Interim results for the six months to 30 June 2018

Maintel Holdings Plc

maintel

At Maintel, we help businesses become more competitive in the digital economy with effortless communications solutions.

We work with organisations to make teams more effective and efficient with digital workplace technology, improve customer relationships with customer experience technology and connect employees and customers to applications and data through secured connectivity.

"The performance in the first six months of the year reflects our continuing transformation into a cloud and managed services business and the ongoing investment which we are making into the higher growth areas of the business.

Our ICON cloud services continue to attract new customers, particularly in unified communications and managed security, and our managed service base has benefited from some significant new contract wins and the contribution from the acquisition of Intrinsic."

Eddie Buxton
Maintel CEO

Highlights

GROUP REVENUES[1]
£66.5m
▲14%
2017: £58.2m

ADJUSTED PROFIT BEFORE TAX[5]
£4.2m
▼(2)%
2017: £4.3m

ADJUSTED EARNINGS PER SHARE[2]
25.9p
▼(4)%
2017: 27.1p

INTERIM DIVIDEND PER SHARE
15.0p
▲2%
2017: 14.7p

Contents

Highlights continued

Interim results for the six months to 30 June 2018

Maintel Holdings Plc, a leading provider of communications cloud and managed services, is pleased to announce its interim results for the six months to 30 June 2018.

The interim and full year accounts for 2017 have been restated throughout this announcement to reflect the adoption of IFRS 15. The IFRS 15 adoption has resulted in a reduction in H1 2018 revenue and profit before tax of £1.5m and £1.2m respectively (H1 2017: IFRS 15 adjustments resulted in a reduction of £5.6m and £2.1m respectively). Timing of cash flows is not impacted. Please refer to note 1 of the financial statements for further details.

- Revenue up 14% to £66.5m (H1 2017: £58.2m) with recurring revenue at 70%
- Gross profit increased to £18.2m (H1 2017: £17.4m)
- Adjusted EBITDA at £5.0m, down 2% (H1 2017: £5.1m)
- Adjusted earnings per share[2] at 25.9p (H1 2017: 27.1p)
- Strong cash performance with underlying cash conversion of 80% of adjusted EBITDA[3]
- Net debt at £26.1m[4] reduced from £27.7m at 31 Dec 2017
- Interim dividend per share proposed at 15.0p (H1 2017: 14.7p)

Operational highlights

- Maintel's transition to a cloud and managed services business is on track; with positive momentum maintained through the period, cloud based revenues have grown by 33% to £7.7m, and managed services by 22% to £23.2m
- Ongoing investment into automation of services and higher growth areas of the business
- New business orders up c.25% underpinned by the resurgence in the Avaya business with significant project revenues carried into H2
- Recovery set to continue, with a strong order book and pipeline, going into H2
- Acquisition of a Unify customer base, completed 1 July 2018, together with a wider channel partner agreement with parent company Atos

Our cloud and managed services help organisations achieve real business transformation, delivering compelling customer experiences online, in the contact centre and in-store to drive customer acquisition and retention.

About us

Who we are

We are a cloud and managed services company with a focus on communications. Our people become trusted partners for our customers, creating value by helping them improve their businesses through digital transformation.

What we do for our customers

We make their people more effective and productive with digital workplace technology. We help them to acquire, develop and retain their own customers through customer experience technology, and we ensure they can always connect to their applications and their data through secured connectivity.

How we do it

We serve our customers by partnering with the world's leading technology vendors, applying the skills and talents of our people and delivering services with our advanced, secure and highly available platforms.

Key Financial Information

Unaudited results for 6 months ended 30 June:	2018	2017	Increase/ (decrease)
Group revenue	£66.5m	£58.2m	14%
Adjusted profit before tax[5]	£4.2m	£4.3m	(2%)
Adjusted earnings per share[2]	25.9p	27.1p	(4%)
Interim dividend per share proposed	15.0p	14.7p	2%

Commenting on the Group's results, Eddie Buxton, CEO, said:

"The performance in the first six months of the year reflects our continuing transformation into a cloud and managed services business and the ongoing investment which we are making into the higher growth areas of the business. Our ICON cloud services continue to attract new customers, particularly in unified communications and managed security, and our managed service base has benefited from some significant new contract wins and the contribution from the acquisition of Intrinsic.

Technology revenues have benefited from the resurgence in our Avaya practice and significant new customer wins in both the public and private sectors, and we carry a strong work in progress and project pipeline into H2, underpinning our confidence in management expectations for the full year.

We expect to see margin improvement in H2, partly driven by the full benefit of the restructuring undertaken in Q1 to facilitate our transition to cloud delivery and partly due to revenue mix, as the move towards more cloud based services continues.

Reflecting our confidence in the underlying cash flow of the Group and its longer term prospects, Maintel proposes to pay an interim dividend of 15.0p, representing a 2% increase on the 2017 interim dividend."

Notes

[1] Reported results for the period include a full 6 month contribution from Intrinsic Technology Limited ("Intrinsic"), the acquisition of which completed on 1 August 2017 (H1 2017: £ Nil contribution).

[2] Adjusted earnings per share is basic (loss)/earnings per share of (2.6p) (H1 2017:6.4p), adjusted for intangibles amortisation, exceptional costs, share based payments and deferred tax charges related to loss reliefs from previous acquisitions of Datapoint and Azzurri (note 3). The weighted average number of shares in the period was 14.2m (H1 2017:14.2m).

[3] Cash conversion is adjusted EBITDA to operating cash flow.

[4] Interest bearing debt (excluding issue costs of debt) minus cash.

[5] Adjusted profit before tax of £4.2m (H1 2017: £4.3m) is basic (loss)/profit before tax, adjusted for intangibles amortisation, exceptional costs and share based payments.

Chairman's statement

"Reflecting our confidence in the underlying cash flow of the Group and its longer term prospects, we propose to pay an interim dividend of 15.0p, representing a 2% increase on the 2017 figure."

J D S Booth
Chairman

Maintel's transformation into a cloud and managed services provider continues apace with 33% growth in revenues for our ICON offering over H1 2017. Our unified communications service, ICON Communicate, showed a 27% increase in contracted seats during the first half of 2018 with c.50,000 seats contracted at period end. We continue to invest in new capacity and capabilities for our cloud platform and have also invested significantly in our omni-channel software product, Callmedia, adding considerably to its capabilities. A new Software Defined Wide Area Networking service (SD-WAN) will be launched next month enhancing our ICON Connect wide area network. All of this investment will enhance further the automation of our services business, accelerating our ability to develop and deliver new services to our clients in a fast and efficient way.

Revenue for the period of £66.5m increased by 14% over the previous period (H1 2017: £58.2m) with recurring revenue at 70%. Adjusted profit before tax stood at £4.2m (H1 2017: £4.3m).

Growth in our technology business has been driven by strong order flow led by the resurgence of Avaya sales, the momentum of which has continued in the second half and from our new Intrinsic customer base. Lower gross margins on Cisco sales to the latter have continued to reduce overall margins below historical levels but work continues to reduce the cost structure of this recently acquired business and we anticipate significant margin improvement to flow through in the second half.

Our managed services business has grown by 22% over H1 2017 and stands at £23.2m for the half year, assisted by some support revenue from the acquisition of Intrinsic and substantial contract wins in the utilities, gaming and financial services sectors. This increasing managed services base will continue to generate technology project work and provide an opportunity for cross-selling.

Network services churn increased largely due to the full year effect of the previously highlighted large WAN customers who left in H2 2017. The Group has won several new WAN and managed security contracts in H1 2018. These will start to replace the lost revenues over the coming months as the projects complete.

Other indicators for the second half of the year are also positive. New business orders, up 25% over the previous year, have resulted in a healthy backlog that will generate revenue on fulfilment over H2 2018 and into 2019.

H2 2018 will also experience the full benefit of the headcount reduction and transition programme, reflecting the transition from traditional to cloud delivery that was implemented in the first quarter of 2018.

On 1 July 2018, we announced the signing of a strategic partnership with Atos and the acquisition of certain UK customer contracts for a total net consideration of £5.1m payable over four and a half years. This has increased our managed service base by around 10% and we anticipate that we will generate healthy project work in FY 2019 from the acquired base. We look forward to this new partnership and to working on some large scale opportunities with Atos.

The period has also seen further investment in our people, with senior hires in leadership positions for our data and contact centre operations and the appointment of a Customer Experience Director to enhance our market-leading support offering. A new graduate recruitment programme has been launched with the first intake taking place earlier in the summer. This further develops the existing technical apprenticeship scheme we have been running for several years and is focused on accelerating development of the new skills our business requires for the future.

Reflecting our confidence in the underlying cash flow of the Group and its longer term prospects, we propose to pay an interim dividend of 15.0p, representing a 2% increase on the 2017 figure.

On behalf of the Board, I would like to take this opportunity to thank all of our employees for their continued hard work and commitment.

J D S Booth
Chairman
7 September 2018

New IFRS implementation

Maintel has adopted IFRS 15 - Revenue from Contracts with Customers and IFRS 9 - Financial instruments for the financial year ending 31 December 2018.

To reflect the adoption of IFRS 15, interim and full year 2017 figures have been restated throughout this document. The effect of adopting IFRS 15 primarily impacts on the following areas:

Technology revenues/margins recognised under contracts with customers, which include both the supply of technology goods and installation services, representing one performance obligation under IFRS 15 result in revenue recognition at a point in time, which is different to the previous treatment whereby the supply of goods and professional services were treated as separate sale arrangements (refer note 1).

The adoption of IFRS 15 has resulted in a reduction in H1 2018 revenue and profit before tax of £1.5m and £1.2m respectively (H1 2017: £5.6m and £2.1m). In addition opening reserves at 1 January 2017 are £1.0m lower than the amount reported in the 2017 financial statements. These amounts are based on the Company applying the retrospective method in transitioning to IFRS 15 (refer note 1).

The adoption of IFRS 15 has not altered the total contract value or timing of cash flows.

The impact of IFRS 9 is to reduce the Group's opening reserves at 1 January 2018 and trade receivables by £0.1m. These amounts are based on applying the retrospective method. There has not been a material impact on H1 2018 reported numbers as a result of adopting IFRS 9.

Audit Tender

Maintel announces that it has instigated a competitive tender process for the role of external auditor. At the conclusion of this process the successful applicant will be appointed as auditor for the 2019 half year review onwards, subject to the approval of shareholders at the AGM, which is expected to be held during May 2019. BDO LLP have acted as Maintel's external auditor for the past 14 years and have been invited to retender.
The selection criteria and governance arrangements have been designed to ensure effective Audit & Risk Committee oversight of a selection process which prioritises audit quality. A further announcement will be made on the outcome of the tender process, which is expected to be completed by the end of October 2018.

Business review

Results for the 6 month period to 30 June 2018

The Group has delivered an increase in revenue of 14% to £66.5m (H1 2017: £58.2m) in the period. An adjusted profit before tax (as described below) of £4.2m was generated (H1 2017: £4.3m).

The period benefited from six months' contribution from the Intrinsic acquisition, which was completed in August 2017.

Recurring revenue (being all revenue excluding one-off projects) remained high at 70%. This decreased on the previous year due to the high growth in technology revenues in the period, largely due to the inclusion of Intrinsic which has a higher proportion of project based, non-recurring revenue. Recurring revenue, measured under the old accounting standard, IAS 18, would have been 68% in H1 2018 against 73% in H1 2017.

Adjusted earnings per share (EPS) decreased by 4% to 25.9p (H1 2017: 27.1p) based on a weighted average number of shares in the period of 14.2m (H1 2017: 14.2m).

On an unadjusted basis, the Group generated a loss before tax of £0.2m (H1 2017: profit of £1.1m) and generated a loss per share of 2.6p (H1 2017: earnings of 6.4p). This includes £1.3m of exceptional costs driven by staff restructuring costs (H1 2017: £0.2m) (refer note 6) and intangibles amortisation of £3.0m (H1 2017: £2.9m).

	6 months to 30 June 2018 £000	(restated) 6 months to 30 June 2017 £000	Increase/ (decrease)
Revenue	66,537	58,220	14%
(Loss)/profit before tax	(256)	1,146	
Add back intangibles amortisation	3,039	2,898	
Exceptional items (mainly relating to staff restructuring costs)	1,251	150	
Share based remuneration	188	123	
Adjusted profit before tax	4,222	4,317	(2%)
Adjusted EBITDA(a)	5,042	5,120	(2%)
Basic (loss) / earnings per share	(2.6p)	6.4p	(141%)
Diluted	(2.6p)	6.3p	(141%)
Adjusted earnings per share(b)	25.9p	27.1p	(4%)
Diluted	25.4p	26.6p	(4%)

(a) Adjusted EBITDA is EBITDA of £3.6m (H1 2017: £4.8m) less exceptional costs and share based remuneration (note 4)

(b) Adjusted profit after tax divided by weighted average number of shares (note 3)

Review of operations

The following table shows the performance of the three operating segments of the Group. The H1 2018 results include six months' contribution from Intrinsic (H1 2017: nil contribution). On 1 January 2018, as part of the corporate restructuring of the Group, the Intrinsic trading entity was hived up into Maintel Europe Ltd so that for FY 2018 the UK operations are managed and controlled as one entity.

Revenue analysis	6 months to 30 June 2018 £000	(restated) 6 months to 30 June 2017 £000	Increase/ (decrease)
Managed services related	23,166	18,932	22%
Technology(c)	19,999	11,434	75%
Managed services and technology division	43,165	30,366	42%
Network services division	20,608	24,268	(15%)
Mobile division	2,764	3,586	(23%)
Total Group	66,537	58,220	14%

(c) Technology includes revenues from hardware, software, professional services and other sales.

Managed services and technology division

The managed services and technology division provides the management, maintenance, service and support of unified communications, contact centres and local area networking technology both on customer premises and in the cloud, across the UK and internationally, on a contracted basis. It also supplies and installs project-based technology, professional and consultancy services, to our direct clients and through our partner relationships.

	6 months to 30 June 2018 £000	(restated) 6 months to 30 June 2017 £000	Increase
Divisional revenue	43,165	30,366	42%
Divisional gross profit	11,882	8,754	36%
Gross margin (%)	28%	29%	

Business review continued

Results for the 6 month period to 30 June 2018

Revenue in this division increased by 42% to £43.2m and gross profit by 36% to £11.9m. Gross margin at 28% (H1 2017: 29%) was impacted by the inclusion of a full 6 months' trading from the lower margin Intrinsic business.

Including the impact of IFRS 15, technology revenue grew by 75%. Excluding IFRS 15 adjustments technology revenue grew by 22% driven by the significant growth in new business orders underpinned by the recovery in our Avaya business and continued success in winning public sector contracts in the period. These contract wins included major technology transformation projects with two financial services companies, a large housing association and a large utility company.

As a result, the Group enters H2 with a significant backlog of project work which will generate revenue upon completion of those projects over the coming months.

Managed services related revenue grew by 22% compared with H1 2017, also boosted by a full 6 months' contribution from Intrinsic.

The outlook for H2 is positive. While the Group continued to see a reduction in the value of the legacy maintenance base, as the Group's customers move to newer technology, H2 will benefit from a number of contract wins secured in H1, when they come through to revenue in the coming months. In addition, we announced the signing of a strategic partnership with Atos and the acquisition of certain UK customer contracts that have increased our managed service base by c.10% moving into H2. We also expect to generate healthy project work from this acquired base, and to begin to work on some large-scale opportunities with Atos.

Network services division

The network services division sells a portfolio of connectivity and communications services, including managed MPLS networks, security as a service, internet access services, SIP telephony services, inbound and outbound telephone calls and hosted IP telephony solutions. These services complement the on-premises and cloud solutions offered by the managed service and technology division and the mobile division's services.

	6 months to 30 June 2018 £000	6 months to 30 June 2017 £000	Decrease
Call traffic	2,837	3,377	(16%)
Line rental	4,953	6,253	(21%)
Data connectivity services	12,648	14,431	(12%)
Other	170	207	(18%)
Total division	20,608	24,268	(15%)
Division gross profit	4,945	7,000	(29%)
Gross margin (%)	24%	29%	

Network services revenue decreased by 15 % year on year, with gross margins in the division decreasing to 24% (H1 2017: 29%), impacted by the previously highlighted migration away of two large legacy WAN customers (not on the ICON platform) that had particularly high margins. We expect margins to recover in H2 as new lower vendor costs and new contracts make a positive contribution.

Traditional call traffic and line rental revenues decreased by 19% to £7.8m (H1 2017: £9.6m), which is a reflection of the overall market decline and a shift in the sales focus of the Group to meet the higher demand for cloud and managed services. The previously highlighted large low margin customer contract not renewed has now migrated away with the impact fully realised.

Data connectivity revenues declined by 12% over the prior period, driven by a full 6 month impact of the loss of the two large WAN customers as detailed above.

Excluding this impact, underlying data revenues grew by 6% as we start to see a positive impact of new contract wins coming through. The period has seen WAN contract wins for a major retailer, a financial services company and a housing association.

ICON cloud services

ICON is Maintel's suite of cloud services, the main services being ICON Communicate (unified communications), ICON Secure (network security) and ICON Connect (managed WAN). Cloud services revenues are currently accounted for in Technology, Managed Services and Network services.

In H1 2018 there was an acceleration of growth in our ICON cloud services, with revenue increasing by 33% to £7.6m. The ICON Communicate service delivered growth of 27% in contracted seats over the previous period and three new large contracts were secured for our ICON Secure proposition in H1 2018.

The trend towards larger customers adopting cloud services is continuing. In the period, Maintel delivered the first Avaya Aura solution in the UK on the ICON Communicate platform for a large utility company, including managed security, hosting, contact centre and a full managed service wrap-around. This project was the migration of an existing on-premises implementation into a managed contract, while providing the customer with full access to its own administration and billing portals.

We continue to invest in our ICON platform, developing both additional capacity and new capability. Current projects will provide significant new automation across the whole ICON portfolio, accelerating the development of new services and the delivery of customer deployments.

We have also added significant capability to the ICON Contact service, Callmedia, Maintel's omni-channel software product, increasing its digital capabilities.

A new Software Defined Wide Area Networking (SD-WAN) service will be launched in October 2018 enhancing our cloud-optimised ICON Connect managed wide area network.

Mobile division

Maintel mobile derives its revenue primarily from commissions received under its dealer agreements with O2 and Vodafone and from value added services such as mobile fleet management and mobile device management.

Business review continued

Results for the 6 month period to 30 June 2018

	6 months to 30 June 2018 £000	6 months to 30 June 2017 £000	Decrease
Revenue	2,764	3,586	(23%)
Gross profit	1,359	1,664	(18%)
Gross margin (%)	49%	46%	

	At 30 June 2018	At 30 June 2017	Decrease
Number of customers	1,232	1,340	(8%)
Number of connections	35,996	46,926	(23%)

The strategic review of our mobile business, and the action taken to reduce our exposure to mobile, is now complete. As a result, sales activity within mobile is now focused on the mid-market, and therefore is better aligned with the rest of our product propositions. This led to revenue in the mobile division decreasing by 23% over the previous year, with the customer base and number of connections reducing by 8% and 23% respectively. O2 remains our largest network partner with 83% of connections.

Gross margin increased to 49% (H1 2017: 46%) as the focus moves to mid-market customers.

New customer additions in the period included a large healthcare operator and a large cloud security company. The introduction of our new wholesale proposition in H2 2018 will further improve our flexibility in the mid-market space – a key focus area for us in mobile.

Administrative expenses, excluding intangibles amortisation, management recharges and non-trading adjustments

	6 months to 30 June 2018 £000	(restated) 6 months to 30 June 2017 £000	Increase
Sales expenses	6,716	6,474	4%
Administrative expenses	6,804	6,252	9%
Other administrative expenses	13,520	12,726	6%

Total administrative expenses increased by 6% to £13.5m driven in the main by a full six month inclusion of Intrinsic. During Q1 2018 a restructuring of the Group's operations was carried out which will deliver annualised savings of £2.4m, the full run rate impact of which will benefit H2.

The Group's headcount as at 30 June 2018 was 602 (30 June 2017: 631), reflecting a reduction of 12% after taking into account Intrinsic's headcount of 103 at the date of its acquisition.

Property costs were also lower in H1 2018, as we started to see the benefits associated with a lease assignment to a new tenant and the subsequent sub-let of a much reduced space at our Weybridge site and the closures of the Thatcham and Manchester offices.

The exceptional costs of £1.3m (H1 2017: £0.2m) shown in the income statement relate primarily to staff restructuring costs of £0.9m and the set-up of an onerous lease provision associated with the vacant Haydock property of £0.3m.

Share based remuneration costs increased to £0.2m (H1 2017: £0.1m) reflecting the cost of a full 6 months of options issued in April 2017 and the incremental cost effect of new share options issued in April 2018.

The intangibles amortisation charge increased by £0.1m in the period to £3.0m (H1 2017: £2.9m) due to a full six month charge associated with the Intrinsic intangible, Intrinsic having been acquired in August 2017. Amortisation charges are discussed further below.

Foreign exchange

The Group's reporting currency is sterling; however it trades in other currencies, notably the euro, and has assets and liabilities in those currencies. The euro rate remained unchanged at €1.13 = £1 compared with 31 December 2017 and the US Dollar rate moved from $1.36 = £1 at 31 December 2017 to $ 1.32 = £1 at 30 June 2018. The effect of this and other movements in the period was a gain to the income statement of £65,000 (H1 2017: £81,000), which is included in other administrative expenses.

There was no exchange difference arising on the retranslation at the reporting date of the equity of the Group's Irish subsidiary, whose functional currency is the euro, which is recorded in the translation reserve as a separate component of equity (H1 2017: charge £2,000).

Interest

The increase in the net interest charge to £520,000 (H1 2017: £452,000) resulted from the additional borrowings taken on to finance the Intrinsic acquisition. Net borrowings excluding issue costs of debt decreased to £26.1m at 30 June 2018 (30 June 2017: £24.2m) from a year end 2017 balance of £27.7m.

Taxation

The consolidated statement of comprehensive income shows a tax charge of £0.1m on a loss before tax of £0.3m (H1 2017: tax charge of £0.2m on a profit of £1.1m) for the reasons described below.

Each of the Group companies is taxed at 19%, with the exception of Maintel International Limited, which is taxed at 12.5% (H1 2017: 19.25%; 12.5%). Certain expenses that are disallowable for tax raise the underlying

Results for the 6 month period to 30 June 2018

effective rate above this, and in H1 2018 form the predominant reason why a tax charge was incurred on that period's loss.

The tax charge in the period includes a deferred tax charge relating to historical tax losses of the Datapoint companies, which are available for Group relief. A tax asset in respect of the historic losses is charged to the income statement as the losses are used. This deferred tax charge in the period was £0.2m (H1 2017: £0.3m).

The tax charge in the period also includes a deferred tax charge relating to historic capital allowances from Azzurri. A deferred tax asset was created in relation to the brought forward capital allowances and is charged to the income statement as the capital allowances are used. This deferred tax charge in the period amounted to £0.2m (H1 2017: £0.2m).

Dividends and adjusted earnings per share

An interim dividend for 2017 of 14.7p (£2.1m) was paid on 5 October 2017 and a final dividend for 2017 of 19.1p per share (£2.7m) was paid on 11 May 2018, taking the total dividend paid in respect of 2017 to 33.8p per share.

As previously highlighted, it is the board's intention to return to a dividend pay-out ratio of at least 40% of adjusted net income and, on this basis, we expect that the total dividend paid annually will remain progressive in absolute terms.

As a result, the board will pay an interim dividend of 15.0p in respect of 2018 on 4 October to shareholders on the register at the close of business on 21 September, a 2% increase on H1 2017 reflecting our confidence for the remainder of the year. The corresponding ex-dividend date will be 20 September. In accordance with accounting standards, this dividend is not accounted for in the financial statements for the period under review, as it had not been committed as at 30 June 2018.

Consolidated statement of financial position

Net assets at 30 June 2018 decreased by £3.0m to £21.5m from 31 December 2017.

Intangible assets have decreased by £2.7m to £64.8m (31 December 2017: £67.5m), driven primarily by the amortisation charge of £3.0m offset by capitalised intangible software of £0.2m in the period.

The carrying value of property, plant and equipment is £1.7m, £0.2m more than at 31 December 2017, driven by ongoing investment in ICON and other additions amounting to £0.5m offset by a depreciation charge in the period of £0.3m.

Inventories amounted to £10.7m, which is the same level as at 31 December 2017.

The asset held for sale shown in the 31 December 2017 accounts relates to the freehold property in Burnley, reclassified from fixed assets following the decision to market the property for sale; the property was sold in February 2018 for £1.5m.

Trade and other receivables have increased by £1.5m in the period, the main element being an increase in prepayments and accrued revenue of £1.7m resulting from completion of work for several large projects, offset by the net effect of other receivables amounting to £0.2m.

Trade and other payables amounted to £61.2m, an increase of £2.2m from year end 2017, in the main due to an increase of £3.3m in the deferred revenue element of incomplete technology projects. The other key movements totalling a net decrease of £1.1m were:(i)a lower VAT liability of £0.4m and trade payables of £0.3m; and(ii)a reduction in deferred revenue associated with two large non maintenance projects invoiced in advance of £0.8m; offset by (iii)a net increase of other payables of £0.4m.

Corporation tax liabilities have increased by £0.3m to £1.1m, reflecting the estimated liability associated with the profits derived from H1 2018 trading activities. As a consequence of the hive up of Datapoint's UK businesses into Maintel Europe in Q4 2016, the Group is currently accounting for relief of the historic Datapoint losses on a streamed basis against the profits of the trade that was transferred from the previous Datapoint UK businesses.

Non-current other payables have decreased by £0.3m to £1.2m, due to a reduction in property related provisions of £0.1m and intangible licences payables of £0.2m.

The deferred tax liability has decreased by £0.2m in the first half to £2.1m. The movement is driven by a £0.6m credit to the income statement in relation to the intangibles amortisation, offset by charges relating to Datapoint and Azzurri historical tax losses and capital allowances respectively of £0.4m in aggregate.

Intangible assets

The Group has two intangible asset categories: (i) an intangible asset represented by customer contracts and relationships, brand value, product platforms and software acquired from third party companies, and (ii) goodwill relating to historic acquisitions.

The intangible assets represented by purchased customer contracts and relationships, brand value, product platforms and software were carried at £25.1m at the period end (31 December 2017: £27.8m). The intangible assets are subject to an average amortisation charge of 18% of cost per annum in respect of the managed service and technology division, 13% per annum in respect of the network services division and 16% per annum in respect of the mobile customer relationships, with £3.0m being amortised in H1 2018 (H1 2017: £2.9m), the increase being attributable to a full 6 months' charge relating to the Intrinsic intangibles acquired in August 2017.

There is no change to the value of goodwill of £39.7m (31 December 2017: £39.7m) and no impairment of goodwill has been charged to the consolidated statement of comprehensive income in H1 2018 (H1 2017: £nil).

Business review continued

Results for the 6 month period to 30 June 2018

Cash flow

The Group had net debt (excluding issue costs of debt) of £26.1m at 30 June 2018, compared with £27.7m at 31 December 2017, a reduction of £1.6m in the period.

	6 months to 30 June 2018 £000	(restated) 6 months to 30 June 2017 £000
Cash generated/(consumed by) operating activities	4,061	(801)
Taxation	(12)	(5)
Capital expenditure less proceeds of sale	714	(172)
Finance cost (net)	(490)	(627)
Free cashflow	4,273	(1,605)
Dividends	(2,712)	(2,470)
Repayments of borrowings	-	(6,000)
Increase/(decrease) in cash and cash equivalents	1,561	(10,075)
Cash and cash equivalents at start of period	3,311	10,884
Exchange differences	-	(2)
Cash and cash equivalents at end of period	4,872	807
Bank borrowings	(31,000)	(25,000)
Net debt excluding issue costs of debt	(26,128)	(24,193)
Adjusted EBITDA (note 4)	5,042	5,120

The Group generated £4.1m of cash from operating activities, with a £0.2m positive working capital benefit in the period, compared to £5.9m of working capital consumed in the comparative period. The H1 2018 cash generation was underpinned by a strong cash conversion rate of 80% of adjusted EBITDA to operating cash flow.

A more detailed explanation of the working capital movements is included in the analysis of the consolidated statement of financial position.

A capital receipt of £0.8m was incurred in the period, driven by the proceeds received from the sale of the Burnley freehold property of £1.5m offset by ongoing investment in ICON and Call media developments.

A finance cost (net) of £0.5m was incurred in the period compared to H1 2017 of £0.6m, which included £0.3m of interest relating to Q4 2016 which was paid post year end 2016.

The increase in the net debt position compared with June 2017 is a result of borrowings acquired in August 2017 to fund the acquisition of Intrinsic.

Property

We reported at the end of last year significant progress in management's ongoing review and consolidation of its property locations, leading to the Weybridge lease being assigned to a new tenant with Maintel sub-letting a much reduced space and the closure of the Thatcham and Manchester offices resulting in annualised savings of £0.7m.

A review was also undertaken of the Burnley freehold property in Q4 2017 resulting in a decision to market the property, consolidate the warehousing requirements in Haydock and to lease more modern alternative office premises. The sale of the freehold property was successfully concluded for £1.5m in February 2018, and a new lease was signed in July 2018 for office premises located in Blackburn with minimal net incremental ongoing operating costs to the Group.

Post period end events

Post the period end, on 1 July 2018, the Group announced a strategic partnership with Atos and the acquisition of certain UK customer contracts for a total net consideration of £5.1 million. The consideration is payable over a period of 4 and a half years with spread payment instalments and will be satisfied using the Group's existing cash resources.

Maintel is acquiring a customer base which has been divested in order for Atos to focus on a growth strategy through its partners and large customer accounts and Maintel will become a new channel partner of Atos. The Acquisition is expected to be accretive in the first full year of ownership.

Outlook

The performance in the first six months of the year reflects our continuing transformation into a cloud and managed services business. The full impact of the legacy customers that migrated away in H2 2017 has now fully worked its way through and the business stabilised.

Our ICON Cloud Services continue to attract new customers, particularly in unified communications and managed security, and our managed service base has benefited from some significant new contract wins and the contribution from the acquisition of Intrinsic.

The outlook for H2 is positive and with the significant increase of new business orders in H1, particularly the resurgence in our Avaya practice, we carry a very strong work in progress and project pipeline into H2. This will have a positive impact on the business over the coming months.

Reflecting our confidence, we propose to pay an interim dividend of 15.0p, representing a 2% increase on the 2017 interim dividend.

On behalf of the board

E Buxton
Chief Executive
7 September 2018

Consolidated statement of comprehensive income (unaudited)

for the 6 months ended 30 June 2018

	Note	6 months to 30 June 2018 £000	(restated) 6 months to 30 June 2017 £000
Revenue	1, 2	66,537	58,220
Cost of sales		(48,351)	(40,802)
Gross profit		18,186	17,418
Other operating income		76	77
Administrative expenses			
Intangibles amortisation		(3,039)	(2,898)
Exceptional costs	6	(1,251)	(150)
Share based remuneration		(188)	(123)
Other administrative expenses		(13,520)	(12,726)
		(17,998)	(15,897)
Operating profit		264	1,598
Financial expense		(520)	(452)
(Loss)/profit before taxation		(256)	1,146
Taxation expense		(116)	(240)
(Loss)/profit for the period and attributable to owners of the parent		(372)	906
Other comprehensive expense for the period			
Exchange differences on translation of foreign operations		-	(2)
Total comprehensive income for the period		(372)	904
(Loss)/earnings per share			
Basic	3	(2.6p)	6.4p
Diluted	3	(2.6p)	6.3p

Consolidated statement of financial position (unaudited)

at 30 June 2018

	Note	30 June 2018 £000	(restated) 31 December 2017 £000
Non-current assets			
Intangible assets		64,768	67,495
Property, plant and equipment		1,728	1,471
		66,496	68,966
Current assets			
Inventories		10,684	10,638
Asset held for sale		-	1,500
Trade and other receivables		35,776	34,290
Cash and cash equivalents		4,872	3,311
		51,332	49,739
Total assets		117,828	118,705
Current liabilities			
Trade and other payables		61,198	58,957
Current tax liabilities		1,128	823
Total current liabilities		62,326	59,780
Non-current liabilities			
Other payables		1,201	1,462
Deferred tax liability		2,058	2,260
Borrowings	7	30,751	30,707
Total non-current liabilities		34,010	34,429
Total liabilities		96,336	94,209
Total net assets		21,492	24,496
Equity			
Issued share capital		142	142
Share premium		24,354	24,354
Other reserves		70	70
Retained earnings		(3,074)	(70)
Total equity		21,492	24,496

Consolidated statement of changes in equity (unaudited)

for the 6 months ended 30 June 2018

	Note	Share capital £000	Share premium £000	Other reserves £000	Retained earnings £000	Total £000
At 1 January 2017 (restated)	1	142	24,354	79	2,654	27,229
Profit for the period		-	-	-	906	906
Other comprehensive income:						
Foreign currency translation differences		-	-	(2)	-	(2)
Total comprehensive income for the period		-	-	(2)	906	904
Dividend		-	-	-	(2,470)	(2,470)
Grant of share options		-	-	-	123	123
At 30th June 2017		142	24,354	77	1,213	25,786
Profit for the period		-	-	-	631	631
Other comprehensive income:						
Foreign currency translation differences		-	-	(7)	-	(7)
Total comprehensive income for the period		-	-	(7)	631	624
Dividend		-	-	-	(2,087)	(2,087)
Grant of share options		-	-	-	173	173
At 31 December 2017		142	24,354	70	(70)	24,496
IFRS 9		-	-	-	(108)	(108)
Total comprehensive income for the period		-	-	-	(372)	(372)
Dividend		-	-	-	(2,712)	(2,712)
Grant of share options		-	-	-	188	188
At 30 June 2018		142	24,354	70	(3,074)	21,492

Consolidated statement of cash flows (unaudited)

for the 6 months ended 30 June 2018

	6 months to 30 June 2018 £000	(restated) 6 months to 30 June 2017 £000
Operating activities		
(Loss) / profit before taxation	(256)	1,146
Adjustments for:		
Intangibles amortisation	3,039	2,898
Share based payment charge	188	123
Depreciation charge	300	351
Loss on disposal of property, plant and equipment	19	157
Interest expense (net)	520	452
Operating cash flows before changes in working capital	3,810	5,127
Increase in inventories	(143)	(2,683)
(Increase) / decrease in trade and other receivables	(1,663)	1,673
Increase / (decrease) in trade and other payables	2,057	(4,918)
Cash generated from / (used by) operating activities (see sub analysis below)	4,061	(801)
Cash generated from operating activities excluding exceptional costs	5,068	(651)
Exceptional cost – redundancy and other costs	(1,007)	(150)
Cash generated from / (used by) operating activities	4,061	(801)
Tax paid	(12)	(5)
Net cash flows generated from / (used by) operating activities	4,049	(806)
Investing activities		
Purchase of plant and equipment	(533)	(172)
Purchase of software	(253)	-
Proceeds from the disposal of asset held for sale	1,500	-
Interest received	-	2
Net cash flows generated from / (used by) investing activities	714	(170)

Consolidated statement of cash flows continued

for the 6 months ended 30 June 2018 (unaudited)

	6 months to 30 June 2018 £000	(restated) 6 months to 30 June 2017 £000
Financing activities		
Repayment of borrowings	-	(6,000)
Interest paid	(490)	(629)
Equity dividends paid	(2,712)	(2,470)
Net cash flows from financing activities	(3,202)	(9,099)
Net increase / (decrease) in cash and cash equivalents	1,561	(10,075)
Cash and cash equivalents at start of period	3,311	10,884
Exchange differences	-	(2)
Cash and cash equivalents at end of period	4,872	807

Notes to the interim financial information

for the six months ending 30 June 2018

maintel

1. Basis of preparation

The financial information in these interim results is that of the holding company and all of its subsidiaries (the Group). It has been prepared in accordance with the recognition and measurement requirements of International Financial Reporting Standards as adopted for use in the EU (IFRSs) but does not include all of the disclosures that would be required under IFRSs. The accounting policies applied by the Group in this financial information reflect the adoption of IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments* which are effective as of 1 January 2018. The Group has applied IFRS 15 retrospectively under a full restatement approach. Other than the changes noted below for IFRS 15 and IFRS 9, the accounting policies adopted in the interim financial statements are consistent with those adopted in the last annual report for financial year 2017.

IFRS 15 *Revenue from Contracts with Customers*

An analysis of the key changes that IFRS 15 has on the Group's revenue streams, taking into account the move from the recognition of revenue on the transfer of risks and rewards to the transfer of control are summarised below:

- Technology revenues: certain contracts with customers, which include both supply of technology goods and installation services, represent in substance one performance obligation under IFRS 15 and result in revenue recognition at a point in time. This is different to the previous treatment, whereby the supply of goods and professional services were treated as separate sale arrangements. In relation to these contracts, the group performs a significant integration service which results in the technology goods and the integration service being one performance obligation under IFRS 15. Under IAS 18, the installation was judged to be separable, as it was possible for a customer to obtain equipment and kit from one party and obtain installation services from another. In addition, associated commission payments to sales staff are capitalised as an asset and will be released to profit and loss when the performance obligation has been satisfied. The effect of these adjustments on the comparative periods are disclosed on pages 27 to 28.
- Mobile business: connection commission revenues received from mobile network operators on fixed line revenues were previously spread over the term of the customer contract. Under IFRS 15 the Group's mobile contracts with customers include a number of performance obligations. Typically, these include an obligation to provide a hardware fund to the end users. Under IFRS 15 revenues for the supply of handsets and other hardware kit are recognised under these contracts at a point in time when the hardware goods are delivered to the customer. This is different to the previous treatment of spreading the associated revenue over the course of the customer contract. The financial effect of the change in policy did not have a material impact for the current and comparative periods, no adjustments were required to the current or comparative periods.

The group's new accounting policy for revenue recognition is as follows:

Managed services and technology

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

Notes to the interim financial information continued

for the six months ending 30 June 2018

1. Basis of preparation continued

rights. Where the group's performance of its obligations under a contract is less than amounts received, deferred income is recognised.

Technology revenues for contracts with customers, which include both supply of technology goods and installation services, represent in substance one performance obligation and result in revenue recognition at a point in time, when the Group has fulfilled its performance obligations under the relevant customer contract. Under these contracts, the group performs a significant integration service which results in the technology goods and the integration service being one performance obligation. Over the course of the contract, the technology goods, which comprise both hardware and software components are customised through the integration services to such an extent that the final customised technology goods installed on completion are substantially different to their form prior to the integration service.   Revenue is recognised when the integrated technology equipment and software has been installed and accepted by the customer.

Network services

Revenues for network services are comprised of call traffic, line rentals and data services, which are recognised over time, for services provided up to the reporting date, on the basis that the customer simultaneously receives and consumes the benefits provided by the group's performance of the services over the contract term. Amounts received in advance of the performance of the call traffic, line rentals and data services are recognised as performance obligations and released to revenue as the group performs the services under the contract. Where the group's performance of its obligations under a contract are less than amounts received, deferred income is recognised.

Mobile

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

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

Financial instruments

In adopting IFRS 9, the only changes made from the previous reporting period is in relation to the impairment of financial assets. The Group now reviews the amount of credit loss associated with its trade receivables based on forward looking estimates that take into account current and forecast credit conditions as opposed to relying on past historical default rates. In adopting IFRS 9 the Group has applied the Simplified Approach applying a provision matrix based on number of days past due to measure lifetime expected credit losses and after taking into account customer sectors with different credit risk profiles and current and forecast trading conditions.

1. Basis of preparation continued

The table below shows the effect of IFRS 15 on the restated Consolidated statement of comprehensive income for the six months to 30 June 2017:

Impact on Consolidated statement of comprehensive income of IFRS 15

for the 6 months ended 30 June 2017

	As previously reported £000 (unaudited)	Adjustment for IFRS 15 £000 (unaudited)	(restated) £000 (unaudited)
Revenue	**63,826**	**(5,606)**	**58,220**
Cost of sales	(44,220)	3,418	(40,802)
Gross profit	**19,606**	**(2,188)**	**17,418**
Other operating income	77	-	77
Administrative expenses	(16,015)	118	(15,897)
Operating profit	**3,668**	**(2,070)**	**1,598**
EBITDA	6,917	(2,070)	4,847
Profit before taxation for the period	**3,216**	**(2,070)**	**1,146**
Taxation expense	(633)	393	(240)
Profit for the period and attributable to owners of the parent	**2,583**	**(1,677)**	**906**

The adjustments under IFRS 15 include the following items:

- Technology supply and installation contract revenues of £5.6m reversed with the corresponding adjustments recognised through accrued income (Other receivables) or deferred income;
- Cost of sales of £3.4m in connection with equipment for supply and installation contract revenues reversed and recognised as an asset in Inventory;
- Commission costs in respect supply and installation contract billings of £0.1m reversed and recognised as an asset;
- Taxation expense has been adjusted for the current tax effect of the above adjustments to profit before tax.

Notes to the interim financial information continued

for the six months ending 30 June 2018

1. Basis of preparation continued

The tables below show the effect of IFRS 15 on the restated Consolidated statement of financial position as at 31 December 2017 and Consolidated statement of cash flows for the 6 months ended 30 June 2017:

Impact on Consolidated statement of financial position of IFRS 15

as at 31 December 2017

	As previously reported £000 (audited)	Adjustment for IFRS 15 £000 (unaudited)	(restated) £000 (unaudited)
Non-current assets	**68,966**	**-**	**68,966**
Current assets			
Inventories	3,251	7,387	10,638
Asset held for sale	1,500	-	1,500
Trade and other receivables	37,257	(2,967)	34,290
Cash and cash equivalents	3,311	-	3,311
Total current assets	**45,319**	**4,420**	**49,739**
Total assets	**114,285**	**4,420**	**118,705**
Current liabilities			
Trade and other payables	51,367	7,590	58,957
Current tax liabilities	1,426	(603)	823
Total current liabilities	**52,793**	**6,987**	**59,780**
Non-current liabilities	**34,429**	**-**	**34,429**
Total liabilities	**87,222**	**6,987**	**94,209**
Total net assets	**27,063**	**(2,567)**	**24,496**
Equity			
Issued share capital	142	-	142
Share premium	24,354	-	24,354
Other reserves	70	-	70
Retained earnings	2,497	(2,567)	(70)
Total equity	**27,063**	**(2,567)**	**24,496**

1. Basis of preparation continued

The adjustments under IFRS 15 include the following items:

- Inventory: the costs for technology equipment and sales commissions in connection with supply and installation contract revenues reversed for FY 2017 and prior periods have been recognised as an asset;
- Accrued income: accrued income of £3.0m recognised previously on technology supply and installation contract revenues have been reversed;
- Trade and other payables: additional deferred revenues of £7.6m have been recognised in relation to technology supply and installation contracts where the revenues have been reversed;
- Current tax liabilities: these have decreased to account for lower taxes payable in relation to lower profits assessed to corporation tax as a result of the IFRS 15 adjustments.

Impact on Consolidated statement of cash flows of IFRS 15

for the six months ended 30 June 2017

	As previously reported £000 (unaudited)	Adjustment for IFRS 15 £000 (unaudited)	(restated) £000 (unaudited)
Operating activities			
Profit before taxation	3,216	(2,070)	1,146
Operating cash flows before changes in working capital	**7,197**	**(2,070)**	**5,127**
Decrease / (increase) in inventories	853	(3,536)	(2,683)
Decrease in trade and other receivables	274	1,399	1,673
(Decrease) in trade and other payables	(9,125)	4,207	(4,918)
Cash used by operating activities	(801)	-	(801)

Notes to the interim financial information continued

for the six months ending 30 June 2018

1. Basis of preparation continued

Impact on opening equity at 1 January 2017 of IFRS 15

	As previously Reported £000 (audited)	Adjustment for IFRS 15 £000 (unaudited)	(restated) £000 (unaudited)
Opening retained earnings	3,676	(1,022)	2,654
Opening total equity	28,251	(1,022)	27,229

The Group's results are not materially affected by seasonal variations.

The comparative financial information presented herein for the year ended 31 December 2017 does not constitute full statutory accounts for that period. The Group's annual report and accounts for the year ended 31 December 2017 have been delivered to the Registrar of Companies. The Group's independent auditor's report on those statutory accounts was unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

The financial information for the half-years ended 30 June 2018 and 30 June 2017 is unaudited but has been subject to a review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

In preparing the interim financial statements the directors have considered the Group's financial projections, borrowing facilities and other relevant financial matters, and the board is satisfied that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the directors continue to adopt the going concern basis in preparing the financial statements.

2. Segmental information

For management reporting purposes and operationally, the Group consists of three business segments: (i) telecommunications managed service and technology sales, (ii) telecommunications network services, and (iii) mobile services. Each segment applies its respective resources across inter-related revenue streams which are reviewed by management collectively under these headings. The businesses of each segment and a further analysis of revenue are described under their respective headings in the business review.

The chief operating decision maker has been identified as the board, which assesses the performance of the operating segments based on revenue and gross profit.

2. Segmental information continued

Six months to 30 June 2018 (unaudited)

	Managed service and technology £000	Network services £000	Mobile £000	Total £000
Revenue	43,165	20,608	2,764	66,537
Gross profit	11,882	4,945	1,359	18,186
Other operating income				76
Other administrative expenses				(13,520)
Share based remuneration				(188)
Intangibles amortisation				(3,039)
Exceptional costs				(1,251)
Operating profit				264
Interest (net)				(520)
Loss before taxation				(256)
Taxation expense				(116)
Loss after taxation				(372)

Further analysis of revenue streams is shown in the business review.

The board does not regularly review the aggregate assets and liabilities of its segments and accordingly, an analysis of these is not provided.

	Managed service and technology £000	Network services £000	Mobile £000	Central/inter-company £000	Total £000
Intangibles amortisation	-	-	-	3,039	3,039
Exceptional costs	1,251	-	-	-	1,251

Notes to the interim financial information continued

for the six months ending 30 June 2018

2. Segmental information continued

Six months to 30 June 2017 (unaudited)

	Managed service and technology £000	Network services £000	Mobile £000	Total £000
Revenue	30,366	24,268	3,586	58,220
Gross profit	8,754	7,000	1,664	17,418
Other operating income				77
Other administrative expenses				(12,726)
Share based remuneration				(123)
Intangibles amortisation				(2,898)
Exceptional costs				(150)
Operating profit				1,598
Interest (net)				(452)
Profit before taxation				1,146
Taxation expense				(240)
Profit after taxation				906

Further analysis of revenue streams is shown in the business review.

The board does not regularly review the aggregate assets and liabilities of its segments and accordingly, an analysis of these is not provided.

	Managed service and technology £000	Network services £000	Mobile £000	Central/inter-company £000	Total £000
Intangibles amortisation	-	-	-	2,898	2,898
Exceptional costs	150	-	-	-	150

3. Earnings per share

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

	6 months to 30 June 2018 £000 (unaudited)	(restated) 6 months to 30 June 2017 £000 (unaudited)
Earnings used in basic and diluted EPS, being profit / (loss) after tax	(372)	906
Adjustments:		
Amortisation of intangibles	3,039	2,898
Exceptional costs (note 6)	1,251	150
Tax relating to above adjustments	(804)	(689)
Deferred tax charge on Datapoint profits	200	262
Share based remuneration	188	123
Deferred tax charge on Azzurri capital allowances	177	194
Adjusted earnings used in adjusted EPS	3,679	3,844

The adjustments above have been made in order to provide a clearer picture of the trading performance of the Group.

Datapoint has brought forward historic tax losses, which the Group will benefit from in respect of its 2018 taxable profits. On acquisition in 2013 and in subsequent periods, a deferred tax asset was recognised in respect of its tax losses, and a deferred tax charge has been recognised in the income statement in respect of the period's profits. As this does not reflect the reality and benefit to the Group of the non-taxable profits, the deferred tax charge is adjusted above.

Azzurri has brought forward historic tax capital allowances, which the Group will benefit from in respect of its 2018 taxable profits. On the acquisition of Azzurri in 2016, a deferred tax asset was acquired in respect of its capital allowances, and a deferred tax charge has been recognised in the income statement in respect of the period's profits. As this does not reflect the reality and benefit to the Group of the non-taxable profits, the deferred tax charge is adjusted above.

Notes to the interim financial information continued

for the six months ending 30 June 2018

3. Earnings per share continued

	6 months to 30 June 2018 Number (000s)	(restated) 6 months to 30 June 2017 Number (000s)
Weighted average number of ordinary shares of 1p each	14,197	14,197
Potentially dilutive shares	296	263
	14,493	14,460
Profit / (loss) per share		
Basic	(2.6p)	6.4p
Diluted	(2.6p)	6.3p
Adjusted – basic after the adjustments in the table above	25.9p	27.1p
Adjusted – diluted after the adjustments in the table above	25.4p	26.6p

In calculating diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all potentially dilutive ordinary shares. The Group has one category of potentially dilutive ordinary share, being those share options granted to employees where the exercise price is less than the average price of the Company's ordinary shares during the period.

Notes to the interim financial information

for the six months ending 30 June 2018

4. Earnings before interest, tax, depreciation and amortisation (EBITDA)

The following table shows the calculation of EBITDA and adjusted EBITDA:

	6 months to 30 June 2018 £000 (unaudited)	(restated) 6 months to 30 June 2017 £000 (unaudited)
(Loss) / profit before tax	(256)	1,146
Net interest payable	520	452
Depreciation of property, plant and equipment	300	351
Amortisation of intangibles	3,039	2,898
EBITDA	3,603	4,847
Share based remuneration	188	123
Exceptional costs (note 6)	1,251	150
Adjusted EBITDA	5,042	5,120

5. Dividends

	6 months to 30 June 2018 £000 (unaudited)	6 months to 30 June 2017 £000 (unaudited)	Year to 31 December 2017 £000 (audited)
Dividends paid			
Final 2016, paid 18 May 2017			
– 17.4p per share	-	2,470	2,470
Interim 2017, paid 5 October 2017			
– 14.7p per share	-	-	2,087
Final 2017, paid 11 May 2018			
– 19.1p per share	2,712	-	-
	2,712	2,470	4,557

The directors propose the payment of an interim dividend for 2018 of 15.0 p (2017: 14.7p) per ordinary share, payable on 4 October 2018 to shareholders on the register at 21 September 2018. The cost of the proposed dividend, based on the number of shares in issue as at 7 September 2018, is £2.1m (2017: £2.1m).

Notes to the interim financial information continued

for the six months ending 30 June 2018

6. Exceptional costs

Exceptional costs of £1.3m (H1 2017: £0.2m) were incurred in the period. These relate to redundancy costs of £0.9m resulting from a reorganisation of the Group's operational structure and £0.3m of onerous lease provisions relating to Haydock office premises which have been vacated plus other costs of £0.1m. These costs have been treated as exceptional in the income statement as they are not normal operating expenses and are non-recurring costs.

7. Borrowings

	30 June 2018 £000 (unaudited)	31 December 2017 £000 (audited)
Non-current bank loan - secured	30,751	30,707

On 8 April 2016, the Group entered into new facilities with the Royal Bank of Scotland plc to support the acquisition of Azzurri. These consisted of a revolving credit facility totalling £36.0m (the "RCF") in committed funds on a reducing basis for a five year term (with an option to borrow up to a further £20.0m in uncommitted accordion facilities).

On 1 August 2017, the acquisition of the entire share capital of Intrinsic Technology Limited was completed for a consideration of £4.9m on a cash-free, debt-free basis. The acquisition was funded by an extension to, and drawdown under, the Company's existing RCF with the Royal Bank of Scotland plc. As a result, the RCF increased by £6.0m to £42.0m. However following the sale of the Burnley freehold property for £1.5m on 23 February 2018, the RCF was reduced by a corresponding amount to £40.5m.

Under the terms of the facility agreement, the committed funds reduce to £31.0m on the three year anniversary, and to £26.0m on the four year anniversary from the date of signing.

The non-current bank loan above is stated net of unamortised issue costs of debt of £0.2m (31 December 2017: £0.3m).

8. Post balance sheet event.

On 1 July 2018 the Company completed the acquisition of certain UK customer contracts for a total net consideration of £5.1 million from Atos. The consideration of the Acquisition is payable over a period of 4 and a half years with spread payment instalments and will be satisfied using the Company's existing cash resources.

Independent review report to Maintel Holdings Plc

Introduction
We have been engaged by the company to review the financial information in the interim results for the six months ended 30 June 2018 which comprises the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows, and explanatory notes ("the financial information").

We have read the other information contained in the interim results and considered whether it contains any apparent misstatements or material inconsistencies with the information in the financial information.

Directors' responsibilities
The interim results, including the financial information contained therein, are the responsibility of and have been approved by the directors. The directors are responsible for preparing the interim results in accordance with the rules of the London Stock Exchange for companies trading securities on AIM which require that the half-yearly report be presented and prepared in a form consistent with that which will be adopted in the company's annual accounts having regard to the accounting standards applicable to such annual accounts.

Our responsibility
Our responsibility is to express to the company a conclusion on the financial information in the interim results based on our review.

Our report has been prepared in accordance with the terms of our engagement to assist the company in meeting the requirements of the rules of the London Stock Exchange for companies trading securities on AIM and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Scope of review
We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the financial information in the interim results for the six months ended 30 June 2018 is not prepared, in all material respects, in accordance with the rules of the London Stock Exchange for companies trading securities on AIM.

BDO LLP
Chartered Accountants and Registered Auditors
London
United Kingdom

7 September 2018

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

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