash generated from operating activities		2,114	47
Cash flows from investing activities			
Acquisition of property, plant and equipment		(82)	(177)
Acquisition of Nimoveri, net of cash acquired	8	(72)	-
Acquisition of other intangible assets*		-	-
Net cash used in investing activities		(154)	(177)
Cash flows from financing activities			
Interest paid		(98)	(451)
New loans and borrowings, net of expenses		-	11,520
Repayment of loans and borrowings		-	(4,750)
Repayment of lease liabilities	22	(1,848)	(2,605)
Net cash (absorbed by)/generated from financing activities		(1,946)	3,714
Net increase in cash and cash equivalents		14	3,584
Cash and cash equivalents at 1 January		679	(2,905)
Cash and cash equivalents at 31 December		693	679
Cash and cash equivalents comprise			
Cash at bank	17	693	679
		693	679

* A balance of £1.8m has not been included in the additions of intangible assets as the invoice was outstanding at year end. This has been deducted from the movement in trade and other payables.

Company

	Note	2020 £000	2019 £000
Cash flows from operating activities			
Loss before tax for the year		(4,268)	(21,696)
Adjustments for:			
Net financial expenses		1,697	1,418
Impairment of intercompany loans		1,769	19,408
Share based payments		32	86
		<u>(770)</u>	<u>(784)</u>
(Increase)/decrease in trade and other receivables		28	(17)
Increase/(decrease) in trade and other payables		(388)	424
		<u>(1,130)</u>	<u>(377)</u>
Net cash used in operating activities			
Cash flows from investing activities			
Amounts (advanced to)/repaid by subsidiaries		1,034	(11,734)
		<u>1,034</u>	<u>(11,734)</u>
Net cash generated from investing activities			
Cash flows from financing activities			
Interest paid		-	(44)
New loans and borrowings, net of expenses		-	11,520
Repayment of loans and borrowings		-	(4,750)
		<u>-</u>	<u>6,726</u>
Net cash generated from financing activities			
Net decrease in cash and cash equivalents		(96)	(5,385)
Cash and cash equivalents at 1 January		103	5,488
		<u>7</u>	<u>103</u>
Cash and cash equivalents at 31 December	17	<u>7</u>	<u>103</u>

Notes to the Consolidated Financial Statements

1. Accounting policies

IDE Group Holdings plc ("IDE Group") is a company incorporated in Scotland, domiciled in the United Kingdom and limited by shares which are publicly traded on AIM, the market of that name operated by the London Stock Exchange. The registered office is 24 Dublin Street, Edinburgh EH1 3PP and the principal place of business is in the United Kingdom.

The principal activity of the Group is the provision of network, cloud and IT managed services.

The principal accounting policies, which have been applied consistently in the preparation of these consolidated and parent company financial statements throughout the year and all by subsidiary companies are set out below.

1.1 Basis of preparation

The above audited financial information does not constitute statutory financial statements as defined in section 434 of the Companies Act 2006. The above figures for the year ended 31 December 2020 have been extracted from the Group's financial statements which have been reported on by the Group's auditors and received an audit opinion which was unqualified and did not include any reference to matters to which the auditors drew attention by way of emphasis without qualifying their report or a statement under section 498(2) or section 498(3) of the Companies Act 2006. The Group's statutory financial statements for the year ended 31 December 2019 have been lodged with the Registrar of Companies.

These financial statements received an audit report which was unqualified and did not include any reference to matters to which the auditors drew attention by way of emphasis without qualifying their report or a statement under section 498(2) or section 498(3) of the Companies Act 2006. The financial statements for the year ended 31 December 2020 will be dispatched to the shareholders and filed with the Registrar of Companies. The preliminary announcement was approved by the Board and authorised for issue on 21 July 2021.

Going concern

The Directors have produced detailed trading forecasts and cashflows which have been discussed with the Group's major shareholder who is represented on the Board. In reaching their conclusion on the going concern assumption, the directors note and rely on the letter of support provided by MXC Capital Limited, in which they confirm to continue to provide such financial support needed for continued operations for a period not less than one year from the date of approval of these financial statements. The Directors having made the necessary inquiries, have satisfied themselves of MXC Capital's ability to provide such finance if necessary. The Directors therefore have an expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The group is now also investigating the possibility of alternative working capital funding sources which if available will further support working capital as our client activity increases. Accordingly, the Group continues to adopt the going concern basis in preparing its consolidated financial statements.

1.2 Basis of consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the total of the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in the consolidated income statement as incurred.

1.5 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. The cost includes the original price of the asset and the cost attributable to bringing the asset to its current working condition for its intended use.

Computer software includes software purchased from third party vendors used in conjunction with related hardware, rather than on a stand-alone basis, and is therefore treated as tangible.

Depreciation, down to residual value, is calculated on a straight-line basis over the estimated useful life of the asset, which is reviewed on an annual basis, as follows:

- | | |
|------------------------------------|---------------------------|
| • Leasehold property | Over remaining lease term |
| • Computer software | 3 - 5 years |
| • Network infrastructure | 3 - 10 years |
| • Equipment, fixtures and fittings | 3 - 5 years |

An item of property, plant and equipment is de-recognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year the item is de-recognised.

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

1.6 Impairment of assets

Goodwill is not subject to amortisation and is reviewed for impairment annually or more frequently if events or changes in circumstances indicate the carrying value may be impaired. As at the acquisition date, any goodwill acquired is allocated to each of the cash generating units expected to benefit from the business combination's synergies. Impairment is determined by assessing the recoverable amount of each cash generating unit to which the goodwill relates. When the recoverable amount of the cash generating unit is less than the carrying amount, including goodwill, an impairment loss is recognised.

Other intangible assets and property, plant and equipment are subject to amortisation and depreciation and are reviewed for impairment whenever events or changes in circumstances indicate the carrying values may not be recoverable. If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets or cash generating units are written down to their recoverable amount.

The recoverable amount of intangible assets and property, plant and equipment is the greater of the fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined by the cash generating unit to which the asset belongs. Fair value less costs to sell is, where known, based on actual sales price net of costs incurred in completing the disposal. Non-financial assets, other than goodwill, that were impaired in previous periods are reviewed annually to assess whether the impairment is still relevant.

1.7 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from proceeds.

1.8 Leases

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

1.9 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a risk-free rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

1.10 Current and deferred income tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided for on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, with the following exceptions:

- where the temporary difference arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination that at the time of the transaction neither affects accounting nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- deferred income tax assets are recognised only to the extent that it is probable that taxable profits will be available against which deductible temporary differences carried forward tax credits or tax losses can be utilised.

1.11 Trade and other receivables

Trade receivables, which principally represent amounts due from customers, are recognised at amortised cost as they meet the IFRS 9 classification test of being held to collect, and the cash flow characteristics represent solely payments of principal and interest.

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 customers with different credit risk profiles and current and forecast trading conditions.

Trade receivables are written-off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the company. The Group's trade and other receivables are non-interest bearing.

1.12 Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

1.13 Foreign currencies

The presentational currency of the Group is Pound Sterling (£) and the Group conducts the majority of its business in Sterling. Transactions in foreign currencies are initially recorded in the presentational currency by applying the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the presentational currency rate of exchange ruling at the balance sheet date. All differences are taken to the income statement.

1.14 Accrual for employee benefits, including holiday pay

Provision is made for employee benefits, including holiday pay, to the extent of the liability as if all employees of the Group had left the business at its reporting date.

1.15 Financial assets and liabilities

The Group's financial assets and liabilities mainly comprise cash, borrowings, trade and other receivables and trade and other payables. These are accounted for in accordance with the relevant accounting policy note.

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

1.16 Convertible loan notes

The component parts of convertible loans issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. At the date of issue, the fair value of the liability portion of convertible loan notes is determined using a market interest rate for a comparable loan note with no conversion option. This amount is recorded as a liability on an amortised cost basis using the effective interest method until the loan notes are redeemed or converted either during or at the end of the term of the convertible loan notes. The remainder of the carrying amount of the loan notes is allocated to the conversion option and shown within equity, and is not subsequently remeasured. When the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to retained earnings. No gain or loss is recognised in the income statement upon conversion or expiration of the conversion options.

1.17 Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at fair value less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised in the finance cost line in the income statement.

1.18 Finance costs

Loans are carried at fair value on initial recognition, net of unamortised issue costs of debt. These costs are amortised over the loan term.

All other borrowing costs are recognised in the income statement on an accruals basis, using the effective rate method.

1.19 Revenue

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of Valued Added Tax, returns, rebates and discounts and after the elimination of sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below.

Recurring revenue

The largest portion of the Group's revenues relates to a number of network, cloud and IT managed services, which the Group offers to its customers. All of the revenue in this category is contracted and includes a full range of support, maintenance, subscription and service agreements. Revenue for these types of services is recognised as the services are provided 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. In terms of performance obligations, the customer can benefit from each service on its own and the Group's promise to transfer the service to the customer is separately identifiable from other promises in the contract. The transaction price for each service is allocated to each performance obligation. The costs incurred for these revenue streams typically match the revenue pattern. A contract liability is recognised when billing occurs ahead of revenue recognition. A contract asset is recognised when the revenue recognition criteria were met but in accordance with the underlying contract, the sales invoice has not been issued yet.

Project revenue

These project services include mainly installation and consultancy services. Performance obligations are met once the hours or days have been worked. Revenue is therefore recognised over time based on the hours or days worked at the agreed price per hour or day. The costs incurred for this revenue stream generally match the revenue pattern, as a significant portion of consultancy costs relate to staff costs, which are recognised as incurred. Consultancy services are generally provided on a time and material basis.

1.20 Government Grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Where applicable, government grants are offset against the expenditure to which they relate.

1.21 Exceptional items

It is the policy of the Group to identify certain costs, which are material either because of their size or nature, separately on the face of the Income Statement in order that the underlying profitability of the business can be clearly understood. These costs are identified as Exceptional costs, and comprise;

- a) Professional fees incurred in sourcing and completing acquisitions and disposals including legal expenses
- b) Professional fees incurred in restructuring and refinancing acquisitions
- c) Integration costs which are incurred by the Group when integrating one trading business into another, including rebranding of acquired businesses
- d) Redundancy costs, including employment related costs of staff made redundant up to the date of their leaving as a consequence of integration
- e) Property costs such as lease termination penalties and vacant property provisions and third-party advisor fees

1.22 Cost of Sales

Cost of sales include costs which are directly attributable to the supply of goods and services, including salary costs of all employees whose roles are directly related to the provision of services.

1.23 Operating profit or loss

The operating profit or loss is identified in the income statement and represents the profit or loss on continuing activities before finance income, finance costs and taxation.

1.24 Alternative performance measure

The group uses an alternative measure in the Income Statement, being Adjusted EBITDA, defined as earnings before interest, tax, depreciation, amortisation, impairment charges, exceptional items, loss on disposal of fixed assets and share-based payments.

1.25 Discontinued operations

Cash flows and operations that relate to a major component of the business that has been disposed of, or is classified as held for sale or distribution are shown separately from continuing operations.

1.26 Segmental reporting

The Chief Operating Decision Maker has been identified as the Executive Board. The Chief Operating Decision Maker reviews the Group's internal reporting in order to assess performance and allocate resources. For management reporting purposes and operationally, the continuing operations of the Group consist of three operating segments: IDE Group Manage, IDE Group Connect and Nimoveri Limited which was acquired during the current year. IDE Group Manage and Nimoveri Limited consists of IT Managed services and IDE Group Connect consists of connectivity, cloud and colocation services. The Board assess the performance of the operating segments based on profitability and EBITDA. An analysis of revenue and gross profit of both segments is described under their respective headings in the financial review. Information provided to the Executive Board is measured in a manner consistent with that in the Financial Statements.

1.27 Application of new IFRSs and interpretations

a) New standards, interpretations and amendments effective from 1 January 2020

New standards adopted in the annual financial statements for the year ended 31 December 2020 but which have not had a significant effect on the Group are:

- IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment – Definition of Material)
- IFRS 3 Business Combinations (Amendment – Definition of Business)
- Conceptual Framework for Financial Reporting (Revised)
- COVID-19 Related Rent Concessions (Amendment to IFRS16)

b) New standards, interpretations and amendments not yet effective

A number of standards, amendments to standards and interpretations have been issued by the IASB and are effective in future accounting periods which the Group has decided not to adopt early. The following amendment is effective for the period beginning 1 January 2021:

- Interest Rate Benchmark Reform (Amendments to IFRS9, IAS 39, IFRS 7 and IFRS16)

The following amendments are effective for the period beginning 1 January 2022:

- Onerous Contract – Cost of fulfilling a Contract (Amendments to IAS 37)
- Property, plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
- Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS1, IFRS 9, IFRS 16 and IAS 41)
- References to Conceptual Framework (Amendments to IFRS 3)

The Group is assessing the impact of these new standards and amendments but does not expect that they will have a material impact on the Group

1.28 Critical accounting estimates and judgements

Estimates

The Group makes estimates and assumptions concerning the future, which by definition will seldom result in actual results that match the accounting estimate. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below:

Estimated impairment of goodwill and intangibles - the Group tests whether goodwill and any non-amortised intangible assets have suffered any impairment, in accordance with the accounting policy stated in 1.5 above. The Group also tests at the year end whether other intangible assets which are amortised have suffered any impairment. The value-in-use calculations contain a number of significant estimates and assumptions including future sales, margins and appropriate discount rates. See note 14 in the financial statements for an analysis of goodwill and CGUs.

Estimation of probability of loss on recoverability of intercompany loans - Where full recoverability of an intercompany loan is not certain, an estimate is determined as to the probability of recoverability. This considers the probability of default, loss arising under any default, and the exposure upon any default

Judgements

In the process of applying the Group's accounting policies, management makes various judgements which can significantly affect the amounts recognised in the financial statements. Critical judgements are considered to be:

Classification of exceptional costs - the Directors have exercised judgement when classifying certain costs arising during integration and strategic reorganisation projects. The Directors believe that these costs are all related to the types of costs described in 1.20 above and are appropriately clarified.

Recoverability of deferred tax asset – the Directors have exercised judgement on the recoverability of tax losses attributable to future trading profits generated by the Group, and in doing so this has given rise to a deferred tax asset details of which are shown in note 11 to the financial statements.

2. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting to the Chief Operating Decision Maker (“CODM”). The CODM has been identified as the Executive Board. The Executive Board is responsible for resource allocation and assessing the performance of the operating segments. The operating segments are defined by distinctly separate product offerings or markets. The CODM assesses the performance of the operating segments based on a measure of revenue and gross profit. The CODM does not review the segmental assets and liabilities on a disaggregated basis and therefore this information has not been provided

The following table presents revenue and gross profit in respect of the Group's continuing operating segments for the year ended 31 December 2020. Certain contract novations took place in 2020 between our Manage and Connect businesses with an annualised contract value of £1.7m.

Year ended 31 December 2020	IDE Group Manage	IDE Group Connect	Nimoveri Limited	Central & inter-segment	Total Continuing Operations
	£000	£000	£000	£000	£000
Revenue from contracts with customers	11,527	13,062	269	(797)	24,061
Cost of Sales	(7,014)	(11,953)	(124)	797	(18,294)
Gross profit	4,513	1,109	145	-	5,767
Other Income	286	82	15	-	383
Administrative expenses	(5,083)	(5,962)	(126)	(806)	(11,977)
Impairment charge	-	(13,954)	-	-	(13,954)
Operating profit/(loss)	(284)	(18,725)	34	(806)	(19,781)
<i>Analysed as:</i>					
Adjusted EBITDA	2,103	(836)	34	(768)	533
Exceptional costs	(381)	(92)	-	(6)	(479)
Depreciation	(837)	(1,779)	-	-	(2,616)
Amortisation of intangible assets	(1,169)	(2,064)	-	-	(3,233)

Impairment charge	-	(13,954)	-	-	(13,954)
Share based payments	-	-	-	(32)	(32)
Financial costs	(86)	(16)	-	(1,697)	(1,799)
Profit/(loss) before taxation	(370)	(18,741)	34	(2,503)	(21,580)
Tax on profit/(loss) on ordinary activities	139	404	(4)	2,564	3,103
Profit/(loss) for the year after taxation	(231)	(18,337)	30	61	(18,477)

Nimoveri has been presented separately in the above table as it is a hybrid business which does not fit easily into either of the other two segments, and in order to provide details of the results since acquisition.

Year ended 31 December 2019	IDE Group Manage	IDE Group Connect	Central & inter-segment	Total Continuing Operations	Discontinued Operations	Total
	£000	£000	£000	£000	£000	£000
Revenue from contracts with customers	14,660	14,603	(1,102)	28,161	(216)	27,945
Cost of Sales	(10,128)	(12,716)	1,102	(21,742)	-	(21,742)
Gross profit	4,532	1,887	-	6,419	(216)	6,203
Administrative expenses	(7,069)	(4,525)	(886)	(12,480)	-	(12,480)
Impairment charge	-	(3,000)	-	(3,000)	-	(3,000)
Operating profit/(loss)	(2,537)	(5,638)	(886)	(9,061)	(216)	(9,277)
<i>Analysed as:</i>						
Adjusted EBITDA	1,113	749	(719)	1,143	(216)	927
Exceptional costs	(355)	(152)	(81)	(588)	-	(588)
Depreciation	(1,469)	(1,772)	-	(3,241)	-	(3,241)
Amortisation of intangible assets	(1,826)	(1,463)	-	(3,289)	-	(3,289)
Impairment charge	-	(3,000)	-	(3,000)	-	(3,000)
Share based payments	-	-	(86)	(86)	-	(86)
Financial costs	(369)	(38)	(1,420)	(1,827)	-	(1,827)
Profit/(loss) before taxation	(2,906)	(5,676)	(2,306)	(10,888)	(216)	(11,104)
Tax on profit/(loss) on ordinary activities	1,130	277	1,004	2,411	37	2,448
Profit/(loss) for the year after taxation	(1,776)	(5,399)	(1,302)	(8,477)	(179)	(8,656)

The Group had one customer who accounted for 29% of revenue from continuing operations during the year (2019: 27%). This revenue is attributed fully to the IDE Group Manage segment.

3. Revenue

	2020	2019
	£000	£000
<i>Revenue from contracts with customers</i>		
Sale of goods	959	925
Rendering of services	23,102	27,236
	<hr/>	<hr/>
Total	24,061	28,161
	<hr/> <hr/>	<hr/> <hr/>

Disaggregation of revenue

The disaggregation of revenue from contracts with customers is as follows:

Year ended 31 December 2020	Managed Services £000	Cloud Hosting £000	Networks £000	Projects £000	Total £000
<i>Geographical regions</i>					
United Kingdom	10,151	5,333	3,774	3,546	22,804
Europe	59	472	332	29	892
Rest of world	11	227	127	-	365
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total	10,221	6,032	4,233	3,575	24,061
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Timing of revenue recognition

Goods transferred at a point in time	915	-	-	44	959
Services transferred over time	9,306	6,032	4,233	3,531	23,102
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total	10,221	6,032	4,233	3,575	24,061
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Year ended 31 December 2019	Managed Services £000	Cloud Hosting £000	Networks £000	Projects £000	Total £000
<i>Geographical regions</i>					
United Kingdom	10,998	7,222	4,709	3,968	26,897
Europe	162	421	358	43	984
Rest of world	-	104	176	-	280
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total	11,160	7,747	5,243	4,011	28,161
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Timing of revenue recognition

Goods transferred at a point in time	925	-	-	-	925
Services transferred over time	10,235	7,747	5,243	4,011	27,236
Total	11,160	7,747	5,243	4,011	28,161

Contract balances

	2020	2019
	£000	£000
Receivables included within trade and other receivables	4,598	6,006
Contract assets	178	590
	4,776	6,596
Contract liabilities	(1,385)	(1,932)
Total	3,391	4,664

Contract assets predominantly relate to fulfilled obligations in respect of projects and managed services which are billed monthly and in arrears. At the point where completed work is invoiced, the contract asset is derecognised and a corresponding receivable recognised.

Contract liabilities relate to consideration received from customers in advance of work being completed.

The change in contract assets and liabilities is a result of a reduction in revenue in the year ended 31 December 2020. In the year, contract liabilities of £1,926k were recognised in revenue.

The Group's standard payment terms are 30 days from the date of invoice. Refunds are only due in the exceptional circumstances where the Group does not meet the performance obligations set out in a contract. The majority of revenue for services is invoiced monthly, sometimes quarterly, in advance, and goods are invoiced on delivery.

Unsatisfied performance obligations

All contracts for the provision of services are for periods of one year or less or are billed based on resources utilised. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

4 Other operating income

Other operating income comprises government grants receivable.

5 Expenses by nature

	2020	2019
	£000	£000
Continuing operations		
Direct staff costs	6,549	7,326
Third party cost of sales	11,745	14,416
Employee costs within administrative expenses	3,024	2,734
Amortisation of intangible assets	3,233	3,289
Depreciation	2,616	3,241
Impairment charge	13,954	3,000
Impairment loss on trade receivables	142	30
Share-based payments	32	86
Other restructuring costs	34	261

Other administrative costs	2,896	2,839
	<hr/>	<hr/>
Total cost of sales and administrative expenses	44,225	37,222
	<hr/> <hr/>	<hr/> <hr/>

6 Auditor's remuneration

	2020	2019
	£000	£000
Audit of these financial statements	41	24
Amounts receivable by auditors and their associates in respect of:		
Audit of financial statements of subsidiaries of the Company	85	78
Additional fees charged in respect of prior year's audit	30	31
	<hr/>	<hr/>
Total	156	133
	<hr/> <hr/>	<hr/> <hr/>

7 Exceptional costs

In accordance with the Group's policy in respect of exceptional items, the following charges were incurred for the year in relation to continuing operations:

	2020	2019
	£000	£000
Restructuring and reorganisation costs	479	466
Other exceptional costs	-	122
	<hr/>	<hr/>
	479	588
	<hr/> <hr/>	<hr/> <hr/>

Restructuring and reorganisation costs in the year ended 31 December 2020 and the year ended 31 December 2019 relate to costs incurred on the restructure of the Group, predominantly redundancy costs, of which £445k are staff related as disclosed in note 10 (2019: £327k).

Other exceptional costs in the year ended 31 December 2019 relate mainly to costs associated with a break in at the Dartford facility.

8 Acquisition and discontinued operations

On 1 June 2020, the Group completed the acquisition of 100% of the issued share capital of Nimoveri Holdings Limited and its subsidiary, a small cloud and IT services business, for a total consideration of £200,000; £100,000 paid in cash on completion and the issue of £100,000 0% loan notes by IDE Group Limited, a Group company (the "Nimoveri Loan Notes"). The Nimoveri Loan Notes are secured over the assets of Nimoveri Holdings Limited and redeemable on 31 December 2021.

The following table summarises the consideration and the fair value of the assets acquired:

Consideration	£'000
Cash	100
Loan notes	100
	<hr/>
	200
Fair value of recognised amounts of identifiable assets acquired and liabilities assumed	
Cash	28
Property, plant and equipment	6
Trade and other receivables	96
Trade and other payables	(131)
Deferred tax asset	5

Total identifiable net assets	<u>4</u>
Goodwill	196
Total	<u>200</u>

Acquisition related costs of £1k have been charged to administrative expenses in the Consolidated Income Statement.

There was no credit loss provision in respect of trade and other receivables.

The revenue included in the Consolidated Income Statement since 1 June 2020 contributed by Nimoveri was £269k, and profit before tax of £29k.

If Nimoveri had been consolidated from 1 January 2020 the Consolidated Statement of Income would show pro-forma revenue of £24.3m and profit before tax of £21.6m.

Discontinued operations

On 12 October 2018, the Company sold the entire issued share capital of 365 ITMS Limited and its subsidiaries to PTCA Newco Limited., Further losses of £0.2m were identified in 2019 on contracts novated as part of the disposal.

9 Finance costs

Continuing Operations	2020	2019
	£000	£000
Interest payable on bank loans and overdrafts	-	29
Interest expense on lease liabilities	98	422
Amortisation of loan arrangement fees	134	138
Interest expense in respect of convertible loan notes	180	149
Interest expense in respect of loan notes	1,383	1,089
Other interest	4	-
	<u>1,799</u>	<u>1,827</u>
	<u><u>1,799</u></u>	<u><u>1,827</u></u>

10 Employee benefits expense

Staff costs for the year, including Directors, relating to continuing operations amounted to:

	2020	2019
	£000	£000
Wages and salaries	7,700	8,293
Social security costs	779	841
Other pension costs	649	599
Restructuring costs	445	327
	<u>9,573</u>	<u>10,060</u>
	<u><u>9,573</u></u>	<u><u>10,060</u></u>

At 31 December 2020, the Group employed 237 staff, including Directors (2019: 262).

The average monthly number of persons employed by the Group during the year, including Directors, analysed by category, and relating to continuing operations, was as follows:

	Number of employees	
	2020	2019
Operations	181	200
Sales and Marketing	17	17
Administration	44	48
Directors	3	3
	<hr/>	<hr/>
Total average monthly headcount	245	268
	<hr/>	<hr/>

The Company employed an average of 4 employees during 2020 (2019: 3).

For Directors who held office during the year, emoluments for the year ended 31 December 2020 were as follows:

	Salary/fees 2020 total £	Salary/fees 2019 total £
Executive		
Ian Smith ¹	202,315	50,000
Andy Parker	80,833	150,000
Non-Executive		
Max Royde ²	-	26,048
Sebastian White ²	30,000	3,952
Total	<hr/> 313,148 <hr/>	<hr/> 230,000 <hr/>

1. Directors' emoluments to Ian Smith were paid to MXC Advisory Limited, a subsidiary of MXC Capital Limited

2. Directors' emoluments to Max Royde and Sebastian White were paid to Kestrel Partners LLP

Social security costs in respect of Directors' emoluments were £10k (2019: £19.5k). Pension contributions were made to a defined contribution scheme for previous Directors. No current director participates in any Company pension scheme.

None of the Directors made any gains on the exercise of share options in 2020 or 2019.

11 Taxation

(a) Tax on loss on ordinary activities

	2020 £000	2019 £000
Current tax		

Current year	-	-
Adjustments for prior years	-	-
	<u>-</u>	<u>-</u>
Current tax	-	-
	<u>-</u>	<u>-</u>
Deferred tax credit	(3,103)	(2,448)
	<u>-</u>	<u>-</u>
Total tax credit	(3,103)	(2,448)
	<u>-</u>	<u>-</u>
Relating to:		
Continuing operations	(3,103)	(2,411)
Discontinued operations	-	(37)
	<u>-</u>	<u>-</u>
	(3,103)	(2,448)
	<u>-</u>	<u>-</u>

Following the year end, the Finance Act 2021 increased the main corporation tax rate from 19% to 25% with effect from 1 April 2023. Given the extent of the deferred tax asset recognised in respect of tax losses, it is expected that there will be a material effect to the deferred tax assets and liabilities as stated from the increase in the corporation tax rate from 2023.

Reconciliation of the total income tax credit:

	2020	2019
	£000	£000
Loss before taxation on continuing operations	(21,580)	(10,888)
	<u>-</u>	<u>-</u>
Tax using the United Kingdom corporation tax rate of 19% (2019: 19%)	(4,100)	(2,069)
Non-deductible expenses	4	165
Amortisation and impairment of goodwill and intangibles	915	587
Tax losses utilised	(93)	-
Prior year adjustment deferred tax	-	(1,233)
Adjustment for rate change	171	139
Discontinued operations	-	(37)
	<u>-</u>	<u>-</u>
Total tax credit	(3,103)	(2,448)
	<u>-</u>	<u>-</u>

(b) Deferred tax (asset)/liability

	£000	£000	£000
	(Asset)	Liability	Net (asset)/liability
At 1 January 2019	(1,240)	5,139	3,899
Credit to income statement	(1,131)	(1,317)	(2,448)
	<u>-</u>	<u>-</u>	<u>-</u>
At 1 January 2020	(2,371)	3,822	1,451
Business Combinations	-	(1)	(1)
Credit to income statement	-	(2,036)	(2,036)
Timing differences in respect of intangible assets	(40)	-	(40)
Timing differences in respect of tangible assets	(1,026)	-	(1,026)
Recognition of losses	-	-	-

Short term timing differences	(1)	-	(1)
	<u>(1,067)</u>	<u>(2,036)</u>	<u>(3,103)</u>
At 31 December 2020	<u>(3,439)</u>	<u>1,786</u>	<u>(1,653)</u>

Deferred tax liabilities arose in respect of the amortisation of intangible assets recognised on acquisitions made and the difference between capital allowances and depreciation, details as follows:

	2020 £000	2019 £000
Fixed asset timing differences	1,786	3,272
At 31 December	<u>1,786</u>	<u>3,272</u>

Deferred tax assets arose in respect of trade losses and fixed asset differences, details as follows:

	2020 £000	2019 £000
Tax losses recognised	2,832	1,806
Other temporary differences	17	15
Depreciation in advance of capital allowances	590	-
At 31 December	<u>3,439</u>	<u>1,821</u>

Deferred tax assets are recognised for tax losses carried forward of £14.9 million (2019: £10.7 million) to the extent that the realisation of the related tax benefit through future taxable profits is probable. In assessing recoverability, management considers that the appropriate period over which profits can be assessed with a reasonable degree of certainty, and therefore used to offset the losses, is the period to 31 December 2029.

The evidence supporting the recognition of the deferred tax asset for losses is the partial use of losses in the year.

The Group had unrecognised trading losses carried forward at 31 December 2020 of £18.0 million (2019: £18.5 million).

Company: The Company has no deferred tax assets or deferred tax liabilities as at 31 December 2020 or 31 December 2019.

12 Earnings per share

Basic earnings per share has been calculated using the loss after tax for the year for continuing operations of £18.5 million (2019: £8.5 million), a loss after tax for the year for discontinued operations of £nil (2019: £0.2 million) and a weighted average number of ordinary shares of 400,802,032 (2019: 400,802,032). The weighted average number of ordinary shares for the purpose of calculating the basic and diluted measures is the same. This is because the outstanding share incentives, details of which are given in note 27, would have the effect of reducing the loss per ordinary share and therefore would be anti-dilutive under the terms of IAS 33.

Continuing operations

2020	2019
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Statutory basic and diluted loss per share (pence)	(4.61)p	(2.12)p
Discontinued operations		
Statutory basic and diluted loss per share (pence)	-	(0.04)p
Total basic and diluted loss per share	(4.61)p	(2.16)p

13 Property, plant and equipment

Group

	Leasehold property £000	Network infrastructure £000	Equipment, fixtures and fittings £000	Total £000
Cost				
At 1 January 2019	117	14,441	3,284	17,842
Additions	10	57	110	177
Right of use assets recognised on transition to IFRS16	2,542	85	307	2,934
At 31 December 2019	<u>2,669</u>	<u>14,637</u>	<u>3,701</u>	<u>20,953</u>
Additions	-	54	28	82
Acquisition (note 8)	-	-	6	6
Lease modification	(488)	-	-	(488)
Disposals	-	-	(9)	(9)
At 31 December 2020	<u>2,181</u>	<u>14,637</u>	<u>3,726</u>	<u>20,544</u>
Accumulated depreciation				
At 1 January 2019	96	5,225	2,685	8,006
Charge for the year - continuing	521	2,071	649	3,241
At 31 December 2019	<u>617</u>	<u>7,296</u>	<u>3,334</u>	<u>11,247</u>
Charge for the year – continuing	527	1,781	308	2,616
Disposal	-	-	(8)	(8)
Impairment	-	5,481	-	5,481
At 31 December 2020	<u>1,144</u>	<u>14,558</u>	<u>3,634</u>	<u>19,336</u>
Net carrying amount				
31 December 2020	<u>1,037</u>	<u>79</u>	<u>92</u>	<u>1,208</u>
31 December 2019	<u>2,052</u>	<u>7,189</u>	<u>367</u>	<u>9,706</u>

The impairment charge for the year arises from the impairment review carried out in the year in respect of the Connect segment. Details are included in note 14. Due to the forecast continuing losses it has been determined that the Connect CGU has no value in use and therefore full provision has been made against the carrying value of the infrastructure assets attributable to the Connect CGU.

Right of use assets

The carrying amounts of property, plant and equipment include right of use assets as detailed below:

	Leasehold £000	Network infrastructure £000	Equipment, fixtures and fittings £000	Total £000
Cost				
At 1 January 2019	-	-	-	-
Right of use assets recognised on transition to IFRS16	2,542	85	307	2,934
At 31 December 2019	<u>2,542</u>	<u>85</u>	<u>307</u>	<u>2,934</u>
Lease modification	(488)	-	-	(488)
At 31 December 2020	<u>2,054</u>	<u>85</u>	<u>307</u>	<u>2,446</u>
Accumulated depreciation				
At 1 January 2019	-	-	-	-
Charge for the year	505	73	178	756
At 31 December 2019	<u>505</u>	<u>73</u>	<u>178</u>	<u>756</u>
Charge for the year – continuing	512	12	83	607
At 31 December 2020	<u>1,017</u>	<u>85</u>	<u>261</u>	<u>1,363</u>
Net carrying amount				
31 December 2020	<u>1,037</u>	<u>-</u>	<u>46</u>	<u>1,083</u>
31 December 2019	<u>2,037</u>	<u>12</u>	<u>129</u>	<u>2,178</u>

Additions to the right-of-use assets during the year were nil (2019: £2m)

The depreciation charge for the year of £2.6million (2019: £3.2 million) relates to continuing operations and has been charged to administrative expenses.

Company

The Company has no property, plant and equipment at 31 December 2020 and at 31 December 2019.

14 Intangible assets

Group

	Goodwill £000	Trademarks £000	Customer contracts and related relationships £000	Technology development £000	Software and licensing £000	Total £000
Cost:						
At 1 January 2019	32,256	1,707	29,076	935	-	63,974
Additions	-	-	-	-	-	-

At 31 December 2019	32,256	1,707	29,076	935	-	63,974
Additions	-	-	-	-	1,833	1,833
Acquisition (see note 8)	196	-	-	-	-	196
At 31 December 2020	32,452	1,707	29,076	935	1,833	66,003
Impairment and amortisation:						
At 1 January 2019	26,325	981	8,447	826	-	36,579
Amortisation for the year – continuing operations	-	341	2,865	83	-	3,289
Impairment charge – continuing operations	3,000	-	-	-	-	3,000
At 31 December 2019	29,325	1,322	11,312	909	-	42,868
Amortisation for the year – continuing operations	-	342	2,865	26	-	3,233
Impairment charge – continuing operations	2,931	43	5,499	-	-	8,473
At 31 December 2020	32,256	1,707	19,676	935	-	54,574
Net carrying amount:						
31 December 2020	196	-	9,400	-	1,833	11,429
31 December 2019	2,931	385	17,764	26	-	21,106

The amortisation charge of £3.2 million relates to continuing operations and is included in the loss for the year from continued operations in the Income Statement within administrative expenses.

The software and licensing asset is subject to continuing development and is not fully in use. No amortisation has been charged for the period.

The group has two major CGUs, Manage and Connect, as described in note 2, plus Nimoveri which was acquired during the year. Goodwill is allocated among the CGUs as follows:

	Manage £'000s	Connect £'000s	Nimoveri £'000s	Group £'000s
Carrying value at 31 December 2019	-	2,931	-	2,931
Business combinations	-	-	196	196
Impairment charge in year	-	(2,931)	-	(2,931)
	-	-	196	196

An impairment review was carried out during the year for Connect.

The key assumptions used in the impairment review were:

Base revenue forecast FY21	£12.6m
Revenue growth in forecast period	5% for the five-year forecast period
Long term growth rate	2
Gross margin %	10.8%
Overheads – rate of increase after year one	2%

The results of the impairment review showed the Connect CGU was forecast to report losses after the allocation of overheads for the duration of the forecast period. As a result, no discounted cash flow assessment was required, and consequently the goodwill, intangible assets and property, plant and equipment used in the business were fully impaired. No impairment was recognised on other assets, including trade and other receivables.

This resulted in an impairment charge of:

	£'000s
Goodwill	2,931
Trademarks	43
Customer contracts	5,499
Property, plant and equipment	5,481
Total impairment charge	<u>13,954</u>

The carrying value of the customer contracts at 31 December 2020 of £9.4 million is entirely attributable to the Manage CGU. There were no indications of any impairment in the Manage intangible assets, given its strong trading results and positive EBITDA both during the year and in the period post year end, which are forecast to continue.

The remaining unamortised life of the intangible assets at 31 December 2020 is as follows:

- IDE Group Manage customer contracts and related relationships – 8 years, net carrying value £9.4 million
- IDE Group Manage software – 8 years, net carrying value £1.8 million

Company

The company had no intangible assets at 1 January 2019, 31 December 2019 or 31 December 2020.

15 Investments

Company

	2020	2019
	£000	£000
At 1 January 2019, 31 December 2019 and 31 December 2020	7,877	7,877
	<u> </u>	<u> </u>

The Company has the following investments in subsidiaries:

	Country of Incorporation	Class of shares held	Ownership	
			2020	2019
Held directly by IDE Group Holdings plc				
IDE Group Limited	England ¹	Ordinary	100%	100%
Connexions4London Limited	Scotland ²	Ordinary	100%	100%
Selection Services Investments Limited	Scotland ²	Ordinary	100%	100%
Selection Services Limited	England ¹	Ordinary	100%	100%
Castle Digital Services Inc.	USA ³	Ordinary	100%	100%
Cupid.com Inc.	USA ³	Ordinary	100%	100%
Assistance Genie Logiciel	France ⁴	Ordinary	100%	100%
Held indirectly by IDE Group Holdings plc				
IDE Group Financing Limited	England ¹	Ordinary	100%	100%
IDE Group Manage Limited	England ¹	Ordinary	100%	100%
IDE Group Protect Limited	England ¹	Ordinary	100%	100%
IDE Group Subholdings Limited	England ¹	Ordinary	100%	100%
IDE Group Connect Limited	England ¹	Ordinary	100%	100%
IDE Group Voice Limited	England ¹	Ordinary	100%	100%

Aggregated Telecom Limited	England ¹	Ordinary	100%	100%
Hooya Digital Limited	Cyprus ⁵	Ordinary	100%	100%
Nimoveri Holdings Limited	England ⁶	Ordinary	100%	N/A
Nimoveri Limited	England ⁷	Ordinary	100%	N/A
Holdfast Systems Limited	England ⁷	Ordinary	100%	N/A

- 1 Registered office is located at Unit 2, Quadrant Court, Crossways Business Park, Greenhithe, Dartford, England, DA9 9AY
- 2 Registered office is located at 24 Dublin Street, Edinburgh EH1 3PP
- 3 Registered office is located at 2711 Centerville Road, Suite 400, New Castle, Wilmington, Delaware 19808, U.S.A.
- 4 Registered office is located at 39 Rue Royale, 92201 Saint-Cloud, France
- 5 Registered office is located at Faneromenis 115, Antouanettas Building, 6031 Larnaca, Cyprus
- 6 Registered office is located at 15 Rosemary Lane, Rowledge, Farnham, United Kingdom, GU10 4DB
- 7 Registered office is located at Unit 9, The Granary, Waverley Lane, Farnham, Surrey, England, GU9 8BB

At 31 December 2020, the trading subsidiaries of the Company were IDE Group Manage Limited, IDE Group Connect Limited and Nimoveri Limited (31 December 2019: IDE Group Manage Limited and IDE Group Connect Limited).

IDE Group Manage and Nimoveri Limited activity consists of IT Managed services and IDE Group Connect consists of connectivity, cloud and colocation services.

All of the remaining subsidiaries are non-trading.

Connexions4London Limited, Selection Services Investments Limited, Aggregated Telecom Limited, Selection Services Limited, IDE Group Subholdings Limited, IDE Group Voice, IDE Group Financing Limited, IDE Group Protect Limited, IDE Group Limited, Nimoveri Holdings Limited, Nimoveri Limited and Holdfast Systems Limited are exempt from the requirements of the Companies Act relating to the audit of individual accounts by virtue of Section 479A and the parent company has guaranteed all their liabilities at the reporting date.

16 Trade and other receivables

	Group		Company	
Current	2020 £000	2019 £000	2020 £000	2019 £000
Trade receivables	4,598	6,006	-	-
Less provision for impairment of trade receivables	(519)	(597)	-	-
Trade receivables – net	4,079	5,409	-	-
Contract assets	178	590	-	-
Prepayments and other receivables	1,187	1,596	1	3
Taxation and social security	-	26	139	26
	5,444	7,621	140	29

	Group		Company	
Non-current	2020 £000	2019 £000	2020 £000	2019 £000
Other receivables	100	-	-	-
Amounts due from subsidiary undertakings	-	-	66,870	67,904
Provision against amounts due from subsidiary undertakings	-	-	(50,733)	(48,964)
	100	-	16,137	18,940

In accordance with IFRS 9, the Group reviews the amount of credit loss associated with its trade receivables, and contract assets.

Customer credit risk is managed according to strict credit control policies. The majority of the Group's revenues are derived from national or multi-national organisations with no prior history of default with the Group. There is low incidence of default in the top 50 customers. In respect of these customers credit risk is deemed lower on customers that contribute higher revenue due to an increased dependency on the group's services for business continuity, and because they are larger more secure businesses.

The Group has applied the Simplified Approach applying a provision matrix based on categorisation of the customer based on total revenue received by the group per annum to measure lifetime expected credit losses and after taking into account customers with different credit risk profiles and current and forecast trading conditions and the days past due. The historical loss rates will be adjusted to reflect current and forward looking information on macroeconomic factors affecting the ability of customers to settle the receivables.

16 Trade and other receivables (continued)

At period end, customers were categorised into three categories based on spend in the last 12 months:

1. Top 10
2. Top 50
3. Other

Impairment was calculated based on the category the customer falls in to:

Category	Impairment Rate		Carrying amount		Credit loss allowance (net of VAT)	
	2020 %	2019 %	2020 £000	2019 £000	2020 £000	2019 £000
Top 10	0	0	2,629	3,468	-	-
Top 50	2	2	209	751	4	13
Other	5	5	1,178	1,130	49	38
Specific	100	100	582	657	466	546
			4,598	6,006	519	597

The group is exposed to credit concentration risk with its largest customer comprising 37% (2019: 32%) of outstanding trade receivables.

Specific provisions are also made based on known issues or changes in the lifetime expected credit loss. As at 31 December 2020, trade receivables of £0.5 million (2019: £0.5 million) were impaired and fully provided and were mainly in respect of individually impaired historic balances over 12 months old, where recovery activity is still in progress. The majority of the impairment relates to specific customers in the 'Other' category, and the credit risk on other customers is considered very low due to the business-critical nature of the Company's services.

Movements on the Group provision for impairment of trade receivables are as follows:

	Group		Company	
	2020	2019	2020	2019
	£000	£000	£000	£000
At 1 January	597	725	-	-
Increase in impairment provision	142	30	-	-
Write offs	(220)	(158)	-	-
	<u>519</u>	<u>597</u>	<u>-</u>	<u>-</u>
At 31 December	<u>519</u>	<u>597</u>	<u>-</u>	<u>-</u>

The creation and release of a provision for impaired receivables has been in the main included in “administrative expenses” in the Income Statement, with an amount being set against contract assets, £5k (2019: £6k). The other asset classes within the Group’s trade and other receivables do not contain impaired assets.

Amounts due from subsidiary undertakings

The Company has funded the trading activities of its principal subsidiaries by way of inter-company loans. The amounts advanced do not have any specific terms relating to their repayment, are unsecured and are interest free. As all loans to subsidiaries are to be treated as due on demand, they fall within the scope of IFRS 9.

In accordance with IFRS 9, the Company is required to make an assessment of expected credit losses. Having considered the quantum and probability of credit losses expected to arise, a provision of £1.7million for the expected credit loss was recognised in the reporting period in respect to trading subsidiaries.

The calculation of the allowance for lifetime expected credit losses requires a significant degree of estimation and judgement, in particular in determining the probability weighted likely outcome for each scenario considered to determine the expected credit loss in each scenario. Should the assumptions in the business plan vary, this could have a significant impact on the carrying value of the intercompany loans in following periods.

The recoverability is sensitive to the probability of the achievement of future cash flows; however, given the trading projections and the level of provisions, there is currently no reasonably plausible scenario in which the provision would alter materially. A breakdown of the balances is set out in note 29.

17 Cash and cash equivalents

	Group		Company	
	2020	2019	2020	2019
	£000	£000	£000	£000
Cash and cash equivalents	693	679	7	103
	<u>693</u>	<u>679</u>	<u>7</u>	<u>103</u>

The table below shows the balance with the major counterparty in respect of cash and cash equivalents.

	Group		Company	
	2020	2019	2020	2019
	£000	£000	£000	£000
Credit rating				
A	693	679	7	103
	<u>693</u>	<u>679</u>	<u>7</u>	<u>103</u>

18 Trade and other payables

	Group		Company	
	2020	2019	2020	2019
	£000	£000	£000	£000
Non Current				
Trade payables	1,584	-	-	-
	<u>1,584</u>	<u>-</u>	<u>-</u>	<u>-</u>

Current				
Trade payables	5,603	5,624	518	752
Amounts due to subsidiary undertakings	-	-	1,204	1,204
Other payables	220	408	42	42
Taxation and social security	1,491	225	-	-
Accruals	1,173	1,305	66	77
	<u>8,487</u>	<u>7,562</u>	<u>1,830</u>	<u>2,075</u>

Amounts due to subsidiary undertakings are unsecured, interest free and are repayable on demand.

19 Contract liabilities

	Group		Company	
	2020	2019	2020	2019
	£000	£000	£000	£000
Contract liabilities recognisable within 12 months	1,370	1,926	-	-
Contract liabilities recognisable after 12 months	15	6	-	-
Total contract liabilities	<u>1,385</u>	<u>1,932</u>	<u>-</u>	<u>-</u>

Income is deferred to the Statement of Financial Position when invoicing of revenue to customers occurs ahead of revenue recognition in the Income Statement.

20 Provisions

Tax planning provision

The tax planning arrangements relate to two tax schemes entered into by IDE Group Manage Limited on behalf of ex-Directors in a previous accounting year prior to becoming part of the Group. The liabilities for outstanding tax and national insurance were settled with HMRC during 2017, the 2019 position covered potential further costs which may have been incurred with the schemes. Confirmation was received in 2020 that the scheme had been settled in full.

Property provision

The Group currently has some vacant office space. Provisions have been recognised to cover the rent, business rates and service charges for the period that the office space is expected to be vacant. Provisions are calculated using the contracted rates of rents and service charges on each individual lease arrangement. Dilapidation provisions are built up over the associated lease based on estimates of costs of work required to fulfil the Group's contractual obligation under the lease agreements to return the property to the same condition as at the commencement of the lease. Part of this provision will be utilised in 2021, the remaining provision is not expected to be utilised until 2026. The onerous space provision is expected to be resolved in 2021.

Other provisions

Other provisions primarily relate to committed costs under various onerous supplier contracts across hosting, connectivity, hardware and software services, for example costs in relation to empty racks within data centres which have to be paid for regardless of whether populated or not and costs in relation to excess software licences which are not used. The onerous provisions are expected to be resolved in 2022.

Group	Tax planning provision £000	Property provision £000	Other provision £000	Total £000
Balance at 1 January 2020	33	109	280	422
Increase in year	-	31	-	31
Utilised	(33)	-	(109)	(142)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Balance at 31 December 2020	-	140	171	311
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
			2020	2019
Non-current			91	230
Current			221	192
			<u> </u>	<u> </u>
			312	422
			<u> </u>	<u> </u>
			<u> </u>	<u> </u>
Company			Other	Total
			Provision	£000
			£000	£000
Balance at 1 January 2020			50	50
Utilised			-	-
			<u> </u>	<u> </u>
Balance at 31 December 2020			50	50
			<u> </u>	<u> </u>
			<u> </u>	<u> </u>
			2020	2019
Non-current			-	-
Current			50	50
			<u> </u>	<u> </u>
			50	50
			<u> </u>	<u> </u>
			<u> </u>	<u> </u>

21 Borrowings

	Group		Company	
	2020	2019	2020	2019
	£000	£000	£000	£000
Non-current				
Lease liabilities	859	1,859	-	-
Loan Notes	13,988	12,474	13,988	12,474
	<u>14,847</u>	<u>14,333</u>	<u>13,988</u>	<u>12,474</u>
	<u><u>14,847</u></u>	<u><u>14,333</u></u>	<u><u>13,988</u></u>	<u><u>12,474</u></u>
Current				
Loan Notes	100	-	-	-
Lease liabilities	431	1,766	-	-
	<u>531</u>	<u>1,766</u>	<u>-</u>	<u>-</u>
	<u><u>531</u></u>	<u><u>1,766</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

The carrying value is not materially different to the fair value of these liabilities.

In January 2019 the Company issued £5.3 million of secured loan notes with a six-year term and a 12% coupon which is compounded, rolled up and payable at the end of the term ("Loan Notes"). In February and March 2019, a further £4.7 million in total of secured Loan Notes were issued. The Loan Notes carry an arrangement fee of 2.5 per cent., payable at the end of the term, and an exit fee of 2.5 per cent., also payable at the end of the term.

In December 2019 the Company issued an additional £1.5 million of Loan Notes (with the same terms as those issued in the first quarter of the year).

The Loan Notes are held at amortised cost using the effective interest rate method. The effective interest rate for the Loan Notes has been calculated to be 18%.

On 1 June 2020, the Group completed the acquisition of Nimoveri Holdings Limited (see note 8), a small cloud and IT services business, for a total consideration of £200,000; £100,000 paid in cash on completion and the issue of £100,000 0% loan notes by IDE Group Limited, a Group company (the "Nimoveri Loan Notes"). The Nimoveri Loan Notes are secured over the assets of Nimoveri Holdings Limited and redeemable on 31 December 2021.

Lease liabilities

The present value of lease liabilities is as follows:

Group	Gross contractual amounts payable	Interest	Carrying amount
	2020	2020	2020
	£000	£000	£000
Less than one year	522	91	431
Between one and five years	836	201	635
Greater than five years	242	18	224
	<u>1,600</u>	<u>310</u>	<u>1,290</u>
	<u><u>1,600</u></u>	<u><u>310</u></u>	<u><u>1,290</u></u>

31 December 2019

Group	Gross contractual amounts payable 2019 £000	Interest 2019 £000	Carrying amount 2019 £000
Less than one year	1,945	179	1,766
Between one and five years	1,686	407	1,279
Greater than five years	644	64	580
	<u>4,275</u>	<u>650</u>	<u>3,625</u>

The Company has no lease liabilities at 31 December 2020 (31 December 2019: nil)

Reconciliation of borrowings:

Group	Non-current Lease liabilities £000	Current Lease liabilities £000	Non-current Borrowings £000	Current Borrowings £000	Total Borrowings £000
Balance at 1 January 2020	1,859	1,766	12,474	-	16,099
Non-cash changes					
Transfer from current to non-current	(1,000)	1,000	-	-	-
Lease liability adjustment due to change in lease date		(487)			(487)
Loan note interest	-	-	1,383	-	1,383
Lease interest	-	98	-	-	98
Fees in respect of loan notes	-	-	131	-	131
Issue of deferred consideration loan notes	-	-	-	100	100
Cash flows					
Lease interest paid		(98)			(98)
Repayment of lease liabilities	-	(1,848)	-	-	(1,848)
Balance at 31 December 2020	<u>859</u>	<u>431</u>	<u>13,988</u>	<u>100</u>	<u>15,378</u>

The total cash outflow for leases in the year including interest was £1,946,000 (2019: £2,709,000).

21 Borrowings (continued)

Company	Non-current Lease liabilities £000	Current Lease liabilities £000	Non-current Borrowings £000	Total Borrowings £000
Balance at 1 January 2020	-	-	12,474	12,474
Non-cash changes				
Loan note interest	-	-	1,383	1,383
Amortisation of loan fee	-	-	-	-
Fees in respect of loan notes	-	-	131	131

Interest and other charges	-	-	-	-
Balance at 31 December 2020	<u>-</u>	<u>-</u>	<u>13,988</u>	<u>13,988</u>

22 Convertible loan notes

Group and Company

	£000
Balance at 1 January 2020	1,803
Interest unwound	180
Balance at 31 December 2020	<u>1,983</u>

On 21 August 2018, as part of a wider fundraising, the Company issued £2.55 million of unsecured loan notes, which have a term of 5 years and a zero per cent coupon ("CLNs"). The CLNs can be converted into new ordinary shares in the capital of IDE at a price of 2.5 pence per share. Conversion is at the option of the holder at any time during the 5-year term. At the end of the term, if the holder has not chosen to convert the CLNs, the CLNs will be settled with a cash repayment. At issue, the CLNs have a fair value of £2.54 million, split into an equity component (£0.96 million) and a debt component (£1.58 million).

23 Financial instruments by category

The objectives of the Group's treasury activities are to manage financial risk, secure cost-effective funding where necessary and minimise adverse effects of fluctuations in the financial markets on the value of the Group's financial assets and liabilities, on reported profitability and on cash flows of the Group.

The Group's principal financial instruments for fundraising are convertible loan notes and loan notes. The Group has various other financial instruments such as cash, trade receivables and trade payables that arise directly from its operations.

Group

	2020	2019
	£000	£000
Assets		
Amortised cost:		
Trade receivables net of credit loss provision	4,079	5,409
Contract assets	178	590
Other receivables	264	348
Cash and cash equivalents	693	679
Total	<u>5,214</u>	<u>7,026</u>

Company

	2020	2019
	£000	£000
Assets		
Amortised cost:		
Amounts due from subsidiary undertakings	16,137	18,940
Cash and cash equivalents	7	103
Total	<u>16,144</u>	<u>19,043</u>

The carrying amount of these assets is equivalent to their fair value. At 31 December 2020, trade receivables are reported net of the expected credit loss provision of £0.5 million (2019: £0.6 million), amounts due from subsidiary undertakings are reported net of the expected credit loss provision of £40.7 million (2019: £49 million)

Group

	2020	2019
	£000	£000
Liabilities at amortised cost		
Trade payables	7,187	5,624
Accruals and other payables	1,393	1,714
Lease liabilities	1,290	3,625
Convertible loan notes	1,983	1,803
Loan Notes	14,088	12,474
	<hr/>	<hr/>
Total	25,941	25,240
	<hr/> <hr/>	<hr/> <hr/>

Company

	2020	2019
	£000	£000
Liabilities		
Trade payables	518	752
Accruals and other payables	108	119
Intercompany payables	1,204	1,204
Convertible loan notes	1,983	1,803
Loan Notes	13,988	12,474
	<hr/>	<hr/>
Total	17,801	16,352
	<hr/> <hr/>	<hr/> <hr/>

The carrying amount of these liabilities is equivalent to their fair value.

The Group has not entered into any derivative financial instruments in the current or preceding period.

24 Financial risk management

The Group's activities are exposed to a variety of financial risks: market risk (including cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out centrally under policies approved by the Board of Directors. Management identifies, evaluates and seeks to mitigate financial risks. The Board of Directors provides principles for overall risk management as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investments of excess liquidity.

Cash flow interest risk

The Group pays interest on its borrowings.

The Group has no borrowings at variable rates which would expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group does not enter into derivatives.

Price risk

The Group is not exposed to significant commodity or security price risk.

Credit risk

Credit risk is managed at a subsidiary level. Credit risk arises from cash and cash equivalents as well as credit exposures to customers, including outstanding receivables. Individual risk limits are set based on internal and external ratings and reviewed by management. The utilisation of credit limits is regularly monitored with appropriate action taken by management in the

event of the breach of a credit limit. 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 customers with different credit risk profiles and current and forecast trading conditions. The Group has recognised a provision in respect of trade receivables of £0.5 million (2019: £0.6 million).

Liquidity risk

Management reviews cash forecasts of trading companies of the Group in accordance with practice and limits set by the Group. The Group's liquidity management policy involves projecting cash flows and considering the level of liquid assets necessary to meet these.

The parent company's operations expose it to the following risks:

interest rate risk

The Company pays interest on its loan note borrowings. These are at fixed rates and therefore there is no exposure to cash flow interest rate risk. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. The Company does not enter into derivatives.

Credit risk

The Company is exposed to credit risk mainly in respect of inter-company receivables. Details of the approach to credit loss provisions in respect of inter company receivables is set out in note 16 and note 29.

The tables below analyse the Group and the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. These amounts disclosed in the table are the contracted undiscounted cash flows. Balances within 12 months equal their carrying balances as the impact of discounting is not significant.

Group	Within 1 year	1-2 years	More than 2 years	Total
At 31 December 2020	£000	£000	£000	£000
Trade and other payables	6,546	2,034	-	8,580
Lease liabilities	521	215	864	1,600
Convertible loan notes	-	-	1,983	1,983
Loan Notes	100	-	13,988	14,088
	<u>7,167</u>	<u>2,249</u>	<u>16,835</u>	<u>26,251</u>

Group	Within 1 year	1-2 years	More than 2 years	Total
At 31 December 2019	£000	£000	£000	£000
Trade and other payables	7,337	--	-	7,337
Lease liabilities	1,945	619	1,711	4,275
Convertible loan notes	-	-	1,803	1,803
Loan Notes	-	-	12,474	12,474
	<u>9,282</u>	<u>619</u>	<u>15,988</u>	<u>25,889</u>

Company	Within 1 year	1-2 years	More than 2 years	Total
At 31 December 2020	£000	£000	£000	£000
Trade and other payables	633	-	-	633
Intercompany payables	1,204	-	-	1,204
Convertible loan notes	-	-	1,983	1,983
Loan Notes	-	-	13,988	13,988
	<u>1,837</u>	<u>-</u>	<u>15,971</u>	<u>17,808</u>

	1,837	-	15,971	17,808
	=	=	=	=
Company				
	Within 1 year	1-2 years	More than	Total
At 31 December 2019	£000	£000	2 years £000	£000
Trade and other payables	871	-	-	871
Intercompany payables	1,204	-	-	1,204
Convertible loan notes	-	-	1,803	1,803
Loan Notes	-	-	12,474	12,474
	=	=	=	=
	2,075	-	14,277	16,352
	=	=	=	=

25 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's future growth and its ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. The Group operates in the network and cloud hosting sector, which, from time-to-time requires substantial fixed asset investments, but the Group is financed predominately by equity.

In order to maintain or adjust the capital structure, the Group has previously both issued new shares, bank debt and bank facilities, and both unsecured and secured loan notes. The Group monitors capital on the basis of the ratio of net debt to adjusted EBITDA. As at 31 December 2020 the ratio was 28.9. Net debt as at 31 December 2020 is calculated as total bank borrowings, as at 31 December 2020 nil, and loan notes (including 'current and non-current borrowings' as shown in the consolidated balance sheet) less cash and cash equivalents. Adjusted EBITDA is defined as earnings before interest, tax, depreciation, amortisation, impairment charge, exceptional items, (loss)/gain on disposal of fixed assets and share-based payments.

The loan note instrument under which the Secured Loan Notes were issued does not contain any covenants, however, the Group continues to carefully monitor its capital position. The Group adopts a risk-averse position with respect to borrowings and maintains significant headroom to ensure that any unexpected situations do not create financial stress.

The Group has not proposed a dividend for the current or prior year.

26 Called up share capital – Group and Company

Share capital	2020 Number	2019 Number
In issue at 31 December – fully paid	400,802,032	400,802,032
	=	=
	2020 £	2019 £
<i>Allotted, called up and fully paid</i>		
Ordinary shares of 2.5p	10,020,050	10,020,050
	=	=
Shares classified in shareholders' funds	10,020,050	10,020,050
	=	=

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Dividends

The Directors do not propose a dividend for the year ended 31 December 2020 (2019: £nil).

27 Share-based payment

The share-based payment charge comprises:

	2020 £000	2019 £000
Equity-settled share-based charges arising from warrants	32	86
Total charge	32	86

In 2016, the Group introduced an Employee Share Scheme (“ESS”) to the Executive Directors and various senior managers, granted Hurdle Shares to the Chairman and granted evergreen warrants to MXC Capital Limited (“MXC”).

In 2017, the Group introduced a Company Share Option Plan (“CSOP”) for various senior managers and issued warrants to MXC following the acquisition of 365 ITMS. No options were issued to any of the Directors during 2017 or 2018.

The remaining options under these schemes all lapsed in the 2019 year.

On 1 August 2018, MXC was awarded warrants over 1,000,000 ordinary shares, representing 5% of the share capital issued in connection with the first tranche of the fundraising. On 21 August 2018 MXC was awarded warrants over 9,003,645 ordinary shares, representing 5% of the share capital issued in connection with the second tranche of the fundraising and the conversion of certain of the loan notes issued earlier in the year. All the warrants issued to MXC in 2018 have an exercise price of 2.5 pence.

	MXC warrants	CSOP/ESS number of options	Total number of warrants/options
Options/warrants granted at 1 January 2019	20,040,101	88,888	20,128,989
Options lapsed in year	-	(88,888)	(88,888)
Options/warrants granted at 1 January 2020	20,040,101	-	20,040,101
Options lapsed in year	-	-	-
Total options/warrants granted at 31 December 2020	20,040,101	-	20,040,101

Options awarded under the ESS/ CSOP scheme lapse if the recipient resigns and in the case of redundancy, the options are either returned at no cost or purchased by the Company. There was only one employee remaining at 31 December 2018 who held options under the ESS/ CSOP scheme which lapsed when he left the Company on 31 January 2019.

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements, in share options and warrants during the year:

	2020 Number	2020 WAEP	2019 Number	2019 WAEP
Opening balance	20,040,101	£0.17	20,128,989	£0.17
Granted during the year	-	-	-	-
Lapsed during the year	-	-	(88,888)	£0.30

Closing balance	20,040,101	£0.17	20,040,101	£0.17
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There were 10,036,456 warrants exercisable at 31 December 2020 (2019: 10,036,456).

The exercise price for warrants outstanding at the end of the year ranges from £0.025 - £0.325 (2019: ranged from £0.025 - £0.30). There are 10,036,456 warrants with an exercise price of £0.30 to £0.325 which had a vesting date of 31 December 2018 and expiry date of 31 December 2022 and a further 10,003,645 warrants have an exercise price of £0.025, a vesting date of 1 August 2021 and an expiry date of 31 December 2022.

The fair value of the equity-settled warrants granted is estimated at the date of grant using a Black Scholes model to take into account market conditions attaching to the options granted.

Volatility of 146% was calculated based upon the change in the daily share price of the company over the previous 24 months. The risk free rate of return of -0.14% is the yield of zero-coupon UK government bonds of a term consistent with the assumed life of the warrant.

The total fair value of the award is charged to the income statement over the vesting period of the warrants.

The amount charged to the income statement in respect of the share-based payments was £32,000 (2019: £86,000).

28 Pensions

The Group operates a defined contribution pension schemes for eligible employees. The charge for the year ended 31 December 2020 relating to continuing operations is £649k (continuing operations 2019: £599k). An amount of £64k is included in creditors being outstanding contributions at 31 December 2019 (2019: £53k).

29 Related parties

Key management is considered to comprise only the Directors. Directors' emoluments are disclosed in note 10. Social security costs in respect of Directors' emoluments were £10k (2019: £19.5k).

Ian Smith, Executive Director at 31 December 2020, is Chief Executive Officer and a substantial shareholder of MXC. MXC owned 43.1% of the issued share capital of the Company at 31 December 2020.

During the year, the Group and Company paid MXC Capital Markets LLP, a subsidiary of MXC, corporate finance advice and other services amounting to £29,000 (2019: £47,000). The balance owed to MXC Capital Markets LLP as at 31 December 2020 was £55,800 (2019: £57,000).

In addition, the Group paid MXC Advisory Limited, a subsidiary of MXC, fees of £242,505 (2019: £229,259) in respect of the services of Ian Smith as Executive Director and the services of an Interim Chief Financial Officer for the year ended 31 December 2020. The balance owed to MXC Advisory Limited as at 31 December 2020 was £349,923 (2019: £345,854).

The Group also paid MXC Guernsey Limited, a subsidiary of MXC Capital Limited, fees of £nil (2019: £239,799) in respect of underwriting of loan notes and guarantee fee of the finance leases with Lombard. The balance owed to MXC Guernsey as at 31 December 2020 was £29,560 (2019: £239,799).

At 31 December 2020, in addition to owning shares in the Company, MXC Capital Limited held warrants over 20,040,101 shares in the Company (2019: 20,040,101 shares).

During the year, Kestrel Partners LLP invoiced the Company £30,000 (2019: £30,092) in respect of the services of Sebastian White as Non-Executive Director (2019: Max Royde and Sebastian White as Non-Executive Directors). The balance owed to Kestrel Partners LLP as at 31 December 2019 was £6,000 (2019: £6,030)

The Company had the following balances with its subsidiary companies:

Receivables	2020	2019
	£000	£000

IDE Group Limited	53,652	53,647
IDE Group Manage Limited	11,027	11,680
IDE Group Connect Limited	1,975	2,366
Assistance Genie Logiciel	151	151
IDE Group Voice Limited	3	3
IDE Group Protect Limited	9	9
IDE Group Financing Limited	52	47
IDE Group Subholdings Limited	1	1
Total	66,870	67,904

In the prior year a provision of £1m was made in respect of the IDE Group Manage receivable, a provision of £0.2m was made in respect of IDE Group Connect and a provision of £47.5m was made in respect of IDE Group Limited receivable. All other receivables were provided for in full. In the current year a further provision was made for £1.7m in respect of IDE the Connect receivable.

	2020	2019
	£000	£000
Payables		
Cupid.com inc	1,033	1,033
Castle Digital services inc	61	61
Selection Services Limited	61	61
Hooya Digital Limited	42	42
Connexions4London Limited	6	6
Aggregated Telecom Limited	1	1
Total	1,204	1,204

30 Post balance sheet events

Covid 19

We have now operated in a covid environment for the majority of 2020 and the entirety of 2021 to date. We have not seen significant operating issues in having our staff working remotely, and indeed we have successfully amended our working practices to adapt to the changed landscape. Demand for our managed services remains strong and we have experienced strong growth as a result in 2021. We have therefore not experienced any adverse effect on asset values and look to the future with optimism.

On 7 June 2021 £2,397,519 of the unsecured convertible loan notes issued in August 2018 were converted into 95,900,760 Ordinary shares of 2.5p each, at a conversion price of 2.5p per share.