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Application has been made for the Ordinary Shares to be admitted to trading on AIM. **AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the United Kingdom Listing Authority.**

**A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser.**

**London Stock Exchange plc has not itself examined or approved the contents of this document.**

The Directors, whose names appear on page 3, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors, the information contained in this document is in accordance with the facts, and this document makes no omission likely to affect the import of such information.

**Your attention is also drawn to the discussion of risks and other factors which should be considered in connection with an investment in the Ordinary Shares, set out in “Risk Factors” in Part II of this document.**

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# **MAINTEL HOLDINGS PLC**

**Admission to trading on AIM**

**and**

**Placing of 4,757,246 existing Ordinary Shares at 98p per share**

**by**

**KBC PEEL HUNT LTD**

**Nominated Adviser and Broker**

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The Placing is conditional, *inter alia*, on Admission taking place on or before 20 December 2004 (or such later date as the Company and KBC Peel Hunt may agree). The Placing Shares will rank *pari passu* in all respects with all other Ordinary Shares in issue on Admission.

KBC Peel Hunt, which is regulated by the Financial Services Authority, is acting as the Company's nominated adviser in connection with the proposed admission of the Company's Ordinary Shares to trading on AIM. Its responsibilities as the Company's nominated adviser under the AIM Rules are owed solely to London Stock Exchange plc and are not owed to the Company or to any Director or to any other person in respect of his decision to acquire shares in the Company in reliance on any part of this document. No representation or warranty, express or implied, is made by KBC Peel Hunt as to any of the contents of this document (without limiting the statutory rights of any person to whom this document is issued). KBC Peel Hunt will not be offering advice and will not otherwise be responsible for providing customer protections to recipients of this document in respect of the Placing or any acquisition of shares in the Company.

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## DIRECTORS AND ADVISERS

<b>Directors</b>	John D S Booth ( <i>Non-Executive Chairman</i> ) Timothy T Mason ( <i>Chief Executive</i> ) William D Todd ( <i>Finance Director</i> ) Angus J McCaffery ( <i>Sales Director</i> ) William F Madden ( <i>Non-Executive Director</i> )  all of 61 Webber Street, London SE1 0RF
<b>Secretary</b>	William D Todd
<b>Nominated Adviser and Stockbroker</b>	KBC Peel Hunt Ltd 4th Floor 111 Old Broad Street London EC2N 1PH
<b>Reporting Accountants</b>	BDO Stoy Hayward LLP 8 Baker Street London W1U 3LL
<b>Solicitors to the Company</b>	Forsters LLP 67 Grosvenor Street London W1K 3JN
<b>Solicitors to the Placing</b>	Jones Day 21 Tudor Street London EC4Y 0DJ
<b>Auditors</b>	BDO Stoy Hayward LLP 8 Baker Street London W1U 3LL
<b>Bankers</b>	Lloyds TSB plc Chelsea Branch 33-33a Kings Road London SW3 4LX
<b>Registrars</b>	Computershare Investor Services PLC PO Box 82 The Pavilions Bridgwater Road Bristol BS99 7NH
<b>Registered Office</b>	61 Webber Street London SE1 0RF

## KEY INFORMATION

The following information should be read in conjunction with the full text of this document, from which it is derived. You should read the whole of this document and not just rely on the key information set out below. **In particular, your attention is drawn to the risk factors set out in Part II of this document.**

- Maintel operates through two subsidiaries, Maintel Europe and Maintel Voice & Data. The Group has been consistently profitable since 1996.
- Maintel Europe provides maintenance service and support of office-based telecommunications equipment across the UK on a contracted basis. It also supplies and installs new and reconditioned telephone equipment to some of its maintenance customers.
- Maintel Voice & Data re-sells voice and data minutes primarily to Maintel Europe's existing Small and Medium Sized Enterprise maintenance customer base. It also markets other products including non-geographic telephone numbers, Virtual Private Networks and broadband internet connections.
- As at 30 September 2004 Maintel Europe provided its services to more than 4,100 contracted customers covering over 7,000 sites. The majority of Maintel Europe's customers are Small and Medium Sized Enterprises although it also has many larger corporate and public sector customers.
- Maintel Europe benefits from strong recurring revenues with the majority of customers being signed up under contracts of 12 months or longer.
- Approximately 89 per cent. by value of Maintel Europe's customers are contracted to pay for its maintenance services in advance. A majority of its current maintenance contracts are more than two years old and are renewed automatically every 12 months unless terminated.
- Maintel Europe maintains equipment made by ten telecommunications equipment manufacturers, which the Directors believe represented approximately 70 per cent. of telephone systems installed in the UK in 2003.
- The Group's strategy is to:
  - build up Maintel Europe's maintenance customer base primarily by expanding its direct sales team and continuing to target larger, multi-site corporate customers and public sector organisations whilst maintaining its focus on Small and Medium Sized Enterprises;
  - continue to consider acquisitions of maintenance customer bases to the extent that appropriate opportunities can be identified and negotiated;
  - expand the customer account management team with the aim of increasing the proportion of Maintel Europe's Direct Contract maintenance customer base that purchase telephone equipment from the Group as well as to assist in customer retention; and
  - expand Maintel Voice & Data's sales team with the aim of increasing sales of its products and services to Maintel Europe's Small and Medium Sized Enterprise Direct Contract maintenance customer base.
- In the year ended 31 December 2003, the Group generated a pre tax profit of £1,352,000 on revenues of £10,764,000. Cash generated from operating activities during the same period was £1,776,000.
- In the six months ended 30 June 2004, the Group generated a pre tax profit of £784,000 on revenues of £5,939,000. Cash generated from operating activities during the same period was £808,000.
- Following Admission, the Directors intend to adopt a policy of distributing approximately 40 per cent. of the Company's retained annual earnings either in the form of dividends or, where appropriate, share buybacks. It is anticipated that dividends will be paid on a semi-annual basis and will commence in respect of the period ended 30 June 2005.

## **PLACING STATISTICS**

Placing Price	98 pence
Number of existing Ordinary Shares to be placed on behalf of existing Shareholders	4,757,246
Market capitalisation at the Placing Price	£13,246,464
Number of Ordinary Shares in issue on Admission	13,516,800
Percentage of issued share capital subject to the Placing	35.2 per cent.

## **EXPECTED TIMETABLE**

Admission and dealings in the Ordinary Shares to commence on AIM	20 December 2004
CREST accounts credited	20 December 2004
Despatch of definitive share certificates (where applicable) by	3 January 2005

# **PART I**

## **INFORMATION ON THE GROUP**

### **INTRODUCTION**

Maintel operates through two subsidiaries, Maintel Europe and Maintel Voice and Data. The Group has been consistently profitable since 1996.

Maintel Europe provides maintenance, service and support of office based telecommunications equipment across the UK on a contracted basis. Customers are mainly Small and Medium Sized Enterprises although services are provided to many larger corporations and public sector organisations. Maintel Europe also supplies and installs new and reconditioned telephone equipment to some of its maintenance customers. As at 30 September 2004, Maintel Europe provided its services to more than 4,100 contracted customers covering over 7,000 sites. Maintel Europe benefits from strong recurring revenues with the majority of customers being signed up under contracts of 12 months or longer. Approximately 89 per cent. by value of all Maintel Europe's maintenance customers are contracted to pay for its maintenance services in advance. In the year ended 31 December 2003, Maintel Europe generated revenue of £9,098,000 of which approximately 20 per cent. was generated from equipment sales.

Maintel Voice & Data operates a telecommunications traffic business which re-sells minutes primarily to Maintel Europe's existing maintenance customers and selected non-maintenance customers. Maintel Voice & Data also markets other telecommunications related products and services such as non-geographic telephone numbers, Virtual Private Networks and broadband internet connections. In the year ended 31 December 2003, Maintel Voice & Data generated revenue of £1,666,000.

The Directors are seeking Admission in order to provide greater liquidity in the Company's shares. As part of the Admission process, certain executive Directors and other Shareholders have conditionally sold 4,757,246 existing Ordinary Shares to investors procured by KBC Peel Hunt at 98p per share. Following the Placing, the executive Directors will in aggregate remain interested in 51.5 per cent. of the Company's issued share capital and have undertaken not to dispose of any further shares for a period of two years following Admission save in certain limited circumstances.

### **HISTORY OF THE GROUP**

Maintel Europe was incorporated in 1991 and acquired the telephone maintenance contracts of Lynton Europe Limited, a telecommunications equipment sales company, in 1992. After the acquisition, Tim Mason and Angus McCaffery became minority shareholders in Maintel Europe.

Between 1992 and 1995, Maintel Europe's primary business was to provide telephone maintenance services for customers introduced by telephone equipment dealers. During this period, Maintel Europe's service capability and geographic coverage were expanded and turnover increased substantially. In June 1996, a consortium of ten investors, led by John Booth established Maintel Holdings to acquire the entire issued share capital of Maintel Europe. Through this transaction, Tim Mason and Angus McCaffery together became 49 per cent. shareholders in Maintel Holdings.

In recent years, Maintel Europe has dedicated more resources to gaining new customers through direct sales, in order to reduce its dependence on contracts referred by telephone equipment dealers. The Group's organic growth has been supplemented by approximately 20 acquisitions of maintenance customer bases, the largest of which was from Bosch Telecom in June 2000.

In 2000 the Group established Maintel Voice & Data to re-sell telephone and data minutes.

## THE MAINTEL BUSINESS

The table below, which has been extracted from Part III of this document, sets out the revenue and profit before tax for the Group's two trading subsidiaries for the year ended 31 December 2003.

	<i>Revenue for the year ended 31 December 2003</i>	<i>Profit before taxation for the year ended 31 December 2003</i>
	<i>£'000</i>	<i>£'000</i>
Maintel Europe	9,098	1,148
Maintel Voice & Data	1,666	204
	<hr/> 10,764	<hr/> 1,352

### Maintel Europe

Maintenance of office based telecommunications equipment accounted for approximately 77 per cent. of Maintel Europe's revenue in the year ended 31 December 2003. Over recent years, equipment sales have come to represent an increasing proportion of Maintel Europe's revenues and accounted for approximately 20 per cent. of sales in the year ended 31 December 2003. The balance of Maintel Europe's revenue primarily relates to equipment rental on customer contracts that have been acquired.

#### *Telephone system service and support*

Maintel Europe provides office based telephone system maintenance, service and support across the UK on a contracted basis. As at 30 September 2004 this division provided its services to more than 4,100 contracted customers covering over 7,000 sites. Maintel Europe's customers are predominantly drawn from Small and Medium Sized Enterprises although it also has many larger corporate and public sector customers.

Maintel Europe benefits from strong recurring revenues with the majority of customers being signed up under contracts of 12 months or longer. A typical Maintel Europe maintenance contract covers all parts and labour costs resulting from fair wear and tear of a customer's telecommunications equipment for a fixed annual charge. Under the terms of its contract, Maintel Europe will respond to any faults logged by the customer within an agreed time limit and will repair or replace equipment as required. Faults arising from situations other than fair wear and tear are charged to the customer on a time and materials basis.

Approximately 89 per cent. by value of Maintel Europe's maintenance customers are contracted to pay for its maintenance services in advance. A majority of its current maintenance contracts are more than two years old and are renewed automatically every 12 months unless terminated. Contract values range from a hundred pounds per annum to over £300,000 per annum and in the year ended 31 December 2003 averaged approximately £1,000 per annum. The Directors place particular importance on maintaining long-term customer relationships. Approximately 50 per cent. by value of Maintel Europe's customers in the year ended 31 December 2000 remained contracted customers as at 30 September 2004. In the nine months ended 30 September 2004, the average monthly proportion of customers renewing their contracts was approximately 80 per cent.

Maintel Europe maintains equipment made by ten telecommunications equipment manufacturers, which the Directors believe represented approximately 70 per cent. of telephone systems installed in the UK in 2003. The Directors believe that the range of products maintained together with Maintel Europe's coverage across the UK are important differentiators when tendering for multi-site customers that have a mixed base of installed products because Maintel Europe is able to offer such customers a single maintenance solution for their entire telephone system.

Maintenance and support is provided to customers by field-based staff and a customer service centre. Approximately half of Maintel Europe's workforce are field-based consisting mostly of engineers who typically operate from home and are based across the UK. Management regard the quality of their engineers as an important factor in client retention and when tendering for new business and have recently upgraded elements of the division's IT systems in order to improve the productivity and remote capabilities of their engineer workforce. Approximately 68 per cent. of Maintel's engineers are trained to install and maintain

Voice over Internet Protocol systems. As well as repairing faults on site, engineers are required to assist in managing the customer relationship by making non-fault related site visits and maintaining regular contact with Maintel Europe's customers.

Customer interactions, including service requests, are initially handled by the customer service centre and are logged on Maintel Europe's service management software. This software was upgraded in 2004 to improve both the speed and quality of customer service.

Since 1996, the Group has made approximately 20 acquisitions of maintenance customer bases, ranging from a few hundred pounds to around £900,000 of annual revenue.

#### *Equipment Sales*

Maintel Europe supplies and installs new and reconditioned telecommunications equipment mainly to its Direct Contract maintenance customer base. Supplementary maintenance contracts to support the new equipment are entered into at the same time as the sale is made. Equipment sales accounted for approximately 24 per cent. of Maintel Europe's revenue in the nine months ended 30 September 2004. Sales range from single telephone units up to complete telecommunications systems. Revenue for this activity has grown from an average of approximately £139,000 per month in the year ended 31 December 2002 to an average of almost £200,000 for the nine months ended 30 September 2004.

#### *Key Suppliers*

Maintel Europe has maintenance accreditations from nine major telephone equipment manufacturers including Siemens, Mitel, Ericsson, Toshiba and Panasonic. Maintel retains active relationships with these and other manufacturers (or their nominated distributors) variously for training, supply of equipment and components and ongoing technical support. Maintel Europe has been supporting the Nortel product range for the last three years and, whilst not accredited by this manufacturer, has recently achieved sales partner status, which the Directors believe is a significant step towards obtaining maintenance accreditation.

#### *Sales and marketing*

Maintel Europe's customer base is drawn from Small and Medium Sized Enterprises as well as public sector and larger corporate enterprises. There is no particular dependence on any one product, customer, or geographic region of the UK.

In recent years Maintel Europe has dedicated more resources to gaining new customers through direct sales. Contracts gained in this way, referred to as Direct Contracts, give Maintel Europe the ability to market ancillary products and services such as equipment or telephone and data minutes to such customers. Direct Contracts and other unrestricted contracts accounted for approximately 71 per cent. of Maintel Europe's maintenance customer base by value as at 30 September 2004. Maintel Europe intends to further expand its direct sales force from 18 to 25 staff, including telesales account managers.

Maintel Europe's original sales channel was through dealers who sell telephone systems and Maintel Europe continues to provide third party maintenance services to equipment dealers as well as other maintainers who may have product, geographic or service level limitations. Maintel Europe also provides maintenance services on behalf of equipment manufacturers when the end customer needs a multi-system service which the manufacturer cannot provide. Whilst the proportion of revenues generated from this indirect source has diminished as a result of the Group's concentration on direct sales, it still remains an important source of new revenue. Contracts with end customers introduced via third parties generally restrict Maintel Europe's ability to market ancillary products and services such as equipment or telephone and data minutes.

#### **Maintel Voice & Data**

Maintel Voice & Data re-sells voice and data minutes primarily to Maintel Europe's existing Small and Medium Sized Enterprise Direct Contract maintenance customers. In addition to discounted tariffs on their voice and data minutes, Maintel Voice & Data's customers have the convenience of a single point of contact for both telephone maintenance and minutes. The division currently purchases minutes in bulk from MCI



Worldcom Limited and Energis Communications Limited. Minutes are purchased as customers use them and Maintel Voice & Data is not required to hold a stock of pre-purchased minutes.

Maintel Voice & Data also markets other products to its clients including non-geographic telephone numbers (0800, 0870 etc), Virtual Private Networks and broadband internet connections. Maintel Voice & Data has grown considerably since its establishment in 2000 and as at 30 September 2004 had a total of 396 active customers.

Maintel Voice & Data has a team of three dedicated sales staff that approach Maintel Europe's Direct Contract maintenance customers and handle leads generated by Maintel Europe's sales team. Maintel Voice & Data also has two administrators who manage the new customer connections and ongoing customer relations.

### **Premises**

The Group operates from leasehold office premises in central London where the full administrative function and the customer service centre are based. The lease on these premises is due for renewal in March 2005. The main stock storage facilities are also located in central London with additional storage facilities in Sheffield and Enfield. Some additional equipment is held at key client sites for emergency repairs.

### **STRATEGY**

The Directors believe that the annual value of the total market for maintaining telephone systems in the UK was £338 million in 2003<sup>1</sup> of which the Directors estimate Maintel Europe to have an approximate two per cent. share. The Group's strategy is to increase Maintel Europe's revenue mainly through organic growth although the Directors will continue to consider acquisitions of maintenance customer bases to the extent that appropriate opportunities can be identified and negotiated.

From time to time, competitors of Maintel Europe have attempted to gain market share by bidding for maintenance contracts on terms that the Directors would find unacceptable. Maintel Europe has strict minimum gross margin criteria when bidding for business and seldom competes on price alone or seeks to reduce price to a level which would adversely affect its service provision or profitability.

The Directors aim to build up Maintel Europe's maintenance customer base primarily by expanding its direct sales team and continuing to target larger multi-site corporate and public sector organisations whilst maintaining its focus on Small and Medium Sized Enterprises. In particular the Directors intend to continue targeting multi-site corporates, NHS Hospital Trusts, local government and universities.

The Directors intend to expand the Group's customer account management team and in particular to initiate telephone account management of its Small and Medium Sized Enterprise customers, with the aim of increasing the proportion of Maintel Europe's Direct Contract maintenance customer base that purchase telecommunications equipment from the Group. Two additional sales staff will also be recruited with the aim of increasing sales of Maintel Voice & Data services amongst Maintel Europe's Small and Medium Sized Enterprise Direct Contract maintenance customer base.

The Directors place particular emphasis on customer renewal rates and the planned increases in customer account management staff are also aimed at assisting in customer retention.

### **COMPETITION**

#### *Maintel Europe*

Within the Small and Medium Sized Enterprise target market, the Directors are aware of many companies that offer telephone maintenance and ancillary services. When bidding for larger maintenance contracts, Maintel Europe frequently competes against equipment manufacturers, major network operators and nationwide maintenance providers. It is not unusual for Maintel Europe to compete with its

1. Source: MZA Consultants Limited "The Global Telecommunications Market – 2003 PBX/IP PBX Pricing Survey".

telecommunications equipment suppliers that also have maintenance capabilities, particularly when an end-user is undergoing a tender process which includes products made by such a manufacturer.

#### *Maintel Voice & Data*

The market for telephone minutes and ancillary services has become increasingly deregulated with additional carriers being approved on a regular basis. There has been significant investment in telecommunications networks as well as technological advances, and there is now a high degree of overcapacity within the national telephone network and the market for selling voice and data minutes is now highly competitive, particularly for larger customers. Maintel Voice & Data currently competes against the major network providers as well as other re-sellers. The Directors believe that Maintel Voice & Data's strategy of selling to customers where there is already an existing relationship differentiates this division from some of its competitors and may assist in the retention of these customers. Maintel Voice & Data's larger customers are regularly targeted by major network providers and other telephone minute re-sellers.

### **HISTORIC RESULTS**

The Group's accounts for the three years and six months ended 30 June 2004, which have been extracted from the accountant's report on Maintel Holdings and its subsidiaries set out in Part III of this document, are as follows:

	<i>Year ended 31 December</i>			<i>Six months ended</i>
	<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>30 June</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>2004</i>
Turnover	8,872	9,328	10,764	5,939
Gross profit	3,058	3,219	4,345	2,369
Gross profit margin	34%	35%	40%	40%
Profit before tax	690	638	1,352	784
Net cash inflow from operating activities	1,115	750	1,776	808
Net (liabilities)/assets	(142)	147	808	950

During the three years and six months ended 30 June 2004 maintenance revenues and equipment sales grew steadily, complemented by significant growth from Maintel Voice & Data which commenced trading in 2000.

Gross margin improvement during the period under review occurred in both divisions. Within Maintel Europe, this has been mainly due to productivity improvements within the engineering workforce and within Maintel Voice & Data has mainly been the result of reduced unit costs of voice and data minutes as sales volumes have increased.

The reduction in profit before tax in the year ended 31 December 2002 resulted from minimal revenue growth at Maintel Europe, combined with increased costs including a number of smaller non-recurring costs. Cash inflow from operating activities in 2001 was enhanced by a £574,000 inflow from a money market investment.

### **CURRENT TRADING AND PROSPECTS**

During the first half of the current financial year, Maintel Europe won fewer contracts than expected which the Directors believe was due to the pricing policies of certain competitors who were attempting to gain market share at the expense of margins. In the third quarter of the current financial year, Maintel Europe's success rate in winning new business has returned to what the Directors consider to be more normal levels, with the annual value of new maintenance contracts won increasing from £169,000 in the 3 months ended 30 June 2004 to £378,000 in the 3 months ended 30 September 2004.

Sales of reconditioned and new telephone equipment to Maintel Europe's customer base during the nine months ended 30 September 2004 was £1,775,000 compared to £1,298,000 in the corresponding period in

2003. The Directors expect this revenue to continue at similar or increased levels. In particular, the Directors believe there is a significant opportunity to promote telephone equipment using Voice over Internet Protocol technology.

Maintel Voice & Data has continued to increase the proportion of the maintenance division's Direct Contract customer base that purchases telephone minutes and other related services, although it recently lost two of its larger customers to a major network provider on the basis of prices considered to be uneconomic by the Directors.

On the basis of the current pipeline of new maintenance business as well as the opportunities to cross sell other products and services, the Directors are confident of the Group's prospects for the remainder of the current financial year and for 2005.

## **DIVIDEND POLICY**

Maintel has been paying dividends to its shareholders since April 1999. Following Admission, the Directors intend to adopt a policy of distributing approximately 40 per cent. of the Company's retained annual earnings either in the form of dividends or, where appropriate, share buybacks. It is anticipated that dividends will be paid on a semi-annual basis and will commence in respect of the period ended 30 June 2005.

## **DIRECTORS AND SENIOR MANAGEMENT**

The Group has an experienced management team which has grown and developed with the business. It is supported by an experienced non-executive team.

### *Directors*

Details of the Directors, their roles and their backgrounds are as follows:

#### **John David Sebastian Booth**, (MA) 46, *Non-Executive Chairman*

John was appointed as Chairman of Maintel in 1996. He is the Chairman of one other public company, the non-executive Chairman of three other private companies, and is a consultant for Herald Venture Partners. John has spent twelve years in investment banking where he has held various senior positions including senior vice president, US Equities at Prudential Bache and managing director & head of international equities at Bankers Trust Co. He is currently the Executive Chairman of Link Asset & Securities Co.

#### **Timothy Thomas Mason**, (BSc) 40, *Chief Executive*

Tim has an extensive knowledge of both communications and IT systems. He started his career in the telecommunications industry in 1989 as a sales consultant for Lynton Europe Limited where he progressed to sales manager. In 1991 he co-founded Maintel Europe and became Chief Executive of the Group in 1996.

#### **Angus John McCaffery**, 38, *Sales Director*

Angus joined Lynton Europe Limited on the same day as Tim Mason in 1989. He co-founded Maintel Europe in 1991 and was appointed Sales Director of Maintel in 1996. His role at the Company has been to develop the Group's sales strategy and promote the Maintel brand within the industry.

#### **William Drysdale Todd**, (BA, CA) 46, *Finance Director*

Dale qualified as a chartered accountant with Thomson McLintock (now KPMG) in 1982. He joined the Group in March 2002 and was appointed Finance Director the following month. Prior to this he held positions as Group Finance Director at Rolfe & Nolan Plc, Best International Group Plc and HS Publishing Group Ltd.

**William Ferrars Madden** (PhD, BSc(Hons), FIM) 70, *Non-Executive Director*

Bill was appointed to the Board in 1996 and resigned in March 2004. On 10 December 2004, he rejoined the board of Maintel to assist the Company with corporate governance. Bill spent the majority of his career at ICI plc in a number of technical and business roles both in the UK and overseas and finally as chief executive officer of ICI plc's Materials business. Since leaving ICI plc, Bill has been a director of various public and private companies.

*Senior management*

In addition to the Directors listed above the Group is also dependent upon the following key members of the management team:

**Wayne Friensener**, 38, *Technical director*

Wayne trained as a telephone installation and maintenance engineer. He joined Maintel Europe as a field engineer in 1995 and became Engineering Manager in 2001 with responsibility for all technical services within the Group. He was appointed as Technical Director in January 2004.

**Chris Daffin**, 36, *Head of Maintel Voice & Data*

Chris has been involved in telecommunications since 1987 and began his career as a sales consultant for Siemens and moved on to sell and support IT-based telephone call management and Customer Relationship Management solutions. He joined Maintel in 2000 as head of Maintel Voice & Data.

## **CORPORATE GOVERNANCE**

The Directors support high standards of corporate governance and confirm that, following Admission, they intend to comply, so far as practicable, with the Combined Code on Corporate Governance published in July 2003 to the extent reasonable, in the Directors' view, for a public company of Maintel's size and nature.

Accordingly, the Company has established an audit committee, a remuneration committee and a nomination committee, each with formally delegated duties and responsibilities.

The audit committee comprises the two Non-Executive Directors and will be chaired by John Booth. The audit committee is responsible for both ensuring that the financial performance of the Company is properly reported on and monitored and for reviewing the auditor's reports relating to accounts and internal control systems.

The remuneration committee comprises the two Non-Executive Directors and will be chaired by John Booth. The remuneration committee is responsible for the review and recommendation of the scale and structure of remuneration for senior management including the award of share options.

The nomination committee comprises the two Non-Executive Directors and Tim Mason and will be chaired by John Booth. The nomination committee is responsible for the review and recommendation of potential board members. The nomination committee intends to appoint an independent non-executive director to the Board as soon as an appropriate individual has been identified. It is expected that this individual will be appointed to and become chairman of each of the audit, remuneration and nomination committees. At this point Tim Mason intends to resign from the nomination committee.

The Company has adopted a share dealing code for Directors and employees in accordance with the AIM Rules and will take proper steps to ensure compliance by the Board and relevant employees.

## **INTERESTS OF DIRECTORS' AND LOCK-IN ARRANGEMENTS**

Following the Placing, the Directors will be interested, in aggregate, in 6,958,550 Ordinary Shares, representing 51.5 per cent. of the issued ordinary share capital of the Company. Tim Mason and Angus McCaffery have agreed that they will not dispose of any interests in the Company's share capital for a period of two years following Admission, save for in certain limited circumstances. John Booth has agreed not to dispose of any interests in the Company's share capital until publication of the Group's results for the year ended 31 December 2004, save for in certain limited circumstances.

In the event of any sale of Ordinary Shares, the Directors have undertaken only to deal through KBC Peel Hunt (for as long as they remain a Director and KBC Peel Hunt remains broker to the Company).

The Company does not have an executive share option scheme and the Directors have no plans to grant any options over new Ordinary Shares.

Further details of the interests of the Directors in Ordinary Shares are set out in paragraph 6 of Part IV.

### **REASONS FOR ADMISSION**

The Directors are seeking Admission in order to provide greater liquidity in the Company's shares. They also believe that being a publicly quoted company will give the Group a more flexible capital structure and access to additional equity finance if required. In addition, they believe that the Company's AIM traded status will benefit the Group in a number of ways including raising the Group's profile and enhancing credibility with potential customers, suppliers and partners.

### **DETAILS OF THE PLACING**

KBC Peel Hunt, as agent for the Vendors, has conditionally placed 4,757,246 existing Ordinary Shares with investors at 98p per share. The Placing, which is not underwritten, is conditional, *inter alia*, upon the admission of the Company's Ordinary Shares to trading on AIM by 20 December 2004, or such later time as KBC Peel Hunt and the Company agree, being not later than 14 January 2005.

The Placing will not raise any money for the Company. It is estimated that the costs associated with Admission to be borne by the Company will be approximately £300,000, excluding irrecoverable VAT.

It is expected that the appropriate CREST accounts of placees will be credited with the Placing Shares comprising their Placing participation with effect from 20 December 2004. In the case of placees requesting Placing Shares in certificated form, it is expected that certificates in respect of the Placing Shares will be despatched by post, within 10 days of the date of Admission.

Pending despatch of share certificates or crediting of CREST accounts, the Company's registrar will certify any instruments of transfer against the register. Temporary documents of title will not be issued.

Further details of the Placing and Admission Agreement are set out in paragraph 9 of Part IV.

## **PART II**

### **RISK FACTORS**

Prospective investors should be aware that an investment in the Company involves a high degree of risk and should only be made by those with the necessary expertise to appraise the investment. The following are considered by the Board to be the main risk factors that could have a material adverse effect on the business, its financial condition, results or future operations. The following list is not intended to be exhaustive but it should be considered carefully by prospective investors in evaluating whether to make an investment in the Company in addition to the other information contained in this document.

#### **Vulnerability to customer churn**

The nature of the Company's core maintenance business is that maintenance contracts have a natural finite life, determined by customers renewing or updating their telecommunications equipment, or by customers periodically reviewing their contractual arrangements. Maintel needs to ensure a steady stream of new contracts to replace those that have terminated to maintain the size of its customer base. Reductions in the size of this maintenance base will have an adverse effect on Maintel Europe's revenue and profitability. Any such reductions will also limit the target audience for selling telephone equipment and voice and data minutes, and could therefore have a further adverse impact on the Group's revenues and profitability.

#### **Competition and suppliers**

Many of the companies operating in the telecommunications maintenance sector have substantially greater financial, technical and marketing resources than Maintel. As the market continues to develop, new alliances between competitors may emerge which could reduce the Group's sales, margins and market share. The Group has experienced pricing pressures from competitors and customers which may adversely affect sales levels or gross margins. In particular, Maintel faces greater competition when tendering for and in retaining its larger customers.

The Group is dependent upon manufacturers of telecommunications equipment and their distributors for training, technical support and supply of new equipment. Some manufacturers are also competitors of Maintel for the provision of telephone maintenance. A withdrawal of this assistance may adversely affect Maintel's revenues and profits.

#### **Technological advances**

The telecommunications market in which the Group operates is characterised by rapidly developing technology and evolving industry standards. The Group's stock of telecommunications equipment could be rendered obsolete as technology advances and older systems are replaced.

Maintel Europe's workforce must be kept up to date with new telecommunications technology in order to be able to service existing customers as well as assisting in winning new customers. Training its workforce in this regard may become more expensive as new technologies evolve and have a consequent adverse impact on Maintel's margins and profits.

The projected move towards Voice over Internet Protocol telephone systems or moves into other new technology areas may result in telecommunications systems being maintained by in-house IT technicians, specialist IT support providers or other types of organisation rather than being outsourced to dedicated telephone maintenance organisations such as Maintel.

#### **Dependence on and retention of key personnel**

The success of Maintel and its business strategy are dependent upon its ability to attract and retain key management, sales, engineering and other operating personnel. The loss of the services of one or more members of the management group, or the loss of a large number of engineers at the same time, or the inability to recruit and effectively integrate additional personnel as needed could have an adverse effect upon the development of Maintel's business and/or its financial condition and results.

### **Reduction in market rates for telephone minutes**

The market for reselling voice and data minutes is competitive and it is possible that rates will fall in this area. Any reduction in rates may adversely affect Maintel Voice & Data's revenues and profits.

### **Liability for fraud**

Maintel Voice and Data may be liable to its suppliers for any immoral, defamatory, inappropriate or illegal use of their networks by its customers. Maintel Voice and Data is not able to control the purposes for which its customers use the voice and data minutes that they purchase. Any action brought against Maintel or its subsidiaries in respect of customer usage could have a significant adverse effect on the Group's financial position.

Maintel was once targeted by criminals who used telephone minutes supplied by Maintel before absconding. Whilst Maintel Voice & Data has improved its credit control procedures and its suppliers have improved their fraud prevention procedures since this event occurred, the division may be susceptible to further fraudulent use of the telephone minutes it provides.

### **Health & safety liability**

Whilst Maintel endeavours to comply with all health and safety regulations, the cost of these is becoming an increasing burden on the Group and may in future have an adverse effect on the Group's cost base. In addition, the Group may be the subject of litigation from employees who may be injured whilst carrying out Company business or from third parties who have injured themselves as a result of or in consequence of the services provided by the Group. Any such litigation brought against the Group, whether or not determined in its favour could be damaging to Maintel's business through adverse publicity and may result in significant liability in damages and legal fees.

### **Volatility in share price and liquidity**

Although the Company has applied for its securities to be admitted to trading on AIM, there can be no guarantee that an active trading market will develop or, if developed, be sustained in the Company's Ordinary Shares.

Like the shares of many publicly quoted companies, and in particular technology companies, there may be significant fluctuations in the market price and the daily trading volumes of the Ordinary Shares in response to many factors. Some of these may be outside the Group's control, including variations in the operating results of the Group, divergence in financial results from analysts' expectations, changes in earnings estimates by stock market analysts, changes in the market valuations of similar quoted companies, future issues or sales of Ordinary Shares and general economic conditions.

### **Certain shareholders will continue to have substantial control over the Company after Placing**

Upon completion of the placing, John Booth, Tim Mason and Angus McCaffery will between them beneficially own, in aggregate, approximately 51.5 per cent. of the Company's issued share capital. As a result, these shareholders, whilst not acting in concert, could exercise significant control over all matters requiring shareholder approval, which could delay or prevent an outside party from acquiring or merging with the Company.

## PART III

# ACCOUNTANT'S REPORT

The following is the text of a report received from the Company's reporting accountants:



BDO Stoy Hayward LLP  
8 Baker Street  
London W1U 3LL

### **BDO Stoy Hayward Chartered Accountants**

The Directors  
Maintel Holdings Plc  
61 Webber Street  
London  
SE1 0RF

17 December 2004

The Directors  
KBC Peel Hunt Ltd  
111 Old Broad Street  
London  
EC2N 1PH

Dear Sirs

### **MAINTEL HOLDINGS PLC (THE "COMPANY")**

#### **Introduction**

We report on the consolidated financial information set out below. This consolidated financial information has been prepared for inclusion in the AIM admission document dated 17 December 2004 of the Company.

The Company was incorporated as FCB 1167 Limited on 2 April 1996 and changed its name to Maintel Holdings Limited on 30 April 1996. On 10 December 2004 the Company re-registered as a public limited company and changed its name to Maintel Holdings Plc.

The Company has four wholly-owned subsidiaries, Maintel Europe Limited, Maintel Voice and Data Limited, Maintel London Limited and Maintel Finance Limited, the last two of which are dormant. For the purposes of this report, the Company and subsidiaries are together referred to as "Maintel" or the "Group".

#### **Basis of preparation**

The consolidated financial information is based on the audited consolidated financial statements of the Group for the three years ended 31 December 2003 and the six month interim period ended 30 June 2004 (the "Relevant Period") after making such adjustments as we considered necessary.

BDO Stoy Hayward LLP and, prior to 2 January 2004, its predecessor firm, BDO Stoy Hayward, both Chartered Accountants and Registered Auditors, 8 Baker Street London W1U 3LL, have been auditors to the Group throughout the Relevant Period. Each of the audit reports throughout the Relevant Period was unqualified.

#### **Responsibility**

Such financial statements are the responsibility of the directors of the Company who approved their issue.

The directors of the Company are responsible for the contents of the admission document dated 17 December 2004 in which this report is included.



It is our responsibility to compile the consolidated financial information set out in our report from the financial statements, to form an opinion on the consolidated financial information and to report our opinion to you.

### **Basis of opinion**

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the consolidated financial information. The evidence included that previously obtained by us relating to the audit of the financial statements for the Relevant Period underlying the consolidated financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements for the Relevant Period underlying the consolidated financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the consolidated financial information is free from material misstatement whether caused by fraud or other irregularity or error.

### **Opinion**

In our opinion, the consolidated financial information gives, for the purposes of the admission document dated 17 December 2004, a true and fair view of the state of affairs of the Company as at the dates stated and of its consolidated profits for the periods then ended.

### **Consent**

We consent to the inclusion in the admission document dated 17 December 2004 of this report and accept responsibility for this report for the purposes of paragraphs 45(1)(b)(iii) of Schedule 1 to the Public Offers of Securities Regulations 1995.

## FINANCIAL INFORMATION

### Accounting policies

The consolidated financial information has been prepared under the historical cost convention and in accordance with applicable accounting standards. The following principal accounting policies have been applied consistently in dealing with items which are considered material in relation to the consolidated financial information:

#### *Basis of consolidation*

The consolidated financial information incorporates the results of Maintel Holdings Limited and its subsidiary undertakings using the acquisition method of accounting.

#### *Turnover*

Turnover represents sales to customers at invoiced amounts less value added tax. Amounts invoiced periodically in advance in respect of maintenance contracts are deferred and released to the profit and loss account over the period of the contract.

#### *Depreciation*

Depreciation is provided to write off the cost or valuation, less estimated residual values, of all fixed assets over their expected useful lives. It is calculated at the following rates:

Plant and machinery	– over the life of the lease to third parties
Office and computer equipment	– 25% per annum on cost
Motor vehicles	– 25% per annum on cost
Leasehold improvements	– over the remaining period of the lease

#### *Stock*

Maintenance stock is valued at the lower of cost and net realisable value, net of provisions and costs of reinstating to original condition where appropriate. Stock held for resale is valued at the lower of cost and net realisable value.

#### *Deferred taxation*

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date. Deferred tax balances are not discounted.

#### *Investments*

Fixed asset investments are shown at cost less amounts written off in respect of any impairment in value.

#### *Operating leases*

Annual rentals payable are charged to the profit and loss account on a straight-line basis over the term of the lease. Reverse premiums and similar incentives received to enter into operating lease agreements are released to the profit and loss account over the period to the date on which the rent is first expected to be adjusted to the prevailing market rate.

Annual rentals receivable from third parties are credited to the profit and loss account on a straight line basis over the term of the lease.

#### *Derivative financial instruments*

The Group's principal financial instruments comprise trade debtors, trade creditors and cash used to finance the Group's operations and future growth. The major financial risk faced by the Group is in relation to interest rates.

The Group has taken advantage of the exemption available under FRS13 for short-term debtors and creditors.

## Consolidated profit and loss accounts

		<i>Year ended 31 December 2001 £000</i>	<i>Year ended 31 December 2002 £000</i>	<i>Year ended 31 December 2003 £000</i>	<i>Six month period ended 30 June 2004 £000</i>
Turnover	1	8,872	9,328	10,764	5,939
Cost of sales		<u>(5,814)</u>	<u>(6,109)</u>	<u>(6,419)</u>	<u>(3,570)</u>
<b>Gross profit</b>	1	3,058	3,219	4,345	2,369
Administrative expenses		<u>(2,405)</u>	<u>(2,600)</u>	<u>(3,041)</u>	<u>(1,635)</u>
<b>Operating profit</b>	2	653	619	1,304	734
Interest receivable	5	40	19	57	50
Interest payable and similar charges	6	<u>(3)</u>	<u>–</u>	<u>(9)</u>	<u>–</u>
<b>Profit on ordinary activities before taxation</b>		690	638	1,352	784
Taxation on profit from ordinary activities	7	<u>(190)</u>	<u>(199)</u>	<u>(390)</u>	<u>(237)</u>
<b>Profit on ordinary activities after taxation</b>		500	439	962	547
Dividends	8	<u>(299)</u>	<u>(150)</u>	<u>(301)</u>	<u>(405)</u>
Retained profit for the year	19	<u>201</u>	<u>289</u>	<u>661</u>	<u>142</u>
<b>Earnings per share</b>					
Basic – £1 Ordinary Shares	9	£42.07	£35.73	£78.28	£44.51
Adjusted – 1p Ordinary Shares	9	<u>3.8p</u>	<u>3.2p</u>	<u>7.1p</u>	<u>4.0p</u>

All amounts relate to continuing activities.

All recognised gains and losses are included in the profit and loss account.

## Consolidated balance sheets

		<i>At</i>	<i>At</i>	<i>At</i>	<i>At</i>
		<i>31 December</i>	<i>31 December</i>	<i>31 December</i>	<i>30 June</i>
		<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>2004</i>
	<i>Notes</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
<b>Fixed assets</b>					
Tangible assets	10	449	394	314	289
<b>Current assets</b>					
Stock	12	1,031	1,020	899	733
Debtors	13	2,188	2,075	2,285	2,286
Cash at bank and in hand		1,048	1,110	2,288	2,682
		<u>4,267</u>	<u>4,205</u>	<u>5,472</u>	<u>5,701</u>
<b>Creditors: amounts falling due within one year</b>					
	15	<u>(1,819)</u>	<u>(1,400)</u>	<u>(1,809)</u>	<u>(1,982)</u>
<b>Net current assets</b>					
		2,448	2,805	3,663	3,719
Provision for liabilities and charges	17	(12)	(2)	–	–
Deferred income		<u>(3,027)</u>	<u>(3,050)</u>	<u>(3,169)</u>	<u>(3,058)</u>
<b>Net (liabilities)/assets</b>					
		<u>(142)</u>	<u>147</u>	<u>808</u>	<u>950</u>
<b>Capital and reserves</b>					
Called up share capital	18	12	12	12	12
Share premium	19	751	751	751	751
Capital redemption reserve	19	1	1	1	1
Profit and loss account	19	<u>(906)</u>	<u>(617)</u>	<u>44</u>	<u>186</u>
<b>Shareholders' (deficit)/funds</b>					
	20	<u>(142)</u>	<u>147</u>	<u>808</u>	<u>950</u>

## Consolidated cash flow statements

		<i>Year ended 31 December 2001 £000</i>	<i>Year ended 31 December 2002 £000</i>	<i>Year ended 31 December 2003 £000</i>	<i>Six month period ended 30 June 2004 £000</i>
<b>Net cash inflow from operating activities</b>	24	1,115	750	1,776	808
<b>Returns on investments and servicing of finance</b>					
Interest received		31	19	57	50
Interest paid		(3)	–	–	–
<b>Net cash inflow from returns on investments and servicing of finance</b>		28	19	57	50
<b>Taxation</b>					
UK corporation tax		(330)	(291)	(218)	(66)
<b>Capital expenditure and financial investment</b>					
Payments to acquire tangible fixed assets		(250)	(134)	(127)	(83)
Proceeds from sale of short-term investments		574	–	–	–
Proceeds from sale of tangible fixed assets		4	–	–	–
<b>Net cash outflow from capital expenditure and financial investment</b>		328	(134)	(127)	(83)
<b>Equity dividends paid</b>		(299)	(150)	(301)	(405)
<b>Net cash inflow before financing</b>		842	194	1,187	304
<b>Financing</b>					
Repurchase of own shares		(453)	–	–	–
Exercise of share options		136	–	–	–
<b>Cash outflow from financing</b>		(317)	–	–	–
<b>Increase in cash</b>	25, 26	525	194	1,187	304

## Notes to the consolidated financial information

### 1 Turnover, profit and net assets

Turnover and profit before taxation arise predominantly within the United Kingdom.

#### Turnover

	<i>Year ended 31 December 2001 £000</i>	<i>Year ended 31 December 2002 £000</i>	<i>Year ended 31 December 2003 £000</i>	<i>Six month period ended 30 June 2004 £000</i>
Analysis by class of business:				
Telephone system maintenance	8,291	8,332	9,098	4,916
Telephone network services	555	985	1,666	1,023
Finance brokerage	26	11	–	–
	<u>8,872</u>	<u>9,328</u>	<u>10,764</u>	<u>5,939</u>

#### Gross profit

	<i>Year ended 31 December 2001 £000</i>	<i>Year ended 31 December 2002 £000</i>	<i>Year ended 31 December 2003 £000</i>	<i>Six month period ended 30 June 2004 £000</i>
Analysis by class of business:				
Telephone system maintenance	2,994	2,994	3,864	2,017
Telephone network services	75	216	481	352
Finance brokerage	(11)	9	–	–
	<u>3,058</u>	<u>3,219</u>	<u>4,345</u>	<u>2,369</u>

#### Profit before taxation

	<i>Year ended 31 December 2001 £000</i>	<i>Year ended 31 December 2002 £000</i>	<i>Year ended 31 December 2003 £000</i>	<i>Six month period ended 30 June 2004 £000</i>
Analysis by class of business:				
Telephone system maintenance	775	540	1,148	601
Telephone network services	(60)	92	204	183
Finance brokerage	(25)	6	–	–
	<u>690</u>	<u>638</u>	<u>1,352</u>	<u>784</u>

#### Net (liabilities)/assets

	<i>As at 31 December 2001 £000</i>	<i>As at 31 December 2002 £000</i>	<i>As at 31 December 2003 £000</i>	<i>As at 30 June 2004 £000</i>
Analysis by class of business:				
Telephone system maintenance	59	205	678	748
Telephone network services	(105)	(34)	125	204
Finance brokerage	(36)	4	–	–
Consolidation adjustments	(60)	(28)	5	(2)
	<u>(142)</u>	<u>147</u>	<u>808</u>	<u>950</u>

2 *Operating profit*

This is arrived at after charging/(crediting):

	<i>Year ended 31 December 2001 £000</i>	<i>Year ended 31 December 2002 £000</i>	<i>Year ended 31 December 2003 £000</i>	<i>Six month period ended 30 June 2004 £000</i>
Operating leases	321	253	206	83
Depreciation	215	187	207	108
Auditors' remuneration:				
– audit services	27	22	22	12
– non-audit services	16	1	2	2
(Loss)/profit on sale of fixed assets	2	(2)	–	–
Leasing income	(346)	(292)	(237)	(85)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

3 *Employees*

The average number of employees during the Relevant Period, including executive directors, was:

	<i>Year ended 31 December 2001 Number</i>	<i>Year ended 31 December 2002 Number</i>	<i>Year ended 31 December 2003 Number</i>	<i>Six month period ended 30 June 2004 £000</i>
Corporate and administration	16	20	22	21
Sales and customer service	37	42	44	53
Technical and engineering	77	77	67	65
	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>
	130	139	133	139

Staff costs for all employees, including executive directors, consist of:

	<i>Year ended 31 December 2001 £000</i>	<i>Year ended 31 December 2002 £000</i>	<i>Year ended 31 December 2003 £000</i>	<i>Six month period ended 30 June 2004 £000</i>
Wages and salaries	3,521	3,880	4,058	2,168
Social security costs	389	398	453	251
Pension costs	63	86	84	42
	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>
	3,973	4,364	4,595	2,461

The Company makes contributions to defined contribution personal pension schemes for employees and directors. The assets of the schemes are distinct from those of the Company.

4 *Directors*

	<i>Basic salary</i> £000	<i>Performance</i> <i>related bonus</i> £000	<i>Benefits</i> <i>in kind</i> £000	<i>Total</i> £000
<b>Year ended 31 December 2001</b>				
J D S Booth	15	–	–	15
W F Madden	10	–	–	10
T T Mason	70	–	15	85
A J McCaffery	67	–	15	82
A Millet (resigned 14 February 2001)	8	–	–	8
J A Spens	10	–	–	10
	<u>180</u>	<u>–</u>	<u>30</u>	<u>210</u>
<b>Year ended 31 December 2002</b>				
J D S Booth	15	–	–	15
W F Madden	10	–	–	10
T T Mason	80	–	17	97
A J McCaffery	77	–	17	94
J A Spens	10	–	–	10
W D Todd (appointed 5 April 2002)	60	–	7	67
	<u>252</u>	<u>–</u>	<u>41</u>	<u>293</u>
<b>Year ended 31 December 2003</b>				
J D S Booth	15	–	–	15
W F Madden	10	–	–	10
T T Mason	82	–	16	98
A J McCaffery	82	25	17	124
J A Spens	10	–	–	10
W D Todd	79	–	10	89
	<u>278</u>	<u>25</u>	<u>43</u>	<u>346</u>
<b>Six months ended 30 June 2004</b>				
J D S Booth	8	–	–	8
W F Madden (resigned 31 March 2004 and re-appointed on 10 December 2004)	3	–	–	3
T T Mason	46	–	8	54
A J McCaffery	45	–	9	54
J A Spens (resigned 29 November 2004)	6	–	–	6
W D Todd	44	–	5	49
	<u>152</u>	<u>–</u>	<u>22</u>	<u>174</u>

Benefits in kind includes car allowance, private healthcare, gym membership, life assurance, permanent health insurance and pension contributions.



4 *Directors (continued)*

Share options granted to directors at 31 December 2003 and 30 June 2004 are set out below:

	<i>1 January 2003 Number</i>	<i>Granted Number</i>	<i>Exercised Number</i>	<i>31 December 2003 Number</i>	<i>Exercise price</i>	<i>Exercise period</i>
W D Todd	–	184	–	184	£813.20	25 March 2012

No options lapsed during the year. On 22 November 2004, 184 options over ordinary shares in the Company were cancelled.

During 2002 no director held any share options.

Share options granted to directors at 31 December 2001 are set out below:

	<i>1 January 2001 Number</i>	<i>Granted Number</i>	<i>Exercised Number</i>	<i>31 December 2001 Number</i>	<i>Exercise price</i>	<i>Exercise period</i>
J A Spens	667	–	667	–	£81.73	N/A
J A Spens	667	–	667	–	£122.59	N/A

5 *Interest receivable*

	<i>Year ended 31 December 2001 £000</i>	<i>Year ended 31 December 2002 £000</i>	<i>Year ended 31 December 2003 £000</i>	<i>Six month period ended 30 June 2004 £000</i>
Bank interest	31	19	57	50
Income from current asset investments	9	–	–	–
	<u>40</u>	<u>19</u>	<u>57</u>	<u>50</u>

6 *Interest payable and similar charges*

	<i>Year ended 31 December 2001 £000</i>	<i>Year ended 31 December 2002 £000</i>	<i>Year ended 31 December 2003 £000</i>	<i>Six month period ended 30 June 2004 £000</i>
Bank interest	(3)	–	–	–
Other interest	–	–	(9)	–
	<u>(3)</u>	<u>–</u>	<u>(9)</u>	<u>–</u>

7 *Taxation on profit from ordinary activities*

	<i>Year ended 31 December 2001 £000</i>	<i>Year ended 31 December 2002 £000</i>	<i>Year ended 31 December 2003 £000</i>	<i>Six month period ended 30 June 2004 £000</i>
<b>Current tax</b>				
UK corporation tax on profits of the year	228	200	418	251
Adjustment in respect of previous years	(30)	9	(10)	–
Total current tax	<u>198</u>	<u>209</u>	<u>408</u>	<u>251</u>
<i>Deferred tax</i>				
Origination and reversal of timing differences	(8)	(10)	(18)	(14)
	<u>190</u>	<u>199</u>	<u>390</u>	<u>237</u>

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	<i>Year ended 31 December 2001 £000</i>	<i>Year ended 31 December 2002 £000</i>	<i>Year ended 31 December 2003 £000</i>	<i>Six month period ended 30 June 2004 £000</i>
Profit on ordinary activities before tax	<u>690</u>	<u>638</u>	<u>1,352</u>	<u>784</u>
Profit on ordinary activities at the standard rate of corporation tax in the UK of 30%	207	192	406	235
<i>Effects of:</i>				
Expenses not deductible for tax purposes	–	12	7	4
Depreciation in excess of capital allowances	18	9	18	14
General provisions	7	(7)	–	–
Use of brought forward tax losses	–	(6)	–	–
Adjustments to tax charge in respect of previous periods	(30)	9	(11)	–
Marginal tax rates	–	–	(12)	(2)
Other	(4)	–	–	–
	<u>198</u>	<u>209</u>	<u>408</u>	<u>251</u>

8 *Dividends*

	<i>Year ended 31 December 2001 £000</i>	<i>Year ended 31 December 2002 £000</i>	<i>Year ended 31 December 2003 £000</i>	<i>Six month period ended 30 June 2004 £000</i>
Ordinary interim paid	(299)	(150)	(301)	(405)

9 *Earnings per share*

Earnings per ordinary share have been calculated using the weighted average number of shares in issue during the relevant financial periods. The weighted average number of equity shares in issue and the earnings, being profit after tax, are as follows:

	<i>Year ended 31 December 2001</i>	<i>Year ended 31 December 2002</i>	<i>Year ended 31 December 2003</i>	<i>Six month period ended 30 June 2004</i>
Weighted average number of £1 equity shares	11,881	12,288	12,288	12,288
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Earnings, being profit after tax	500	439	962	547

The number of shares used for the adjusted earnings per one penny share is calculated as follows:

	<i>Year ended 31 December 2001 Number 000's</i>	<i>Year ended 31 December 2002 Number 000's</i>	<i>Year ended 31 December 2003 Number 000's</i>	<i>Six month period ended 30 June 2004 Number 000's</i>
Weighted average number of one penny equity shares	13,069	13,517	13,517	13,517
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Earnings, being profit after tax	500	439	962	547

The adjusted earnings per share are based upon the basic earnings per share as calculated above, divided by one hundred to illustrate the subdivision into one penny shares and divided by eleven to illustrate the effect of the proposed bonus issue, conditional on Admission, of ten ordinary shares in the capital of the Company for each ordinary share of the Company (note 27).

10 *Tangible assets*

	<i>Leasehold improvements £000</i>	<i>Plant and machinery £000</i>	<i>Office and computer equipment £000</i>	<i>Motor vehicles £000</i>	<i>Total £000</i>
<b>Cost</b>					
As at 1 January 2001	–	110	613	6	729
Additions	51	–	199	–	250
Disposals	–	(21)	(1)	–	(22)
As at 31 December 2001	51	89	811	6	957
Additions	11	–	123	–	134
Disposals	–	–	(295)	(6)	(301)
As at 31 December 2002	62	89	639	–	790
Additions	2	–	125	–	127
Disposals	–	–	(68)	–	(68)
At 31 December 2003	64	89	696	–	849
Additions	–	–	83	–	83
Disposals	–	–	–	–	–
As at 30 June 2004	64	89	779	–	932
<b>Depreciation</b>					
As at 1 January 2001	–	32	280	2	314
Provided for the year	5	30	179	1	215
Disposals	–	(21)	–	–	(21)
As at 31 December 2001	5	41	459	3	508
Provided for the year	16	11	159	1	187
Disposals	–	–	(295)	(4)	(299)
As at 31 December 2002	21	52	323	–	396
Provided for the year	17	10	180	–	207
Disposals	–	–	(68)	–	(68)
As at 31 December 2003	38	62	435	–	535
Provided for the period	9	4	95	–	108
Disposals	–	–	–	–	–
As at 30 June 2004	47	66	530	–	643
<b>Net book value</b>					
As at 1 January 2001	–	78	333	4	415
As at 31 December 2001	46	48	352	3	449
As at 31 December 2002	41	37	316	–	394
As at 31 December 2003	26	27	261	–	314
As at 30 June 2004	17	23	249	–	289

11 *Investment in subsidiaries*

*Maintel Europe Limited*

The subsidiary undertaking Maintel Europe Limited, a 100 per cent. owned company registered in England and Wales, provides maintenance on telephone systems and sells telephony equipment.

*Maintel Finance Limited*

Maintel Finance Limited, a 100 per cent. owned company registered in England and Wales, was incorporated in 1999 and started to trade during 2000, but did not trade during 2003.

*Maintel Voice and Data Limited*

Maintel Voice and Data Limited, a 100 per cent. owned company registered in England and Wales, was incorporated in 1999 and started to trade during 2000. Maintel Voice and Data Limited is a 100 per cent. owned subsidiary of the Company. Maintel Voice and Data Limited provides competitive telephone network services.

12 *Stocks*

	<i>As at</i> <i>31 December</i> <i>2001</i> <i>£000</i>	<i>As at</i> <i>31 December</i> <i>2002</i> <i>£000</i>	<i>As at</i> <i>31 December</i> <i>2003</i> <i>£000</i>	<i>As at</i> <i>30 June</i> <i>2004</i> <i>£000</i>
Maintenance stock	1,031	984	846	715
Stock held for resale	–	36	53	18
	<u>1,031</u>	<u>1,020</u>	<u>899</u>	<u>733</u>

In the opinion of the directors, there is no material difference between the replacement cost of stock and the amounts stated above.

13 *Debtors*

	<i>As at</i> <i>31 December</i> <i>2001</i> <i>£000</i>	<i>As at</i> <i>31 December</i> <i>2002</i> <i>£000</i>	<i>As at</i> <i>31 December</i> <i>2003</i> <i>£000</i>	<i>As at</i> <i>30 June</i> <i>2004</i> <i>£000</i>
Trade debtors	1,851	1,527	1,755	1,549
Other debtors	44	28	15	12
Prepayments and accrued income	293	441	499	696
Corporation tax	–	79	–	–
Deferred tax asset	–	–	16	29
	<u>2,188</u>	<u>2,075</u>	<u>2,285</u>	<u>2,286</u>

All amounts fall due for payment within one year.

14 *Current asset investments*

During the year ended 31 December 2001 the Group disposed of its entire current asset investments of 402,803 units valued at £1.4042p per unit, in a Trust managed by Commercial Union Captives Investment Management Limited.

15 *Creditors*

**Amounts falling due within one year**

	<i>As at</i> <i>31 December</i> <i>2001</i> <i>£000</i>	<i>As at</i> <i>31 December</i> <i>2002</i> <i>£000</i>	<i>As at</i> <i>31 December</i> <i>2003</i> <i>£000</i>	<i>As at</i> <i>30 June</i> <i>2004</i> <i>£000</i>
Bank overdraft	141	9	–	90
Trade creditors	777	610	668	495
Tax and social security	187	128	150	142
Accruals	443	364	517	631
Other creditors	268	289	363	328
Corporation tax	3	–	111	296
	<u>1,819</u>	<u>1,400</u>	<u>1,809</u>	<u>1,982</u>

16 *Financial instruments*

**Interest rate and currency of cash balances**

Floating rate financial assets of £2,682,000 (2003 – £2,288,000; 2002 – £510,000; 2001 – £1,048,000) comprise sterling cash deposits on current bank accounts, with amounts held with Standard Life Investments (Global Liquidity Funds) Plc £2,530,000 (2003 – £1,800,000; 2002 – £Nil; 2001 – £Nil). At 31 December 2002 the Group had £600,000 on money market deposit at Lloyds TSB Bank plc for a 30 day term at a fixed interest rate of 3.1 per cent.

The Group has no material exposure to foreign currency transactions, and all cash balances are denominated in pounds sterling.

**Maturity of financial liabilities**

The Group's only borrowings are as disclosed in note 15, all of which are due in one year or less.

**Fair values of financial instruments**

The Group's book values of its financial assets and liabilities are deemed to be the same as their fair values.

As permitted by Financial Reporting Standard 13, 'Financial Instruments', short term debtors and creditors have been excluded from the disclosures.

**Borrowing facilities**

The Group has no undrawn committed bank borrowing facilities available to it.

17 *Provision for liabilities and charges*

	<i>As at</i> <i>31 December</i> <i>2001</i> <i>£000</i>	<i>As at</i> <i>31 December</i> <i>2002</i> <i>£000</i>	<i>As at</i> <i>31 December</i> <i>2003</i> <i>£000</i>	<i>As at</i> <i>30 June</i> <i>2004</i> <i>£000</i>
Deferred taxation provide in the financial statements is as follows:				
Accelerated capital allowances	<u>12</u>	<u>2</u>	<u>–</u>	<u>–</u>

18 *Share capital*

	<i>As at</i> <i>31 December</i> <i>2001</i> <i>£000</i>	<i>As at</i> <i>31 December</i> <i>2002</i> <i>£000</i>	<i>As at</i> <i>31 December</i> <i>2003</i> <i>£000</i>	<i>As at</i> <i>30 June</i> <i>2004</i> <i>£000</i>
<b>Authorised</b>				
5,631 'A' ordinary shares of £1 each	6	6	6	6
8,970 'B' ordinary shares of £1 each	9	9	9	9
	<u>15</u>	<u>15</u>	<u>15</u>	<u>15</u>
<b>Allotted, called up and fully paid</b>				
5,631 'A' ordinary shares of £1 each	5	5	5	5
6,657 'B' ordinary shares of £1 each	7	7	7	7
	<u>12</u>	<u>12</u>	<u>12</u>	<u>12</u>

The 'B' shares carry rights which allow their holders to carry certain Company resolutions on a majority vote of the 'B' shareholders only.

*Year ending 31 December 2001*

On 31 August 2001, the Company purchased for cancellation 600 ordinary 'B' shares, and on 20 September 2001 purchased an additional 107 ordinary 'B' shares in the capital of the Company, for an aggregate consideration of £452,956.

In 1996 the Company granted an option to J A Spens (a director of the Company who resigned on 29 November 2004) which entitled Mr Spens to subscribe for 1,334 ordinary 'B' shares of £1 each. This option was exercised on 10 July 2001, for a consideration of £81.73 per share for the first 667 shares and £122.59 per share for the remaining 667 shares acquired.

There were no options in place during the year ended 31 December 2002.

*Year ending 31 December 2003 and period ending 30 June 2004*

On 23 January 2003 W D Todd was granted an option over 184 'B' ordinary shares in the Company, at an exercise price of £813.20 per share. The option is exercisable in whole or in part on a change of control or flotation of the Company, or in the final year of the option period in any event. The option period expires on 25 March 2012.

19 *Reserves*

	<i>Share premium account £000</i>	<i>Capital redemption reserve £000</i>	<i>Profit and loss account £000</i>
At 1 January 2001	616	1	(654)
Retained profit for the year	–	–	201
Premium on repurchase of shares	–	–	(453)
Exercise of share options	135	–	–
As at 1 January 2002	751	1	(906)
Retained profit for the year	–	–	289
As at 1 January 2003	751	1	(617)
Retained profit for the year	–	–	661
As at 31 December 2003	751	1	44
Retained profit for the period	–	–	142
As at 30 June 2004	751	1	186

The cumulative amount of goodwill resulting from acquisitions in previous years which has been eliminated against Group reserves is £1,172,120 for the periods ended 31 December 2001, 31 December 2002, 31 December 2003 and 30 June 2004.

20 *Reconciliation of movements in shareholders' funds*

	<i>Year ended 31 December 2001 £000</i>	<i>Year ended 31 December 2002 £000</i>	<i>Year ended 31 December 2003 £000</i>	<i>Six month period ended 30 June 2004 £000</i>
Profit for the year/period	500	439	962	547
Dividend	(299)	(150)	(301)	(405)
Premium on repurchase of shares	(453)	–	–	–
Exercise of share options	135	–	–	–
<b>Net (reduction)/addition to shareholders' funds</b>	(117)	289	661	142
<b>Opening shareholders' (deficit)/funds</b>	(25)	(142)	147	808
<b>Closing shareholders' (deficit)/funds</b>	(142)	147	808	950



## 21 Pensions

The Group makes contributions to defined contribution personal pension schemes for its employees and directors. The assets of the schemes are distinct from those of the Group. The pension cost charge represents contributions payable by the Group to the schemes and amounted to £42,337 (2003 – £83,606; 2002 – £85,981; 2001 – £62,998). Contributions totalling £6,931 (2003 – £Nil; 2002 – £Nil; 2001 – £Nil) were payable to the schemes at the period end and are included in creditors.

## 22 Commitments under operating leases

The following are the annual commitments under non-cancellable operating leases:

	<i>Land and buildings £000</i>	<i>Other £000</i>
Year ended 31 December 2001		
Operating leases which expire:		
– within one year	–	33
– in two to five years	104	210
	<u>104</u>	<u>243</u>
Year ended 31 December 2002		
Operating leases which expire:		
– within one year	–	162
– in two to five years	104	59
	<u>104</u>	<u>221</u>
Year ended 31 December 2003		
Operating leases which expire:		
– within one year	–	25
– in two to five years	104	115
	<u>104</u>	<u>140</u>
Period ended 30 June 2004		
Operating leases which expire:		
– within one year	104	17
– in two to five years	–	138
	<u>104</u>	<u>155</u>

## 23 Related party transactions

The Company has taken advantage of the exemption conferred by Financial Reporting Standard 8, 'Related Party Transactions', not to disclose related party transactions with other group entities on the grounds that the consolidated Group financial statements in which the Company's results are incorporated are publicly available.

The Group incurred consultancy fee charges from a director, J A Spens (resigned 29 November 2004) of £11,725 (2003 – £25,092; 2002 – £31,200; 2001 – £29,200) and disbursements from J A Spens whilst carrying out his duties as a consultant of £304 (2003 – £368; 2002 – £1,291; 2001 – £1,124). The amount due to J A Spens at the period end by group companies was £2,176 (2003 – £1,940; 2002 – £1,953; 2001 – £7,161).

The Group provided goods and services to Link Asset and Securities Co Limited, a company of which J D S Booth is a director. Sales during the period amounted to £1,000 (2003 – £43,682; 2002 – £159,827; 2001 – £121,812) net of VAT, of which £Nil (2003 – £Nil; 2002 – £253; 2001 – £1,727) was owed at the period end and is included within trade debtors.

23 *Related party transactions (continued)*

The Group purchased goods and services from Maybank Marketing, a company indirectly associated with A J McCaffery. Purchases during the period amounted to £7,148 (2003 – £48,389; 2002 – £44,444; 2001 – £38,729) net of VAT, of which £1,031 (2003 – £2,107 2002 – £6,627; 2001 – £1,554) was owed at the period end and is included in trade creditors.

The Group provided goods and services to a number of subsidiaries of Ineos Capital Limited, a company of which W F Madden is a director. Sales during the period amounted to £6,672 (2003 – £15,827; 2002 – £13,637; 2001 – £Nil) net of VAT, of which £2,231 (2003 – £2,386; 2002 – £4,794; 2001 – £Nil) was owed at the period end and is included within trade debtors.

In 1999, a Group company made a loan of £5,000 to T T Mason on which interest was charged. The maximum balance of the loan during the period was £Nil (2003 – £4,300; 2002 – £4,300; 2001 – £4,375). £4,300 of this loan remained outstanding at 31 December 2002 and at 31 December 2001; the loan was repaid during 2003.

24 *Reconciliation of operating profit to net cash flow from operating activities*

	<i>Year ended 31 December 2001 £000</i>	<i>Year ended 31 December 2002 £000</i>	<i>Year ended 31 December 2003 £000</i>	<i>Six month period ended 30 June 2004 £000</i>
Operating profit	653	619	1,304	734
Depreciation charge	215	187	207	108
(Profit)/loss on sale of fixed assets	(2)	1	–	–
(Increase)/decrease in stocks	(178)	11	121	166
(Increase)/decrease in debtors	234	192	(273)	12
Increase/(decrease) in creditors	193	(260)	417	(212)
Net cash inflow from operating activities	<u>1,115</u>	<u>750</u>	<u>1,776</u>	<u>808</u>

25 *Reconciliation of net cash flow to movement in net funds*

	<i>Year ended 31 December 2001 £000</i>	<i>Year ended 31 December 2002 £000</i>	<i>Year ended 31 December 2003 £000</i>	<i>Six month period ended 30 June 2004 £000</i>
Increase in cash in the year/period	525	194	1,187	304
Opening net funds	382	907	1,101	2,288
Closing net funds	<u>907</u>	<u>1,101</u>	<u>2,288</u>	<u>2,592</u>

26 *Analysis of net funds*

	<i>At start of the period £000</i>	<i>Cash flow £000</i>	<i>At the end of the period £000</i>
<b>Year ended 31 December 2001</b>			
Cash at bank and in hand	382	666	1,048
Bank overdraft	–	(141)	(141)
	<u>382</u>	<u>525</u>	<u>907</u>
<b>Year ended 31 December 2002</b>			
Cash at bank and in hand	1,048	62	1,110
Bank overdraft	(141)	132	(9)
	<u>907</u>	<u>194</u>	<u>1,101</u>
<b>Year ended 31 December 2003</b>			
Cash at bank and in hand	1,110	1,178	2,288
Bank overdraft	(9)	9	–
	<u>1,101</u>	<u>1,187</u>	<u>2,288</u>
<b>Six month period ended 30 June 2004</b>			
Cash at bank and in hand	2,288	394	2,682
Bank overdraft	–	(90)	(90)
	<u>2,288</u>	<u>304</u>	<u>2,592</u>

27 *Post balance sheet events*

At an EGM held on 10 December 2004:

- (i) The authorised share capital of the Company was increased to 16,111,740 Ordinary Shares of 1 penny each;
- (ii) The issued and unissued A and B ordinary shares of £1.00 each were reclassified and subdivided into 100 Ordinary Shares of 1 penny each;
- (iii) An aggregate of 12,288,000 Ordinary Shares of 1 penny each were issued to shareholders by way of a bonus issue; and
- (iv) The Company re-registered as a public limited company.

Mr Todd was granted an option to subscribe for 184 ordinary shares of £1 each in Maintel Holdings Limited in accordance with an option agreement entered into by him and the Company on 23 January 2003 (“the Option”). Pursuant to the terms of the Option, Mr Todd becomes entitled to exercise the Option upon Admission.

On 22 November 2004 the Company (after seeking advice from its remuneration committee) offered Mr Todd a bonus on the condition that Mr Todd lapses the Option. The amount of the bonus is £45,246 to be paid either in December 2004 or such later time as Mr Todd may direct (but no later than 30 June 2005). Mr Todd accepted the offer on 22 November 2004.

On 30 November 2004 the Company acquired the entire share capital in Maintel London Limited, a dormant company with net assets of £2, for a consideration of £2.

Yours faithfully

**BDO Stoy Hayward LLP**  
*Chartered Accountants*

## PART IV

### ADDITIONAL INFORMATION

#### 1. The Company

- 1.1 The Company was incorporated and registered as a private limited company in England and Wales under the Act on 2 April 1996 with the name FCB 1167 Limited and with registered number 3181729. On 30 April 1996, the Company changed its name to Maintel Holdings Limited. On 10 December 2004, the Company re-registered as a public limited company and changed its name to Maintel Holdings Plc.
- 1.2 The liability of the members is limited.
- 1.3 The head and registered office of the Company is at 61 Webber Street, London SE1 0RF.

#### 2. Share capital and options

- 2.1 (a) The following changes have occurred in the share capital of the Company since incorporation:
- (i) The Company was incorporated with an authorised share capital of £100 divided into 100 shares of £1.00 each of which one was issued nil paid as a subscriber share to the subscriber (FCB Nominees Limited) to the memorandum of association.
  - (ii) By written resolution dated 7 June 1996 the authorised share capital of the Company was increased from £100 to £12,000 by the creation of 11,900 ordinary shares in the capital of the Company.
  - (iii) On 7 June 1996 the Company passed a special resolution adopting new Articles of Association creating two classes of shares; “A” ordinary shares of £1.00 each and “B” ordinary shares of £1.00 each. Next, 3,060 “B” ordinary shares of £1.00 each (at an issue price of £98.03 per share) were allotted and issued and 5,880 “A” ordinary shares of £1.00 nominal value were allotted and issued (in consideration of 245 shares in Maintel Europe).
  - (iv) On 31 January 1997 a further 3,060 “B” ordinary shares were allotted and issued (at an issue price of £98.03 per share).
  - (v) By written resolutions dated 9 November 1999 the Directors were authorised in accordance with section 80 of the Act to allot 1,334 “B” ordinary shares to John Spens and 60 “B” ordinary shares to Andrew Millet pursuant to the terms of option agreements entered into by each of them and the Company and such authority was to expire upon the expiry of each relevant option.
  - (vi) On 26 November 2000 the Company passed a written resolution to buy back 234 “A” ordinary shares and 165 “B” ordinary shares in consideration of £833.33 per share pursuant to the terms of a share purchase agreement dated 12 December 2000.
  - (vii) On 1 December 2000 60 “B” ordinary shares were allotted and issued (at an issue price of £189.07 per share).
  - (viii) On 10 July 2001 the Company allotted and issued a further 1,334 “B” ordinary shares (at an issue price of £1,063.70 per share).
  - (ix) The Company entered into an agreement on 6 September 2001 to buy-back 600 “B” ordinary shares in consideration of £700 per share.

- (x) A special resolution was then passed at an Extraordinary General Meeting of the Company on 21 September 2001 authorising the Company to buy-back 107 “B” ordinary shares in consideration of £308.00 per share.
  - (xi) On 18 September 2003 the Company’s authorised share capital was reduced by £399 from £15,000 to £14,601 by cancelling 234 unissued “A” ordinary shares of £1.00 each and 165 unissued “B” ordinary shares of £1.00 each.
- (b) On 10 December 2004 special and ordinary resolutions were passed in the following terms:
- (i) by the Company in extraordinary general meeting:
    - (A) unconditionally authorising the Directors in accordance with section 80 of the Act to allot relevant securities (within the meaning of that section) up to an aggregate nominal amount of £163,430 to expire 10 March 2006;
    - (B) to empower the Directors to allot equity securities as if sub-section 89(1) did not apply during the period of the authority referred to in the first paragraph of 2.1(b)(i) above and up to an aggregate nominal value of £13,516.80;
    - (C) adopting new articles of association to create a single class of Ordinary Shares of £1.00 each;
    - (D) sub-dividing each such £1.00 Ordinary Share into one hundred Ordinary Shares of 1 penny each;
    - (E) increasing the authorised share capital from £14,601 to £175,718 by the creation of 16,111,740 Ordinary Shares of 1 penny each; and
    - (F) generally and unconditionally authorising the Company to make market purchases (within the meaning of section 163(3) of the Act) of up to a maximum of 2,026,168 Ordinary Shares at a maximum price of 105 per cent. of the published average market value derived from AIM for the five business days immediately preceding the day on which such shares are contracted to be purchased, such authority to expire no later than 10 June 2006.
  - (ii) by the Directors to:
    - (A) allot 12,288,000 Ordinary Shares to the shareholders (pro-rata to their existing shareholdings) by way of bonus issue (which Ordinary Shares were so allotted on 10 December 2004); and
    - (B) appoint William Madden to the board.
- (c) Following the allotment referred to in sub-paragraph 2.1(b)(ii) above, the Shareholders passed a further special resolution to re-register the Company as a public limited company.

2.2 The following table shows the authorised and issued share capital of the Company as it will be immediately following Admission:

<i>Authorised</i>			<i>Issued</i>	
<i>Number</i>	<i>Amount</i>		<i>Number</i>	<i>Amount</i>
17,571,840	£175,718	Ordinary Shares of 1 penny each	13,516,800	£135,168

2.3 Of the balance of the authorised but unissued share capital of the Company immediately after Admission 4,055,040 Ordinary Shares will remain unissued and unreserved which the Directors will be authorised to allot pursuant to the authority referred to in sub-paragraph 2.1(b)(i)(A) above.

2.4 The provisions of section 89(1) of the Act (to the extent not disapplied pursuant to section 95 of the Act) confer on the Shareholders certain rights of pre-emption in respect of the allotment of equity

securities (as defined in section 94(2) of the Act) which are, or are to be, paid up in cash and apply to the authorised but unissued equity share capital of the Company. These provisions are intended to be disappplied to the extent referred to in sub-paragraph 2.1(b)(i)(B) above.

2.5 Save as mentioned in this paragraph 2:

- (a) no unissued share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option; and
- (b) there is no present intention to issue any share or loan capital in the Company following Admission.

2.6 Other than pursuant to the Placing, none of the Ordinary Shares have been sold or made available to the public in conjunction with the application for Admission.

2.7 The Ordinary Shares are in registered form and capable of being held in uncertificated form. Application has been made to CRESTCo for the Ordinary Shares to be enabled for dealings through CREST as a participating security. No temporary documents of title will be issued. It is expected that definitive share certificates will be posted to those shareholders who have requested the issue of Ordinary Shares in certificated form on or before 3 January 2005.

### **3. Subsidiary undertakings**

On Admission, the Company will have the following wholly owned subsidiaries:

<i>Name</i>	<i>Registration Number</i>	<i>Status/Business</i>
Maintel Europe Limited	2665837	Telecommunications service and support
Maintel Voice and Data Limited	3893515	Telephone network services
Maintel Finance Limited	3744201	Dormant
Maintel London Limited	3142576	Dormant

### **4. Summary of the Memorandum and Articles of Association of the Company**

#### **4.1 Memorandum of Association**

The Memorandum of Association of the Company provides that the Company's principal object is to carry on business as a holding company. The objects of the Company are set out in full in clause 4 of the Memorandum of Association.

#### **4.2 Articles of Association**

The Articles of Association of the Company (the "Articles") contain, *inter alia*, provisions to the following effect:

(a) *Voting rights*

Subject to any rights or restrictions for the time being attached to any shares and to disenfranchisement of a Shareholder in respect of shares in the event of non-payment of calls or other sums due and payable in respect of any shares, or in the event of non-compliance with a statutory notice served pursuant to section 212 of the Act requiring disclosure of beneficial ownership in shares, every Shareholder present in person or a corporation represented by a duly authorised representative (not being himself a Shareholder) has one vote on a show of hands. On a poll every Shareholder present or a corporation represented as aforesaid has one vote for each share of which he is the holder.

(b) *Transfer of Shares*

Ordinary Shares may be transferred by an instrument in writing in any usual form or in any other form acceptable to the Directors or by any manner acceptable to the Directors. A transfer of uncertificated Ordinary Shares need not be in writing but shall comply with such rules of any computer based system and procedures permitted by the Uncertificated Securities

Regulations 2001 and the rules of any investment exchange which enable title to the Ordinary Shares to be transferred without a written instrument.

The Directors may in their absolute discretion and without giving any reason, decline to register a transfer of a share which is:

- (i) not fully paid or on which the Company has a lien provided that, where any such share is listed on the Official List of the UK Listing Authority, such discretion may not be exercised in such a way as to prevent dealings in shares of that class from taking place on an open and proper basis; or
- (ii) not lodged (in the case of certified shares) and duly stamped (if so required) at the registered office or another place determined by the Directors; or
- (iii) not accompanied by documents reasonably required by the Directors to show the right of the transferor to make the transfer; or
- (iv) in respect of more than one class of share; or
- (v) in the case of a transfer to joint holders of a share, a transfer to more than four transferees; or
- (vi) in the case of uncertificated shares, in such circumstances as may be permitted or required by the Uncertificated Securities Regulations 2001.

The Directors may also decline to register a transfer of shares if they represent 0.25 per cent. or more by number of their class and there has been a failure to comply with a notice requiring disclosure of interests (as referred to in sub-paragraph 4.2(a) above) unless the Shareholder has not, and proves that no other person has, failed to supply the required information but the Directors will not decline to register:

- (i) a transfer in connection with a *bona fide* sale of the whole interest in any shares to any person who is unconnected to the relevant Shareholder; or
- (ii) a transfer following receipt by the Company of the information required by the notice referred to in sub-paragraph 4.2(a) above.

(c) *Dividends*

Subject to the Act, the Company may, by ordinary resolution, declare dividends to be paid to Shareholders according to their respective rights but no dividend shall exceed the amount recommended by the Directors.

Subject to the Act, the Directors may from time to time pay to the Shareholders interim dividends if it appears to them that they are justified by the profits of the Company available for distribution. If there are different classes of shares, the Directors may pay interim dividends on shares conferring deferred or non-preferred rights to dividends but no interim dividends will be paid in respect of such shares if, at the time of payment, any preferential dividend is in arrears.

The Directors may also pay fixed rate dividends on such dates and in respect of such periods as they think fit if it appears to them that the profits available for distribution justify the payment.

Except insofar as the rights attaching to any shares otherwise provide (no such shares presently being in issue), all dividends shall be declared and paid in equal amounts per share save that nil or part paid shares shall have their entitlement reduced *pro rata* to the unpaid amount. Outstanding calls or other due debts to the Company or any subsidiary of the Company may be deducted from any dividend or (in the case of joint holders) a proportionate share of that dividend.

The Company may, upon the recommendation of the Directors, by ordinary resolution, direct payment of a dividend wholly or partly by the distribution of assets. No such dividends shall be paid otherwise than out of profits available for distribution under the provisions of the Act.

The Directors may, if so authorised by the Company passing an ordinary resolution, offer shareholders in respect of any dividend the right to elect to receive shares, credited as fully paid, instead of the whole or any part of a cash dividend.

The Company or the Board may specify a “record date” on which persons registered as the holders of shares are entitled to receipt of any dividend.

Any dividend which has remained unclaimed for twelve years from the date when it became due for payment shall, if the Directors so resolve, be forfeited and cease to remain owing by the Company.

(d) *Distribution of assets on liquidation*

On a winding up, the liquidator may with the sanction of an extraordinary resolution of the Company and any other sanction required by the Act divide among the Company’s Shareholders *in specie* the whole or any part of the Company’s assets and may, for that purpose, value any assets and determine how the division be carried out as between the Shareholders or different classes of Shareholders. The liquidator may, with the like sanction, vest the whole or any part of the assets in trustees upon such trusts for the benefit of the Shareholders as he with the like authority determines, but no Shareholder will be compelled to accept any assets upon which there is a liability.

(e) *Variation of rights*

Subject to the Act and whether or not the Company is being wound up, the rights attached to any class of shares may be varied or abrogated with the consent in writing of the holders of three-fourths of the issued shares of that class or with the sanction of any extraordinary resolution passed at a separate general meeting of the holders of shares of that class. The necessary quorum at such meeting shall be two persons at least holding or representing by proxy one-third of the issued shares of the class (but so that if at any adjourned meeting of such holders a quorum is not present, the holders present shall form a quorum) and any holder of shares of the class present in person or by proxy may demand a poll.

(f) *Borrowing powers*

The Board may exercise all the powers of the Company to borrow money, mortgage or charge its undertaking, property and uncalled capital and to issue debentures and other securities, whether as primary or collateral security for any debt, liability or obligation of the Company or any other party subject to the restriction that the aggregate principal amount at any one time outstanding in respect of borrowings by the Group (exclusive of intra-group borrowings) is five times the adjusted capital and reserves of the company.



## 5. Directors

5.1 The Directors of the Company and their respective functions are set out in Part I of this document.

5.2 Details of any directorship that is or was in the last five years held by each of the Directors, in addition to their directorships of the Company and its subsidiary undertakings are set out below:

<i>Name</i>	<i>Current directorships and partnerships</i>	<i>Previous directorships and partnerships</i>
J D S Booth	Chichester Diocesan Fund and Board of Finance Inc. Flytxt Limited Foreign Anglican Church & Educational Association Limited Integrated Asset Management Plc Launch Partners Limited The Link Asset and Securities Co. Limited Link Asset and Securities Co (Pty) Limited (SA) Link Services Limited Linkbrokers Derivatives Corporation Inc. (US) Luther Pendragon Limited St Andrew Trading (Holborn) Limited	Capital Growth (Europe) Limited Eaglenow Limited E.F. Hutton International Associates Limited Financial Issues Limited General Internet Limited Infonic Limited International Capital Growth Limited Luther Pendragon (Productions) Limited Pentacom Communications Limited Rock the Vote Trading Limited UK-Invest.com Limited WickedWeb Limited
T T Mason	Maintel London Limited	Hype Events Limited Park House Corporation Limited
A J McCaffery	Maintel London Limited	
W F Madden	Ineos Group Limited Ineos Capital Limited Ineos Group Holdings plc	Ineos Chlor Limited Ineos Chlor UK Limited Maintel Finance Limited Maintel Voice and Data Limited Maintel Europe Limited Maintel Holdings Limited
W D Todd		Earnings Guide Limited Hemmington Scott Typesetting Limited HS Financial Publishing Limited HS Legal Publishing Limited HS Publishing Group Limited Investors News Limited Treasury Management International Limited The Euro Company Guide Limited

John Booth is a limited partner of Herald Ventures Limited Partnership. Save as disclosed above, there are no partnerships of which any of the Directors is or was in the last five years a member.

5.3 At the date of this document, none of the Directors named in this document:

- (a) has any unspent convictions in relation to indictable offences;
- (b) has been declared bankrupt or has entered into an individual voluntary arrangement;
- (c) save as disclosed in paragraph 5.4, was a director of any company at the time of or within the 12 months preceding any receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors with which such company was concerned;

- (d) was a partner in a partnership at the time of or within the 12 months preceding a compulsory liquidation, administration or partnership voluntary arrangement of such partnership;
- (e) has had his assets the subject of any receivership or was a partner in a partnership at the time of or within the 12 months preceding any assets thereof being the subject of a receivership; or
- (f) has been the subject of any public criticisms by any statutory or regulatory authority (including any recognised professional body) nor has ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.
- 5.4 (a) In or about July 2000 Pentacom Communications Limited was placed into liquidation by means of creditors' voluntary liquidation. John Booth was a director of Pentacom Communications Limited at that time. The company had creditors totalling approximately £281,000. Secured creditors were paid in full although unsecured creditors remained unpaid.
- (b) In or about July 2002 WickedWeb Limited was placed into liquidation by means of creditors' voluntary liquidation. John Booth was a director of the company at that time. WickedWeb Limited had creditors totalling approximately £118,000. Secured creditors were paid in full and unsecured creditors received approximately 78 pence for every £1 owing to them.

## 6. Directors' and other interests

6.1 The interests of the Directors in the issued share capital of the Company (all of which, save where stated otherwise in the notes below, are beneficial interests) as at 16 December 2004, being the latest practicable date prior to the publication of this document, and on Admission are and will be as follows:

6.2	<i>As at 16 December 2004</i>		<i>On Admission</i>	
	<i>No. of Ordinary Shares</i>	<i>Percentage of issued share capital</i>	<i>No. of Ordinary Shares</i>	<i>Percentage of issued share capital</i>
<i>Director</i>				
J D S Booth	2,750,000	20.3%	2,750,000	20.3%
T T Mason	3,007,400	22.2%	2,045,862	15.1%
A J McCaffery	3,173,500	23.5%	2,162,688	16.0%
W F Madden	561,000	4.2%	0	0.0%
W D Todd	0	0.0%	0	0.0%

6.3 In addition to the interests of the Directors set out above, as at 16 December 2004, being the latest practicable date prior to the publication of this document, insofar as is known to the Company, the following persons are directly or indirectly interested (within the meaning of Part VI of the Act) in three per cent. or more of the issued share capital of the Company:

<i>Name</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of issued Ordinary Shares</i>
J A Spens	1,467,400	10.9%
B Taylor	785,400	5.8%
Sir R Hampel	462,000	3.4%

6.4 Save as disclosed in this document, no Director is or has been interested in any transactions which are or were unusual in their nature or conditions or significant to the business of the Group during the current or immediately preceding financial year or which were effected during any earlier financial year and remain in any respect outstanding or unperformed.

6.5 There are no outstanding loans or guarantees provided by the Company or any of its subsidiary undertakings to or for the benefit of any of the Directors.

## 7. Directors' remuneration and service agreements

7.1 The Company has entered into the following service agreements dated 2 December 2004 with the Executive Directors (the "**Executive Service Agreements**"):

<i>Name</i>	<i>Annual salary as at the date of this document</i>	<i>Annual salary as from 1 January 2005</i>
T T Mason	£92,000	£98,000
A J McCaffery	£90,000	£95,000
W D Todd	£85,000	£89,000

- (a) The Executive Service Agreement with Mr Mason is terminable on not less than six months' written notice by either party.
  - (b) The Executive Service Agreement with Mr McCaffery is terminable on not less than six months' written notice by either party.
  - (c) The Executive Service Agreement with Mr Todd is terminable on not less than six months' written notice by either party.
  - (d) Under the terms of the Executive Service Agreements each of the Executive Directors is entitled to a car allowance and to have certain car expenses reimbursed.
  - (e) Each of the Executive Directors is entitled to permanent health insurance, private medical expenses insurance providing cover for the Executive and partners/dependants and death in service benefit equivalent to three times basic salary.
  - (f) Mr Mason and Mr McCaffery are also entitled to gym membership.
  - (g) Mr Mason and Mr McCaffery are members of a defined contribution pension scheme with contributions matched by the Company up to a limit of 3 per cent. of base salary. Mr Todd receives the same contribution in the form of additional salary.
  - (h) Key man insurance has been taken out in respect of each of A J McCaffery and T T Mason for £1,000,000 each. The policies cover death and critical illness. The policies in respect of A J McCaffery run for five years from 4 January 2001. In respect of T T Mason, the critical illness policy runs for five years from 14 December 2000 and the death policy runs for five years from 15 December 2000.
- 7.2 Mr Todd was granted an option to subscribe for 184 ordinary shares of £1 each in Maintel Holdings Limited in accordance with an option agreement entered into by him and the Company on 23 January 2003 (the "Option"). Pursuant to the terms of the Option, Mr Todd becomes entitled to exercise the Option upon Admission. On 22 November 2004 the Company (after seeking advice from its remuneration committee) offered Mr Todd a bonus on the condition that Mr Todd lapses the Option. The amount of the bonus is £45,246 to be paid either in December 2004 or at such later time as Mr Todd may direct (but no later than 30 June 2005). Mr Todd accepted the offer on 22 November 2004.
- 7.3 Each of the Non-Executive Directors has entered into a letter of engagement with the Company on the following terms:
- (a) an annual fee of £17,000 is payable to Mr Booth for services as a Non-Executive Director. This will increase to £25,000 per annum from 1 January 2005;
  - (b) an annual fee of £15,000 is payable to Mr Madden for services as a Non-Executive Director.
- In both cases the appointment is for a fixed period of 12 months, and shall be renewable thereafter by mutual agreement.

- 7.4 Save as disclosed in this document, there are no service agreements or agreements for the provision of services, existing or proposed, between the Directors and the Company or any of its subsidiaries or subsidiary undertakings.
- 7.5 In the financial year ended 31 December 2003, the aggregate remuneration paid including pension contributions and benefits in kind granted to the Directors was £337,000.
- 7.6 On the basis of the arrangements in force at the date of this document it is estimated that the aggregate remuneration payable including pension contributions and benefits in kind to be granted to the Directors for the year ending 31 December 2004 will be £339,000.

## 8. Taxation

The following paragraphs are intended as a general guide to the current taxation position of shareholders who are resident or ordinarily resident in the UK for taxation purposes in respect of their holdings of Ordinary Shares, who hold their Ordinary Shares as investments and who are the absolute beneficial owners of those shares. The statements below are intended only as a general guide and do not constitute advice to any shareholder on his or her personal tax position and may not apply to certain classes of investor (such as dealers, charities or pension providers) or investors who acquired their shareholding by reason of employment. The comments are based on current legislation and published Inland Revenue practice. Levels of taxation may change from time to time. **Any investor who is in doubt as to his or her tax position, or who may be subject to tax in any other jurisdiction, should consult his or her professional adviser.**

### 8.1 *Taxation of dividends*

There is no UK withholding tax on dividends. A dividend paid to a non-corporate shareholder is treated as being paid with a tax credit equal to one ninth of the net dividend. A dividend of £90 would therefore have an accompanying tax credit of £10. The gross dividend will be included in calculating an individual shareholder's total income and will be regarded as the top slice of the individual's income and therefore taxed accordingly. Individual shareholders whose taxable income is within the lowest or basic rate bands will be liable to income tax at 10 per cent. on the aggregate of the dividend and the tax credit. The tax credit will therefore satisfy their income tax liability on the dividend. Individual shareholders who are liable to income tax at the higher rate will be charged to income tax at 32.5 per cent. on the aggregate of the dividend with the accompanying tax credit. The 10 per cent. tax credit is set against the income tax liability of 32.5 per cent. leaving an additional income tax liability of 22.5 per cent. This additional 22.5 per cent. tax liability equates to an effective rate of income tax on the dividend actually received of 25 per cent.

The same procedure applies to UK resident trustees of discretionary or accumulation trusts. From 6 April 2004, the rate applicable to trusts is 32.5 per cent. so that trustees will have a further liability to UK income tax at an effective rate of 25 per cent. Subject to certain exceptions for certain insurance companies and share dealing companies which hold shares as trading stock, a UK corporate shareholder receiving a dividend paid by the Company will not be taxable on the dividend.

The ability of shareholders who are not resident in the UK to claim repayment for any part of the tax credit will largely depend on the existence and terms of any double tax treaty between the UK and their country of residence. It should be noted that since April 1999 most shareholders who had previously been able to claim repayment of the tax credit have either ceased to be able to obtain such repayment or the amounts repayable are significantly reduced. Non UK resident shareholders should consult their own tax advisers on the taxation of any dividends received, whether they can benefit from all or part of any tax credit and what relief or credit they may be entitled to in the jurisdiction in which they are resident.

### 8.2 *Taxation of chargeable gains*

If a shareholder disposes of all or any of the Ordinary Shares he or she may, depending on the shareholder's particular circumstances, incur a liability to taxation on chargeable gains. Individuals, personal representatives and trustees may be entitled to an annual exemption and taper relief, which

will serve to reduce the chargeable gain. Companies are not entitled to taper relief but are due indexation allowance, which may reduce the chargeable gain.

### 8.3 *Stamp duty and stamp duty reserve tax*

- (i) Stamp duty or stamp duty reserve tax (“SDRT”) will generally be payable by placees on the acquisition by them of existing Ordinary Shares pursuant to the Placing at a rate of 0.5 per cent. of the stampable consideration paid rounded up to the nearest £5.
- (ii) All subsequent transfers or sales of Ordinary Shares will generally give rise to a liability on the purchaser to *ad valorem* stamp duty currently at a rate of 0.5 per cent. of the stampable consideration paid rounded up to the nearest £5. An unconditional agreement to transfer such Ordinary Shares will be subject to SDRT at the same rate of the consideration payable in money or moneys worth (in pursuance of the agreement which gave rise to the charge to SDRT). However, when an instrument of transfer is executed and duly stamped before the expiry of a period of six years beginning with the date of that agreement the SDRT liability will be extinguished.
- (iii) There will be no stamp duty or SDRT on a transfer of Ordinary Shares into CREST where such a transfer is made for no consideration. A transfer of Ordinary Shares effected on a paperless basis through CREST will generally be subject to SDRT at the rate of 0.5 per cent. of the amount or value of the consideration payable in money or moneys worth. CREST is obliged to collect SDRT on relevant transactions settled within the system.

Special rules apply to agreements made by market makers in the ordinary course of their business, broker-dealers and certain other persons. Agreements to the transfer of Ordinary Shares to charities will not give rise to SDRT or stamp duty.

Special rules also apply where the shares are transferred or held by a depositary or clearance system.

## 9. **Material contracts**

The following contracts (not being contracts entered into in the ordinary course of business) which have been entered into by members of the Group (i) within the period of two years immediately preceding the date of this document are, or may be, material or (ii) contain a provision under which a member of the Group has an obligation or entitlement which is material to the Group as at the date of this document:

### 9.1 The Placing and Admission Agreement contains the following principal terms:

- (a) The Company has appointed KBC Peel Hunt as its agent for the purposes of Admission and the Vendors have appointed KBC Peel Hunt as their agent to procure purchasers of the Placing Shares at the Placing Price. KBC Peel Hunt has agreed (subject as set out in paragraph 9.1(b) below) to use its reasonable endeavours to procure subscribers for the Placing Shares at the Placing Price. The Placing is not underwritten.
- (b) The obligations of KBC Peel Hunt referred to in paragraph 9.1(a) above are conditional, amongst other things, on Admission occurring on or about 20 December 2004 or such later date (being not later than 14 January 2005) as KBC Peel Hunt and the Company may agree.
- (c) The Vendors have agreed to pay KBC Peel Hunt commission at the rate of 3 per cent. of the value of the Placing Shares at the Placing Price if Admission takes place.
- (d) The Company has agreed to pay to KBC Peel Hunt a corporate finance fee on Admission.
- (e) The Company has agreed to pay all the costs and expenses of and incidental to the Placing and Admission (together with value added tax on such costs and expenses) other than stamp duty and/or stamp duty reserve tax on the transfer of the Placing Shares at a rate of 0.5 per cent. (or £5 whichever is greater) which will be paid by the Vendors.

- (f) The Company and each of the Directors have given certain warranties, representations and undertakings to KBC Peel Hunt in relation to, amongst other things, the accuracy of the information contained in this document, the financial position of the Group and as to other matters in relation to the Group and its business. The warranties given by the Directors are subject to limitations in time and amount. In addition KBC Peel Hunt has the benefit of certain indemnities provided by the Company relating to losses or liabilities incurred by KBC Peel Hunt in the performance of its duties, save to the extent that any such losses and liabilities arise from KBC Peel Hunt's wilful default, negligence or breach of its obligations under regulation or an express term of the Placing Agreement. The Executive Directors have also given to KBC Peel Hunt and the Company an indemnity for certain tax liabilities. The Vendors have given a warranty as to title to the Placing Shares.
- (g) KBC Peel Hunt may terminate the Placing and Admission Agreement at any time prior to Admission in certain circumstances, including a material breach of any of the warranties, representations or undertakings contained in the Placing and Admission Agreement or upon the occurrence of certain force majeure events.

## **10. Working capital**

In the opinion of the Directors, having made due and careful enquiry, the working capital available to the Group will be sufficient for its present requirements, that is for at least 12 months from the date of Admission.

## **11. Litigation**

A potential trading dispute has recently been notified to the Directors by a customer and firm of solicitors, Levy & McRae. The customer has experienced difficulties and inconvenience in the installation of a new telephone system that Maintel is contracted to install and maintain. This customer has written to the Directors outlining the problem and reserving its position in relation to any potential claims for breach of contract. Management is in the process of rectifying the technical problems and anticipates that the dispute will be resolved without a formal claim being made.

Save as disclosed in this paragraph, so far as the Company is aware, there are no legal or arbitration proceedings, active, pending or threatened against, or being brought by, the Company or any other member of the Group which are having or may have a significant effect on the Group's financial position.

## **12. General**

- (a) The minimum expenses of or incidental to the Admission and Placing, are estimated at approximately £450,000 (excluding irrecoverable VAT) of which approximately £300,000 (excluding irrecoverable VAT) is payable by the Company.
- (b) The Ordinary Shares are not currently admitted to dealings on a recognised investment exchange and, other than the Company's application for the Ordinary Shares to be admitted to trading on AIM, no applications for such admission have been made and there are no other arrangements for dealings in Ordinary Shares.
- (c) KBC Peel Hunt in its capacity as market maker has agreed to purchase 40,430 Ordinary Shares as part of the Placing.
- (d) KBC Peel Hunt has given and not withdrawn its consent to the issue of this document with the inclusion of references to its name in the form and context in which they appear.
- (e) BDO Stoy Hayward LLP has given and not withdrawn its consent to the inclusion in this document of its report set out in Part III and the references thereto and to its name in the form and context in which they appear.

- (f) Save as disclosed in note 23 'Related party transactions' of the Accountant's Report included in Part III of this document, no person (excluding professional advisers as stated in this document and trade suppliers) has received directly or indirectly, from the Company within the twelve months preceding the Company's application for Admission and no persons have entered into contractual arrangements to receive, directly or indirectly, from the Company on or after Admission:
- (i) fees totalling £10,000 or more;
  - (ii) securities in the Company with a value of £10,000 or more calculated by reference to the Placing Price; or
  - (iii) any other benefit with a value of £10,000 or more at the date of Admission.

**13. Availability of this document**

Copies of this document are available free of charge from the Company's registered office and at the offices of Forsters, 67 Grosvenor Street, London W1K 3JN, during normal business hours on any weekday (Saturdays and public holidays excepted) from the date of this document and for a period of at least one month after Admission.

Dated 17 December 2004

## DEFINITIONS

The following definitions apply throughout this document, unless the context requires otherwise:

“Act”	the Companies Act 1985, as amended
“Admission”	the admission of the Ordinary Shares to trading on AIM
“AIM”	a market operated by the London Stock Exchange
“AIM Rules”	the rules published by the London Stock Exchange relating to AIM
“Board”	the board of directors of the Company
“Company” or “Maintel Holdings”	Maintel Holdings Plc
“CRESTCo”	CRESTCo Limited, the operator (as defined in The Uncertificated Securities Regulations 1995) of the system for trading shares in uncertificated form known as “CREST”
“Direct Contract”	a telecommunications equipment maintenance customer contract which does not restrict Maintel Europe’s ability to market ancillary products and services to the customer
“Management” or “Directors”	the directors of the Company, whose names are set out on page 3
“the Group” or “Maintel”	the Company and its subsidiary undertakings
“Indirect Contract”	a telecommunications equipment maintenance customer contract which restricts Maintel Europe’s ability to market ancillary products and services to the customer
“KBC Peel Hunt”	KBC Peel Hunt Ltd
“London Stock Exchange”	London Stock Exchange plc
“Maintel Europe”	Maintel Europe Limited, a wholly-owned subsidiary of the Company providing telecommunication support services and maintenance
“Maintel Voice and Data” or “Maintel Voice & Data”	Maintel Voice and Data Limited, a wholly-owned subsidiary of the Company which resells telephone minutes
“Ordinary Shares”	ordinary shares of 1p each in the Company
“Placing”	the conditional placing by KBC Peel Hunt of the Placing Shares, pursuant to the Placing and Admission Agreement
“Placing and Admission Agreement”	the conditional agreement dated 17 December 2004, between the Company, the Directors, the Vendors and KBC Peel Hunt relating to the Placing and Admission, further details of which are set out in paragraph 9 of Part IV
“Placing Price”	98p per Placing Share
“Placing Shares”	4,757,246 Ordinary Shares to be sold pursuant to the Placing
“POS Regulations”	the Public Offers of Securities Regulations 1995
“Shareholders”	holders of shares in the capital of the Company from time to time



“Small and Medium Sized Enterprises”	companies that pay less than £2,000 per year in telephone maintenance charges, which the management estimates represents businesses with less than 100 telephone extensions
“Vendors”	Tim Mason, Angus McCaffery, Bill Madden, Bernard Taylor, Sir Ronald Hampel, Rupert Hampel, Andrew Hampel, Peter Hampel, Katharine Naylor, Catriona Hayward, Andrew Morgan, David Mason, Richard Wyatt and Caroline Mason
“Virtual Private Network”	connection of two or more offices for voice and data calls using broadband services
“Voice Over Internet Protocol”	technology that allows the transmission of voice calls through data networks

