Interim results for the six months to 30 June 2017

Maintel Holdings Plc

maintel

At Maintel, we transform our customers' communications from conventional to exceptional.

Maintel is a fast-growing provider of managed communications services for the public and private sectors, partnering with leading carriers and vendors to deliver effortless communications solutions to a broad spectrum of businesses in the UK and internationally.

Our services securely connect workforces in the office, on the move and in the cloud to make more agile organisations, more productive workers and better engaged customers.

"The period has been another success for the Group, achieving strong growth. With the integration of Azzurri almost complete, cost synergies are starting to be realised. This year has also seen increased investment and development of our ICON cloud platform, which has grown by 55% in contracted seats in our ICON Communicate offer alone.

The growth of our cloud-based offering is expected to continue to accelerate for the rest of year, and as a result we intend to continue our investment in these areas. The contribution of Intrinsic will also benefit the business for the remainder of 2017, with a number of opportunities for cross-selling already identified."

Eddie Buxton
Maintel CEO

Highlights

REVENUES[1]
£63.8m
▲ 68%
2016: £38.1m

ADJUSTED PROFIT BEFORE TAX[4]
£6.3m
▲ 62%
2016: £3.9m

ADJUSTED EARNINGS PER SHARE[2]
38.2p
▲ 44%
2016: 26.6p

INTERIM DIVIDEND PER SHARE
14.7p
▲ 10%
2016: 13.4p

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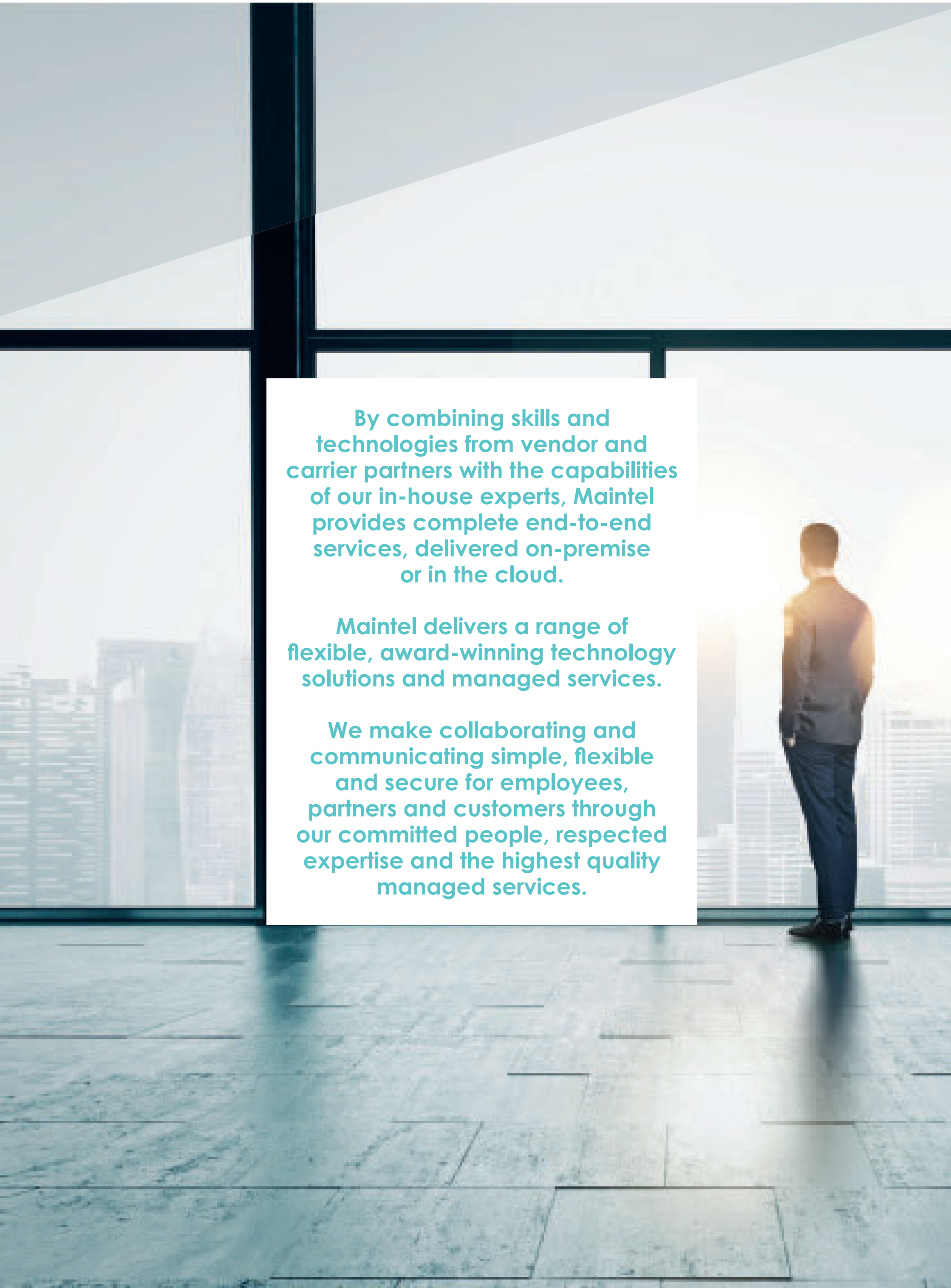
Highlights continued

Financial highlights

- Group revenue increased 68% to £63.8m (H1 2016: £38.1m)[1], with recurring revenue at 73% (H1 2016: 75%)
- Group gross profit increased 50% to £19.6m (H1 2016: £13.1m)
- Group adjusted EBITDA increased 62% to £7.1m (H1 2016: £4.4m)
- Adjusted earnings per share[2] increased 44% to 38.2p (H1 2016: 26.6p)
- Period end net debt of £24.2m[3]
- Progressive dividend policy reiterated:
    - Interim dividend per share proposed of 14.7p (H1 2016: 13.4p)
    - Full year 2017 dividend to grow 10% year on year in line with existing guidance

Operational highlights

- The integration of Azzurri is almost complete, with annualised synergies in the period moderately ahead of those expected at the time of the transaction
- Increased investment in our ICON cloud platforms – ICON Contact, ICON Communicate and ICON Secure – generated strong growth, with a 55% increase in the number of seats active in ICON Communicate alone. We expect to make further incremental investment across ICON during H2
- Managed Services and Technology performance negatively affected by delays to customer installations, as a result of Avaya taking longer than anticipated to come out of Chapter 11
- Acquisition of Intrinsic Technology Ltd ("Intrinsic"), a leading Cisco Gold Partner, in August, post period end, for total consideration of £5.25m



By combining skills and technologies from vendor and carrier partners with the capabilities of our in-house experts, Maintel provides complete end-to-end services, delivered on-premise or in the cloud.

Maintel delivers a range of flexible, award-winning technology solutions and managed services.

We make collaborating and communicating simple, flexible and secure for employees, partners and customers through our committed people, respected expertise and the highest quality managed services.

About us

Who we are

We're technology lovers, collaborators and communicators, and are driven by putting enterprises on the path to business transformation.

Maintel continually invests in its people and products, enabling us to remain among the most accomplished managed services providers.

An exciting past, a secure future

Founded in 1991 and AIM listed in 2004. Maintel continues to grow, feeding the expansion of our global footprint and additional capabilities to support the requirements of over 7,000 customers.

Operating across eight locations in the UK and Ireland, our team of around 700 people has been bolstered by the acquisition of key enterprise technology providers that complement our core proposition.

Technology leaders

Maintel's expertise encompasses unified communications, contact centre solutions, workforce optimisation, local and wide area networking and security, mobile and voice services and managed print services.

Key Financial Information

Unaudited results for 6 months ended 30 June:	2017	2016	Increase
Group revenue	£63.8m	£38.1m	68%
Adjusted profit before tax[4]	£6.3m	£3.9m	62%
Adjusted earnings per share[2]	38.2p	26.6p	44%
Interim dividend per share proposed	14.7p	13.4p	10%

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

"The performance in the first six months of the year reflects mixed trading across the Group. Whilst we were undoubtedly affected by the prolonged issues at Avaya, we saw very strong growth on our ICON platform as well as noticeable progress with our mid-market and larger public sector customers, through our new business and public sector teams. The integration of Azzurri continued at pace and I am delighted to say that this is now nearly complete, with synergies moderately ahead of where we expected them to be at the time of completion.

Whilst we do not anticipate material improvement from our Avaya base in the second half, we do expect to see continued rapid growth in our ICON cloud platforms. As such we intend to further increase investment across the cloud portfolio. The second half of the year will benefit from five months, contribution from Intrinsic and I am very optimistic about its contribution over time given its Cisco-led skill set.

Reflecting our confidence in the underlying cash flow of the Group and its longer term prospects, Maintel proposes to pay an interim dividend of 14.7p, representing a 10% increase on the 2016 interim dividend."

Notes

[1] H1 2016 includes 2 months of Azzurri which was acquired on 4 May 2016.

[2] Adjusted earnings per share is basic earnings per share of 18.2p (H1 2016: loss of 8.2p), adjusted for intangibles amortisation, exceptional costs 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 increased to 14.2m (H1 2016:12.0m) arising from the equity raise in May 2016 to support the Azzurri acquisition.

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

[4] Adjusted profit before tax of £6.3m (H1 2016: £3.9m) is basic profit before tax, adjusted for intangibles amortisation and exceptional costs.

Chairman's statement

"Sales on ICON Secure and ICON Contact, our cloud based network security and contact centre propositions, have also delivered strong growth during the period and an increasing pipeline of opportunities"

J D S Booth
Chairman

Group revenue for the six month period ending 30 June 2017 increased by 68%, compared with H1 2016, to £63.8m and adjusted profit before tax increased by 62% to £6.3m (H1 2016: £3.9m). Adjusted earnings per share (EPS) increased by 44% to 38.2p (H1 2016: 26.6p). H1 2017 trading incorporates a full six months' activity from the Azzurri business acquired in May 2016. Recurring contracted revenue made up 73% of H1 2017 turnover (H1 2016: 75%).

The overall gross margin of the Group during the period was 31% (H1 2016: 34%), primarily driven by the inclusion of a full six months' of the lower margin Azzurri business.

Trading in the period was affected by softness in our managed services and technology division, as we saw delays in investment decisions by our larger Avaya customers, following Avaya entering Chapter 11 in January 2017. Whilst the issues with Avaya were beyond our control, the nervousness from customers is understandable from what has been a protracted process, and we are therefore pleased to report that following a hearing on 25th August, the U.S. Bankruptcy Court approved a Scheduling Order, supported by Avaya's major creditor groups, that sets the company's Confirmation Hearing for 15th November. Shortly after this, Avaya is expected to emerge from Chapter 11.

During the period, Maintel has delivered very pleasing growth in its ICON cloud platforms, and as a result has proactively increased its investment across the cloud portfolio as the transition to a managed services provider continues. We have seen very encouraging results to date, with ICON Communicate, our managed cloud unified communication service, seeing 55% growth in contracted seats in H1 2017 from 31 December 2016. The average number of seats per customer is increasing and some of our larger customers are contracting to move their services into our managed cloud platform on multi-year contracts. Sales on ICON Secure and ICON Contact, our cloud based network security and contact centre propositions, have also delivered strong growth during the period and an increasing pipeline of opportunities.

This accelerated growth has driven increased investment in expanding

capacity and support for the ICON platform as we prepare to bring these customers on board. While it is leading to longer term quality recurring revenue streams, it has had some impact on shorter term project revenues for these specific larger customers as they move off-premise into the cloud. Given the levels of demand we are seeing in this space, we expect additional investment and further strong growth in the second half.

The restructure of our mobile offering is now largely complete, reducing our presence in the small business space and resulting in a refocus of activity in line with the other product propositions targeting the mid-market. As a result, the customer base and the number of connections have reduced by 55% and 21% respectively since H1 2016.

New customer wins in the public sector have been strong on the Crown Commercial Service Network Services framework agreement (RM1045) with Maintel securing approximately £5m of awards on this framework in the period, with particular success coming from NHS trusts.

In August 2017, the Group completed the acquisition of Intrinsic Technology Ltd on a cash-free, debt-free basis for a total consideration of £5.25m payable in cash. As a leading Cisco Gold Partner, Intrinsic widens Maintel's product reach which enhances our already strong capability in LAN networking and the fast growing network security sectors. Intrinsic also adds a strong mid-market and enterprise customer base to the Group, particularly in the public sector. In addition the acquisition brings cross-selling opportunities to offer Maintel's existing product portfolio to Intrinsic customers, in particular our ICON suite of cloud managed services, and Cisco capability to Maintel's existing customers. Intrinsic is expected to break even at the EBITDA level for the remainder of our current financial year and with identified synergies is expected to generate positive EBITDA and be earnings enhancing for Maintel shareholders in the financial year to 31 December 2018.

Net debt was £24.2m at period end, an increase of £4.1m from 31 December 2016. Much of this was due to the expected unwind from strong trading in H2 last year, whilst the reduced upfront project billing and additional investment driven by our success in our ICON services also had an impact. Excluding the acquisition cost of Intrinsic described above, we expect cash flow to improve materially in the second half of the current financial year.

Reflecting our confidence in the underlying cash flow of the Group and its longer term prospects, Maintel will pay an interim dividend of 14.7p, representing a 10% increase on the 2016 interim dividend, equivalent to 38% of adjusted earnings per share. This is in line with our existing progressive dividend policy.

Finally, I would like to welcome our new colleagues from Intrinsic to the Group and thank all our staff for their hard work and commitment during the first half of 2017.

J D S Booth
Chairman

8 September 2017

Business review

Results for the 6 month period to 30 June 2017

The Group has delivered an increase in revenue of 68% to £63.8m (H1 2016: £38.1m) in the period and a 62% increase in adjusted profit before tax (as described below) to £6.3m (H1 2016: £3.9m).

The period benefited from six months' contribution from the Azzurri acquisition, which was completed in May 2016, compared to only two months' contribution in the comparative period last year.

Adjusted earnings per share (EPS) increased by 44% to 38.2p (H1 2016: 26.6p) based on an increased weighted average number of shares in the period of 14,197,059 (H1 2016: 11,992,977) following an equity raise in May 2016 to support the Azzurri acquisition.

On an unadjusted basis, the Group generated a profit before tax of £3.2m (H1 2016: loss of £0.7m) and generated earnings per share of 18.2p (H1 2016: loss of 8.2p). This includes £0.2m of exceptional costs relating to restructuring activities (H1 2016: £2.8m mainly in respect of the Azzurri acquisition) and intangibles amortisation of £2.9m (H1 2016: £1.8m).

	6 months to 30 June 2017 £000	**6 months to 30 June 2016 £000**	**Year to 31 December 2016 £000**	**Increase**
Revenue	63,826	38,060	108,296	68%
Profit/(loss) before tax	3,216	(696)	2,107	
Add back intangibles amortisation	2,898	1,752	4,733	
Exceptional items (H1 2016: mainly relating to the acquisition of Azzurri; note 6)	150	2,806	4,240	
Adjusted profit before tax	6,264	3,862	11,080	62%
Adjusted EBITDA[a]	7,067	4,352	12,598	62%
Basic earnings/(loss) per share	18.2p	(8.2p)	16.0p	
Diluted	17.9p	(8.2p)	15.8p	
Adjusted earnings per share[b]	38.2p	26.6p	78.0p	44%
Diluted	37.5p	26.1p	76.8p	44%

(a) Excluding the exceptional costs in the table above (note 4)

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

Acquisition of Intrinsic

Maintel acquired Intrinsic Technology Ltd ("Intrinsic") on 1 August 2017 on a cash-free, debt-free basis for a consideration of £5.25m payable in cash.

The acquisition of Intrinsic makes compelling strategic and financial logic. As one of the UK's leading Cisco Gold Partners it significantly enhances Maintel's already strong capability in LAN networking and the fast growing network security sector.

Intrinsic's customers are predominantly medium to large enterprises and it has a strong presence in public sector organisations particularly in the NHS, local authority and education sectors.

The acquisition brings significant mutual cross-sell opportunities to offer Maintel's existing portfolio to Intrinsic's customers, in particular our ICON suite of cloud and managed services where we have already gained some traction and Cisco services to Maintel's existing and new customers.

Intrinsic is expected to break even at the EBITDA level for the remainder of Maintel's current financial year and with identified synergies, to generate positive EBITDA and be earnings enhancing for Maintel shareholders in the financial year to 31 December 2018.

The acquisition was funded by an extension to, and draw-down under, the Company's existing Revolving Credit Facility with RBS (the "RCF"). The RCF, originally secured in April 2016 has been increased by £6m to £42m.

Review of operations

The following table shows the performance of the three operating segments of the Group. The H1 2016 results include two months' contribution from Azzurri. On 1 January 2017, as part of the corporate restructuring of the Group, the Azzurri trading entity was hived up into Maintel Europe Ltd so that for FY 2017 the UK operations are managed and controlled as one entity.

Revenue analysis	6 months to 30 June 2017 £000	6 months to 30 June 2016 £000	Year to 31 December 2016 £000	Increase
Managed services related	18,932	14,146	34,630	34%
Technology(c)	17,040	9,636	29,479	77%
Managed services and technology division	35,972	23,782	64,109	51%
Network services division	24,268	11,658	37,395	108%
Mobile division	3,586	2,710	6,947	32%
Intercompany	-	(90)	(155)	
Total Group	63,826	38,060	108,296	68%

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

Business review continued

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 from the cloud, across the UK and internationally, on a contracted basis. It also supplies and installs the same technology, together with providing professional and consultancy services, to our direct clients and through our partner relationships.

Revenue in this division increased by 51% to £36m, with managed services related revenue up 34% compared with H1 2016 and technology up 77%; both significantly boosted by a full 6 months' contribution from Azzurri.

Trading in the period was adversely affected by delays in investment decisions by our larger Avaya customers, as Avaya entered Chapter 11 in January 2017. While the latest news is more positive, with Avaya expected to exit Chapter 11 after its court Confirmation Hearing on 15 November, it has been a long protracted process and therefore we do not anticipate material improvement from our Avaya base in the second half.

Gross margin at 30% (H1 2016: 36%) was impacted by the inclusion of a full 6 months' trading from the lower margin Azzurri business. Gross margin is expected to recover in the second half of the year following recent contract wins at an improved gross margin percentage.

	6 months to 30 June 2017 £000	6 months to 30 June 2016 £000	Year to 31 December 2016 £000	Increase
Divisional revenue	35,972	23,782	64,109	51%
Divisional gross profit	10,942	8,544	21,408	28%
Gross margin (%)	30%	36%	33%	

Managed services

Maintel continued to see a reduction in the legacy maintenance base in the period, as the Group's focus continues to shift towards winning larger, managed service contracts with newer technology and a wider suite of supporting services.

There were some exciting new wins in the first half, including a large contact centre contract in the financial sector, a national charity, a large NHS trust and a multi-national technology company.

The pipeline for new managed services opportunities continues to grow.

Technology

As highlighted above, the Avaya Chapter 11 process has negatively impacted business especially from larger customers who have delayed investment decisions pending the outcome of the process. This impact is expected to extend into the second half and we anticipate improvements in FY 2018.

We continue to see our presence on the public sector framework drive a significant number of new sales, particularly in healthcare and local government. We have won nine new contracts on the framework in H1 2017, the largest being a contract with an NHS Trust worth £1.6m to transform their entire unified communications estate.

Our new business team has also seen increasing success with a number of new names contracting in the period, including a leading car manufacturer, a household goods manufacturer and a utility company.

As previously highlighted, we are seeing the impact of cloud-based opportunities on equipment sales and we see this trend continuing, as large scale projects move off-premise into the cloud.

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, ISDN and PSTN telephony services, inbound call routing services, inbound and outbound telephone calls and hosted IP telephony solutions. These services complement the on-premise and cloud solutions offered by the managed service and technology division and the mobile division's services.

Business review continued

	6 months to 30 June 2017 £000	6 months to 30 June 2016 £000	Year to 31 December 2016 £000	Increase
Call traffic	3,377	2,374	6,690	42%
Line rental	6,253	3,470	10,093	80%
Data connectivity services	14,431	5,738	20,282	151%
Other	207	76	330	172%
Total division	24,268	11,658	37,395	108%
Division gross profit	7,000	3,197	10,257	119%
Gross margin (%)	29%	27%	27%	

Network services revenue increased by 108% year on year, driven by a six month contribution from the Azzurri acquisition.

Gross margins in the division increased to 29% (H1 2016: 27%) as we benefited from improved supplier terms and the managed reduction in lower margin legacy contracts, particularly in fixed calls and lines.

In H1 2017 there was an acceleration of growth in our ICON cloud platform, with a number of our larger customers contracting to move on to the ICON platform. In particular, ICON Communicate, our managed cloud unified communication service, saw contracted seats grow by 55% in the period with a total contract value of approximately £11.0m. While this is leading to longer term, quality recurring revenue streams, it has had some impact on shorter term project revenues for these specific larger customers as they move off-premise into the cloud.

The trend towards larger customers adopting cloud services is continuing, with the number of seats per new customer win averaging 2,500. It has been particularity pleasing to see 100% of customers which have reached the end of their initial term, renew its service.

We have also seen strong early adoption of ICON Secure, our cloud-based network security proposition launched in H2 2016, during the period, contributing to an increased pipeline of opportunities.

The success of our ICON platforms has necessitated increased investment in expanding the capacity and support for the ICON portfolio as we prepare to bring these customers on-board. In addition, we have increased the investment in our in-house Security Operations Centre (SOC), new services and the infrastructure team. As our confidence in our ICON suite of services increases, we expect further incremental investment in the platform and services encouraging strong growth in the second half.

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.

Revenue in the mobile division increased by 32% over the previous year due to the inclusion of the larger Azzurri mobile base, contributing 6 months' trading compared to only 2 months in H1 2016.

As highlighted in the 2016 annual report, as part of integrating Azzurri, the Group undertook a strategic review of its mobile business, resulting in the decision to reduce its presence in the small business space. This reduced the Group's exposure to mobile and re-focuses our sales activity in line with the other product propositions in the target mid-market sector.

This activity is now complete and as a result, the customer base and number of connections have reduced by 55% and 21% respectively. O2 remains our largest network partner with 83% of connections.

Gross margin reduced to 46% (H1 2016: 53%). However, on an adjusted basis removing one off contributions received in H1 2016 for divesting the small customer base, the underlying gross margin has remained broadly the same.

The launch of Maintel's managed service proposition is gaining traction, with three of our largest mobile customers contracting to this service, which offers full end to end management of their mobile estates.

New customer additions in the period included a large aviation company and a significant national retailer supported by an established refocus to larger customers.

	6 months to 30 June 2017 £000	6 months to 30 June 2016 £000	Year to 31 December 2016 £000	Increase
Revenue	3,586	2,710	6,947	32%
Gross profit	1,664	1,440	3,385	16%
Gross margin (%)	46%	53%	49%	

	At 30 June 2017 £000	At 30 June 2016 £000	At 31 December 2016 £000	Decrease
Number of customers	1,340	2,965	2,476	(55%)
Number of connections	46,926	59,643	51,935	(21%)

Business review continued

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

	6 months to 30 June 2017 £000	6 months to 30 June 2016 £000	Year to 31 December 2016 £000	Increase
Sales expenses	6,592	4,572	12,056	44%
Administrative expenses	6,375	4,445	11,008	43%
Other administrative expenses	12,967	9,017	23,064	44%

Total administrative expenses increased by 44% to £13.0m driven in the main by a full six month inclusion of Azzurri. Annualised savings of £5.0m had already been delivered as at 31 December 2016, as Azzurri has been integrated into the Group, ahead of the £4.6m of annualised synergies identified at the time of the transaction.

The Group's headcount as at 30 June 2017 was 631 (30 June 2016: 727), a reduction of 13%, driven by implementation of the integration plan since the acquisition of Azzurri in May 2016.

Property costs were also lower in H1 2017, 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.

As we progress further with our integration plan, total administration costs will continue to be tightly controlled and we expect to deliver further cost savings in H2 2017.

The exceptional costs of £0.2m (H1 2016: £2.8m) shown in the income statement relate primarily to staff restructuring costs of £0.5m offset by a credit release of £0.3m associated with an old payable no longer required. H1 2016 costs of £2.8m related in the main to the legal and professional fees arising from the acquisition of Azzurri.

The intangibles amortisation charge increased in the period to £2.9m (H1 2016: £1.8m) due to a full six month charge associated with the Azzurri intangible, Azzurri having been acquired in May 2016. Impairment and 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 moved from €1.17 = £1 at 31 December 2016 to €1.14 = £1 at 30 June 2017 and the US Dollar rate moved from $1.24 = £1 at 31 December 2016 to $1.30 = £1 at 30 June 2017. The effect of this and other movements in the period was a gain to the income statement of £81,000 (H1 2016: £92,000), which is included in other administrative expenses.

The 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, is recorded in the translation reserve as a separate component of equity, being a charge of £2,000 in the period (H1 2016 charge: £37,000).

Interest

The increase in the net interest charge to £452,000 (H1 2016: £295,000) resulted from the additional borrowings taken on to finance the Azzurri acquisition, with net borrowings excluding issue costs of debt increasing to £24.2m at 30 June 2017 (30 June 2016: £27.1m) from a year end 2016 balance of £20.1m.

Taxation

The consolidated statement of comprehensive income shows a tax rate of 19.7% with tax of £0.6m on a profit before tax of £3.2m (H1 2016 tax charge of £0.3m on a loss of £0.7m) for the reasons described below.

Each of the Group companies is taxed at 19.25%, with the exception of Maintel International Limited, which is taxed at 12.5% (H1 2016: 20%; 12.5%). Certain expenses that are disallowable for tax raise the underlying effective rate above this, and in H1 2016 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 historic tax losses of the Datapoint companies, which are available for Group relief. However, 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 £0.3m (H1 2016: £0.2m).

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 2016: £0.3m).

Dividends and adjusted earnings per share

An interim dividend for 2016 of 13.4p (£1.9m) was paid on 12 October 2016 and a final dividend for 2016 of 17.4p per share (£2.5m) was paid on 18 May 2017, taking the total dividend paid in respect of 2016 to 30.8p per share.

As previously highlighted, it is the board's intention to increase the total 2017 dividend pence per share by 10% over 2016 total dividend pence per share.

As a result, the board will pay an interim dividend of 14.7p in respect of 2017 on 5 October to shareholders on the register at the close of business on 22 September, which equates to a pay-out ratio as a percentage of adjusted earnings of 38%. The corresponding ex-dividend date will be 21 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 2017.

Consolidated statement of financial position

Net assets increased marginally by £0.2m to £28.5m from 31 December 2016.

Intangible assets are £2.9m less than at year end, driven by a full 6 month Azzurri amortisation charge in the period.

The value of property, plant and equipment is £0.3m less than at 31 December 2016 driven by modest additions of £0.2m offset by the write-off of leasehold improvements associated with the Weybridge office sub-let of £0.1m and by depreciation in the period of £0.4m.

Business review continued

Inventories have reduced by £0.9m to £4.0m at 30 June 2017, through a reduction in stock held for resale of £0.7m associated with 2 large projects at year end 2016 which were delivered in H1 2017. Maintenance service stock reduced slightly by £0.2m due mainly to the results of regular revaluation.

Trade and other receivables have reduced by £0.3m in the period, the main elements being (a) a decrease in trade receivables of £2.3m as a result of the high level of orders booked and invoiced in Q4 2016, along with the phasing of managed service invoices spanning the year end which were settled in Q1 2017 and (b) an increase in prepayments and accrued income of £2.0m due to several projects in progress at 30 June 2017 and a reduction in milestone payment invoices associated with 3 large projects at year end 2016.

Trade and other payables amounted to £40.8m, a reduction of £9.3m from year end 2016. The main drivers being:

(a) Lower VAT liability of £1.4m, due to the high level of Q4 2016 customer invoicing;

(b) Deferred managed service income reduced by £3.0m, predominantly due to a lower managed service base driven by the expected loss of 1 significant legacy customer;

(c) Trade payables and cost accruals reduced by £2.7m relating to the unwinding of liabilities associated with the large projects won in Q4 2016. An additional £2.0m reduction in payables related to several items covering (i) RCF interest for Q4 2016 paid post year end (£0.3m); (ii) a reduction in bonus accrual (£0.4m); (iii) settlement of a dilapidation provision associated with the Weybridge property (£0.3m); (iv) release of an old payable not required (£0.3m); (v) refund of a customer overpayment (£0.4m); and (vi) others of £0.3m.

Corporation tax liabilities have increased by £0.8m to £1.3m, reflecting the estimated liability associated with the profits derived from H1 2017 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.

The deferred tax liability has decreased by £0.1m in the first half to £1.9m. The movement is driven by a £0.6m credit to the income statement in relation to the intangibles amortisation, partially offset by charges relating to Datapoint and Azzurri historical tax losses and capital allowances respectively of £0.5m 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 £24.1m at the period end (H1 2016: £27.0m). 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 £2.9m being amortised in H1 2017 (H1 2016: £1.8m), the increase being attributable to a full 6 months' charge relating to the Azzurri intangibles acquired in May 2016.

There is no change to the value of Goodwill of £36.1m (2016: £36.1m) and no impairment has been charged to the consolidated statement of comprehensive income in H1 2017 (H1 2016: £nil).

Cash flow

The Group had net debt (excluding issue costs of debt) of £24.2m at 30 June 2017, compared with £20.1m at 31 December 2016. An explanation of the £4.1m increase is set out below.

	6 months to 30 June 2017 £000	**6 months to 30 June 2016 £000**	**Year to 31 December 2016 £000**
Cash (consumed by)/generated from operating activities before acquisition costs	(801)	3,826	13,339
Taxation	(5)	(231)	(236)
Capital expenditure less proceeds of sale	(172)	(250)	(570)
Finance cost (net)	(627)	(295)	(625)
Free cashflow	(1,605)	3,050	11,908
Dividends	(2,470)	(1,777)	(3,679)
Acquisition (net of cash acquired)	-	(45,433)	(45,433)
Acquisition costs paid	-	(2,514)	(2,515)
Proceeds from borrowings	-	31,000	31,000
Repayments of borrowings	(6,000)	(6,000)	(6,000)
Issue of new ordinary shares	-	24,000	24,000
Share issue costs	-	(781)	(781)
Issue costs of debt	-	(348)	(360)
(Decrease)/increase in cash and cash equivalents	(10,075)	1,197	8,140
Cash and cash equivalents at start of period	10,884	2,784	2,784
Exchange differences	(2)	(37)	(40)
Cash and cash equivalents at end of period	807	3,944	10,884
Bank borrowings	(25,000)	(31,000)	(31,000)
Net debt excluding issue costs of debt	(24,193)	(27,056)	(20,116)
Adjusted EBITDA (note 4)	7,067	4,352	12,598

Business review continued

The operating cash flow before changes in working capital shown in the consolidated statement of cash flows amounted to £7.2m (H1 2016: £1.6m). The effects of the positive cash timing benefits from a strong trading performance in Q4 2016, which unwound in H1 2017, combined with strong growth in our ICON cloud product offering, leading to a reduction in upfront project billing, contributed to a working capital outflow of £8.0m during the period. As a result, £0.8m of cash was consumed from operating activities (H1 2016: generation of £3.8m).

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

The finance cost (net) of £0.6m includes £0.3m of interest relating to Q4 2016 which was taken post year end 2016.

In managing the Group's funding costs we have used surplus cash to reduce our utilised facility by £6.0m in the period, leaving a cash and cash equivalents balance of £0.8m at 30 June 2017 (31 December 2016: £10.9m).

Including the settlement of the final dividend for 2016 amounting to £2.5m, the net effect when combined with a negative free cash flow of £1.6m, is an increase in the net debt of £4.1m to £24.2m.

Property

As reported at the end of last year, as part of management's review and consolidation of its property locations, in March 2017 the lease of the Weybridge property was assigned to a new tenant and Maintel has sub-let a much reduced space. The estimated saving over the remaining term of the lease is approximately £1.0m of which £0.4m will benefit the FY 2017 results. We expect to see a cash benefit in H2 2017, as the H1 2017 savings were more than offset by the settlement of agreed dilapidations on assignation of the new lease.

Post period end events

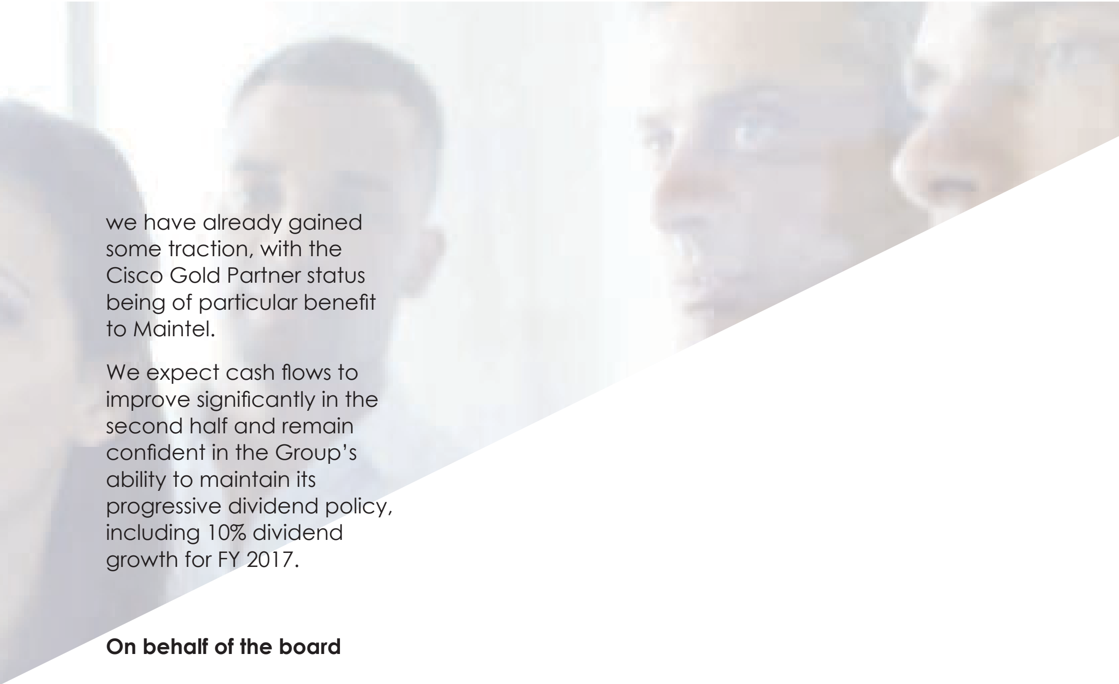
Post the period end, and as announced on 1 August 2017, the Group completed the acquisition of Intrinsic Technology Ltd ("Intrinsic") for £5.25m. The acquisition will increase the Group's LAN capability and provide further diversification of Maintel's product and service offering. Intrinsic's Cisco Gold Partner status is highly beneficial to the Group, providing significant cross-sell opportunities into Maintel's existing customer base.

Outlook

Performance in the first half of the year reflected strong growth in our cloud-based offering, offset by some pressure on our managed services and technology division as a result of the ongoing issues faced by Avaya in the period. It is expected that both of these trends will continue into the second half.

In relation to the pressure on managed services and technology revenues, it is anticipated that larger customers in particular will continue to delay investment decisions in relation to Avaya installations, until as expected Avaya exits Chapter 11 at the end of 2017. Growth in take up of our ICON portfolio is expected to continue to accelerate, and as a result we anticipate making further incremental investment in this area through the second half in order to support delivery against the pipeline of long term, high recurring revenue contracts.

Second half revenues will be positively impacted by the contribution from Intrinsic, with significant cross-sell opportunities already identified where



we have already gained some traction, with the Cisco Gold Partner status being of particular benefit to Maintel.

We expect cash flows to improve significantly in the second half and remain confident in the Group's ability to maintain its progressive dividend policy, including 10% dividend growth for FY 2017.

On behalf of the board

E Buxton
Chief Executive

8 September 2017

Consolidated statement of comprehensive income

for the six months ended 30 June 2017

	Note	6 months to 30 June 2017 £000 (unaudited)	6 months to 30 June 2016 £000 (unaudited)	Year to 31 December 2016 £000 (audited)
Revenue	2	63,826	38,060	108,296
Cost of sales		(44,220)	(24,961)	(73,383)
Gross profit		19,606	13,099	34,913
Other operating income		77	75	151
Administrative expenses				
Intangibles amortisation		(2,898)	(1,752)	(4,733)
Exceptional costs	6	(150)	(2,806)	(4,240)
Other administrative expenses		(12,967)	(9,017)	(23,064)
		(16,015)	(13,575)	(32,037)
Operating profit/(loss)		3,668	(401)	3,027
Finance income		2	3	3
Financial expense		(454)	(298)	(923)
Profit/(loss) before taxation		3,216	(696)	2,107
Taxation expense		(633)	(290)	(13)
Profit/(loss) for the period and attributable to owners of the parent		2,583	(986)	2,094
Other comprehensive expense for the period				
Exchange differences on translation of foreign operations		(2)	(37)	(40)
Total comprehensive profit/(loss) for the period		2,581	(1,023)	2,054
Profit/(loss) per share				
Basic	3	18.2p	(8.2p)	16.0p
Diluted	3	17.9p	(8.2p)	15.8p

Consolidated statement of financial position

at 30 June 2017

	Note	30 June 2017 £000 (unaudited)	30 June 2016 £000 (unaudited)	31 December 2016 £000 (audited)
Non current assets				
Intangible assets		60,255	64,402	63,152
Property, plant and equipment		2,957	3,631	3,293
		63,212	68,033	66,445
Current assets				
Inventories		4,030	2,704	4,882
Trade and other receivables		29,097	35,539	29,371
Cash and cash equivalents		807	3,944	10,884
		33,934	42,187	45,137
Total assets		97,146	110,220	111,582
Current liabilities				
Trade and other payables		40,760	49,555	50,096
Current tax liabilities		1,281	116	527
Total current liabilities		42,041	49,671	50,623
Non current liabilities				
Deferred tax liability		1,896	2,894	2,020
Borrowings	7	24,724	30,652	30,688
Total net assets		28,485	27,003	28,251
Equity				
Issued share capital		142	142	142
Share premium		24,354	24,354	24,354
Other reserves		77	82	79
Retained earnings		3,912	2,425	3,676
Total equity		28,485	27,003	28,251

Consolidated statement of changes in equity

for the six months ended 30 June 2017 (unaudited)

	Share capital £000	Share premium £000	Other reserves £000	Retained earnings £000	Total £000
At 1 January 2016	108	1,169	119	5,164	6,560
Loss for the period	–	–	–	(986)	(986)
Other comprehensive income:					
foreign currency translation differences	–	–	(37)	–	(37)
Total comprehensive loss for the period	–	–	(37)	(986)	(1,023)
Dividend	–	–	–	(1,777)	(1,777)
Issue of new ordinary shares	34	23,966	–	–	24,000
Share issue costs	–	(781)	–	–	(781)
Grant of share options	–	–	–	24	24
At 30 June 2016	142	24,354	82	2,425	27,003
Profit for the period	–	–	–	3,080	3,080
Other comprehensive income:					
foreign currency translation differences	–	–	(3)	–	(3)
Total comprehensive income for the period	–	–	(3)	3,080	3,077
Dividend	–	–	–	(1,902)	(1,902)
Grant of share options	–	–	–	73	73
At 31 December 2016	142	24,354	79	3,676	28,251
Profit for the period	–	–	–	2,583	2,583
Other comprehensive income:					
foreign currency translation differences	–	–	(2)	–	(2)
Total comprehensive income for the period	–	–	(2)	2,583	2,581
Dividend	–	–	–	(2,470)	(2,470)
Grant of share options	–	–	–	123	123
At 30 June 2017	142	24,354	77	3,912	28,485

Consolidated statement of cash flows

for the six months ended 30 June 2017

	6 months to 30 June 2017 £000 (unaudited)	6 months to 30 June 2016 £000 (unaudited)	Year to 31 December 2016 £000 (audited)
Operating activities			
Profit/(loss) before taxation	3,216	(696)	2,107
Adjustments for:			
Intangibles amortisation	2,898	1,752	4,733
Share based payment charge	123	24	97
Depreciation charge	351	195	598
Loss on disposal of property, plant and equipment	157	–	–
Interest received	(2)	(3)	(3)
Interest expense	454	298	923
Operating cash flows before changes in working capital	7,197	1,570	8,455
Decrease/(increase) in inventories	853	22	(949)
Decrease/(increase) in trade and other receivables	274	(3,971)	990
(Decrease)/increase in trade and other payables	(9,125)	3,691	2,328
Cash (used by)/generated from operating activities (see sub analysis below)	(801)	1,312	10,824
Cash generated from operating activities excluding exceptional costs	(651)	3,826	15,064
Exceptional cost – redundancy and other costs	(150)	–	(1,725)
Cash generated from operating activities excluding acquisition legal and professional costs	(801)	3,826	13,339
Exceptional cost – acquisition legal and professional costs	–	(2,514)	(2,515)
Cash generated from operating activities	(801)	1,312	10,824
Tax paid	(5)	(231)	(236)
Net cash flows (used by)/generated from operating activities	(806)	1,081	10,588
Investing activities			
Purchase of plant and equipment	(172)	(250)	(438)
Purchase of software	–	–	(132)
Purchase price in respect of business combination	–	(47,028)	(47,028)
Net cash acquired with subsidiary undertaking	–	1,595	1,595
	–	(45,433)	(45,433)
Interest received	2	3	3
Net cash flows used by investing activities	(170)	(45,680)	(46,000)

Consolidated statement of cash flows continued

for the six months ended 30 June 2017

	6 months to 30 June 2017 £000 (unaudited)	6 months to 30 June 2016 £000 (unaudited)	Year to 31 December 2016 £000 (audited)
Financing activities			
Proceeds from borrowings	–	31,000	31,000
Repayment of borrowings	(6,000)	(6,000)	(6,000)
Interest paid	(629)	(298)	(628)
Issue of new ordinary shares	–	24,000	24,000
Share issue costs	–	(781)	(781)
Issue costs of debt	–	(348)	(360)
Equity dividends paid	(2,470)	(1,777)	(3,679)
Net cash flows from financing activities	(9,099)	45,796	43,552
Net (decrease)/increase in cash and cash equivalents	(10,075)	1,197	8,140
Cash and cash equivalents at start of period	10,884	2,784	2,784
Exchange differences	(2)	(37)	(40)
Cash and cash equivalents at end of period	807	3,944	10,884

Notes to the interim financial information

for the six months ending 30 June 2017

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 are the same as those applied by the Group in its financial statements for the year ended 31 December 2016 and are those which will form the basis of the 2017 financial statements.

A number of amendments to and interpretations of existing standards have become effective for periods beginning on 1 January 2017, but no new standards; none of these is expected to materially affect the Group during financial year 2017.

The Group notes IFRS15 *Revenue from Contracts with Customers* which is to be adopted for all accounting periods beginning on or after 1 January 2018. At this time, it remains not practical to provide a reasonable estimate in relation to the effect of IFRS 15 until a detailed review has been completed. During the half-year, the Group commenced assessing the impact of IFRS 15 on the Group's revenue streams and its initial analysis on some key changes under IFRS 15 which may be relevant to the Group include:

- **Mobile business:** Connection commission revenues received from mobile network operators on fixed line revenues are currently spread over the course 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. Revenue recognition under IFRS 15 is likely to be at a point in time which is different to the current treatment.
- Contracts with customers which include both supply of technology goods and installation services may in substance represent one performance obligation under IFRS 15 and result in revenue recognition at a point in time which is different to the current treatment whereby the supply of goods and professional services are treated as separate sale arrangements.
- Finance costs on upfront payments from customers: Deferred revenue is currently recognised within liabilities when customers are invoiced by the Group in advance of services being provided. Under IFRS 15, there may be a requirement to recognise a finance cost in connection with payments received up front from customers ahead of services being provided.

Further detailed analysis needs to be performed during H2 2017 on each of the above matters, as well as the Group's other revenue streams in assessing the impact of any changes to revenue recognition policies to the transfer of control concept under IFRS 15.

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

Notes to the interim financial information continued

for the six months ending 30 June 2017

1. Basis of preparation continued

The comparative financial information presented herein for the year ended 31 December 2016 does not constitute full statutory accounts for that period. The Group's annual report and accounts for the year ended 31 December 2016 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 2017 and 30 June 2016 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.

Six months to 30 June 2017 (unaudited)

	Managed service and technology £000	Network services £000	Mobile £000	Central/ inter-company £000	Total £000
Revenue	35,972	24,268	3,586	–	63,826
Gross profit	10,942	7,000	1,664	–	19,606
Other operating income					77
Other administrative expenses					(12,967)
Intangibles amortisation					(2,898)
Exceptional costs					(150)
Operating profit					3,668
Interest (net)					(452)
Profit before taxation					3,216
Taxation expense					(633)
Profit after taxation					2,583

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.

Intercompany trading consists of telecommunications services, and recharges of sales, engineering and rent costs, £Nil (H1 2016: £46,000) attributable to the managed service and technology segment, £Nil (H1 2016: £41,000) to the network services segment and £Nil (H1 2016: £3,000) to the mobile segment.

Notes to the interim financial information continued

for the six months ending 30 June 2017

2. Segmental information continued

	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

Six months to 30 June 2016 (unaudited)

	Managed service and technology £000	Network services £000	Mobile £000	Central/ inter-company £000	Total £000
Revenue	23,782	11,658	2,710	(90)	38,060
Gross profit	8,544	3,197	1,440	(82)	13,099
Other operating income					75
Other administrative expenses					(9,017)
Intangibles amortisation					(1,752)
Exceptional costs					(2,806)
Operating loss					(401)
Interest (net)					(295)
Loss before taxation					(696)
Taxation expense					(290)
Loss after taxation					(986)

	Managed service and technology £000	Network services £000	Mobile £000	Central/ inter-company £000	Total £000
Intangibles amortisation	111	–	–	1,641	1,752
Exceptional costs	319	–	–	2,487	2,806

Year ended 31 December 2016 (audited)

	Managed service and technology £000	Network services £000	Mobile £000	Central/ inter-company £000	Total £000
Revenue	64,109	37,395	6,947	(155)	108,296
Gross profit	21,408	10,257	3,385	(137)	34,913
Other operating income					151
Other administrative expenses					(23,064)
Intangibles amortisation					(4,733)
Exceptional costs					(4,240)
Operating profit					3,027
Interest (net)					(920)
Profit before taxation					2,107
Taxation expense					(13)
Profit after taxation					2,094

	Managed service and technology £000	Network services £000	Mobile £000	Central/ inter-company £000	Total £000
Intangibles amortisation	191	–	–	4,542	4,733
Exceptional costs	2,305	–	76	1,859	4,240

Revenue is wholly attributable to the principal activities of the Group and other than sales of £8.8m to EU countries and £1.0m to the rest of the world, arises within the United Kingdom.

Intercompany trading consists of telecommunications services, and recharges of sales, engineering and rent costs, £0.1m attributable to the managed service and technology segment, £0.1m to the network services segment and immaterial amounts to the mobile segment.

Notes to the interim financial information continued

for the six months ending 30 June 2017

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 2017 £000 (unaudited)	6 months to 30 June 2016 £000 (unaudited)	Year to 31 December 2016 £000 (audited)
Earnings used in basic and diluted EPS, being profit/(loss) after tax	2,583	(986)	2,094
Adjustments:			
Amortisation of intangibles	2,898	1,752	4,733
Exceptional costs (note 6)	150	2,806	4,240
Tax relating to above adjustments	(665)	(934)	(1,333)
Deferred tax charge on Datapoint profits	262	239	504
Increase in deferred tax asset in respect of Datapoint losses	–	–	(500)
Deferred tax charge on utilisation of Azzurri tax losses	–	–	642
Deferred tax charge on Azzurri capital allowances	194	311	100
Decrease in deferred tax liability of intangible assets	–	–	(275)
Adjusted earnings used in adjusted EPS	5,422	3,188	10,205

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 2017 taxable profits. On acquisition and subsequently in 2016, 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 2017 taxable profits. On the acquisition of Azzurri, 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.

	6 months to 30 June 2017 Number (000s)	6 months to 30 June 2016 Number (000s)	Year to 31 December 2016 Number (000s)
Weighted average number of ordinary shares of 1p each	14,197	11,993	13,092
Potentially dilutive shares	263	200	204
	14,460	12,193	13,296
Profit/(loss) per share			
Basic	18.2p	(8.2p)	16.0p
Diluted	17.9p	(8.2p)	15.8p
Adjusted – basic after the adjustments in the table above	38.2p	26.6p	78.0p
Adjusted – diluted after the adjustments in the table above	37.5p	26.1p	76.8p

In calculating diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Group has one category of potentially dilutive ordinary 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.

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 2017 £000 (unaudited)	6 months to 30 June 2016 £000 (unaudited)	Year to 31 December 2016 £000 (audited)
Profit/(loss) before tax	3,216	(696)	2,107
Net interest payable	452	295	920
Depreciation of property, plant and equipment	351	195	598
Amortisation of intangibles	2,898	1,752	4,733
EBITDA	6,917	1,546	8,358
Exceptional costs (note 6)	150	2,806	4,240
Adjusted EBITDA	7,067	4,352	12,598

Notes to the interim financial information continued

for the six months ending 30 June 2017

5. Dividends

	6 months to 30 June 2017 £000 (unaudited)	6 months to 30 June 2016 £000 (unaudited)	Year to 31 December 2016 £000 (audited)
Dividends paid			
Second interim 2015, paid 5 April 2016			
– 16.5p per share	–	1,777	1,777
Interim 2016, paid 12 October 2016			
– 13.4p per share	–	–	1,902
Final 2016, paid 18 May 2017			
– 17.4p per share	2,470	–	–
	2,470	1,777	3,679

The directors propose the payment of an interim dividend for 2017 of 14.7p (2016: 13.4p) per ordinary share, payable on 5 October 2017 to shareholders on the register at 22 September 2017. The cost of the proposed dividend, based on the number of shares in issue as at 8 September 2017, is £2.1m (2016: £1.9m).

6. Exceptional costs

On 4 May 2016, the Company acquired the entire issued share capital of Warden Holdco Limited whose principal trading entity was Azzurri Communications Limited. Legal and professional costs of £2.5m were incurred by Maintel in 2016 in relation to the acquisition, together with redundancy costs of £1.3m as a result of synergies achieved pre and post-acquisition and other costs of £0.4m. Further redundancy costs of £0.5m were incurred in H1 2017 offset by a credit release associated with an old payable no longer required of £0.3m, resulting in a net cost of £0.2m being expensed. 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 2017 £000 (unaudited)	30 June 2016 £000 (unaudited)	31 December 2016 £000 (audited)
Non-current bank loan – secured	24,724	30,652	30,688

On 8 April 2016 the Group entered into new facilities with the Royal Bank of Scotland plc to support the acquisition of Azzurri. These consist of a revolving credit facility totalling £36.0m 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) and replaced the Company's previous term and revolving credit facilities with Lloyds Bank plc which were fully repaid and terminated. During the periods to 30 June 2016 and 31 December 2016, amounts drawn down on the facilities totalled £31.0m. During the period to 30 June 2017, the Group made repayments of £6.0m.

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 £0.3m (30 June 2016: £0.3m; 31 December 2016: £0.3m).

8. Post balance sheet event

On 1 August 2017, the acquisition of the entire share capital of Intrinsic Technology Limited was completed for a consideration of £5.25m on a cash-free, debt-free basis. The acquisition was funded by an extension to, and draw-down under, the Company's existing revolving credit facility with the Royal Bank of Scotland plc (the "RCF"). The RCF has been increased by £6.0m to £42.0m.

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 2017 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 2017 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

8 September 2017

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

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