IDE Group Holdings plc

Annual report and financial statements
Registered number SC368538
Year ended 31 December 2020

Contents

Directors and Advisers

Directors

Andy Parker (Non-Executive Chairman)
Ian Smith (Executive Director)
David Templeman (Executive Director)

Company Secretary

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Edinburgh EH1 3PP

Company Number SC368538

Nominated Adviser and Broker

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Solicitors

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25 High Street
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Computershare Investor Services PLC
44 North St Andrew Street
Edinburgh EH2 1HJ

Principal Banker

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Company Profile

The principal activities of IDE Group Holdings plc are the provision of network, hosting and managed services to public and private companies.

The country of incorporation is Scotland; the Company's registered number is SC368538 and the Company is limited by shares. The main country of operation is the United Kingdom.

Further information on the Company can be found at www.idegroup.com.

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

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.

Chairman's Statement *(continued)*

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.

Chairman’s Statement *(continued)*

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).

Financial Review *(continued)*

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).

Financial Review *(continued)*

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.

Strategic Report *(continued)*

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.

Strategic Report *(continued)*

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

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.

Strategic Report *(continued)*

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:

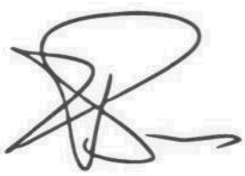
- Ongoing investment in expanding and enhancing our own infrastructure so that we can provide our customers with the very highest level of security and service;
- Maximise revenue from our wide ranging customer base through high levels of service and a varied product and service set; and
- Efficient 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

Directors' Report

The Directors present their report together with the audited consolidated financial statements for the year ended 31 December 2020 for IDE Group Holdings plc ("IDE" or the "Company") and its subsidiaries (together, the "Group").

Principal Activity

The principal activity of the Group during the year was to supply network, cloud and IT managed services. The Company is a holding company.

Review of the Year

The review of the year and the Directors' strategy are set out in the Chairman's Statement and Strategic Report..

Dividends

The Company did not pay a dividend during the year ended 31 December 2020 (2019: £nil). The Directors do not recommend the payment of a dividend at 31 December 2020 (2019: £nil).

Directors

The Directors who held office during the period and up to the date of the Annual Report are as follows:

Ian Smith
Andy Parker
Sebastian White (resigned 12 February 2021)
David Templeman (appointed 20 April 2021)

Company Secretary

Delgany Corporate Services Limited

A brief biography of the current Directors can be found below:

Andy Parker – Non-Executive Chairman

On 10 August 2018 Andy was appointed as Non-Executive Director, on 5 October 2018 was appointed as Non-Executive Chairman and for the period 15 October 2018 to 21 May 2020 held the position of Executive Chairman. On 21 May 2020 Andy reverted the role of Non-executive Chairman.

Andy is an experienced commercial, operational and financial professional. A chartered accountant, Andy has held a wide range of commercial and finance roles culminating most recently in his tenure as Chief Executive Officer of Capita Group plc, the FTSE 350 professional support services company. Andy has held a number of finance director roles during his career and is a highly experienced public markets board director.

Andy is the Chair of the Audit Committee and a member of the Remuneration Committee.

Ian Smith – Executive Director

On 1 June 2018, Ian was appointed as Executive Director.

Ian has an extensive track record of investing in and managing technology companies and is co-founder and CEO of MXC Capital Limited. Ian has sat on numerous boards and either led or been involved in a large number of transactions in the TMT sector. Ian led strategic change and value accretion at Redstone plc and Accumuli plc and was previously deputy executive chairman and CEO at Castleton Technology plc.

Ian holds no direct beneficial interest in IDE Group, however, is CEO and a substantial shareholder of MXC Capital Limited, a substantial shareholder and loan note holder in the Company.

Ian is a member of the Remuneration Committee and the Audit Committee.

Directors' Report *(continued)*

Sebastian White - Non-Executive Director

On 12 November 2019, Sebastian was appointed as Non-Executive Director.

Sebastian is an experienced investment and company director at Kestrel Partners LLP, a London based fund management business whose clients are significant shareholders of IDE Group. He has deep experience of the communications and hosting sector following 14 years as head of corporate development in a mid-market AIM listed plc.

Sebastian was a member of the Remuneration Committee and a member of the Audit committee. He resigned on 12 February 2021.

David Templeman - Executive Director

David Templeman is an experienced Chartered Accountant and Chief Financial Officer with particular expertise in technology and managed services businesses. He joined the Group as Executive Director and Chief Financial Officer in April 2021.

Directors' Indemnity Insurance

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third-party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained Directors' and Officers' liability insurance throughout the financial year in respect of itself and its Directors.

Andy Parker and Ian Smith retire in line with the terms of the articles of the Company and being eligible, offer themselves for re-election at the forthcoming Annual General Meeting.

Directors' Service Contracts

Details of the Directors' service contracts and their respective notice terms are detailed in the Remuneration Committee report.

Directors' Interests

The Directors had no direct interests in the ordinary shares of the Company at 31 December 2020, or at 31 December 2019.

Ian Smith is Chief Executive Officer and a substantial shareholder of MXC Capital Limited which held shares as shown in the table below.

Sebastian White is the Investment Director of Kestrel Partners LLP, whose clients held shares as shown in the table below.

Significant Shareholders

At 31 December 2020 and at 22 June 2021, being the latest practicable date before the publication of the Annual Report, the Company is aware of the following significant interests in its ordinary, voting share capital:

Shareholder name	31 December 2020 Number	31 December 2020 %	22 June 2021 Number	22 June 2021 %
MXC Capital Limited[1]	172,811,125	43.1%	172,811,125	34.8%
Bill Dobbie[2]	55,476,117	13.8%	55,476,117	11.1%
Richard Griffiths	33,482,561	8.4%	33,482,561	6.7%
Kestrel Partners LLP[3]	32,855,248	8.2%	123,833,008	25.9%
LMS Capital	18,161,835	4.5%	18,161,835	3.6%
Matt Hawkins[2]	16,370,627	4.1%	16,370,627	3.3%

1. MXC Capital Limited is a related party; Ian Smith, Executive Director, is Chief Executive Officer and a substantial shareholder of MXC Capital Limited
2. Former Director of the Company
3. Sebastian White, Investment Director of Kestrel Partners LLP, is a Former Director of the Company

Directors' Report *(continued)*

Auditor

A resolution is to be proposed at the forthcoming AGM for the re-appointment of RSM UK Audit LLP as auditor to the Company, at a rate of remuneration to be determined by the Audit Committee.

Financial Risk Management Objectives and Policy

The Company's financial risk management objectives and policies are described in note 25 to the financial statements. The Company's capital structure is set out in note 26, share capital.

Capital structure

The Company has a single class of share capital which is divided into Ordinary shares of 2.5p each. Details of the Company's issued share capital can be found in note 26 to the financial statements.

Employee involvement

The flow of information to staff has been maintained by our staff email bulletins and staff meetings. Members of the management team regularly discuss matters of current interest and concern to the business with members of staff; in particular in regard to providing information on performance indicators, encouraging employee participation and engendering a common awareness of financial and economic factors which affect the Group's performance.

The Group continues to focus on building channels that ensure the company is effectively listening and responding to employees. In doing so, we can identify opportunities to better meet employee needs and interests, reflecting these where possible in the principal decisions taken by the company.

Disabled persons

The Group is committed to a policy of recruitment and promotion on the basis of aptitude and ability without discrimination of any kind. Management actively pursues both the employment of disabled persons whenever a suitable vacancy arises and the continued employment and retraining of employees who become disabled whilst employed by the company. Particular attention is given to training, career development and promotion of disabled employees with a view to encouraging them to play an active role in our development.

Disclosure of Information to the Auditor

Each of the Directors who was in office on the date of approval of these financial statements, having made enquiries of the fellow Directors, confirms that:

- To the best of each Director's knowledge and belief, there is no information relevant to the preparation of their report of which the Group's auditor is unaware; and
- Each Director has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Group's auditor is aware of that information.

Subsequent Events

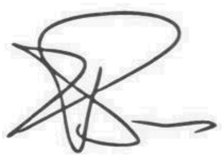
Full details of post balance sheet events are included in note 30 to the consolidated financial statements.

Directors' Report *(continued)*

Future Developments

Future developments and current trading and prospects are set out in the Chairman's Statement and the Financial Review.

On behalf of the Board



Ian Smith
Executive Director
21 July 2021

24 Dublin Street
Edinburgh EH1 3PP

Remuneration Committee Report

Remuneration Committee

At 31 December 2020, the Remuneration Committee comprised Andy Parker (Chair), Ian Smith and Sebastian White.

The Remuneration Committee is responsible for determining and agreeing with the Board the framework for the remuneration of Executive Directors and other designated senior executives and, within agreed terms of reference, determining the total individual remuneration packages of such persons, including, where appropriate, bonuses, incentive payments and share options or other share awards. The remuneration of Non-Executive Directors is a matter for the Executive Directors. No director is involved in any decision as to his or her own remuneration or benefits.

As noted in the Corporate Governance Report set out in these Financial Statements, the Board acknowledges that the lack of independent non-executive Directors does not comply with the standards of the QCA Corporate Governance Code in terms of composition of the Board and its Committees. With a Board comprising three Directors, all generally attend the meetings of the Remuneration Committee and in 2020, no specific meetings of the Remuneration Committee were held and relevant matters were discussed by the Board as a whole.

For further details of the Remuneration Committee, please refer to the Corporate Governance report in these financial statements.

Remuneration Policy

The Remuneration Committee is aware that the remuneration package should be sufficiently competitive to attract, retain and motivate individuals capable of achieving the Group's objectives and thereby enhancing shareholder value.

Basic Salary and Benefits

Basic salaries for the Executive Directors are reviewed in January each year. The benefits provided to the Executive Directors may include contributions to a Group defined contribution pension scheme, private medical insurance for themselves, their spouse and their children, life assurance cover of 4 times salary, critical illness and income protection cover, a company car allowance and annual leave of 25 days.

Performance Related Bonus

The Remuneration Committee determines the criteria for the award of performance bonuses for the Executive Directors in advance of each year. The bonuses are pensionable. Non-Executive Directors do not receive a bonus.

Fees

The Board, within the limits stipulated by the Articles of Association and following recommendations by the Executive Directors, determines Non-Executive Directors' fees. The annual fees are £30,000 (2019: £30,000) for a Non-Executive Director and £50,000 (2019: 50,000) for a Non-Executive Chairman.

Remuneration Committee Report *(continued)*

Directors' emoluments

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

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

1. Director's emoluments in respect of Ian Smith were paid to MXC Advisory Limited, a subsidiary of MXC Capital Limited.
2. Andy Parker stepped down from his role as Executive Chairman to become Non-Executive Chairman on 1 June 2020.
3. Directors' emoluments in respect of Max Royde and Sebastian White were paid to Kestrel Partners LLP. Max Royde resigned from the Board on 13 November 2019. Sebastian White resigned from the Board on 12 February 2021.

The Executive Directors' salaries are paid by subsidiary companies within the Group. The Non-Executive Director fees and the fee to MXC Advisory Limited for Ian Smith's services are paid by the Company.

Andy Parker

Andy Parker
Chair, Remuneration Committee
On behalf of the Board

21 July 2021

Corporate Governance Statement

Introduction

The Directors attach great importance to maintaining high standards of corporate governance to help achieve the Company's goals. To that end they have adopted the principles set out in the Quoted Companies Alliance Corporate Governance Code for Small and Mid- Size Quoted Companies (the 'QCA Code') 2018. The QCA Code, which is constructed around 10 broad principles, sets out a standard of minimum best practice for small and mid-size quoted companies, including AIM companies. Companies are required to disclose how the implementation of the QCA Code has been applied or, to the extent not done so, to explain any areas of departure from its requirements.

We have considered how we apply each principle to the extent that the Board judges these to be appropriate for our circumstances, and below we provide an explanation of the approach taken in relation to each. Our compliance with the QCA Code is based on the Company's current practices.

IDE Group Holdings plc, whilst an established operation, underwent a programme of cost rationalisation and reorganisation in 2019 and 2020. In addition, the COVID-19 pandemic presented the Group with a new set of challenges. The Group was quick to implement its business continuity plan in response to the global outbreak of COVID-19 and successfully executed a transition to remote working across all our operations in order to protect its employees and support its customers.

Our objective is to secure the long-term success of the Group by establishing a sustainable and profitable operating model with an appropriate underlying cost base. The Board believes that applying sensible corporate governance practices at this crucial stage of the Company's development can only help achieve our goals.

We have identified a number of areas where we are not in full compliance with the guidelines of the QCA Code and these are Principle 5, Principle 6, Principle 7 and Principle 9. We explain in detail under the relevant principle why we have departed from the guidelines in these areas.

We operate in the way the Board believes is most suited to the Group at its current stage of development. The Group has established a strong leadership team and an appropriate cost base to enable it to focus on growing the business to secure its long-term sustainable success whilst creating long-term value for shareholders and stakeholders alike.

We trust that the result of our efforts to date provide stakeholders with access to the information they need and the confidence that the Board holds corporate governance compliance in the highest regard.

Andy Parker
Non-Executive Chairman
Date: 21 July 2021

Corporate Governance Statement *(continued)*

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

The Board's objective is to secure long-term success by establishing a sustainable and profitable operating model with an appropriate underlying cost base in order to create long-term value for shareholders and stakeholders. The Board has set out its strategy and business model in the Strategic Report of the Annual Report and Financial Statements, giving further information in the Chairman's Statement and the Financial Review about how we performed against our stated strategy. The Strategic Report includes information on the principal risks and uncertainties faced by the Group and how we have acted to reduce our exposure to risk.

The Strategic Report describes on page 12 how the Group's flexible and technically skilled workforce enable it to deliver and support critical services and solutions in a highly secure environment and how the Group seeks to differentiate itself through innovation, reliability and value.

The Board will continue to monitor its progress against its stated strategy.

Principle 2 – Seek to understand and meet shareholder needs and expectations.

IDE Group is committed to open communication with all its shareholders.

Copies of the Annual Report and Financial Statements are issued to all shareholders who have requested them and copies are available on the Group's investor website www.idegroup.com. The Group's interim results are also made available on the Company's website. The Group makes full use of its investor website to provide information to shareholders and other interested parties.

The Board reviews proxy voting reports and any significant dissent is discussed with relevant shareholders and, if necessary, action is taken to resolve any issues. In compliance with best practice, the level of proxy votes (for, against and vote withheld) lodged on each resolution is declared at all general meetings and announced.

Shareholders are given the opportunity to raise questions at the Annual General Meeting ("AGM") and the Directors are available both before and after the meeting for further discussion with shareholders. In order to comply with best practice and the Government's social distancing guidelines relating to Covid-19, the Company is holding its 2021 AGM as a closed meeting to ensure the safety of staff and shareholders. However, to ensure a level of engagement with shareholders, the Company will invite shareholders to submit questions to the Board which will be answered.

Andy Parker, Non-Executive Chairman, and Ian Smith, Executive Director, are primarily responsible for communicating with investors.

Meetings via the Company's broker are offered to major institutional shareholders to discuss strategy, financial performance and investment activity immediately after the full year and interim results announcements. The Directors are available to meet with major shareholders if such meetings are requested. Feedback from such meetings with shareholders is provided to the Board to ensure the Directors have a balanced understanding of the issues and concerns of major shareholders.

The Board receives share register analysis reports to monitor the Company's shareholder base and help identify the types of investors on the register.

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

The Group recognises its employees, customers, suppliers, advisors, banks and shareholders as forming part of the wider stakeholder group. Management identifies key relationships within the business and effort is directed to ensuring these relationships are managed appropriately. Regular reviews are undertaken to ensure any issues are addressed promptly.

The Board reviews its top clients and suppliers in its Board meetings and these are identified in packs provided to the Board.

The Company has a good relationship with its Nomad, broker and other advisers. Feedback from investors is provided by the broker as well as through direct engagement with investors by the Board.

Corporate Governance Statement *(continued)*

The Company meets frequently with customers and communicates regularly with suppliers. There is a feedback system in place and issues raised can be addressed.

The Company's internal stakeholders are its employees. The Group is committed to employment policies which follow best practice, based on equal opportunities for all employees, irrespective of ethnic origin, religion, political opinion, gender, marital status, disability, age or sexual orientation.

In the face of the COVID-19 pandemic, the Group took early measures to protect employees and successfully executed a transition to remote working across all of our operations. The team responded extremely well and quickly adapted to a new way of working.

Staff policies

The Group's employment policies are designed to ensure that they meet the statutory, social and market practices in the United Kingdom. The Group systematically provides employees with information on matters of concern to them, consulting them or their representatives regularly, so that their views can be taken into account when making decisions that are likely to affect their interests. Employee involvement in the Group is encouraged, as achieving a common awareness on the part of all employees on the financial and economic factors affecting the Group, plays a major role in maintaining its relationship with its staff.

The Group gives full and fair consideration to applications for employment from disabled persons, having regard to their particular aptitude and abilities. Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the Group. If members of staff become disabled, the Group continues employment, either in the same or an alternative position, with appropriate retraining being given, if necessary.

The Board believes that its investment in the wider stakeholder network is expected to assist the Company's management in achieving its long-term goals creating an environment of trust and communication which will have positive implications for the long-term success of the Company.

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

Risk assessment and evaluation is an essential part of the Company's planning and an important aspect of the Group's internal control system. The business and management of the Company and its subsidiaries are the collective responsibility of the Board. At each meeting, the Board considers and reviews the trading performance of the Group. The Board has a formal written schedule of matters reserved for its review and approval. These include the approval of the annual budget, major capital expenditure, investment proposals, the interim and annual results and a review of the overall system of internal control and risk management.

The strategic realignment undertaken in 2019 followed by Group reorganisation and cost rationalisation in 2020 have enabled the current Board to identify the most critical risks and challenges facing the business and to take the necessary steps to mitigate these risks by strengthening its control systems, as detailed in the Strategic Report of the Annual Report and Financial Statements. The revised and refined system of risk management is designed to manage rather than eliminate the risk of failure to achieve business objectives and is explained in the Strategic Report under the heading Principal Risks and Uncertainties. The Board has established a risk register which is bespoke to the Group's business. At least twice a year the risk register is reviewed and the Board considers the appropriateness of the risks identified and the mitigating action taken by management on a risk by risk basis with a particular focus on those deemed most critical.

Principle 5 – Maintain the board as a well-functioning, balanced team led by the Chair.

Andy Parker, who joined the Board as a Non-Executive director in August 2018, was appointed as Executive chairman in October 2018. Andy stepped down from this role in June 2020 to become Non-Executive Chairman. He is a chartered accountant and has held a wide range of commercial and finance roles including acting as Chief Executive Officer of Capita Group plc, the FTSE 100 professional support services company. Andy has also held a number of finance director roles during his career and is a highly experienced public markets board director. As Andy was previously an executive chairman, he is not considered to be an independent director. Andy is Chair of the audit and remuneration committees.

Corporate Governance Statement *(continued)*

Ian Smith is an Executive Director and he led the Group's strategic and operational review in 2018. Whilst Ian holds no beneficial interest in IDE Group, he is the Chief Executive Officer and a substantial shareholder of MXC Capital which is a substantial shareholder of the Company and as such is not considered to be an independent director. Ian is a member of the audit and remuneration committees.

The Group recognised the need to strengthen the Board with an executive finance director and in April 2021 David Templeman was appointed to the Board as Chief Financial Officer. David is a chartered accountant and highly experienced finance professional who began his career at BDO and progressed rapidly to Partner where he provided advisory and commercial business support to fast-growth European and US businesses, focusing on strategic business advice including M&A and exit-planning. After leaving BDO, David gained significant commercial experience as CFO including at Orbian (a Citigroup & SAP joint venture), FDM Group and Applied Systems (Europe). As an Executive Director, David cannot be considered to be an independent director.

The Board currently comprises two Executive Directors and one Non-Executive Director, supported by senior managers and it oversees and implements the Company's corporate governance programme. As chairman, Andy leads the Board and is responsible for the Company's approach to corporate governance and the application of the principles of the QCA Code. Further details pertaining to the Board and the roles carried out by each member are set out in the Board of Directors section of the Annual Report and Financial Statements (although there has been a change after the year end, as noted above).

Each board member commits sufficient time to fulfil their duties and obligations to the Board and the Company. They attend regular board meetings and join ad hoc board calls and offer availability for consultation when needed. The contractual arrangements between the Directors and the Company specify the minimum time commitments which are considered sufficient for the proper discharge of their duties. However, in exceptional circumstances all board members understand the need to commit additional time.

Detailed board packs include information on all business units and financial performance and are circulated ahead of board meetings. Key issues are highlighted and explained, providing board members with sufficient information to enable a relevant discussion in the board meeting.

Board and committee meetings

The Board is supported by its Audit Committee and its Remuneration Committee. Each of the Directors were present at Board and committee meetings convened in 2020, and which they were eligible to attend.

Departures from the Code

Size and balance of the board

The Company accepts that having only three Directors on the Board is not a long-term solution. However, the Company has undergone significant periods of change in recent years and its focus has on implementing the revised strategy. The Board recognises the need for at least one independent director and is looking to find appropriate candidates to fulfil that role at which time the composition of the Board committees will be reviewed.

Remuneration Committee

The Remuneration Committee did not convene in 2020. Instead, matters such as remuneration of new appointments to the Board and senior management were handled by the Chief Executive Officer and Chairman. Whilst no director was involved in determining his or her own remuneration, the Board recognises that this is a departure from the Code.

Principle 6 – Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities.

The Board of Directors section in the Annual Report and Financial Statements identifies the members of the Board at the time of publication and describes the relevant experience, skills and qualities they bring.

The Chairman believes that the Board has a suitable mix of skills and competencies in order to drive the Group's strategy following completion of the Strategic and Operational Review and is best placed to secure the future of the Company and create long-term value for all stakeholders.

Corporate Governance Statement *(continued)*

The nature of the Company's business requires the Directors to keep their skillset up to date. Periodic updates to the Board on regulatory matters are given by Company's professional advisers. The Company's financial adviser and Nomad and lawyers are consulted on any significant matters where the Board believes external expertise is required.

External advisers attend board meetings as invited by the Chairman to report and/or discuss specific matters relevant to the Company and the markets in which they operate. Additionally, MXC Advisory Limited, which is part of the same group as the significant shareholder MXC Capital Limited, is a retained financial adviser principally focused on acquisitions and provides the services of Ian Smith, Executive Director.

The Company Secretary advises the Board on corporate governance and regulatory matters, attends the Board meetings and reports directly to the Chairman on governance matters. In keeping with best practice as set out the in the QCA guidelines the Company has split the role of Chief Financial Officer and Company Secretary.

Andy Parker and Ian Smith are primarily responsible for communicating with investors.

Departures from the Code

The Company accepts that not having any independent Directors is not ideal. The Board recognises the need for at least one independent director and is looking to find appropriate candidates to fulfil that role and enhance the balance and skillset of the Board.

Principle 7 – Evaluate board performance based on clear and relevant objectives, seeking continuous improvement.

The Board regularly reviews the effectiveness of its performance as that of its committees and individual Directors. The Directors' Report in the Annual Report and Financial Statements identifies the members of the Board at the time of its publication and describes the relevant experience, skills and qualities they bring.

Board appointments are made after consultation with advisers in all cases and often with major shareholders in some cases. The Nomad undertakes due diligence on all new potential board candidates. Board members all have appropriate notice periods so that if a board member indicates his/her intention to step down, there is sufficient time to appoint a replacement, whether internal or external. All Directors who are required to retire by rotation and seek re-election every three years.

Departures from the Code

The Board recognises that a more robust means of evaluating Board performance needs to be adopted going forwards. The evaluation process is currently under review. In the past, a review of the Board has been undertaken by external advisers. The Board will consider using this method of review in future to supplement its own processes.

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

The Board firmly believes that sustained success will best be achieved by adhering to our corporate culture of treating all our stakeholders fairly and with respect.

Accordingly, in dealing with each of the Company's principal stakeholders, we encourage our staff to operate in an honest and respectful manner. The Board believes that achieving a common awareness across all employees plays a major role in maintaining good employee relations. The Strategic Report set out in the Annual Report and Financial Statements highlighted areas that concerned employees and steps were taken to remedy these concerns. The Group's culture of honesty and respect is reflected in the continued support and dedication shown by employees to deliver value to our customers during what has been a challenging year.

The Company is committed to promoting a culture based on ethical values and behaviours across the business. Policies are in place covering key matters such as bribery, protection of intellectual property and sensitive information, conflicts of interest, whistleblowing and anti-slavery. These are vigorously enforced and monitored. Central to the Company's culture and values are Collaboration, Respect, Excellence, Speed, Trust and Accountability, known to the Company's employees as CRESTA. Information on how the Company's beliefs are applied to the business is set out on the website: https://www.idegroup.com/about/our-people/

Corporate Governance Statement *(continued)*

Certifications

The Company is proud to have been awarded ISO/IEC 20000-1, ISO 9001, and ISO 27001. Details of these and other certifications are included on the website: https://www.idegroup.com/about/certification/

Principle 9 – Maintain governance structures and processes that are fit for purpose and support good decision-making by the board.

The principal governance structures and processes of the Company and its subsidiaries are the collective responsibility of the Board and its Committees. At each Board meeting, the Board considers and reviews the trading performance of the Group. The Board has a formal written schedule of matters reserved for its review and approval. These include the approval of the annual budget, major capital expenditure, investment proposals, the interim and annual results and a review of the overall system of internal control and risk management.

Audit Committee

The duties of the Audit Committee include reviewing, in draft, form the Company's annual and half-yearly report and accounts and providing advice to the Board. Members of the Audit Committee are also responsible for reviewing and supervising the financial reporting process and internal control systems of IDE Group. The Audit Committee is comprised of one Non-Executive Director and one Executive Director

Remuneration Committee

The Remuneration Committee is responsible for determining the policy for Directors' remuneration and setting remuneration for the Company's chair, executive Directors and senior management including share option schemes and any bonus arrangements. No director plays any role in determining his or her own remuneration.

Departures from the Code

The Company recognises that its lack of independent non-executive Directors does not comply with the standards of the QCA Corporate Governance Code in terms of composition of the Board and its Committees.

The Remuneration Committee did not convene in 2020. Instead, matters such as remuneration of new appointments to the Board and senior management were handled by the Chief Executive Officer and Chairman. Whilst no director was involved in determining his or her own remuneration, the Board recognises that this is a departure from the Code.

The Board recognises the need for at least one independent director and is looking to find appropriate candidates to fulfil that role and enhance its governance structures and processes.

Principle 10 – Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders.

The Company reports formally to its shareholders and the market generally twice each year with the release of its interim and full year results. The full year results are audited by an external firm of auditors with the interim statement usually subject to a review by the same external auditors.

The Annual Report and Financial Statements set out how the corporate governance of the Company has been applied in the period under review.

These reports contain full details of all the principal events of the relevant period together with an assessment of current trading and future prospects and the reports are made available via the Company's website to anyone who wishes to review them.

Corporate Governance Statement *(continued)*

The Group maintains a regular dialogue with stakeholders including shareholders to enable interested parties to make informed decisions about the Company and its performance. The Board believes that transparency in its dealings offers a level of comfort to stakeholders and an understanding that their views will be listened to. This proved to be of utmost importance during 2020 which was a period of significant change and challenge for the Company. The Board intends to continue its policy of communication for the mutual benefit of the Company and its stakeholders.

The Board discloses the result of general meetings by way of announcement and discloses the proxy voting numbers to those attending the meetings. In order to improve transparency, the Board implemented a policy to announce proxy voting results following the Annual General Meeting in August 2019, as it had committed to do. In the event that a significant portion of voters vote against a resolution, an explanation of what actions the Board intends to take to understand the reasons behind the vote will be included.

The roles and responsibilities of the committees supporting the Board are set out in the Corporate Governance section of the Annual Report and Financial Statements.

Statement of Directors' Responsibilities

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and company financial statements for each financial year. The directors have elected under company law to prepare the group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and to prepare the company financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and applicable law.

The group and company financial statements are required by law and international accounting standards in conformity with the requirements of the Companies Act 2006 to present fairly the financial position of the group and the company and the financial performance of the group. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

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

In preparing each of the group and company financial statements, the directors are required to:

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

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

c. state whether they have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the company will continue in business.

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the IDE Group Holdings plc website.

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

Ian Smith
Executive Director
On behalf of the Board
21 July 2021

Report of the Audit Committee

I am pleased to present the Audit Committee's report for the year ended 31 December 2020. The following pages provide an insight into how the Audit Committee discharged its responsibilities during the year and the key topics that it considered in doing so.

Composition

In 2020 the Audit Committee was comprised of one non-executive director, Sebastian White, and Andy Parker, who was Executive Chairman of the Group until June 2020 when he became Non-Executive Chairman, with Andy Parker acting as Chair of the Committee. The Chair is considered by the Board to have recent and relevant financial experience and the other member has competence relevant to the Company's sector of operation.

As noted in the Corporate Governance Report set out in these Financial Statements, the Board acknowledges that the lack of independent non-executive Directors does not comply with the standards of the QCA Corporate Governance Code in terms of composition of the Board and its Committees. With a Board comprising three Directors, all generally attend the meetings of the Audit Committee. Other members of senior management may also be invited to attend the meetings as guests.

Role and Responsibilities

The Audit Committee determines and examines any matters relating to the financial affairs of the Group including the terms of engagement of the Group's auditors and, in consultation with the auditors, the scope of the audit. The Audit Committee meets at least twice in each financial year.

The Audit Committee is responsible for monitoring the integrity of the Company's financial statements, reviewing significant financial reporting issues, reviewing the effectiveness of the Group's internal control and risk management systems. In addition, it considers the financial performance, position and prospects of the Group and the Company and ensures they are properly monitored and reported on. It oversees the relationship with the Auditor (including advising on their appointment, agreeing the scope of the audit and reviewing the audit findings).

The Board and the Audit Committee do not consider it appropriate for the current size of the Group to establish an internal audit function.

Principal activities during the year

The Committee held two meetings during the year under review and considered the following:

- The financial statements for the year ended 31 December 2019; and
- The draft interim results for the period ended 30 June 2020.

The Committee met in 2021 to consider the following:

- An overview of the planned work by the external auditors on the 2020 audit including the scope and regulatory requirements of the audit and audit findings.

The Committee is planning the following activities during 2021:

- Review and approve the FY21 external Auditor's plan, including the proposed materiality threshold, the scope of the audit, the significant audit risks and fees;
- Review the Company's procedures, systems and controls for the prevention of bribery or fraud;

Report of the Audit Committee *(continued)*

- Review the adequacy and security of the Company's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action;
- Review the Committee's internal audit role, in the absence of an external provider of an internal audit service.

External Auditor

RSM UK Audit LLP ("RSM") has been the external Auditor of the Group since 2019. The continued appointment of RSM is to be reviewed by the Committee each year, taking into account relevant legislation, guidance and best practice appropriate for a Company of IDE's size and nature.

The Committee will consider a number of areas when reviewing the external Auditor appointment, namely its performance in discharging the audit, the scope of the audit and terms of engagement, its independence and objectivity, and its reappointment and remuneration.

The fees paid to RSM during the financial year are set out in note 6 to the Group's consolidated financial statements. No non-audit services were provided by RSM.

Attendance at Audit Committee Meetings

Please see the report in the Corporate Governance Report in this document for attendance by the members of the Audit Committee.

Andy Parker
Chairman of the Audit Committee
21 July 2021

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF IDE GROUP HOLDINGS PLC

Opinion

We have audited the financial statements of IDE Group Holdings PLC (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2020 which comprise the consolidated income statement, the consolidated statement of comprehensive income, statements of financial position for the group and parent company, statements of changes in equity for the group and parent company, statements of cash flows for the group and parent company and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006 and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2020 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006;
- the parent company financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and as applied in accordance with the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included:

- obtaining an understanding of management's going concern evaluation;
- assessing the information used in the going concern assessment for consistency with management's plan and information obtained through our other audit work;
- challenging the major assumptions in management's forecasts, and checking the construction of the forecasts;
- assessing the intent and ability of MXC Capital Limited to provide additional funding if and when required.

Our key observations are that the Group's cash flow forecasts indicate the requirement for further funding over the forecast period in order to meet working capital requirements as the Manage business grows. The continued support of the Group's cornerstone investor, MXC Capital Limited, has been confirmed in writing and evidence of the availability of funding has been obtained.

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

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

Summary of our audit approach

Key audit matters	**Group** • Impairment of assets in Connect CGU
Materiality	**Group** • Overall materiality: £312,000 (2019: £367,000) • Performance materiality: £234,000 (2019: £275,000) **Parent Company** • Overall materiality: £306,000 (2019: £351,000) • Performance materiality: £229,000 (2019: £263,000)
Scope	Our audit procedures covered 99% of revenue, 99% of total assets and 99% of loss before tax.

Key audit matters

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

Impairment of assets in Connect CGU

Key audit matter description	Refer to notes 1.28 (critical accounting estimates) and note 14 (intangible assets). The majority of the group's goodwill relates to the Connect CGU. The impairment review, undertaken by management, determined the carrying value of this CGU to be £nil. This reflected its continued poor performance and losses. Management concluded, therefore, that goodwill, trademarks, customer contracts and related relationships and network infrastructure assets, attributable to the CGU, should be impaired in full. The assessment of impairment in accordance with IAS 36 requires an assessment of the recoverable amount, based on the higher of value in use and fair value less costs to sell. This involves the use of estimates and judgements in determining the future cash flows for calculating value in use. The CGU's assets constitute the majority of the carrying amount of the non-current assets of the group, prior to impairment. Therefore, this area was considered to be a key audit matter.
How the matter was addressed in the audit	Our work included: • Critically challenging the key underlying assumptions in the forecasts used to determine value in use and understanding the reasons for the continued forecast losses; • Understanding management's future plans for the CGU and challenging their assessment that the fair value less costs to sell was £nil; and • Reviewing the adequacy of the disclosures in the financial statements, including disclosure of the events and circumstances that led to the recognition of the impairment charge.

Our application of materiality

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

	Group	Parent company
Overall materiality	£312,000 (2019: £367,000)	£306,000 (2019: £351,000)
Basis for determining overall materiality	1.3% of revenue	4.8% of net assets
Rationale for benchmark applied	Revenue is considered the most appropriate measure used to assess the performance of the group.	Net assets are considered to be the appropriate measure as the company's activity is to hold investments in group companies.
Performance materiality	£234,000 (2019: £275,000)	£229,000 (2019: £263,000)
Basis for determining performance materiality	75% of overall materiality	75% of overall materiality
Reporting of misstatements to the Audit Committee	Misstatements in excess of £15,600 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.	Misstatements in excess of £15,300 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

The group consists of the parent company, three trading companies (IDE Group Manage Limited, IDE Group Connect Limited and Nimoveri Limited (which was acquired in the year)) and 15 other entities which are dormant or non-trading. The parent company and the three trading companies are based in the UK.

The coverage achieved by our audit procedures was:

	Number of components	Revenue	Total assets	Loss before tax
Full scope audit	3	98.9%	99.3%	99.3%
Analytical procedures at group level	16	1.1%	0.7%	0.7%
Total	**19**	**100%**	**100%**	**100%**

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 26, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the group and parent company operates in and how the group and parent company are complying with the legal and regulatory framework;

- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

The most significant laws and regulations were determined as follows:

Legislation / Regulation	**Additional audit procedures performed by the Group audit engagement team included:**
IFRS and Companies Act 2006	Review of the financial statement disclosures and testing to supporting documentation; Completion of disclosure checklists to identify areas of non-compliance.
Tax compliance regulations	Inspection of computations provided by external tax advisors.

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

Risk	**Audit procedures performed by the audit engagement team:**
Revenue cut-off	A sample of revenue from immediately before and after the period end was substantively tested, and accrued or deferred income recalculated by reference to the underlying contracts and invoice details.
Management override of controls	Testing the appropriateness of journal entries and other adjustments; Assessing whether the judgements exercised in making accounting estimates are indicative of a potential bias; and Evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

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

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

RSM UK Audit LLP.

GEOFF WIGHTWICK (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
Portland
25 High Street
Crawley
West Sussex
RH10 1BG

21 July 2021

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		**5,767**	6,419
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		**(25,548)**	(15,480)
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		**(19,781)**	(9,061)
Finance costs	*9*	**(1,799)**	(1,827)
Loss on ordinary activities before taxation		**(21,580)**	(10,888)
Income tax	*11*	**3,103**	2,411
Loss for the year from continuing operations		**(18,477)**	(8,477)
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		**(18,477)**	(8,656)
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*	**(4.61)p**	(2.16)p

* 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 on pages 40 to 77 are an integral part of these financial statements.

Statements of Financial Position

As at 31 December 2020

	Note	**Group**		**Company**	
		2020	2019	**2020**	2019
		£000	£000	**£000**	£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 on pages 40 to 77 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)
Transactions with owners recorded directly in equity:						
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)
Transactions with owners recorded directly in equity:						
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.

Statements of Changes in Equity *(continued)*

for the year ended 31 December 2020 *(continued)*

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
Total comprehensive loss for the year					
Loss for the year	-	-	-	(21,696)	(21,696)
Transactions with owners recorded directly in equity:					
Share based payments	-	-	-	86	86
Balance at 31 December 2019	**10,020**	**35,439**	**967**	**(35,879)**	**10,547**
Total comprehensive loss for the year					
Loss for the year	-	-	-	(4,269)	(4,269)
Transactions with owners recorded directly in equity:					
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)
Adjustments for:			
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.

Statements of Cash Flows *(continued)*
for the year ended 31 December 2020

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
		(770)	(784)
(Increase)/decrease in trade and other receivables		**28**	(17)
Increase/(decrease) in trade and other payables		**(388)**	424
Net cash used in operating activities		**(1,130)**	(377)
Cash flows from investing activities			
Amounts (advanced to)/repaid by subsidiaries		**1,034**	(11,734)
Net cash generated from investing activities		**1,034**	(11,734)
Cash flows from financing activities			
Interest paid		**-**	(44)
New loans and borrowings, net of expenses		**-**	11,520
Repayment of loans and borrowings		**-**	(4,750)
Net cash generated from financing activities		**-**	6,726
Net decrease in cash and cash equivalents		**(96)**	(5,385)
Cash and cash equivalents at 1 January		**103**	5,488
Cash and cash equivalents at 31 December	*17*	**7**	103

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 consolidated and parent company financial statements of IDE Group have been prepared on the going concern basis and in accordance with International Accounting Standards in conformity with the Companies Act 2006. The consolidated financial statements have been prepared under the historical cost convention. The Company has elected to take the exemption under section 408 of the Companies Act 2006 to not present the parent Company's Income Statement.

The accounting framework requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 1.28 in the accounting policies. The financial statements are prepared in GBP (being the functional currency of the Group) and rounded to the nearest £1,000.

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.

Acquisition related costs are expensed as incurred.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with policies adopted by the Group.

Notes to the Consolidated Financial Statements *(continued)*

1 Accounting policies *(continued)*

1.3 Investments

Investments in subsidiaries are held at cost less accumulated impairment losses. A formal assessment of the recoverability of the investment values is undertaken on an annual basis by the Directors. Where indicators of impairment identified, fixed asset investments are impaired accordingly.

1.4 Intangible assets

Goodwill
Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of any non-controlling interest over the fair value of the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the income statement as a bargain purchase.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purposes of impairment testing, goodwill acquired in a business combination is allocated to a cash generating unit.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Other intangible assets arising from business combinations

Intangible assets that meet the criteria to be separately recognised as part of a business combination are carried at cost (which is equal to their fair value at the date of acquisition) less accumulated amortisation and impairment losses. An intangible asset acquired as part of a business combination is recognised outside of goodwill if the asset is separable or arises from contractual or other legal rights and its fair value can be measured reliably. Intangible assets acquired in this manner include trademarks and customer contracts. They are amortised over their estimated useful lives on a straight-line basis as follows:

- Customer contracts and related relationships — 5 – 13 years
- Trademarks — 5 years
- Software and licensing — 8 years

Impairment and amortisation charges are included within the administrative expenses line in the income statement.

Technology development

Expenditure on internally developed technology is capitalised if it can be demonstrated that:

- it is technically feasible to develop the technology for it to be used or sold
- adequate resources are available to complete the development
- there is an intention to complete and for the Group to use or sell the technology
- use or sale of the asset will generate future economic benefits, and
- expenditure on the project can be measured reliably.

Capitalised development costs are amortised over the periods the Group expects to benefit from using or selling the assets developed. The amortisation expense is included within the administrative expenses line in the income statement. 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.

Notes to the Consolidated Financial Statements *(continued)*

1 Accounting policies *(continued)*

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.

Notes to the Consolidated Financial Statements *(continued)*

1 Accounting policies *(continued)*

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.

Notes to the Consolidated Financial Statements *(continued)*

1 Accounting policies *(continued)*

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.

Notes to the Consolidated Financial Statements *(continued)*

1 Accounting policies *(continued)*

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.

Notes to the Consolidated Financial Statements *(continued)*

1 Accounting policies *(continued)*

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

Notes to the Consolidated Financial Statements *(continued)*

1 Accounting policies *(continued)*

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.

Notes to the Consolidated Financial Statements *(continued)*

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)
Analysed as:					
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.

Notes to the Consolidated Financial Statements *(continued)*

2 Segment reporting *(continued)*

Year ended 31 December 2019	IDE Group Manage £000	IDE Group Connect £000	Central & inter-segment £000	Total Continuing Operations £000	Discontinued Operations £000	Total £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)
Analysed as:						
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 £000	2019 £000
Revenue from contracts with customers		
Sale of goods	**959**	925
Rendering of services	**23,102**	27,236
Total	**24,061**	28,161

Notes to the Consolidated Financial Statements *(continued)*

3 Revenue *(continued)*

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**
Geographical regions					
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**
Total	10,221	6,032	4,233	3,575	**24,061**
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**
Total	10,221	6,032	4,233	3,575	**24,061**

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

Notes to the Consolidated Financial Statements *(continued)*

3 Revenue *(continued)*

Contract balances

	2020 £000	2019 £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 £000	2019 £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
Total cost of sales and administrative expenses	**44,225**	37,222

Notes to the Consolidated Financial Statements *(continued)*

6 Auditor's remuneration

	2020 £000	2019 £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
Total	**156**	133

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 £000	2019 £000
Restructuring and reorganisation costs	**479**	466
Other exceptional costs	**-**	122
	479	588

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.

Notes to the Consolidated Financial Statements *(continued)*

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
	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	4
Goodwill	196
Total	200

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** **£000**	2019 £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**	-
	1,799	1,827

Notes to the Consolidated Financial Statements *(continued)*

10 Employee benefits expense

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

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

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
Total average monthly headcount	**245**	268

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	**313,148**	230,000

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.

Notes to the Consolidated Financial Statements *(continued)*

11 Taxation

(a) Tax on loss on ordinary activities

	2020 £000	2019 £000
Current tax		
Current year	-	-
Adjustments for prior years	-	-
Current tax	-	-
Deferred tax credit	**(3,103)**	(2,448)
Total tax credit	**(3,103)**	(2,448)
Relating to:		
Continuing operations	**(3,103)**	(2,411)
Discontinued operations	-	(37)
	(3,103)	(2,448)

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 £000	2019 £000
Loss before taxation on continuing operations	**(21,580)**	(10,888)
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)
Total tax credit	**(3,103)**	(2,448)

Notes to the Consolidated Financial Statements *(continued)*

11 Taxation (continued)

(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)
At 1 January 2020	(2,371)	3,822	1,451
Business Combinations	-	(1)	(1)
Credit to income statement			
Timing differences in respect of intangible assets	-	(2,036)	(2,036)
Timing differences in respect of tangible assets	(40)	-	(40)
Recognition of losses	(1,026)	-	(1,026)
Short term timing differences	(1)	-	(1)
	(1,067)	(2,036)	(3,103)
At 31 December 2020	(3,439)	1,786	(1,653)

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	1,786	3,272

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	3,439	1,821

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.

Notes to the Consolidated Financial Statements *(continued)*

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.

	2020	2019
Continuing operations		
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

Notes to the Consolidated Financial Statements *(continued)*

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	2,669	14,637	3,701	20,953
Additions	-	54	28	82
Acquisition (note 8)	-	-	6	6
Lease modification	(488)	-	-	(488)
Disposals	-	-	(9)	(9)
At 31 December 2020	**2,181**	**14,637**	**3,726**	**20,544**
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	617	7,296	3,334	11,247
Charge for the year – continuing	527	1,781	308	2,616
Disposal	-	-	(8)	(8)
Impairment	-	5,481	-	5,481
At 31 December 2020	**1,144**	**14,558**	**3,634**	**19,336**
Net carrying amount				
31 December 2020	**1,037**	**79**	**92**	**1,208**
31 December 2019	2,052	7,189	367	9,706

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.

Notes to the Consolidated Financial Statements *(continued)*

13 Property, plant and equipment *(continued)*

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	2,542	85	307	2,934
Lease modification	(488)	-	-	(488)
At 31 December 2020	**2,054**	**85**	**307**	**2,446**
Accumulated depreciation				
At 1 January 2019	-	-	-	-
Charge for the year	505	73	178	756
At 31 December 2019	505	73	178	756
Charge for the year – continuing	512	12	83	607
At 31 December 2020	**1,017**	**85**	**261**	**1,363**
Net carrying amount				
31 December 2020	**1,037**	**-**	**46**	**1,083**
31 December 2019	2,037	12	129	2,178

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.

Notes to the Consolidated Financial Statements *(continued)*

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.

Notes to the Consolidated Financial Statements *(continued)*

14 Intangible assets (continued)

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	13,954

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.

Notes to the Consolidated Financial Statements *(continued)*

15 Investments

Company

	2020 **£000**	2019 £000
At 1 January 2019, 31 December 2019 and 31 December 2020	**7,877**	7,877

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, Surry, 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.

Notes to the Consolidated Financial Statements *(continued)*

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.

Notes to the Consolidated Financial Statements *(continued)*

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**	2019	**2020**	2019
	%	%	**£000**	£000	**£000**	£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)	**-**	-
At 31 December	**519**	597	**-**	-

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.

Notes to the Consolidated Financial Statements *(continued)*

17 Cash and cash equivalents

	Group		Company	
	2020	2019	**2020**	2019
	£000	£000	**£000**	£000
Cash and cash equivalents	**693**	679	**7**	103

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

	Group		Company	
	2020	2019	**2020**	2019
Credit rating	**£000**	£000	**£000**	£000
A	**693**	679	**7**	103

18 Trade and other payables

	Group		Company	
	2020	2019	**2020**	2019
	£000	£000	**£000**	£000
Non Current				
Trade payables	**1,584**	-	**-**	-
	1.584	-	**-**	-
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
	8,487	7,562	**1,830**	2,075

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	**1,385**	1,932	**-**	**-**

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

Notes to the Consolidated Financial Statements *(continued)*

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)
Balance at 31 December 2020	**-**	**140**	**171**	**311**

	2020	2019
Non-current	91	230
Current	221	192
	312	422

Company	**Other Provision £000**	**Total £000**
Balance at 1 January 2020	50	50
Utilised	-	-
Balance at 31 December 2020	**50**	**50**

	2020	2019
Non-current	-	-
Current	50	50
	50	**50**

Notes to the Consolidated Financial Statements *(continued)*

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
	14,847	14,333	**13,988**	12,474

	Group		Company	
	2020	2019	**2020**	2019
	£000	£000	**£000**	£000
Current				
Loan Notes	**100**	-	**-**	**-**
Lease liabilities	**431**	1,766	-	**-**
	531	1,766	-	-

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.

Notes to the Consolidated Financial Statements *(continued)*

21 Borrowings *(continued)*

Lease liabilities

The present value of lease liabilities is as follows:

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

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
	4,275	650	3,625

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	859	431	13,988	100	**15,378**

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

Notes to the Consolidated Financial Statements *(continued)*

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	-	-	13,988	**13,988**

22 Convertible loan notes

Group and Company

	£000
Balance at 1 January 2020	1,803
Interest unwound	180
Balance at 31 December 2020	**1,983**

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

Assets	**2020 £000**	2019 £000
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	**5,214**	7,026

Notes to the Consolidated Financial Statements *(continued)*

23 Financial instruments by category *(continued)*

Company

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

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

Liabilities at amortised cost	**2020 £000**	2019 £000
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
Total	**25,941**	25,240

Company

Liabilities	**2020 £000**	2019 £000
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
Total	**17,801**	16,352

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.

Notes to the Consolidated Financial Statements *(continued)*

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			**More than**	
	Within 1 year	**1-2 years**	**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**
	7,167	**2,249**	**16,835**	**26,251**

Notes to the Consolidated Financial Statements *(continued)*

24 Financial risk management *(continued)*

Group **At 31 December 2019**	Within 1 year £000	1-2 years £000	More than 2 years £000	Total **£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**
	9,282	619	15,988	**25,889**

Company **At 31 December 2020**	**Within 1 year £000**	**1-2 years £000**	**More than 2 years £000**	**Total £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**
	1,837	**-**	**15,971**	**17,808**

Company At 31 December 2019	Within 1 year £000	1-2 years £000	More than 2 years £000	Total £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.

Notes to the Consolidated Financial Statements *(continued)*

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 £
Allotted, called up and fully paid		
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.

Notes to the Consolidated Financial Statements *(continued)*

27 Share-based payment (*continued)*

	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

Notes to the Consolidated Financial Statements *(continued)*

27 Share-based payment (*continued)*

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).

Consolidated Financial Statements *(continued)*

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:

	2020	2019
Receivables	**£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
Payables	**£000**	£000
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

Notes to the Consolidated Financial Statements *(continued)*

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.