

Interim results for the six months to 30 June 2021

Pleasing return to organic revenue growth in first half

Maintel Holdings Plc, a leading provider of cloud and managed communication services, is pleased to announce its interim results for the six months to 30 June 2021.

Financial headlines

- Revenue growth of 1% to £52.3m on an organic basis^[1], after adjusting for the disposal of the Managed Print Services business in April 2021. Reported revenue flat at £53.5m (H1 2020: £53.4m)
- Improved revenue performance aided by significant growth in cloud subscription revenues up 52% at £4.3m (H1 2020: £2.8m) and a recovery in project revenue during the period which contributed to a reduction in recurring revenue to 68% (H1 2020: 74%) of the total
- Gross margin decreased to 28% (H1 2020: 30%), driven by higher revenue but lower margin technology sales
- Adjusted EBITDA^[2] reduced by 9% on an organic basis^[1] due to changing product mix and by 12% to £4.3m (H1 2020: £4.9m) on a headline basis
- Adjusted earnings per share^[3] of 14.2p (H1 2020: 15.8p), a decrease of 10%
- Net debt of £19.2m^[4] reduced significantly from £22.3m at 31 December 2020 and £25.7m at 31 December 2019

Operational highlights

- Maintel's successful transition to a cloud and managed services business continues, with revenues from cloud and software customers now at £15.9m, 30% of revenue (H1 2020: 25% of revenue) up 19% versus the same period last year (H1 2020: £13.4m)
- Significant H1 wins included the JD Sports renewal and an SD-WAN migration, a new managed SD-WAN for Sanctuary Housing, a large Private Cloud Contact Centre migration for Admiral Insurance, and a new Genesys CCaaS solution and SD-WAN deployment for Biffa
- Further contract successes in our new Public Cloud portfolio, which includes Callmedia CX Now, Genesys CCaaS, RingCentral UCaaS and Microsoft Teams Connector
- Total number of contracted seats increased by 47% to c.117,000 (H1 2020: c.80,000), with a strong pipeline in place to reach over 150,000 contracted seats by year end 2021
- Completion of the sale of the non-core Managed Print Services business in April 2021 for a total consideration of £4.5m
- Amendment and extension to current bank facilities with the National Westminster Bank signed on 14 May 2021, extending the facility for 12 months to October 2022 on improved terms

Key Financial Information

Unaudited results for 6 months ended 30 June:	2021	2020	Increase/ (decrease)
Group revenue	£53.5m	£53.4m	0%
Profit /(loss) before tax	£3.8m	(£0.8m)	

Adjusted profit before tax ^[5]	£2.9m	£3.2m	(9)%
Basic earnings/(loss) per share	27.0p	(6.4p)	
Adjusted earnings per share ^[3]	14.2p	15.8p	(10)%
Interim dividend per share proposed	Nil	Nil	-

Ioan MacRae, CEO commented:

"Maintel had a solid first half and has continued its transition to a cloud and managed services business. The Group returned to organic revenue growth in H1, exceeding its revenue plan, whilst continuing to reduce debt, aided by the disposal of the Managed Print Services business. With our sales momentum returning, we continue to expect year on year organic revenue and adjusted EBITDA growth from continuing operations for the full year to 31 December 2021.

Revenues from our cloud and related software offerings grew 19% to £15.9m and now contribute 30% of group revenue (up 5% on H1 2020). With over 117,000 contracted cloud seats (47% growth on H1 2020), we remain on plan to achieve 150,000 contracted seats by the end of FY21, assuming a recovery in Public Sector contract awards.

The new sales team structure that was implemented in FY20 and enhanced in January, has seen a distinct improvement with sales meeting or exceeding budget each quarter since Q4 FY20. The team has closed 4 major contracts during H1 2021, each worth over £8m TCV, and acquired several new customer contracts across both the Public and Private sectors, ensuring we maintain our Managed Services revenues and maximise future opportunity development.

Notwithstanding the impact of the ongoing COVID uncertainty and the global semi-conductor supply issues, I remain confident in the Group's outlook for H2 2021 and expect both revenue and adjusted EBITDA to demonstrate organic growth^[1] for the full year, in line with expectations."

Notes

[1] Organic growth from continuing operations, excluding revenue and EBITDA contributions from the disposed Managed Print Services division of £1.2m (H1 2020: £1.7m) and £0.1m (H1 2020: £0.3m) respectively. Organic growth for the Full Year will also exclude revenue and profit contributions from the one-off sale transaction of the Group's spare parts and project inventory to Agilitas completed in December 2020 amounting to £1.3m and £0.3m respectively.

[2] Adjusted EBITDA is EBITDA of £7.9m (H1 2020: £4.1m), adjusted for exceptional items and share based payments (note 5).

[3] Adjusted earnings per share is basic earnings per share of 27.0p (H1 2020: loss per share of 6.4p), adjusted for acquired intangibles amortisation, exceptional items and share based payments (note 4). The weighted average number of shares in the period was 14.2m (H1 2020: 14.3m).

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

[5] Adjusted profit before tax of £2.9m (H1 2020: £3.2m) is basic profit/(loss) before tax, adjusted for intangibles amortisation, exceptional items and share based payments.

This announcement contains inside information for the purposes of Article 7 of EU Regulation 596/2014

For further information please contact:

Ioan MacRae, Chief Executive Officer
Dan Davies, Chief Technology Officer

0344 871 1122

finnCap , (Nomad and Broker)

Jonny Franklin-Adams / Kate Bannatyne
(Corporate Finance)

Richard Chambers/Sunila de Silva (Corporate
Broking)

020 7220 0500

Oakley Advisory, (Financial Advisors)

Christian Maher

020 7766 6900

Chairman's statement

In the face of further lockdown restrictions, the Group continued its transformation into a cloud and managed services provider with contracted cloud seats increasing 47% on the same period last year and a strong pipeline underpinning our ambition to take total contracted seats to 150,000 by year-end. With the introduction of a wider portfolio at the end of FY20, our Cloud subscription revenue grew by 52% YoY, supporting our transformation strategy and outlook.

Revenues were encouraging and on an organic^(a) basis delivered growth of 1%. Our debt position improved further, reducing to £19.2m following the sale of our Managed Print Services business to Corona Corporate Solutions in April 2021 for £4.5m. This disposal enables complete focus on our key strategic goals and core capabilities as a cloud and managed services business.

Whilst enhancing our portfolio, particularly in public Cloud solutions for UCaaS and CCaaS, we continued investing in our own product development, with three further releases of Callmedia CX Now. Early successes have seen new customer contracts signed for CX Now and a growing pipeline into H2. Our sales teams have continued to perform well since Q4 FY20, with both quarters of the period above plan and an equally strong performance forecast for H2. Testament to this, and to our addition of strategic vendor offerings in FY20, four major customers have awarded us new contracts amounting to over £30m in value.

Technology revenues grew by 21% to £16.9m (H1 2020: £14m) with successful contracts in Cisco SD-WAN. However, lower gross margins and recurring revenues reflect large high revenue contract wins involving lower margin technology solutions. We expect that, with increased Cloud sales and project delivery, margins and recurring revenues will increase through the second half and into FY22. Adjusted EBITDA was in line with budget at £4.3m, and the Group remains confident of meeting year-end forecasts of £9.5m. On an organic^(a) basis this will be a 10% increase on FY20.

Our managed services base has declined by 15% compared to H1 2020 driven by the contract losses reported last year combined with the churn of some smaller contracts, some price erosion caused by customers downsizing their estates and by clients transitioning to Cloud. However, aside from Cloud transition, we expect our MS revenues to be broadly in line with budget. Our managed services and technology revenues grew by 1% overall.

The Network Services division had a very strong H1, with revenues increasing by 4% and gross margin and profit increasing by 4 percentage points and 16% respectively. Cloud revenues were up 52% at £4.3m (H1 2020: £2.8m), significantly contributing to the division's results and ensuring additional margin rich revenue from SIP and associated calls and lines are delivered.

Maintel has recently signed an agreement with WWG (World-wide Generation) to build on the progress of our existing ESG and compliance programmes by incorporating a range of strategies including committing to the Science-Based Target initiative, linking our ESG activities to the UN Social Development Goals and implementing employee and community initiatives that will drive positive change.

I offer the Board's best wishes and thanks to our retiring CFO Mark Townsend as he embarks on an ambitious travel schedule. Mark joined us in 2016 and has been instrumental in a number of acquisitions, including Azzurri and Intrinsic, and latterly in Maintel's transformation into a cloud and managed service organisation. We hope to announce the appointment of his successor shortly.

As announced in June 2020, the Board decided to suspend dividends until the impact of the pandemic was better understood. The Board is keeping this decision under review as conditions stabilise.

Outlook

The Group remains confident in achieving the guidance issued in January 2021 for Maintel to deliver organic growth^(a) for revenue and adjusted EBITDA for FY21.

Whilst public sector contract awards were lower than anticipated in H1, we continue to believe there will be an increase in tender awards during H2 and into FY22 as investment continues in digital transformation across local government and health and education sectors. As such we expect to reach our contracted cloud seats target of 150,000 at year-end, underpinning our continued transition into a cloud and managed services business.

I am encouraged by our sales team's performance year-to-date and strong forecast for H2.

Whilst aspects of the business have been challenging in the first half and the future impact of the pandemic remains difficult to predict, with an additional degree of uncertainty affecting product supply given global semi-conductor shortages, I am confident that the entire Maintel team is now aligned to our strategic goals. With this renewed momentum, innovations across our product portfolio, a focus on new propositions for key verticals and with the strong support of our partners and vendors, we look forward to an improved performance in the second half.

On behalf of shareholders, I would like to thank all our staff for their continued hard work in extraordinary circumstances, and for their sustained commitment to our customers.

J D S Booth
Chairman

6 September 2021

(a) Organic growth from continuing operations, excluding revenue and EBITDA contributions from the disposed Managed Print Services division of £1.2m (H1 2020: £1.7m) and £0.1m (H1 2020: £0.3m) respectively. Organic growth for the Full Year will also exclude revenue and profit contributions from the one-off sale transaction of the Group's spare parts and project inventory to Agilitas completed in December 2020 amounting to £1.3m and £0.3m respectively.

Business review

Results for the 6 month period to 30 June 2021

Group revenue remained flat at £53.5m (H1 2020: £53.4m), but on an organic basis^(a), adjusting for the Managed Print Services division sold in April 2021, delivered growth of 1%.

Recurring revenue as a percentage of total revenue (being all revenue excluding one-off projects) fell to 68% (H1 2020: 74%) due to the recovery in project revenue in the period.

Adjusted EBITDA^(b) reduced by 9% on an organic basis^(a) due to changing product mix, and by 12% to £4.3m (H1 2020: £4.9m) on a headline basis.

Adjusted profit before tax (adjustments explained below) was £2.9m (H1 2020: £3.2m).

On an unadjusted basis, the Group generated a profit before tax of £3.8m (H1 2020: loss of £0.8m) and earnings per share of 27.0p (H1 2020: loss per share of 6.4p). This includes a net exceptional credit of £3.6m (H1 2020: cost of £1.0m) (refer note 7) and intangibles amortisation of £2.7m (H1 2020: £3.2m).

Adjusted earnings per share (EPS) decreased by 10% to 14.2p (H1 2020: 15.8p) based on a weighted average number of shares in the period of 14.4m (H1 2020: 14.3m).

	6 months to 30 June 2021	6 months to 30 June 2020	Increase/ (decrease)
	£000	£000	
Revenue	53,469	53,395	0%
Profit/(loss) before tax	3,817	(799)	
Add back intangibles amortisation	2,718	3,209	
Exceptional items (note 7)	(3,613)	1,044	
Share based remuneration	27	(224)	
Adjusted profit before tax	2,949	3,230	(9)%
Adjusted EBITDA ^(b)	4,332	4,947	(13)%
Basic earnings / (loss) per share	27.0p	(6.4)p	-
Diluted	27.0p	(6.4)p	-
Adjusted earnings per share ^(c)	14.2p	15.8p	(10)%
Diluted	14.2p	15.8p	(10)%

(b) Adjusted EBITDA is EBITDA of £4.3m (H1 2020: £4.9m) less exceptional items and share based remuneration (note 5).

(c) Adjusted profit after tax divided by weighted average number of shares (note 4).

Review of operations

Maintel provides an entire suite of both private and public cloud and network services. The main private services being ICON Communicate (enterprise grade managed unified communications), ICON Secure (network security) and ICON Connect (managed WAN), with a growing portfolio of public cloud services such as ICON Teams Connector (a managed voice service for Microsoft Teams), ICON Now (Unified Communications as a Service for the mid-market), RingCentral (Unified communications and Contact Centre as a Service for the mid-market and enterprise), Genesys (Contact Centre as a Service for the enterprise market) and our own in house developed Callmedia CX Now (Contact Centre as a Service for the mid-market).

Elements of cloud services revenues are currently accounted for in both the managed services and technology division (under both managed services related and technology revenue lines), and the network services division (under the data connectivity services and cloud revenue lines). Cloud services revenues accounted for 30% of total Group revenues in the period (H1 2020: 25%), an increase of 5 percentage points, growing to £15.9m (H1 2020: £13.4m), an increase of 19% over the same period last year.

The following table shows the performance of the three operating segments of the Group.

6 months to 30 June 2021	6 months to 30 June 2020
---	---

Revenue analysis	£000	£000	(Decrease) / increase
Managed services related	15,558	18,264	(15)%
Technology ^(d)	16,926	14,028	21%
Managed services and technology division	32,484	32,292	1%
Network services division	18,590	17,797	4%
Mobile division	2,395	3,306	(28)%
Total Group	53,469	53,395	0%

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

Managed services and technology division

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

	6 months to 30 June 2021	6 months to 30 June 2020	
	£000	£000	Increase / (decrease)
Divisional revenue	32,484	32,292	1%
Divisional gross profit	7,455	9,017	(17)%
Gross margin (%)	23%	28%	

Revenue in this division increased by 1% to £32.5m, but gross profit declined by 17% to £7.5m as a result of a greater percentage of third party services, continued margin pressure on technology sales, particularly in the public sector, and decline in our legacy on-premise managed services customer base.

Within the division, technology revenues delivered strong growth in the period, up 21%, as customers began to recover from the pandemic and our renewed focus on areas such as LAN, WIFI and Wide Area Networking started to have a positive impact. However, we continue to see margin pressure on the larger deals, particularly in the LAN and WIFI space and in Public Sector, and movement in the mix of lower margin third party against internally delivered professional services.

Our managed services base declined by 15% in the period, driven by some of the contract losses reported in 2020, alongside customers downsizing their estates or changing technologies as a result of the pandemic. Furthermore, as part of our business transformation, there will be some customers transitioning from on-premise technology into Maintel cloud-based platforms where traditional "support" is replaced by a longer term, recurring managed services revenue which is reported in our network services division.

In addition, the disposal of Maintel's Managed Print Services business in the period resulted in only four months of revenue benefit in comparison to six months in the prior period. On an organic basis excluding the contribution from the disposed business, the underlying reduction in our managed service base was 13%. The H2 outlook for managed services revenues is much

improved due to new contract wins in H1, and therefore the annual revenue decline is expected to be below 10%.

Network services division

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

	6 months to 30 June 2021	6 months to 30 June 2020	Increase / (decrease)
	£000	£000	
Call traffic	2,187	2,167	1%
Line rental	3,606	3,759	(4)%
Data connectivity services	8,257	8,690	(5)%
Cloud	4,313	2,844	52%
Other	227	337	(33)%
Total division	18,590	17,797	4%
Division gross profit	6,232	5,390	16%
Gross margin (%)	34%	30%	

Network services revenue grew by 4% in the period compared to a decline of 9% from H1 2019 to H1 2020, with gross profit increasing by 16%, driven in the main by continued significant growth in cloud subscription revenues, up 52%, and an encouraging reduction in decline across both data connectivity (5% vs 6% from H1 2019 to H1 2020) and traditional call traffic and fixed line revenues (2% vs 17% from H1 2019 to H1 2020).

The recovery in traditional fixed line revenues (shown above under call traffic and line rental) is driven by the growth in cloud services, the majority of which pulls through more margin rich SIP Trunking calls and lines revenue, reduced churn, and the greater efficiencies we have realised through the deployment of a new carrier grade, multi-tenanted Session Border Controller (SBC) infrastructure within our ICON Platform.

The modest recovery in Data connectivity revenue decline is mainly a result of reduced churn. In addition there have been multiple new contract wins and key renewals in this space during H1, driven by our new SD-WAN multi-cloud connectivity proposition and a renewed focus in this area, leaving us positive about yet further recovery in this space in FY22 and beyond as these contracts roll out and additional contracts are secured.

Maintel has continued to invest in this area over the period, introducing a new Cisco Meraki option to our exiting SD-WAN and Secure Homeworker offerings to ensure that we have appropriate solutions to serve the mid-market as well as the Enterprise market.

Maintel cloud services

Maintel has continued to grow its cloud services for both unified communications and contact centre applications – with c.117,000 contracted cloud seats (up 47% on H1 2020) and revenues from cloud & software customers now at £15.9m, representing 30% of revenue (H1 2020: 25% of revenue). H1 has seen a recovery in cloud deployment velocity as our customers begin to recover from the pandemic and we remain hopeful of reaching the target of 150,000 contracted seats before the end of 2021, assuming an increase in Public sector contract awards.

We continued to invest in our growth areas of cloud and software and throughout the period have launched new products and services including the formal release in January, and further subsequent feature release in April, of our own Callmedia CX Now CCaaS public cloud offering and the release of our Genesys managed public cloud service offering, as well as new feature releases across our ICON Teams Connector, ICON Now and ICON Communicate cloud services. We have also continued to add capability to our ICON Portal customer engagement platform throughout the period.

Mobile division

Maintel's mobile division generates revenue primarily from commissions received under its dealer agreements with O2 and from value added services such as mobile fleet management and mobile device management.

	6 months to 30 June 2021 £000	6 months to 30 June 2020 £000	Decrease
Revenue	2,395	3,306	(28)%
Gross profit	1,154	1,450	(20)%
Gross margin (%)	48%	44%	
Number of customers	693	751	(8)%
Number of connections	26,995	31,711	(15)%

Revenue decreased by 28% to £2.4m (H1 2020: £3.3m) with gross profits at £1.2m (H1 2020: £1.5m), but at an overall higher blended margin of 48% compared to 44% in the prior period. The main contributing factor was the expected loss of two large enterprise wholesale customers which combined equated to a loss of £700k in revenue at a lower margin, driving a change to the margin mix, and 7500 connections.

During the early stages of the COVID-19 pandemic customers were still engaging and open to a change of provider and network, driving a number of large net new logo wins in FY 20. However that is in contrast to the latter stages of the pandemic, where customers have been less open to change resulting in customer churn being at an industry all time low leading to fewer new business opportunities in H1 2021 and increased pricing pressures on margins.

O2 continues to be our core partner and route to market. In addition to O2 we made the strategic decision to move away from Vodafone Distribution to Vodafone Direct which enhances our commercial offering as well as increasing our ability to serve our customers more effectively and efficiently. Lastly, our own ICON Mobilise Wholesale offering is ideal for customers who require an agile solution that caters for unique billing, network and commercial requirements.

Maintel's mobile go-to-market proposition will continue to focus on the mid-market and low end enterprise segments where our portfolio is best suited. The pipeline for Mobile is healthy, driven by a return to customer confidence, and we expect to grow both revenues and connection levels further as we move through 2021.

Overheads

SG&A of £11.8m (H1 2020: £12.4m) was down 5% as the Group continued to keep a tight control on costs. Overall headcount dropped by 14% or 86 FTEs and now stands at 511 as a result of the Group's programme of re-organisation and right sizing of the business to facilitate our continued

transition to a cloud and managed services business as reported at the year-end 2020. As at the end of H1 2021 no employees are furloughed under the Government's Job Retention Scheme.

Exceptional credit

Exceptional credit of £3.6m (H1 2020: expense of £1.0m) includes the net gain from the sale of the Managed Print Services business in April 2021 of £4.0m offset by staff-related restructuring and other employee related costs of £0.4m associated with the ongoing review of the Group's operating cost base. A full breakdown is shown in note 7.

Cash flow

The Group had net debt (excluding IFRS 16 liabilities and issue costs of debt) of £19.2m at 30 June 2021, compared with £22.3m at 31 December 2020, a reduction of £3.1m in the period.

	6 months to 30 June 2021 £000	6 months to 30 June 2020 £000
Cash generated by operating activities before disposal of managed print services business	1,345	7,546
Taxation received	50	-
Capital expenditure	(951)	(1,100)
Finance cost (net)	(446)	(542)
Issue costs of debt	(38)	(53)
Free cashflow	(40)	5,851
Net proceeds on disposal of Managed Print Services business	4,395	-
Proceeds from borrowings	-	4,500
Repayment of borrowings	(3,659)	(9,000)
Lease liability repayments	(566)	(596)
Payments in respect of prior period business combination	(622)	(548)
(Decrease) / Increase in cash and cash equivalents	(492)	207
Cash and cash equivalents at start of period	(3,845)	(3,696)
Exchange differences	(19)	25
Cash and cash equivalents at end of period	(4,356)	(3,464)
Bank borrowings	(14,841)	(17,500)
Net debt excluding issue costs of debt	(19,197)	(20,964)
Adjusted EBITDA (note 5)	4,332	4,947

The Group generated £1.3m of cash from operating activities compared to an underlying H1 2020 comparator of £4.7m which excludes a £2.9m benefit arising from the HMRC VAT deferment programme. Due to the timings of milestone project delivery and build up of WIP, underlying cash conversion of adjusted EBITDA^(e) was temporarily suppressed at 52% (H1 2020: 114%). Cash collections though remain strong, with no bad debts of note in the period, and we are confident that cash conversion^(e) will be strong in H2 and deliver debt levels for the full year in line with market expectations.

Capital expenditure outlay of £1.0m in the period (H1 2020: £1.1m) was driven by our continued investment across Maintel's product and service portfolio.

(e) Cash conversion calculated as adjusted EBITDA plus working capital to adjusted EBITDA.

COVID-19

Whilst restrictions have lifted since Q1 2021, we remain mindful of further lockdown measures potentially being implemented in H2 which could affect our ability to deliver projects. Our staff wellbeing remains a top priority with measures being taken to implement a safe and gradual return to offices from September, subject to any changes to Government guidelines.

Dividends

In line with the announcement made on 1 June 2021, the Board has made the decision to continue to pause dividend payments until there is more certainty around the ongoing impact of the pandemic. As such, the Board will not declare an interim dividend for 2021 (H1 2020: Nil).

On behalf of the board

I G MacRae
Chief Executive Officer

6 September 2021

Maintel Holdings Plc

Consolidated statement of comprehensive income (unaudited)

for the 6 months ended 30 June 2021

	Note	6 months to 30 June 2021 £000 (Unaudited)	6 months to 30 June 2020 £000 (Unaudited)
Revenue	2	53,469	53,395
Cost of sales		(38,628)	(37,538)
Gross profit		14,841	15,857
Other operating income	3	461	545
Administrative expenses			
Intangibles amortisation		(2,718)	(3,209)
Exceptional items	7	3,613	(1,044)
Share based payments		(27)	224
Other administrative expenses		(11,796)	(12,438)
		(10,928)	(16,467)
Operating profit / (loss)		4,374	(65)
Net financial costs		(557)	(734)
Profit / (loss) before taxation		3,817	(799)
Taxation credit / (expense)		61	(112)
Profit / (loss) for the period and attributable to owners of the parent		3,878	(911)
Other comprehensive income for the period			
Exchange differences on translation of foreign operations		(6)	9
Total comprehensive income / (loss) for the period attributable to the owners of the parent		3,872	(902)
Earnings / (loss) per share from continuing operations attributable to the ordinary equity holders of the parent			
Basic	4	27.0p	(6.4)p
Diluted	4	27.0p	(6.4)p

Maintel Holdings Plc

Consolidated statement of financial position (unaudited)

at 30 June 2021

	Note	30 June 2021 £000 (Unaudited)	31 December 2020 £000 (Audited)
Non-current assets			
Intangible assets		57,724	59,613
Right-of-use assets		3,511	3,808
Property, plant and equipment		1,171	1,415
Trade and other receivables		945	1,050
		63,351	65,866
Current assets			
Inventories		770	1,865
Trade and other receivables		28,610	22,758
Income tax		28	261
		29,408	24,884
Total assets		92,759	90,770
Current liabilities			
Trade and other payables		44,396	41,650
Lease liabilities		1,000	1,092
Borrowings	8	7,197	22,267
Total current liabilities		52,593	65,009
Non-current liabilities			
Other payables		1,433	2,231
Lease liabilities		2,590	2,873
Deferred tax liability		1,468	1,816
Borrowings	8	11,935	-
Total non-current liabilities		17,426	6,920
Total liabilities		70,019	71,929
Total net assets		22,740	18,841
Equity			
Issued share capital		144	144
Share premium		24,588	24,588
Other reserves		67	73
Retained earnings		(2,059)	(5,964)
Total equity		22,740	18,841

Maintel Holdings Plc

Consolidated statement of changes in equity (unaudited)

for the 6 months ended 30 June 2021

Note	Share capital £000	Share premium £000	Other reserves £000	Retained earnings £000	Total £000
At 31 December 2019	143	24,588	67	(3,971)	20,827
Loss for the period	-	-	-	(911)	(911)
Other comprehensive income:					
Foreign currency translation differences	-	-	9	-	9
Total comprehensive expense for the period	-	-	9	(911)	(902)
Share based payments	-	-	-	(224)	(224)
At 30 June 2020	143	24,588	76	(5,106)	19,701
Loss for the period	-	-	-	(808)	(808)
Other comprehensive income:					
Foreign currency Translation differences	-	-	(3)	-	(3)
Total comprehensive loss for the period	-	-	(3)	(808)	(811)
Issue of new ordinary shares	1	-	-	-	1
Share based payments	-	-	-	(50)	(50)
At 31 December 2020	144	24,588	73	(5,964)	18,841
Profit for the period	-	-	-	3,878	3,878
Other comprehensive income:					
Foreign currency translation differences	-	-	(6)	-	(6)
Total comprehensive income for the period	-	-	(6)	3,878	(6)
Share based payments	-	-	-	27	27
At 30 June 2021	144	24,588	67	(2,059)	22,740

Maintel Holdings Plc

Consolidated statement of cash flows (unaudited)

for the 6 months ended 30 June 2021

	6 months to 30 June 2021 £000	6 months to 30 June 2020 £000
Operating activities		
Profit / (loss) before taxation	3,817	(799)
Adjustments for:		
Net gain on sale of the Managed Print Services business	(4,043)	-
Intangibles amortisation	2,718	3,209
Non-cash items	(105)	-
Share based payment charge / (credit)	27	(224)
Depreciation of plant and equipment	321	341
Depreciation of right of use asset	505	642
Interest expense (net)	557	734
	<hr/>	<hr/>
Operating cash flows before changes in working capital	3,797	3,903
Decrease in inventories	916	69
(Increase) / decrease in trade and other receivables	(5,810)	2,564
Increase in trade and other payables	2,442	1,010
	<hr/>	<hr/>
Cash generated from operating activities	1,345	7,546
Tax received	50	-
	<hr/>	<hr/>
Net cash flows generated from operating activities	1,395	7,546
	<hr/>	<hr/>
Investing activities		
Purchase of plant and equipment	(76)	(402)
Purchase of software	(875)	(698)
Net Proceeds from the sale of the Managed Print Services business	4,395	-
Purchase price in respect of prior period business combinations	(622)	(548)
	<hr/>	<hr/>
Net cash flows used in investing activities	2,822	(1,648)

Maintel Holdings Plc

Consolidated statement of cash flows (continued) (unaudited)

for the 6 months ended 30 June 2021

	6 months to 30 June 2021 £000	6 months to 30 June 2020 £000
Financing activities		
Proceeds from borrowings	-	4,500
Repayment of borrowings	(3,659)	(9,000)
Lease liability repayments	(566)	(596)
Interest paid	(446)	(542)
Issue costs of debt	(38)	(53)
	<hr/>	<hr/>
Net cash flows used in financing activities	(4,709)	(5,691)
	<hr/>	
Net (decrease) / increase in cash and cash equivalents	(492)	207
Cash and cash equivalents at start of period	(3,845)	(3,696)
Exchange differences	(19)	25
	<hr/>	<hr/>
Cash and cash equivalents at end of period	(4,356)	(3,464)
	<hr/> <hr/>	<hr/> <hr/>

1. Basis of preparation

The financial information in these unaudited interim results is that of the holding company and all of its subsidiaries (the Group). The financial information for the half-years ended 30 June 2021 and 30 June 2020 does not comprise statutory financial information within the meaning of s434 of the Companies Act 2006 and is unaudited. It has been prepared in accordance with the recognition and measurement requirements of UK adopted International Accounting Standards (IAS) but does not include all the disclosures that would be required under IAS. The accounting policies adopted in the interim financial statements are consistent with those adopted in the last annual report for financial year 2020 and those applicable for the year ended 31 December 2021.

The comparative financial information presented herein for the year ended 31 December 2020 does not constitute full statutory accounts for that period. The statutory accounts for the year ended 31 December 2020 were filed with the Registrar of Companies. The audit report on those financial statements was not qualified and did not contain a reference to any matters to which the auditor drew attention by way of emphasis without qualifying the report and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

In preparing the interim financial statements the directors are mindful of the uncertainties created by the current pandemic and the impact this may have on the trading performance of the Group. The Group's forecasts and projection models, taking into account uncertainty around the medium-term impact of the pandemic with regard to both project delivery and timing of pipeline conversion, means that actual performance could fall short of management forecasts in terms of revenue expectations. However, the Board believes that the Group has sufficient headroom in its agreed funding arrangements to withstand a greater negative impact on its cash flow than it currently expects.

On this basis, whilst it is acknowledged that there is continued uncertainty surrounding the future impacts of COVID-19, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis of preparation.

2. Segmental information

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

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

Six months to 30 June 2021 (unaudited)

	Managed service and technology £000	Network services £000	Mobile £000	Total £000
Revenue	<u>32,484</u>	<u>18,590</u>	<u>2,395</u>	<u>53,469</u>
Gross profit	<u>7,455</u>	<u>6,232</u>	<u>1,154</u>	<u>14,841</u>
Other operating income				461
Other administrative expenses				(11,796)
Share based payments				(27)
Intangibles amortisation				(2,718)
Exceptional items				<u>3,613</u>
Operating profit				4,374
Interest (net)				<u>(557)</u>
Profit before taxation				3,817
Income tax credit				<u>61</u>
Profit after taxation				<u>3,878</u>

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

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

	Managed service and technology £000	Network services £000	Mobile £000	Central/ inter- company £000	Total £000
Intangibles amortisation	-	-	-	2,718	2,718
Exceptional items	<u>(3,613)</u>	-	-	-	<u>(3,613)</u>

Six months to 30 June 2020 (unaudited)

	Managed service and technology £000	Network services £000	Mobile £000	Total £000
Revenue	32,292	17,797	3,306	53,395
Gross profit	9,017	5,390	1,450	15,857
Other operating income				545
Other administrative expenses				(12,438)
Share based payments				224
Intangibles amortisation				(3,209)
Exceptional costs				(1,044)
Operating profit				(65)
Interest (net)				(734)
Loss before taxation				(799)
Income tax expense				(112)
Loss after taxation				(911)

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

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

	Managed service and technology £000	Network services £000	Mobile £000	Central/ inter- company £000	Total £000
Intangibles amortisation	-	-	-	3,209	3,209
Exceptional items	1,044	-	-	-	1,044

3. Other operating income

	6 months to 30 June 2021 £000 (unaudited)	6 months to 30 June 2020 £000 (unaudited)
Other operating income	461	546

Other operating income of £0.5m in the period relates to monies associated with the recovery of research and development expenditure credits (H1 2020: £0.4m) and rental income from the sub-letting of a part of the Group's London premises of £Nil (H1 2020: £0.1m).

4. Earnings per share

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

	6 months to 30 June 2021 £000 (unaudited)	6 months to 30 June 2020 £000 (unaudited)
Earnings used in basic and diluted EPS, being profit / (loss) after tax	3,878	(911)
Adjustments:		
Amortisation of intangibles acquired on business combinations	2,275	2,805
Exceptional items (note 7)	(3,613)	1,044
Tax relating to above adjustments	(562)	(731)
Share based payments	27	(224)
Interest charge on deferred consideration	39	57
Tax adjustments relating to prior years	-	226
Adjusted earnings used in adjusted EPS	2,044	2,266

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

	6 months to 30 June 2021 Number (000s)	6 months to 30 June 2020 Number (000s)
Weighted average number of ordinary shares of 1p each	14,362	14,324
Potentially dilutive shares	23	23
	14,385	14,347
<i>Earnings / (loss) per share</i>		
Basic	27.0p	(6.4)p
Diluted	27.0p	(6.4)p
Adjusted – basic after the adjustments in the table above	14.2p	15.8p
Adjusted – diluted after the adjustments in the table above	14.2p	15.8p

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

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

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

	6 months to 30 June 2021 £000 (unaudited)	6 months to 30 June 2020 £000 (unaudited)
Profit / (loss) before tax	3,817	(799)
Net interest payable	557	734
Depreciation of property, plant and equipment	321	341
Depreciation of right of use asset	505	642
Amortisation of intangibles	2,718	3,209
EBITDA	7,918	4,127
Share based payments	27	(224)
Exceptional items (note 7)	(3,613)	1,044
Adjusted EBITDA	4,332	4,947

6. Dividends

The directors have decided not to declare an interim dividend for 2021 (2020: nil).

7. Exceptional items

	6 months to 30 June 2021 £000 (unaudited)	6 months to 30 June 2020 £000 (unaudited)
Gain on disposal of the managed print services business	(4,043)	-
Staff restructuring and other employee related costs	380	902
Fees relating to revised credit facilities agreement	40	95
Other	10	47
	(3,613)	1,044

Staff restructuring and other employee related costs of £380k (H1 2020: £902k) includes £158k relating to untaken employee annual leave as a result of COVID-19 (H1 2020: £474k).

8. Borrowings

	30 June 2021 £000 (unaudited)	31 December 2020 £000 (audited)
Current bank overdraft – secured	4,356	3,845
Current bank loan – secured	2,841	18,422
Non-current bank loan – secured	11,935	-

On 14 May 2021, the Group signed an amendment and extension to its current bank facilities with the National Westminster Bank Plc (“NWB”). The current facilities, which were previously due to expire 27 October 2021, have been extended for a further 12 months to 27 October 2022. The revised facility consists of a revolving credit facility (“RCF”) of £25.3m in committed funds on a reducing basis to term. The existing £4.5m amortising term loan issued under the Coronavirus business interruption loan scheme (“CLBILS”) by the British Business Bank remains unchanged maturing on 27 October 2021. Interest terms for the RCF are linked to SONIA plus a fixed margin, whilst on the term loan are linked to the base rate plus a fixed margin.

Covenants based on adjusted EBITDA to net finance charges, and net debt to adjusted EBITDA ratios are tested on a quarterly basis.

The non-current bank loan above is stated net of unamortised issue costs of debt of £0.1m (31 December 2021: £0.1m).

The directors consider that there is no material difference between the book value and fair value of the loan.

9. Post balance sheet events

There have been no events subsequent to the reporting date which would have a material impact on the interim financial result.