maintel®

Interim results for the six months to **30 June 2014**

2014

About Us

Maintel is a leading independent provider of Unified Communications, Contact Centre, Voice, Mobile and Data solutions. With more than 20 years' experience, Maintel specialises in combining technologies from leading vendors and carriers with the skills of our experts to provide complete end-to-end solutions to our clients.

Supporting 10,000 customer sites, both in our home markets in the UK and Ireland, as well as Europe and globally with our partners, we are the systems integrator and managed services provider of choice for contact centre and communications solutions. We are a founding member of the Intelligent Communications Alliance (ICA), which provides the global reach to deliver solutions wherever our clients do business.

Maintel provides complete solutions across voice, data and mobile, supported by highly skilled staff in specialist areas throughout the design, implementation and support process. Our people are what make us different; we have developed a reputation as experts in our fields of operation and have a proven track record in consistently delivering solutions that surpass requirements and exceed expectations.

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Highlights

52%

Group revenue up 52% to £20.7m (H1 2013 – £13.6m), reflecting 3% organic growth in the core business and a robust contribution from Datapoint

21%

Adjusted profit before tax[1] up 21% at £2.9m (H1 2013 – £2.4m)

24%

Adjusted earnings per share[2] up 24% at 21.0p (H1 2013 – 16.9p)

39%

Interim dividend proposed of 9.3p per share (H1 2013 – 6.7p), an increase of 39% year on year

- Strong equipment and professional services performance in H1, with a healthy order backlog moving into H2
- Datapoint is now fully integrated and performing well
- Robust cash performance with period end cash of £1.0m and £2.3m debt, the latter down £0.5m from year end
- Board strengthened with the appointment of a new independent Non Executive Director, Annette Nabavi
- On track to meet the Board's full year expectations with a positive outlook for the second half

[1] adjusted profit before tax is basic profit before tax of £2.1m (H1 2013 – £2.0m), adjusted for intangibles amortisation and exceptional costs

[2] adjusted earnings per share is basic earnings per share of 15.6p (H1 2013 – 14.4p), adjusted for intangibles amortisation and exceptional costs

Chairman's Statement

I am pleased to be able to report a highly satisfactory set of results for the Group for the first half of 2014 which incorporates the first full six month period's trading from the Datapoint companies acquired in September 2013. With the historic Maintel business achieving a creditable 3% organic revenue growth, the Datapoint businesses provided a very significant boost to Group revenues, which increased by 52% to £20.7m in the six months to 30 June (H1 2013 – £13.6m) and to adjusted profit before tax, which was up 21% to £2.9m (H1 2013 – £2.4m). This translates to adjusted earnings per share of 21.0p (H1 2013 – 16.9p), an increase of 24%.

The managed service and equipment division in particular performed well, showing 3% organic revenue growth, with strong equipment and professional services revenues more than compensating for a slight reduction in managed services. Datapoint added £6.7m in revenues to this division, with the overall division margins remaining stable at 36% compared with H1 2013.

The network services division saw pricing pressures impact on its revenues, particularly on call traffic, although this was partially compensated by improved data, VoIP and SIP revenues to which we have given greater focus. Overall, the division's revenues were only down by 1%, or £27,000, with some good prospects being pursued in the second half. As with managed services, in spite of market pressures, we were able to maintain the division's margins at the 30% achieved in the first half of last year.

Progress continues to be made on the improvement in quality of the mobile base, eliminating smaller, lower value customers and replacing them with larger corporates. This has resulted in a marginal reduction in connection numbers compared with June 2013, but an 11% increase in revenue compared with H1 2013, although the cost of acquiring these customers has impacted on margins in the period alongside the previously highlighted reduction in commissions payable by one of our partners.

The Datapoint companies are now fully integrated and will deliver further benefits from synergies and cost reductions in the second half, with encouraging progress evident in the international business. We are excited too about the increased capability and profile that Datapoint has given us in newer communications technologies.

Cash balances at mid-year were £1.0m compared with £0.5m at the year end after the repayment of £0.5m of bank debt in the period, which stood at £2.3m at 30 June. Our balance sheet and cash flow remain strong, and we continue to be open to the opportunity of value-enhancing acquisitions.

We enter the second half with good pipelines in each of the divisions and look forward to making further progress in the remainder of the year. Trading conditions remain good although there is evidence of some pricing pressure on larger equipment orders.

The Board proposes to pay an interim dividend of 9.3p per share (H1 2013 – 6.7p) on 3 October, representing annual growth of 39% and in line with our intention to raise our payout ratio to 50% of adjusted earnings in respect of the final dividend relating to 2015.

I am delighted to welcome Annette Nabavi who joined the Board as a non-executive director on 30 June and brings considerable experience both of our sector and of corporate finance.

J D S Booth
Chairman
5 September 2014

Business review

The Group's performance has been encouraging during the first six months of the year with revenue up 52% to £20.662m (H1 2013 – £13.565m) and adjusted profit before tax (as described below) up 21% at £2.859m (H1 2013 – £2.359m).

The existing core business has shown 3% organic revenue growth and Datapoint, the business acquired in September 2013, has delivered significant benefits to the new enlarged Group.

Adjusted earnings per share were up 24%, at 21.0p, (H1 2013 – 16.9p). Underlying cash generation has been strong, which has enabled the Group to increase its cash position by £428,000 to £972,000 in the period while reducing its level of debt by £500,000 to £2.250m.

It is worth noting that although accounting rules require a tax charge to be shown against Datapoint profits in the income statement for the period, the three Datapoint companies each have significant historical tax loss assets, so that no tax is expected to be paid on their 2014 profits. The cash benefit relating to the first half will amount to £73,000.

	H1 2014 £000	**H1 2013 £000**	**2013 £000**	**Increase on H1 2013**
Revenue	20,662	13,565	31,124	52%
Profit before tax	2,114	2,000	3,643	6%
Add back customer relationship intangibles amortisation	667	359	898	
Exceptional items relating to the 2013 acquisition of Datapoint (note 5)	78	–	691	
Adjusted profit before tax	2,859	2,359	5,232	21%
Of which: Maintel^	2,322	2,359	5,027	
Datapoint^	537	–	205	
	2,859	2,359	5,232	21%
Basic earnings per share	15.6p	14.4p	25.0p	8%
Diluted	15.4p	14.2p	24.7p	8%
Adjusted earnings per share*	21.0p	16.9p	37.6p	24%
Diluted	20.7p	16.7p	37.1p	24%

^ Before management charges; Maintel after £46,000 interest charge in H1 2014 (H1 2013 – £3,000 receivable)
* Adjusted profit after tax divided by weighted average number of shares (note 3)

Business review continued

Organic revenue growth

Revenue analysis (£000)	Six months to 30 June 2014	Six months to 30 June 2013	Year ended 31 Dec 2013	Increase/ (decrease) on H1 13
Maintel managed service and equipment	9,256	8,957	17,959	3%
Network services	3,448	3,475	6,938	(1)%
Mobile	1,358	1,227	2,597	11%
Total non-Datapoint business	14,062	13,659	27,494	3%

Managed service and equipment division

Revenue analysis (£000)	Six months to 30 June 2014	Six months to 30 June 2013	Year ended 31 Dec 2013*	Increase/ (decrease) on H1 13
Maintel				
Managed service related	5,934	5,993	11,966	(1)%
Equipment, professional services and other	3,322	2,964	5,993	12%
Maintel managed service and equipment	9,256	8,957	17,959	3%
Datapoint				
Managed service related	4,211	–	2,511	
Equipment, professional services and other	2,475	–	1,294	
Datapoint managed service and equipment	6,686	–	3,805	
Group				
Managed service related	10,145	5,993	14,477	
Equipment, professional services and other	5,797	2,964	7,287	
Group managed service and equipment	15,942	8,957	21,764	78%

Division gross profit (£000); margin %				
Maintel	3,591 (39%)	3,254 (36%)	6,790 (38%)	337 10%
Datapoint	2,115 (32%)	– –	1,254 (33%)	
Group managed service and equipment	5,706 (36%)	3,254 (36%)	8,044 (37%)	2,452 75%

Average headcount during the period	Six months to 30 June 2014	Six months to 30 June 2013	Year ended 31 Dec 2013*	Increase on H1 13
Sales, marketing and customer service	58	54	64	7%
Engineers	123	87	133	41%

* Datapoint was acquired 13 September 2013

The division's revenues increased by 78% to £15.942m as a result of the inclusion of Datapoint which contributed £6.686m and Maintel's existing business contributing an encouraging 3% organic growth ahead of the previous year, driven by a strong performance on equipment sales and professional services.

The expected reduction in gross margins resulting from the impact of the acquisition of Datapoint was ameliorated by improvements in Maintel's gross margins, so that the division's overall % margin fell only slightly from that of H1 2013.

Managed service

The Maintel managed service base shrank slightly in H1 2014, from £11.9m at 31 December 2013, to £11.6m, although this is expected to recover in Q3 with known orders. This resulted in a small reduction in revenues of 1% as the customer base continues transitioning to lower revenue new IP technology. However, more positively, this is driving a requirement for the outsourcing of additional services including the monitoring of both voice and data networks.

The Datapoint managed service base increased during the period, from £8.2m to £8.3m, which is encouraging. Since its acquisition we have concentrated on stabilising and re-signing the Datapoint managed service customer base, an exercise which is going well and attrition levels are currently below expectation.

To capitalise on the increasing demand of our customers to outsource the complete management of their voice and data infrastructure, we have developed an ITIL-based full managed service proposition underpinned by ISO 20000 certification which we see as an area of future revenue growth. This new managed service proposition is already gaining traction with two significant customers going live in H2 2014.

Equipment and professional services

Maintel's equipment and professional services division performed strongly in the period with revenues up 12% compared with H1 2013.

As our customers have shown increased confidence in the economy they have started to re-invest in upgrading their communications infrastructure. In particular, we won significant infrastructure upgrades in the Higher Education, Health and Retail sectors.

Business review continued

Moving into H2, the new order backlog remains strong, although we are seeing some pressure on gross margins as the market remains highly competitive.

During the period Datapoint was awarded major customer estate upgrades for a large contact centre and for an insurance company. Encouragingly our international capability, primarily managed through Datapoint's Irish subsidiary, is continuing to drive progress in this area.

Network Services division

Revenue analysis (£000)	Six months to 30 June 2014	Six months to 30 June 2013	Year ended 31 Dec 2013	Increase/ (decrease) on H1 13
Call traffic	1,223	1,342	2,586	(9)%
Line rental	1,588	1,593	3,179	–
Data services	439	388	809	13%
Other	198	152	364	30%
Total network services	3,448	3,475	6,938	(1)%
Division gross profit (£000); margin %	1,018 (30%)	1,052 (30%)	2,055 (30%)	(34) (3)%

In a highly competitive market, overall revenue in the division has remained close to the previous year's record level despite reduced call rates to mobiles and regulatory price reductions.

Line rental revenues remained at H1 2013 levels even with the continued proactive transitioning of existing customers from traditional telephone lines to lower unit revenue SIP technology. This shift benefits our business through lower attrition levels associated with SIP and Maintel's professional services and engineering strengths. IP-based solutions also allow Maintel to upsell data connectivity and hosted services more easily to its customers.

Data connectivity revenues increased 13% over H1 2013 as we are seeing an increase in data penetration into our existing customer base. Our new business pipeline in this area is very strong with two large wide area network (WAN) customers contracting in early H2, which will increase our data revenue run rate by the end of 2014.

Within the other services category, both hosted and VoIP revenues continue the trend of showing strong growth.

Mobile division

£000	Six months to 30 June 2014	Six months to 30 June 2013	Year ended 31 Dec 2013	Increase/ (decrease) on H1 13
Revenue	1,358	1,227	2,597	11%
Division gross profit (£000); margin %	731 (54%)	795 (65%)	1,640 (63%)	(64) (8%)

	At 30 June 2014	At 30 June 2013	At 31 Dec 2013	Decrease on H1 13
Number of customers	890	975	952	(9)%
Number of connections	13,024	13,247	13,178	(2)%

Mobile revenues grew 11% against H1 2013 as a result of the increase in average revenue per connection – whilst there was a further reduction of 9% in the number of individual mobile customers as we continued the process of removing small, low-value customers from the base, these are being replaced by higher value and better quality larger mobile fleet contracts but with a consequence that the total number of mobile connections shows only a small reduction of 2% compared with 30 June 2013.

Gross profit reduced by £64,000 and by 11 percentage points, largely down to two key factors: (i) the move towards new customer acquisitions with the associated higher acquisition costs, and (ii) changes to a supplier's commission arrangements, leading to a reduction in recurring commissions from that supplier of approximately 10% over time as mentioned at the full year.

As we move from consolidating the base to focusing on new business growth, the division has built a large, qualified new business pipeline for H2 2014.

Business review continued

Administrative expenses, excluding intangibles amortisation and exceptionals

Administrative expenses (£000)	Six months to 30 June 2014	Six months to 30 June 2013	Year ended 31 Dec 2013	Increase on H1 13
Sales expenses excluding Datapoint	1,322	1,235	2,408	7%
Other administrative expenses (excluding intangibles amortisation and Datapoint)	1,440	1,437	2,780	–
Maintel excluding Datapoint	2,762	2,672	5,188	3%
Datapoint sales and administrative expenses	1,710	–	1,148	
Total other administrative expenses	4,472	2,672	6,336	67%

Sales expenses excluding those of Datapoint increased by £87,000 (7%) compared with H1 2013, principally reflecting dealer commission paid on a large contract. Other administrative expenses continue to be closely monitored and, excluding Datapoint expenses, remained flat compared to the corresponding period in 2013. Datapoint sales and administrative expenses totalled £1.710m in the period, a notable pro rata reduction compared with the £1.148m incurred in 2013 since its acquisition on 13 September that year, a result of tight cost control and synergies obtained from combining services provided to the two organisations. Impairment and amortisation charges are detailed below.

Interest

With interest rates remaining low on cash deposits and balances, interest earned in the period was negligible (H1 2013 – £3,000).

Interest payable in the period amounted to £46,000, primarily relating to the bank loan secured to finance the Datapoint acquisition.

Taxation

The consolidated statement of comprehensive income shows a tax rate of 21.1%, with tax of £446,000 on a profit before tax of £2.114m (H1 2013 – 23.4%).

Each of the Group companies is taxed at 21.5% in 2014 (H1 2013 – 23.25%) other than the Irish subsidiary which is subject to a 12.5% tax rate. Certain recurring expenses that are disallowable for tax raise the effective rate moderately above this; however the overall rate is reduced by the release in the normal course of deferred tax provisions created in previous periods at higher tax rates. Also, as explained earlier, although the Datapoint companies have brought forward tax losses and so will not pay tax in respect of 2014 profits, a deferred tax charge is applied to the income statement in respect of those companies, at a blended rate of 21%.

Consolidated statement of financial position

The consolidated statement of financial position remains strong, with £972,000 in cash at the half year (31 December 2013 – £544,000) and with the bank loan having been paid down from £2.750m at 31 December 2013, to £2.250m at the half year.

Cash

Cash generated from operating activities in the period was £2.540m, with a £376,000 negative working capital impact in the period. Payment of £572,000 in corporation tax, £961,000 in dividends, £500,000 in loan repayments and a small amount of capital expenditure, meant that in aggregate there was a net cash inflow of £428,000 in the period.

Intangible assets

The Group has two intangible asset categories: (i) an intangible asset represented by customer contracts and relationships acquired from District Holdings Limited, Callmaster Limited, Redstone, Maintel Mobile and Datapoint, and (ii) goodwill relating to the Maintel Network Services, District, Redstone, Maintel Mobile and Datapoint acquisitions.

Goodwill has been subject to an impairment test at each year end reporting date. No impairment has been charged to the consolidated statement of comprehensive income in 2013 or 2012, and the carrying value is £4.727m.

The intangible asset represented by purchased customer contracts and relationships has been subject to an amortisation charge of £667,000 (H1 2013 – £359,000), leaving a carrying value of £5.619m (end-2013 – £6.286m). The increased charge in the period relates to amortisation of the Datapoint intangible, Datapoint having been acquired in September 2013.

Tangible fixed assets and inventories

There were no significant asset purchases in the period; however work in progress was £362,000 higher at 30 June than at the year end due to the timing of completion of projects.

Trade and other receivables

Receivables have increased by £410,000 since 31 December 2013, largely down to the phasing of annual supplier support contracts.

Trade and other payables

Payables have increased by £387,000 since 31 December, mostly as a result of higher accrual levels due to invoice timing differences, net of lower deferred income balances from the slightly lower managed service base.

Business review continued

Earnings per share and dividend

Adjusted earnings per share grew 24% to 21.0p (16.9p in H1 2013), reflecting the Group's improved profitability and lower tax rate. Reflecting this increase, the continued confidence in the second half and the Board's decision to increase the dividend payout ratio as mentioned in the 2013 annual report, it is proposed to pay an interim dividend of 9.3p per share (H1 2013 – 6.7p), payable on 3 October to shareholders on the register at the close of business on 19 September. The corresponding ex-dividend date will be 17 September.

Outlook

The business has entered the second half of the year with a robust pipeline of new business and the Group is on track to meet the Board's expectations for the full year.

The Group's strong balance sheet at the period end, and its successful integration of Datapoint, means it remains well positioned to consider further acquisitions should they be earnings enhancing, complementary to the existing business and deliver clear shareholder value to the Group.

Eddie Buxton
Chief Executive
5 September 2014

Consolidated statement of comprehensive income

for the six months to 30 June 2014

	Six months to 30 June 2014 £000 (unaudited)	Six months to 30 June 2013 £000 (unaudited)	Year ended 31 Dec 2013 £000 (audited)
Revenue	20,662	13,565	31,124
Cost of sales	13,285	8,537	19,526
Gross profit	7,377	5,028	11,598
Administrative expenses			
Intangibles amortisation	667	359	898
Exceptional costs (note 5)	78	–	691
Other administrative expenses	4,472	2,672	6,336
	5,217	3,031	7,925
Operating profit	2,160	1,997	3,673
Finance (expense)/income	(46)	3	(30)
Profit before taxation	2,114	2,000	3,643
Taxation	446	467	978
Profit for the period	1,668	1,533	2,665
Profit for the period (above)	1,668	1,533	2,665
Other comprehensive income – items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign subsidiaries	32	–	–
Total comprehensive income	1,700	1,533	2,665
Earnings per share (note 3)			
Basic	15.6p	14.4p	25.0p
Diluted	15.4p	14.2p	24.7p

Consolidated statement of financial position
as at 30 June 2014

	30 June 2014 £000 (unaudited)	30 June 2013 £000 (unaudited)	31 Dec 2013 £000 (audited)
Non current assets			
Intangible assets	10,346	4,156	10,988
Property, plant and equipment	233	184	289
	10,579	4,340	11,277
Current assets			
Inventories	1,205	621	845
Trade and other receivables	9,371	5,846	8,961
Cash and cash equivalents	972	711	544
Total current assets	11,548	7,178	10,350
Total assets	22,127	11,518	21,627
Current liabilities			
Trade and other payables	15,598	6,950	15,211
Current tax liabilities	556	577	638
Total current liabilities	16,154	7,527	15,849
Non current liabilities			
Deferred tax liability	105	529	149
Borrowings	1,250	–	1,750
Total net assets	4,618	3,462	3,879
Equity			
Issued share capital	107	107	107
Share premium	1,028	1,028	1,028
Capital redemption reserve	31	31	31
Translation reserve	32	–	–
Retained earnings	3,420	2,296	2,713
Total equity	4,618	3,462	3,879

Consolidated statement of changes in equity

for the period to 30 June 2014 (unaudited)

	Share capital £000	Share premium £000	Capital redemption reserve £000	Retained earnings £000	Translation reserve £000	Total £000
At 1 January 2013	107	1,028	31	1,542	–	2,708
Profit and total comprehensive income	–	–	–	1,533	–	1,533
Dividend	–	–	–	(779)	–	(779)
At 30 June 2013	107	1,028	31	2,296	–	3,462
Profit and total comprehensive income	–	–	–	1,132	–	1,132
Dividend	–	–	–	(715)	–	(715)
At 31 December 2013	107	1,028	31	2,713	–	3,879
Profit and total comprehensive income	–	–	–	1,668	–	1,668
Foreign currency translation differences	–	–	–	–	32	32
Dividend	–	–	–	(961)	–	(961)
At 30 June 2014	107	1,028	31	3,420	32	4,618

Consolidated cash flow statement

for the six months to 30 June 2014

	Six months to 30 June 2014 £000 (unaudited)	Six months to 30 June 2013 £000 (unaudited)	Year ended 31 Dec 2013 £000 (audited)
Operating activities			
Profit before taxation	2,114	2,000	3,643
Adjustments for:			
Intangibles amortisation	667	359	898
Depreciation charge	91	57	135
Profit on disposal of fixed assets	(2)	–	–
Interest receivable	–	(3)	(2)
Interest payable	46	–	32
Operating cash flows before changes in working capital	2,916	2,413	4,706
(Increase)/decrease in inventories	(360)	71	(36)
Increase in trade and other receivables	(410)	(53)	(1,253)
Increase/(decrease) in trade and other payables	394	(2,253)	(1,306)
Cash generated from operating activities	2,540	178	2,111
Tax paid	(572)	(607)	(1,148)
Net cash flows from operating activities	1,968	(429)	963
Investing activities			
Purchase of plant and equipment	(40)	(25)	(89)
Purchase price in respect of business combination	–	–	(3,500)
Net cash acquired with subsidiary undertaking	–	–	3
	–	–	(3,497)
Proceeds from disposal of plant and equipment	7	–	–
Interest receivable	–	3	2
Net cash flows from investing activities	(33)	(22)	(3,584)
Financing activities			
Proceeds from borrowings	–	–	3,000
Repayment of borrowings	(500)	–	(250)
Interest payable	(46)	–	(32)
Equity dividends paid	(961)	(779)	(1,494)
Net cash flows from financing activities	(1,507)	(779)	1,224
Net increase/(decrease) in cash and cash equivalents	428	(1,230)	(1,397)
Cash and cash equivalents at start of period	544	1,941	1,941
Cash and cash equivalents at end of period	972	711	544

Notes to the interim results

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). 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 2013 and which will form the basis of the 2014 financial statements.

A number of new and amended standards have become effective for periods beginning on 1 January 2014; however none of these is expected to materially affect the Group.

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

The comparative financial information presented herein for the year ended 31 December 2013 does not constitute full statutory accounts for that period. The Group's annual report and accounts for the year ended 31 December 2013 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 2014 and 30 June 2013 is unaudited.

2. Segmental analysis

For management reporting purposes and operationally, the Group consists of three business segments: (i) telecommunications managed service and equipment 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 Datapoint business is reported under the managed service and equipment segment as it is managed and measured as part of that segment.

Notes to the interim results continued

2. Segmental analysis continued

Six months to 30 June 2014

(unaudited)

	Managed service and equipment £000	Network services £000	Mobile £000	Central/inter-company £000	Total £000
Revenue	15,942	3,448	1,358	(86)	20,662
Operating profit before customer relationship intangibles amortisation and exceptional expenses	1,995	535	386	(11)	2,905
Customer relationship intangibles amortisation	(126)	(24)	–	(517)	(667)
Exceptional expenses	(78)	–	–	–	(78)
Operating profit	1,791	511	386	(528)	2,160
Net interest payable					(46)
Profit before taxation					2,114
Taxation					(446)
Profit					1,668

Managed service and equipment revenue consists of managed service related revenue of £10.145m and equipment, professional services and other revenue of £5.797m (H1 2013 – £5.993m and £2.964m). Network services revenue consists of call traffic revenue of £1.223m, line rental revenue of £1.588m, data services revenue of £0.439m and other revenue of £0.198m (H1 2013 – £1.342m, £1.593m, £0.388m and £0.152m). Mobile revenue consists principally of commissions receivable from network operators.

Intercompany trading consists of telecommunications services, and recharges of sales, engineering and rent costs, £43,000 (H1 2013 – £48,000) attributable to the managed service and equipment segment, £39,000 (H1 2013 – £44,000) to the network services segment and £4,000 (H1 2013 – £2,000) to the mobile division.

	Managed service and equipment £000	Network services £000	Mobile £000	Central/inter-company £000	Total £000
Other					
Capital expenditure	40	–	–	–	40
Depreciation	91	–	–	–	91
Amortisation	126	24	–	517	667

Six months to 30 June 2013
(unaudited)

	Managed service and equipment £000	Network services £000	Mobile £000	Central/ inter-company £000	Total £000
Revenue	8,957	3,475	1,227	(94)	13,565
Operating profit before customer relationship intangibles amortisation	1,356	576	454	(30)	2,356
Customer relationship intangibles amortisation	(126)	(24)	–	(209)	(359)
Operating profit	1,230	552	454	(239)	1,997
Interest income					3
Profit before taxation					2,000
Taxation					(467)
Profit and total comprehensive income					1,533

	Managed service and equipment £000	Network services £000	Mobile £000	Central/ inter-company £000	Total £000
Other					
Capital expenditure	25	–	–	–	25
Depreciation	56	–	1	–	57
Amortisation	126	24	–	209	359

Notes to the interim results continued

2. Segmental analysis continued

Year to 31 December 2013
(audited)

	Managed service and equipment £000	Network services £000	Mobile £000	Central/ inter-company £000	Total £000
Revenue	21,764	6,938	2,597	(175)	31,124
Operating profit before customer relationship intangibles amortisation and exceptional expenses	3,246	1,101	931	(16)	5,262
Customer relationship intangibles amortisation	(251)	(49)	–	(598)	(898)
Exceptional expenses	(120)	–	–	(571)	(691)
Operating profit	2,875	1,052	931	(1,185)	3,673
Net interest payable					(30)
Profit before taxation					3,643
Taxation					(978)
Profit and total comprehensive income					2,665

Managed service and equipment revenue consists of managed service related revenue of £14.477m and equipment, professional services and other revenue of £7.287m. Network services revenue consists of call traffic revenue of £2.586m, line rental revenue of £3.179m, data services revenue of £0.809m and other revenue of £0.364m. Mobile revenue consists principally of commissions receivable from network operators.

Intercompany trading consists of telecommunications services, and recharges of sales, engineering and rent costs, £90,000 attributable to the managed service and equipment segment, £82,000 to the network services segment and £3,000 to the mobile segment.

	Managed service and equipment £000	Network services £000	Mobile £000	Central/ inter-company £000	Total £000
Other					
Capital expenditure	89	–	–	–	89
Depreciation	133	–	2	–	135
Amortisation	251	49	–	598	898

3. Earnings per share

Earnings per share have been calculated using the weighted average number of shares in issue during the period. This and earnings, being profit after tax, are as follows. An adjusted earnings per share figure – excluding the amortisation of customer relationship intangibles and the expensing of exceptional acquisition costs – is also shown in order to provide a clearer picture of the trading performance of the Group.

	Six months to 30 June 2014 £000 (unaudited)	Six months to 30 June 2013 £000 (unaudited)	Year ended 31 Dec 2013 £000 (audited)
Earnings used in basic and diluted EPS, being profit after tax	1,668	1,533	2,665
Adjustments:			
Amortisation of intangibles	667	359	898
Exceptional expenses (note 5)	78	–	691
Tax relating to the above adjustments	(167)	(89)	(244)
Adjusted earnings	2,246	1,803	4,010
Weighted average number of shares	10,675	10,675	10,675
Potentially dilutive shares	186	112	125
	10,861	10,787	10,800
Basic EPS	15.6p	14.4p	25.0p
Basic diluted EPS	15.4p	14.2p	24.7p
Adjusted basic EPS	21.0p	16.9p	37.6p
Adjusted diluted EPS	20.7p	16.7p	37.1p

Notes to the interim results continued

4. Dividends

	Six months to 30 June 2014 £000 (unaudited)	Six months to 30 June 2013 £000 (unaudited)	Year ended 31 Dec 2013 £000 (audited)
Dividends paid			
Final 2012, paid 25 April 2013 – 7.3p per share	–	779	779
Interim 2013, paid 11 October 2013 – 6.7p per share	–	–	715
Final 2013, paid 24 April 2014 – 9.0p per share	961	–	–
	961	779	1,494

The directors propose to pay an interim dividend of 9.3p per share on 3 October 2014 to shareholders on the register at 19 September 2014.

5. Exceptional expenses

On 13 September 2013 the Company acquired the entire issued share capital of Datapoint Customer Solutions Limited, Datapoint Global Services Limited and Datapoint Communications Limited, the UK and Irish trading operations of the Datapoint group of companies. Legal and professional costs of £571,000 were incurred in 2013 in relation to the acquisition of Datapoint, together with redundancy costs of £120,000 as a result of synergies achieved following the acquisition. Further redundancy-related costs of £78,000 were incurred in H1 2014 and these costs have also been treated as exceptional in the income statement.

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 2014 which comprises the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated cash flow statement, the consolidated statement of changes in equity, and explanatory notes.

We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of and has been approved by the directors. The directors are responsible for preparing the interim report 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 condensed set of financial statements in the half-yearly financial report 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 Auditing Practices Board 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 Ireland) 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 condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2014 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

5 September 2014

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

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