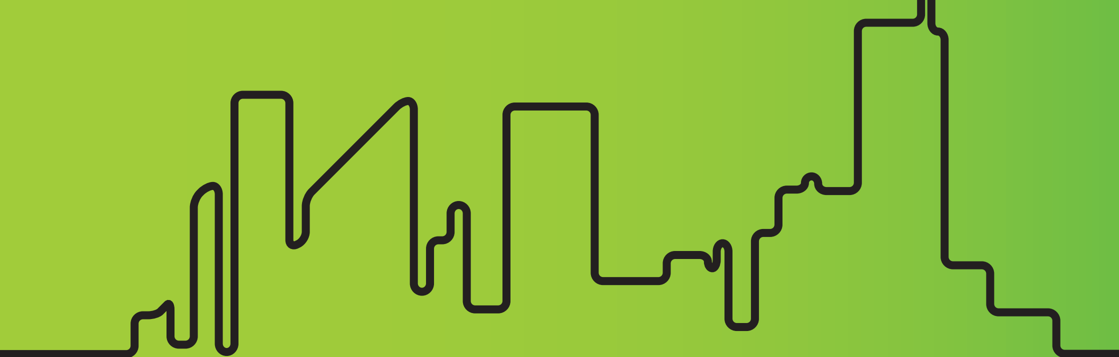
maintel®

interim results for the six months to 30 June 2012

Maintel Holdings Plc



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Highlights

- Group revenue up 6% to £13.5m (H1 2011 - £12.7m)
- Adjusted profit before tax[1] up 38% at £2.35m (H1 2011 - £1.71m), with organic growth of 10%; unadjusted profit before tax was £0.19m after the expensing of acquisition consideration of £1.79m, compared with unadjusted profit of £1.59m in H1 2011
- Adjusted earnings per share[2] up 39% at 16.6p (H1 2011 - 11.9p); before adjustment for the expensing of the acquisition consideration, the income statement shows a loss per share of 2.8p (H1 2011 unadjusted earnings per share of 10.9p)
- Period end cash of £2.12m (31 December 2011 - £2.95m) with solid cash conversion of operating profits balanced by higher dividend payments and a payment in respect of the Totility acquisition
- Interim dividend proposed of 6.3p per share (H1 2011 - 4.6p), an increase of 37% year on year
- Agreement reached on the earnout element of the Totility acquisition, capping total price at £7.00m including £0.99m for net assets
- Introduction of mobile into product portfolio already demonstrating improved cross-selling of additional services

[1] adjusted profit before tax is basic profit before tax of £0.19m (H1 2011 - £1.59m), adjusted for intangibles amortisation and non-trading adjustments relating to the 2011 Totility acquisition and 2010 Redstone customer base acquisition

[2] adjusted earnings per share is basic (loss)/earnings per share of (2.8p) (H1 2011 – 10.9p), adjusted for intangibles amortisation and the non-trading Totility and Redstone adjustments

Chairman's statement

The first half of 2012 saw Maintel's Group revenues grow by 6% to £13.5m (H1 2011 - £12.7m) delivering adjusted profit before tax up 38% at £2.35m (H1 2011 - £1.71m) which equates to adjusted earnings per share of 16.6p (H1 2011 - 11.9p), an increase of 39%.

We are naturally delighted by this growth in earnings and our acquisition of Totility Limited in October 2011 was a significant contributor to it, generating gross profit of £857,000 in the period. Network services also put in a robust performance, growing revenues by 10% at slightly improved margins, and these two businesses made up for the anticipated slowing in our maintenance and equipment division where the winding down of two fixed term contracts and other attrition were only offset towards the end of the period by a significant new business win. Equipment sales returned to historically more normal proportions after an exceptional year in 2011.

In July 2012, having achieved a satisfactory renewal rate of Totility's existing customers, we reached agreement ahead of schedule on the earnout element of the acquisition which has enabled us to progress more quickly with offering mobile products and services to the Maintel client base and the signs are that cross-selling is beginning to bear fruit. We have invested over the summer in significant new sales capacity to maximise opportunities arising from the full integration of Totility and hope to be able to report further progress on this in the second half.

The second half has begun quietly but we have a good maintenance and equipment pipeline to close which with mobile and network services prospects gives us cautious optimism for the full year.

Cash balances at mid-year were £2.12m (31 December 2011 - £2.95m) with solid cash conversion being used to fund the Totility acquisition, for which we have so far incurred no debt although there are two further payments to be made, and as always cash and costs are being managed carefully. The Board proposes to pay a dividend of 6.3p per share (H1 2011 - 4.6p) on 5 October.

J D S Booth
Chairman

7 September 2012

Business review

Results

This has been a robust six month period for the Group with a 6% increase in reported revenues to £13.5m and a 38% increase in adjusted profit before tax to £2.4m versus the corresponding period last year.

Unadjusted profit before tax, which is stated after the expensing of £1.8m of earnout consideration relating to the Totility acquisition in October 2011, together with intangibles amortisation, amounted to £0.2m.

The resultant adjusted earnings per share increased by 39% to 16.6p, whilst the unadjusted earnings per share fell from 10.9p to (2.8p).

The £817,000 increase in revenue shown in the table below was largely attributable to the contribution from Totility, the mobile business we acquired in the final quarter of 2011, together with a strong performance from the network services division. Together these more than compensated for the reduction in revenues from the maintenance and equipment division.

	H1 2012 £000	H1 2011 £000	H2 2011 £000	2011 £000	Increase on H1 2011
Revenue	13,490	12,673	13,241	25,914	6%
Profit before tax	195	1,591	1,493	3,084	
Add back customer relationship intangibles amortisation	370	253	238	491	
Deduct non-trading accounting adjustments re Redstone acquisition	-	(132)	(9)	(141)	
Adjustment to Redstone contingent consideration	-	-	67	67	
Contingent consideration re Totility treated as remuneration	1,789	-	366	366	
Costs relating to the acquisition of Totility	-	-	79	79	
Adjusted profit before tax	2,354	1,712	2,234	3,946	38%
Basic earnings per share	(2.8p)	10.9p	9.1p	20.0p	
Diluted	(2.8p)	10.8p	9.1p	19.9p	
Adjusted earnings per share*	16.6p	11.9p	15.6p	27.5p	39%
Diluted	16.4p	11.8p	15.6p	27.4p	39%

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

During the period, the Group's net cash balances reduced to £2.121m, compared with £2.953m at 31 December 2011. This reflects the strong cash conversion balanced by a £986,000 payment made in January in respect of the Totility acquisition, and a dividend payment of £640,000. The Group continues to have no debt, and has a £1.5m revolving credit facility at its disposal, currently scheduled to expire in February 2013.

Maintenance and equipment division

Revenue analysis (£000)	Six months to 30 June 2012	Six months to 30 June 2011	Year ended 31 Dec 2011	Decrease on H1 11
Maintenance related	6,104	6,529	12,948	(7)%
Equipment, professional services and other	2,778	3,284	6,492	(15)%
Total maintenance and equipment	8,882	9,813	19,440	(9)%
Division gross profit;	3,403	3,586	7,063	(183)
margin %	(38%)	(37%)	(36%)	(5)%
Average headcount during the period				
Sales, marketing and customer service	53	54	52	(2)%
Engineers	92	99	97	(7)%

Reported revenues in the maintenance and equipment division were £8.882m, representing a reduction of 9% in the period compared with the first half of 2011. This was largely due to the wind down in the previous year of two large maintenance contracts and equipment sales reverting to more normal levels after an exceptional 2011.

Maintenance

It was noted in the 2011 annual report that two large short term contracts had begun to wind down in H2 2011 and this continued during the period under review, so that there was minimal revenue derived from them during this reporting period. Due to the prevailing macroeconomic conditions, the first half did see a mild increase in attrition as customer sites were consolidated.

Despite these first half headwinds, we expect to see an improvement in turnover for the current six month period. A new contract secured via one of our partners went live on 1 June and this has led to the maintenance base increasing back to £12.4m at 30 June, compared with £12.2m at the end of December.

Partner business – where we provide contracted technical resource to a range of larger integrators – continues to develop and now provides the main source of new maintenance business to the Group. There is a healthy pipeline of such business opportunities and, dependent on the timing of the signing of this business and a reversion to more normal levels of attrition, we are hopeful of showing improved maintenance revenues in the second half.

Average headcount in the first half of 2012 fell due to natural wastage and engineer redundancies associated with terminating contracts.

Equipment, professional services and other

Following the increase in equipment sales in 2011, which benefited from one particularly large contract, turnover levels have reverted to those more in line with their historical relationship with maintenance revenues and comfortably ahead of 2010 levels.

The fall in headline revenues was partially mitigated by an increase in gross margin from 37% to 38% due to the lower level of high value hardware sales, which typically attract lower margins and a higher proportion of professional services projects carried out in the period. When combined with the reduction in headcount over the period, gross profit from the division fell by 5% or £183,000 compared with the 9% reduction in the division's revenue.

Network services

Revenue analysis (£000)

	Six months to 30 June 2012	Six months to 30 June 2011	Year ended 31 Dec 2011	Increase/ (decrease) on H1 11
Call traffic	1,284	1,323	2,613	(3)%
Line rental	1,383	1,144	2,457	21%
Data Services	408	322	660	27%
Other	168	163	306	3%
Total network services	3,243	2,952	6,036	10%
Division gross profit;	938	813	1,713	125
margin %	(29%)	(28%)	(28%)	15%

The network services division has continued to perform well in the first six months of the year, despite the challenges experienced by other operators, with revenues up 10% at £3.243m, and gross profit up 15% to £938,000.

In line with recent trends, call traffic revenues were down marginally on H1 2011 as the reduction in pricing, exacerbated by the regulated reduction in mobile termination rates, was partly offset by an increase in usage as new customers are added and the historically low level of attrition was maintained.

One key growth area for the division remained line rental sales, with an increase in total line rental revenues of 21% over the first half last year.

Data connectivity services also continue to see strong revenue growth, with data services revenues up 27% on H1 2011.

There has also been a marked increase in the take up of our SIP trunking services, where our national engineering services have been instrumental to successful implementation.

Mobile division

The Group acquired Totility Limited, a specialist UK mobile telecoms provider, on 21 October 2011, since when it has performed as follows:

(£000)	Six months to 30 June 2012	21 October to 31 Dec 2011
Revenue	1,454	601
Division gross profit;	857	316
margin %	(59%)	(53%)

	At 30 June 2012	At 31 Dec 2011	Approx at acquisition	Decrease in period
Number of customers	1,090	1,164	1,100	(6)%
Number of connections	12,425	13,387	12,000	(7)%

Revenue during the first six months of the year has remained in line with pro rata performance since acquisition in October 2011. However, gross profit performance has been strong, with gross margins seeing a 6 percentage point increase versus those reported in 2011.

The focus in the period since acquisition has been on renewing existing customer contracts for the medium-term, whilst signing new customers where these have presented themselves. New sales have included a range of cross-sells to existing Maintel customers and this has proven an encouraging start to a concerted effort to improve our cross-selling performance. Further success during the period came with Totility being awarded Platinum status by Vodafone, and the division's largest O2 customer renewing its contract.

We have continued to strengthen the management team of this division through the hire of a senior manager with significant high level experience of the mobile business joining the Group in June 2012, alongside a further three experienced mobile sales executives to drive new sales.

The number of customers and connections has fallen since 31 December, as shown above, primarily due to three customers (441 connections) going into administration, and 88 customers with 1,143 connections being lost from a Vodafone base managed by Totility. Post period end, however, connections performance has improved, with a significant cross-sell to a Maintel customer in July/August, which alone has added 614 connections to the base.

Totility acquisition

As previously announced, the sale and purchase agreement (the "SPA") signed by Maintel in relation to the acquisition of Totility provided for the payment to the vendors of additional consideration of up to £4.0m dependent on the profitability of Totility in the 12 month period following its acquisition.

As was announced in July 2012, in order to allow greater flexibility in Totility's commercial and operational dealings outside of the parameters set by the SPA, the directors concluded that an advance agreement of the amount due in respect of this additional consideration would be in the best interests of the Group. The directors therefore agreed with the vendors a total additional consideration payment of £3.1m, £0.9m less than the maximum amount payable, of which £2.2m will be paid on 31 October 2012 and £0.9m on 3 January 2013.

These amounts are in addition to the previously announced further consideration paid to the Totility shareholders, representing the net asset value of Totility as at the date of the acquisition, which amounted to £986,000. Separately, a further payment of £100,000 was made on 10 July 2012 to the vendors under the terms of the SPA. As a result, the total consideration payable for the acquisition will be £7.0m including the net assets.

Terence McKeever, one of the founders and vendors of Totility, will continue to be employed until 20 October 2012, following which he will provide consultancy services to Maintel and Totility until 28 February 2013. As noted earlier, significant mobile expertise has already been recruited in anticipation of his departure.

The additional payment of £3.1m referred to above is conditional on the continued employment of Mr McKeever by Totility until 20 October. Under IFRS3 (Revised) this amount is charged to the income statement over the earnout period as employee costs, rather than being treated as deferred consideration on acquisition, with a consequent charge to the income statement of £1.789m in the period.

Administrative expenses, excluding intangibles amortisation

Administrative expenses (£000)	Six months to 30 June 2012	Six months to 30 June 2011	Year ended 31 Dec 2011	Increase/ (decrease)
Sales expenses	1,190	1,225	2,354	(3)%
Other administrative expenses (excluding intangibles amortisation)	1,575	1,265	2,612	25%
Total other administrative expenses	2,765	2,490	4,966	11%

Sales expenses reduced by £35,000 (3%) compared with the first half last year, with a realignment of headcount and reduction in commissions in the pre-existing businesses more than compensating for the increase in sales costs attributable to the Totility business which was acquired in October 2011. Other administrative expenses increased by £310,000 (25%) on the same period, the main factor being six months of Totility costs in 2012. Impairment and amortisation charges are detailed below.

Interest

With interest rates remaining low on cash deposits, interest earned in the period amounted to only £5,000 (2011 - £9,000).

Taxation

The consolidated statement of comprehensive income shows a tax rate of 252%, with tax of £492,000 on a profit before tax of £195,000 (2011 – 28.3%). This anomaly is a result of the expensing through the income statement of the £1.789m contingent consideration relating to the Totility acquisition, which does not attract tax relief; excluding this, the profit before tax would be £1.984m and the tax rate 24.8%.

Each of the Group companies is taxed at 24.5% (2011 – 26.5%). Certain recurring expenses that are disallowable for tax raise the effective rate moderately above this.

Consolidated statement of financial position

The consolidated statement of financial position remains strong, with £2.121m of cash (31 December 2011 - £2.953m) and no debt, as noted above.

Cash

Cash generated from operating activities in the period was £1.802m (H1 2011 - £1.735m), out of which £943,000 was paid in corporation tax (including a known inherited £510,000 liability in respect of Totility), and £640,000 in dividends. As explained below, some invoicing timing differences and the effect of longer payment terms by partners has negatively affected the trading cash conversion rate of the Group during this period, although this remains strong and should trend towards previous levels in future periods.

As noted earlier, £2.2m of consideration is due to be paid on 31 October 2012 (and a further £0.9m on 3 January 2013) in respect of the Totility acquisition, which will have a significant impact on year end balances.

The Group established a revolving credit facility of £1.5m in October 2011 with JDS Booth, the Group's chairman; however no monies have been drawn against this. Any amounts drawn would be unsecured, carry an interest rate of 6.5 per cent and are repayable by 28 February 2013.

Intangible assets
The Group had four intangible assets during the period: (i) goodwill relating to the acquisition of Maintel Network Services Limited, (ii) an intangible asset represented by customer contracts and relationships acquired from District Holdings Limited, Callmaster Limited, Redstone Plc and Totility Limited, (iii) goodwill relating to the District, Redstone and Totility acquisitions, and (iv) a licence of billing software, which is now fully amortised; the licence is now rented and is consequently now treated as an operating lease.

Goodwill has been subject to an impairment test at each reporting date. No impairment has been charged to the consolidated statement of comprehensive income in 2011 or 2012, and the carrying value is £1.026m.

The intangible asset represented by purchased customer contracts and relationships has been subject to an amortisation charge of £370,000 (H1 2011 – £253,000), leaving a carrying value of £3,850,000 (end-2011 - £4,220,000). £96,000 was amortised in the first half of 2011 in respect of the intangible asset relating to the District acquisition; this intangible was fully amortised at that stage, so no charges relating to it are incurred in the first half of 2012. £214,000 amortisation was expensed in the six months to 30 June 2012, however, in respect of the Totility intangible, Totility having been acquired in October 2011.

The billing software is amortised over a three year period. The amortisation charge in the period was £11,000 (H1 2011 - £16,000), leaving a carrying value of £Nil (end-2011 - £11,000).

Tangible fixed assets and stock
There were no significant movements in these lines between 31 December and 30 June. An investment in the selective stocking of ten nationwide facilities to improve service levels to customers was more than offset by a reduction in work in progress, reflecting the reduction in equipment sales in the period.

Trade and other receivables
Receivables have increased by £634,000 since 31 December 2011, partly due to invoice timing differences, but also reflecting the longer, in-arrears payment terms required by partners, compared with a typical payment in advance by direct customers.

Trade and other payables
Payables have increased by £781,000 since 31 December, the primary reason being the accrual of the earnout payment of £1.789m that is expensed in the income statement, less the payment of £986,000 in respect of the net assets of Totility that was accrued at 31 December.

Market Conditions and Outlook

The Group continued to see a healthy pipeline of opportunities and orders during the Jubilee celebrations and Olympic Games. In particular, the opportunities in our partner business are significant and growing.

One of the most encouraging features of our business is that our customers are expressing an interest in taking a multi-product offering from Maintel and we will be investing additional sales and marketing resource in the second half of the year to take advantage of this increasing cross-selling opportunity.

We remain alert to acquisition opportunities, especially as market conditions continue to force independent businesses in our market to reassess their direction.

Notwithstanding the ongoing macroeconomic challenges, the Board remains confident in the financial outlook for the remainder of the year.

Earnings per share and dividend

Adjusted earnings per share of 16.6p compares with 11.9p in H1 2011 and 15.6p in H2 2011, due to the Group's improved profitability and lower tax rate. Reflecting this improvement, the board proposes an increased interim dividend of 6.3p per share (H1 2011 – 4.6p, H2 2011 – 6.0p), payable to shareholders on the register at the close of business on 21 September. The corresponding ex-dividend date will be 19 September.

Eddie Buxton
Chief Executive

7 September 2012

Consolidated statement of comprehensive income

for the six months to 30 June 2012

	Six months to 30 June 2012 £000 (unaudited)	Six months to 30 June 2011 £000 (unaudited)	Year ended 31 Dec 2011 £000 (audited)
Revenue	13,490	12,673	25,914
Cost of sales	8,365	8,332	16,931
Gross profit	5,125	4,341	8,983
Administrative expenses			
Intangibles amortisation	381	269	523
Contingent consideration treated as remuneration	1,789	-	366
Adjustment to contingent consideration	-	-	67
Other administrative expenses	2,765	2,490	4,966
	4,935	2,759	5,922
Operating profit	190	1,582	3,061
Finance income	5	9	23
Profit before taxation	195	1,591	3,084
Taxation	492	451	977
(Loss)/profit and total comprehensive income for the period	(297)	1,140	2,107
(Loss)/earnings per share (note 3)			
Basic	(2.8p)	10.9p	20.0p
Diluted	(2.8p)	10.8p	19.9p

Consolidated statement of financial position

as at 30 June 2012

	30 June 2012 £000 (unaudited)	30 June 2011 £000 (unaudited)	31 Dec 2011 £000 (audited)
Non current assets			
Intangible assets	4,876	1,962	5,257
Property, plant and equipment	250	213	224
	5,126	2,175	5,481
Current assets			
Inventories	683	1,004	722
Trade and other receivables	4,653	3,634	4,019
Cash and cash equivalents	2,121	3,317	2,953
Total current assets	7,457	7,955	7,694
Total assets	12,583	10,130	13,175
Current liabilities			
Trade and other payables	8,608	6,880	7,827
Current tax liabilities	609	470	1,008
Total current liabilities	9,217	7,350	8,835
Non current liabilities			
Deferred tax liability	645	8	697
Total net assets	2,721	2,772	3,643
Equity			
Issued share capital	107	105	107
Share premium	1,028	628	1,013
Capital redemption reserve	31	31	31
Retained earnings	1,555	2,008	2,492
Total equity	2,721	2,772	3,643

Consolidated statement of changes in equity

for the period to 30 June 2012 (unaudited)

	Share capital £000	Share premium £000	Capital redemption reserve £000	Retained earnings £000	Total £000
At 1 January 2011	105	628	31	1,350	2,114
Profit and total comprehensive income	-	-	-	1,140	1,140
Dividend	-	-	-	(482)	(482)
At 30 June 2011	105	628	31	2,008	2,772
Profit and total comprehensive income	-	-	-	967	967
Dividend	-	-	-	(483)	(483)
Issue of new ordinary shares	2	385	-	-	387
At 31 December 2011	107	1,013	31	2,492	3,643
Loss and total comprehensive income	-	-	-	(297)	(297)
Dividend	-	-	-	(640)	(640)
Issue of new ordinary shares	-	15	-	-	15
At 30 June 2012	107	1,028	31	1,555	2,721

Consolidated cash flow statement

for the six months to 30 June 2012

	Six months to 30 June 2012 £000 (unaudited)	Six months to 30 June 2011 £000 (unaudited)	Year ended 31 Dec 2011 £000 (audited)
Operating activities			
Profit before taxation	195	1,591	3,084
Adjustments for:			
Intangibles amortisation	381	269	523
Depreciation charge	59	51	107
Loss on disposal of tangible fixed assets	-	-	15
Interest received	(5)	(9)	(23)
Operating cash flows before changes in working capital	630	1,902	3,706
Increase/(decrease) in inventories	39	(3)	284
Increase in trade and other receivables	(634)	(73)	(109)
Increase/(decrease) in trade and other payables	1,767	(91)	(567)
Cash generated from operating activities	1,802	1,735	3,314
Tax paid	(943)	(342)	(826)
Net cash flows from operating activities	**859**	**1,393**	**2,488**
Investing activities			
Purchase of plant and equipment	(85)	(62)	(125)
Purchase price in respect of business combination	(986)	-	(2,435)
Net cash acquired with subsidiary undertaking	-	-	1,508
	(986)	-	(927)
Interest received	5	9	23
Net cash flows from investing activities	**(1,066)**	**(53)**	**(1,029)**
Financing activities			
Ordinary shares issued	15	-	-
Equity dividends paid	(640)	(482)	(965)
Net cash flows from financing activities	**(625)**	**(482)**	**(965)**
Net (decrease)/increase in cash and cash equivalents	**(832)**	**858**	**494**
Cash and cash equivalents at start of period	2,953	2,459	2,459
Cash and cash equivalents at end of period	**2,121**	**3,317**	**2,953**

Notes to the interim results

1. Basis of preparation

The financial information in these interim results is that of the holding company and all of its subsidiaries (the Group). It has been prepared in accordance with the recognition and measurement requirements of International Financial Reporting Standards as adopted for use in the EU (IFRSs). The accounting policies applied by the Group in this financial information are the same as those applied by the Group in its financial statements for the year ended 31 December 2011 and which will form the basis of the 2012 financial statements.

A number of new and amended standards have become effective for periods beginning on 1 January 2012, however none of these is expected to materially affect the Group.

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

The comparative financial information presented herein for the year ended 31 December 2011 does not constitute full statutory accounts for that period. The Group's annual report and accounts for the year ended 31 December 2011 have been delivered to the Registrar of Companies. The Group's independent auditor's report on those statutory accounts was unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

The financial information for the half-years ended 30 June 2012 and 30 June 2011 is unaudited.

2. Segmental analysis

For management reporting purposes and operationally, the Group consists of three business segments: (i) telephone maintenance, equipment and professional services sales, (ii) telephone network services, and (iii) mobile services (this division having been acquired 21 October 2011). 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.

Revenue is wholly attributable to the principal activities of the Group and other than insignificant sales to other EU countries arises predominantly within the United Kingdom.

Six months to 30 June 2012 (unaudited)	**Maintenance and equipment £000**	**Network services £000**	**Mobile £000**	**Central/ inter company £000**	**Total £000**
Revenue	8,882	3,243	1,454	(89)	13,490
Operating profit before customer relationship intangibles amortisation and adjustments	1,439	453	478	(21)	2,349
Customer relationship intangibles amortisation	(137)	(24)	-	(209)	(370)
Operating profit before adjustments	1,302	429	478	(230)	1,979
Contingent consideration treated as remuneration	-	-	-	(1,789)	(1,789)
Operating profit	1,302	429	478	(2,019)	190
Interest income					5
Profit before taxation					195
Taxation					(492)
Profit after taxation					(297)

Maintenance and equipment revenue consists of maintenance related revenue of £6.104m and equipment, professional services and other revenue of £2.778m (H1 2011 - £6.529m and £3.284m). Network services revenue consists of call traffic revenue of £1.284m, line rental revenue of £1.383m, data services revenue of £0.408m and other revenue of £0.168m (H1 2011 - £1.323m, £1.144m, £0.322m and £0.163m). Mobile revenue consists principally of commissions receivable from network operators.

Intercompany trading consists of telecommunications services, and recharges of sales, engineering and rent costs, £48,000 (H1 2011 - £25,000) attributable to the maintenance and equipment segment, £37,000 (H1 2011 - £67,000) to the network services segment and £4,000 (H1 2011 - £Nil) to the mobile division.

Six months to 30 June 2012 (unaudited)	**Maintenance and equipment £000**	**Network services £000**	**Mobile £000**	**Central/ inter company £000**	**Total £000**
Other					
Capital expenditure	82	-	3	-	85
Depreciation	58	-	1	-	59
Amortisation	137	35	-	209	381

2. Segmental analysis (continued)

Six months to 30 June 2011 (unaudited)	**Maintenance and equipment £000**	**Network services £000**	**Central/ intercompany £000**	**Total £000**
Segment revenue before adjustment	9,681	2,952	(92)	12,541
Redstone non-trading accounting adjustments	132	-	-	132
Revenue	9,813	2,952	(92)	12,673
Operating profit before customer relationship intangibles amortisation and Redstone adjustment	1,351	366	(14)	1,703
Customer relationship intangibles amortisation	(133)	(24)	(96)	(253)
Operating profit before adjustment	1,218	342	(110)	1,450
Redstone deferred income less costs	132	-	-	132
Operating profit	1,350	342	(110)	1,582
Interest income				9
Profit before taxation				1,591
Taxation				(451)
Profit after taxation				1,140
Other				
Capital expenditure	62	-	-	62
Depreciation	51	-	-	51
Amortisation	133	40	96	269

2. Segmental analysis (continued)

Year to 31 December 2011	**Maintenance and equipment £000**	**Network services £000**	**Mobile £000**	**Central/ inter company £000**	**Total £000**
Segment revenue before adjustment	19,299	6,036	601	(163)	25,773
Redstone deferred income less costs	141	-	-	-	141
Revenue	19,440	6,036	601	(163)	25,914
Operating profit before customer relationship intangibles amortisation and adjustments	3,008	761	171	(17)	3,923
Customer relationship intangibles amortisation	(273)	(48)	-	(170)	(491)
Operating profit before adjustments	2,735	713	171	(187)	3,432
Adjustment to contingent consideration	-	-	-	(67)	(67)
Redstone deferred income less costs	141	-	-	-	141
Contingent consideration treated as remuneration	-	-	-	(366)	(366)
Costs relating to acquisition of Totility	-	-	-	(79)	(79)
Operating profit	2,876	713	171	(699)	3,061
Interest income					23
Profit before taxation					3,084
Taxation					(977)
Profit after taxation					2,107

Maintenance and equipment revenue consists of maintenance related revenue of £12.948m and equipment, professional services and other revenue of £6.492m. Network services revenue consists of call traffic revenue of £2.613m, line rental revenue of £2.457m, data services revenue of £0.660m and other revenue of £0.306m. Mobile revenue consists principally of commissions receivable from network operators.

Intercompany trading consists of telecommunications services, and recharges of sales, engineering and rent costs, £48,000 attributable to the maintenance and equipment segment and £115,000 to the network services segment.

	Maintenance and equipment £000	**Network services £000**	**Mobile £000**	**Central/ inter company £000**	**Total £000**
Other					
Capital expenditure	125	-	-	-	125
Depreciation	106	-	1	-	107
Amortisation	273	80	-	170	523

3. Earnings per share

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

	Six months to 30 June 2012 £000 (unaudited)	Six months to 30 June 2011 £000 (unaudited)	Year ended 31 Dec 2011 £000 (audited)
Earnings used in basic and diluted EPS, being profit after tax	(297)	1,140	2,107
Adjustments:			
Amortisation of intangibles	370	253	491
Non-trading accounting adjustments re Redstone acquisition	-	(132)	(141)
Adjustment to contingent consideration	-	-	67
Contingent consideration treated as remuneration	1,789	-	366
Cost relating to the acquisition of Totility	-	-	79
Tax relating to the above adjustments	(93)	(17)	(76)
Adjusted earnings	1,769	1,244	2,893
Weighted average number of shares	10,667	10,487	10,521
Potentially dilutive shares	126	38	41
	10,793	10,525	10,562
Basic EPS	(2.8p)	10.9p	20.0p
Basic diluted EPS	(2.8p)	10.8p	19.9p
Adjusted basic EPS	16.6p	11.9p	27.5p
Adjusted diluted EPS	16.4p	11.8p	27.4p

4. Dividends

	Six months to 30 June 2012 £000 (unaudited)	Six months to 30 June 2011 £000 (unaudited)	Year ended 31 Dec 2011 £000 (audited)
Dividends paid			
Final 2010, paid 28 April 2011 – 4.6p per share	-	482	482
Interim 2011, paid 7 October 2011 – 4.6p per share	-	-	483
Final 2011, paid 26 April 2012 – 6.0p per share	640	-	-
	640	482	965

The directors propose to pay an interim dividend of 6.3p per share on 5 October 2012 to shareholders on the register at 21 September 2012.

Independent review report to Maintel Holdings Plc

Introduction

We have been engaged by the company to review the financial information in the interim results for the six months ended 30 June 2012 which comprises the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated cash flow statement, the consolidated statement of changes in equity, and explanatory notes.

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

Directors' responsibilities

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

Our responsibility

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

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the financial information in the interim results for the six months ended 30 June 2012 is not prepared, in all material respects, in accordance with the rules of the London Stock Exchange for companies trading securities on AIM.

BDO LLP
Chartered Accountants and Registered Auditors
London

7 September 2012

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

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