THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document, you should consult a person authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities.

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.

Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. London Stock Exchange plc has not itself examined or approved the contents of this document nor will it.

Prospective investors should read the whole text of this document and should be aware that an investment in the Company involves a high degree of risk. The attention of prospective investors is drawn in particular to Part II of this document which sets out certain risk factors relating to any investment in Ordinary Shares. All statements regarding the Group's business, financial position and prospects should be viewed in light of the risk factors set out in Part II of this document.

If you have sold or otherwise transferred all of your Existing Ordinary Shares, please send this document, together with the accompanying Form of Proxy, to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee. If you have sold or otherwise transferred some of your Existing Ordinary Shares, you should consult with the stockbroker, bank or other agent through whom the sale or transfer was effected.

This document comprises an admission document prepared in accordance with the AIM Rules. It does not constitute a prospectus for the purposes of the Prospectus Rules and the Financial Services and Markets Act 2000 and has not been, and will not be, approved by or filed with the FCA.

The Directors whose names appear on page 5 of this document, and the Company accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors and the Company (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. All the Directors accept individual and collective responsibility for compliance with the AIM Rules.

Application will be made for the Enlarged Share Capital to be admitted to trading on AIM. It is expected that Admission will become effective and dealings in the Enlarged Share Capital will commence on 28 April 2016. The Ordinary Shares are not traded on any other recognised investment exchange and no other such applications have been made.

Maintel Holdings Plc

(incorporated under the Companies Act 1985 and registered in England and Wales with registered number 03181729)

Proposed acquisition of the holding companies of Azzurri Communications Limited

Placing of 3,428,572 Ordinary Shares at 700p per share

Proposed adoption of New Articles of Association

Notice of General Meeting

and

Admission of the Enlarged Share Capital to trading on AIM

Nominated Adviser and Broker

finnCap

Financial Adviser

OAKLEY Capital Limited

Expected share capital of the Company immediately following Admission

Amount	*Issued and fully paid*	*Number*
£141,970.59	Ordinary shares of £0.01 each	14,197,059

Notice of the General Meeting of the Company to be held at the registered office of the Company at 160 Blackfriars Road, London SE1 8EZ on 27 April 2016 is set out on pages 111 to 113 (inclusive) of this document. The accompanying Form of Proxy for use at the General Meeting should be completed and returned to the Company's registrar, Computershare Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY as soon as possible, and to be valid must arrive by no later than 11.00 a.m. on 25 April 2016.

The Placing Shares will, on Admission, rank *pari passu* in all respects with the Existing Ordinary Shares then in issue and will rank in full for all dividends and other distributions declared, paid or made in respect of the Ordinary Shares after Admission.

finnCap has been appointed as nominated adviser to the Company in connection with the Placing and Admission. The responsibilities of finnCap, as nominated adviser under the AIM Rules, are owed solely to the London Stock Exchange. In accordance with the AIM

Rules, finnCap has confirmed to the London Stock Exchange that it has satisfied itself that the Directors have received advice and guidance as to the nature of their responsibilities and obligations to ensure compliance by the Company with the AIM Rules and that, in its opinion and to the best of its knowledge and belief, having made due and careful enquiry, all relevant requirements of the AIM Rules have been complied with. No representation or warranty, express or implied, is made by finnCap as to any of the contents of this document and finnCap has not authorised the contents of any part of this document and accepts no liability whatsoever for the accuracy of any information or opinions contained in this document or for the omission of any material information from this document, for which the Company, the Directors are solely responsible.

finnCap, which is authorised and regulated in the United Kingdom by the FCA, is acting exclusively for the Company and no one else in connection with Admission and the Placing. It will not be responsible to persons other than the Company for providing the protections afforded to its clients or for advising any other person on the contents of this document or on any other transaction or arrangement referred to in this document.

Oakley, which is authorised and regulated in the United Kingdom by the FCA, is acting exclusively for the Company and no-one else in connection with Admission and the Placing. It will not be responsible to persons other than the Company for providing the protections afforded to its clients or for advising any other person on the contents of this document or on any other transaction or arrangement referred to in this document.

This document does not constitute an offer to sell or issue, or the solicitation of an offer to buy or subscribe for, Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful and, in particular, is not for distribution into the United States, Canada, Australia, the Republic of South Africa or Japan. The issue of the Ordinary Shares has not been, and will not be, registered under the applicable securities laws of the United States, Canada, Australia, the Republic of South Africa or Japan and the Ordinary Shares may not be offered or sold directly or indirectly within the United States, Canada, Australia, the Republic of South Africa or Japan or to, or for the account or benefit of, any persons within the United States, Canada, Australia, the Republic of South Africa or Japan. The distribution of this document in jurisdictions other than the United Kingdom may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdictions.

No person has been authorised to give any information or to make any representation about the Enlarged Group and about the matters the subject of this document other than those contained in this document. If any such information or representation is given or made then it must not be relied upon as having been so authorised. The delivery of this document shall not imply that no change has occurred in any member of the Enlarged Group's affairs since the date of issue of this document or that the information in this document is correct as at any time after the date of this document, save as shall be required to be updated by law or regulation.

Copies of this document, which is dated 8 April 2016, will be available to download from the Company's website at www.maintel.co.uk.

FORWARD LOOKING STATEMENTS

This document includes "forward looking statements" which include all statements other than statements of historical facts, including, without limitation, those regarding the Enlarged Group's financial position, business strategy, plans and objectives of management for future operations, or any statements preceded by, followed by or that include the words "targets", "believes", "expects", "aims", "intends", "will", "may", "anticipates", "would", "could" or similar expressions or negatives thereof. Such forward looking statements involve known and unknown risks, uncertainties and other important factors beyond the Company's control that could cause the actual results, performance or achievements of the Enlarged Group to be materially different from future results, performance or achievements expressed or implied by such forward looking statements. Such forward looking statements are based on numerous assumptions regarding the Enlarged Group's present and future business strategies and the environment in which the Enlarged Group will operate in the future. These forward looking statements speak only as at the date of this document. The Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward looking statements contained herein to reflect any change in the Company's expectations with regard thereto or any change in events, conditions or circumstances on which any such statements are based unless required to do so by applicable law or the AIM Rules.

CONTENTS

ADMISSION STATISTICS

Placing Price per Placing Share	700 pence
Market capitalisation of the Company on Admission at the Placing Price (approximately)	£99.4 million
Number of Existing Ordinary Shares	10,768,487
Number of Placing Shares	3,428,572
Enlarged Share Capital	14,197,059
Placing Shares expressed as a percentage of the Enlarged Share Capital	24.1%
Gross proceeds receivable by the Company pursuant to the Placing	£24.0 million
Estimated net proceeds receivable by the Company pursuant to the Placing	£20.2 million
TIDM	MAI
ISIN	GB00B046YG73
SEDOL number	B046YG7

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication of this document	8 April 2016
Latest time and date for receipt of Forms of Proxy	11.00 a.m. on 25 April 2016
General Meeting	11.00 a.m. on 27 April 2016
Admission effective and dealings in the Enlarged Share Capital expected to commence on AIM	28 April 2016
Placing Shares credited to CREST accounts	28 April 2016
Acquisition Agreement becomes unconditional save for Completion	28 April 2016
Completion of Acquisition	4 May 2016
Despatch of definitive share certificates (where applicable) by	Within 10 days of Admission

Note: References to time are to London time unless otherwise stated. Each of the dates in the above timetable is indicative only and is subject to change without further notice.

DIRECTORS, SECRETARY AND ADVISERS

Directors	John Booth *(Chairman, Non Executive Director)* Eddie Buxton *(Chief Executive Officer)* Angus McCaffery *(Executive Director)* Mark Townsend *(Chief Financial Officer)* Kevin Stevens *(Group Operations Director)* Stuart Legg *(Group Sales and Marketing Director)* Annette Nabavi *(Independent Non Executive Director)* Nicholas Taylor *(Independent Non Executive Director)*
Company secretary	Dale Todd
Registered office	160 Blackfriars Road London SE1 8EZ
Nominated adviser and broker	finnCap Ltd 60 New Broad Street London EC2M 1JJ
Financial adviser	Oakley Capital Limited 3 Cadogan Gate London SW1X 0AS
Legal advisers to the Company	DLA Piper UK LLP 3 Noble Street London EC2V 7EE
Reporting accountant and auditor	BDO LLP 55 Baker Street London W1U 7EU
Legal advisers to the nominated adviser and financial adviser	K&L Gates LLP One New Change London EC4M 9AF
Registrar	Computershare Services Plc The Pavilions Bridgwater Road Bristol BS99 8AE

DEFINITIONS

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

"**Acquisition**"	the proposed acquisition of the Azzurri Communications Group by the Company pursuant to the terms of the Acquisition Agreement;
"**Acquisition Agreement**"	the conditional agreement dated 8 April 2016 between (1) the Sellers (2) the Company and (3) Warden Holdco relating to the Acquisition, further details of which are set out in paragraph 17.1 of Part V of this document;
"**Act**"	the Companies Act 2006;
"**Admission**"	the admission of the Enlarged Share Capital to trading on AIM becoming effective in accordance with the AIM Rules;
"**AIM**"	the Alternative Investment Market, a market operated by the London Stock Exchange;
"**AIM Rules**"	the rules for companies governing admission to and the operation of AIM, published by the London Stock Exchange;
"**AIM Rules for Nominated Advisers**"	the rules for nominated advisers setting out the eligibility, ongoing obligations and certain disciplinary matters in relation to nominated advisers published by the London Stock Exchange;
"**Articles**" or "**Articles of Association**"	the articles of association of the Company in force as at the date of this document;
"**Azzurri Communications**"	Azzurri Communications Limited, a company incorporated under the laws of England and Wales with registered number 03934288, being a wholly owned subsidiary of Warden Midco;
"**Azzurri Communications Group**"	Warden Holdco and Warden Midco being, respectively, the holding company and intermediate holding company of Azzurri Communications and its subsidiaries;
"**Board**"	the board of directors of the Company from time to time or a duly constituted committee thereof;
"**certificated**" or "**in certificated form**"	a share or other security which is not in uncertificated form (i.e. not in CREST);
"**Company**" or "**Maintel**"	Maintel Holdings Plc, a company incorporated in England and Wales with registered number 03181729 whose registered office is at 160 Blackfriars Road, London, SE1 8EZ;
"**Completion**"	completion of the Acquisition in accordance with the terms of the Acquisition Agreement;
"**CREST**"	the system for the paperless settlement of share transfers and the holding of uncertificated shares operated by Euroclear UK & Ireland Limited;
"**CREST Regulations**"	the Uncertificated Securities Regulations 2001 (SI 2001/3755);
"**Datapoint**"	together, Maintel International Limited (formerly Datapoint Communications Limited), Datapoint Customer Solutions Limited and Datapoint Global Services Limited;

"**Directors**"	the directors of the Company as at the date of this document whose names are set out on page 5 of this document (each being a "**Director**");
"**Disclosure and Transparency Rules**"	the disclosure and transparency rules issued by the FCA acting in its capacity as the competent authority for the purposes of Part VI of FSMA;
"**Enlarged Group**"	the Maintel Group and the Azzurri Communications Group, following Completion of the Acquisition;
"**Enlarged Share Capital**"	the issued ordinary share capital of the Company on Admission following the Placing comprising the Existing Ordinary Shares and the Placing Shares;
"**Executive Directors**"	the Directors, excluding John Booth and the Independent Directors;
"**Existing Ordinary Shares**"	the 10,768,487 Ordinary Shares in issue as at the date of this document;
"**FCA**"	the Financial Conduct Authority;
"**finnCap**"	finnCap Ltd, a company incorporated in England and Wales with registered number 06198898;
"**Form of Proxy**"	the form of proxy accompanying this document for use in connection with the General Meeting;
"**FSMA**"	the Financial Services and Markets Act 2000, as amended;
"**General Meeting**"	means the general meeting of the Company, to be held at 160 Blackfriars Road, London, SE1 8EZ on 27 April 2016 at 11.00 a.m.;
"**Governance Code**"	the UK Corporate Governance Code on principles of good corporate governance and code of best practice published by the Financial Reporting Council in September 2012, as amended from time to time;
"**Group**" or "**Maintel Group**"	the Company and its subsidiaries;
"**HMRC**"	HM Revenue and Customs;
"**Holdco Dragged Shares**"	means the shares in the share capital of Warden Holdco which are not held by either the Sellers or the Minority SPA Sellers as at the date of this document;
"**Independent Directors**"	Annette Nabavi and Nicholas Taylor;
"**ISIN**"	International Securities Identification Number;
"**Investec**"	has the meaning given in paragraph 17.6 of Part V of this document;
"**Investec Minority SPA**"	has the meaning given in paragraph 17.6 of Part V of this document;
"**London Stock Exchange**"	London Stock Exchange plc;
"**Longstop Date**"	31 May 2016, or such later date as the parties may agree;
"**LTIP**"	the Maintel 2015 Long Term Incentive Plan, details of which are set out in paragraph 7.2 of Part V of this document;

"**Minority SPA Sellers**"	means Silverfleet, RBC, NAB and Investec;
"**Minority SPA Shares**"	means the shares held in the share capital of either Warden Holdco and/or Warden Midco by the Minority SPA Sellers at the date of this document;
"**Minority SPAs**"	means the Investec Minority SPA, the NAB Investments Minority SPA, the RBC Minority SPA and the Silverfleet Minority SPA;
"**NAB**"	has the meaning given in paragraph 17.7 of Part V of this document;
"**NAB Investments Minority SPA**"	has the meaning given in paragraph 17.7 of Part V of this document;
"**New Articles**" or "**New Articles of Association**"	the new articles of association of the Company to be adopted pursuant to the Resolutions;
"**New Facilities**"	a £36 million revolving credit facility (with an additional £20 million uncommitted accordion facility), details of which are set out in paragraph 18.5 of Part V of this document;
"**Oakley**"	Oakley Capital Limited, a company incorporated in England and Wales with registered number 04091922;
"**Official List**"	the official list of the FCA;
"**Option Plan**"	the Maintel Holdings Plc 2009 Option Plan, further details of which are set out in paragraph 7.4 of Part V of this document;
"**Options**"	options to acquire or subscribe for Ordinary Shares pursuant to the Share Plans;
"**Ordinary Shares**"	ordinary shares of one pence each in the capital of the Company;
"**Placees**"	the persons who have confirmed their agreement to participate in the Placing and to subscribe for Placing Shares pursuant to the Placing;
"**Placing**"	the conditional placing of the Placing Shares pursuant to the Placing Agreement;
"**Placing Agents**"	finnCap and Oakley;
"**Placing Agreement**"	the conditional agreement dated 8 April 2016 between finnCap, Oakley, the Company, and the Directors relating to the Placing, details of which are set out in paragraph 16 of Part V of this document;
"**Placing Price**"	700 pence per Placing Share;
"**Placing Shares**"	the 3,428,572 new Ordinary Shares to be issued by the Company pursuant to the Placing;
"**Proposals**"	the Acquisition, the passing of the Resolutions, the Placing and Admission;
"**Prospectus Rules**"	the prospectus rules of the FCA made pursuant to section 73A of FSMA;
"**Proximity**"	Proximity Communications Limited, a wholly owned subsidiary of the Company;

"**RBC**"	has the meaning given in paragraph 17.5 of Part V of this document;
"**RBC Minority SPA**"	has the meaning given in paragraph 17.5 of Part V of this document;
"**Remuneration Committee**"	the remuneration committee of the Company as constituted from time to time;
"**Resolutions**"	the resolutions in the notice of the General Meeting set out in Part VI of this document (and each a "**Resolution**");
"**Shareholder**"	a holder of an Ordinary Share;
"**Share Plans**"	the LTIP, the Option Plan and the SIP;
"**Silverfleet**"	has the meaning given in paragraph 17.4 of Part V of this document;
"**Silverfleet Minority SPA**"	has the meaning given in paragraph 17.4 of Part V of this document;
"**Sellers**"	together, the parties whose names are set out in paragraph 17.1 of Part V of this document;
"**SIP**"	the Maintel Holdings Share Incentive Plan, further details of which are set out in paragraph 7.3 of Part V of this document;
"**Takeover Code**"	the City Code on Takeovers and Mergers;
"**Tax Deed**"	the tax deed dated 8 April 2016 between (1) the Warrantors and (2) the Company relating to the Acquisition, further details of which are set out in paragraph 17.3 of Part V of this document;
"**TIDM**"	trading instrument display mnemonic;
"**UK**" or "**United Kingdom**"	the United Kingdom of Great Britain and Northern Ireland;
"**uncertificated**"	an Ordinary Share recorded on the Company's register as being held in uncertificated form in CREST, and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST;
"**US**" or "**United States**"	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia;
"**Warden Holdco**"	Warden Holdco Limited, a company incorporated under the laws of England and Wales with registered number 07857625, the holding company of Warden Midco and, indirectly, the holding company of Azzurri Communications;
"**Warden Midco**"	Warden Midco Limited, a company incorporated under the laws of England and Wales with registered number 08713482, the holding company of Azzurri Communications;
"**Warrantors**"	together, the parties whose names are set out in paragraph 17.2 of Part V of this document; and
"**Warranty Deed**"	the warranty deed dated 8 April 2016 between (1) the Warrantors and (2) the Company relating to the Acquisition, further details of which are set out in paragraph 17.2 of Part V of this document.

GLOSSARY OF TECHNICAL TERMS

"**Avaya**"	Avaya Inc. is an American multinational technology company headquartered in Santa Clara, California that provides multinational business communication solutions for customer and team engagement;
"**B2B**"	business-to-business;
"**Channel Partners**"	a company partner that markets and sells Maintel's products, services and/or technologies alongside its own offering;
"**cloud**"	a technology enabling the provision of elastic, scalable computing resources to end users over a public or private network where such computing resources are delivered as a service (and not a product);
"**FTE**"	full time equivalent is a unit that indicates the workload of an employed person in a way that makes workloads comparable across various contexts;
"**IP**"	Internet Protocol;
"**IPT**"	Internet Protocol Telephony;
"**LAN**"	Local Area Network;
"**Managed Services**"	outsourced information technology and networks;
"**PBX**"	Private Branch Exchange, a private telephone network used within a company. Users of the PBX phone system share a number of outside lines for making external phone calls;
"**SME**"	small and medium sized enterprises;
"**UCaaS**"	Unified Communications as a Service;
"**Unified Communications**" or "**UC**"	the integration of software tools that are designed to help people easily communicate from the computing device that is being used;
"**VoIP**"	Voice over Internet Protocol;
"**WANs**"	Wide Area Networks.

PART I

LETTER FROM THE CHAIRMAN

Maintel Holdings Plc

(incorporated and registered in England and Wales with registered number 03181729)

Directors:	*Registered Office:*
John Booth	160 Blackfriars Road
Eddie Buxton	London
Angus McCaffery	SE1 8EZ
Mark Townsend	
Stuart Legg	
Kevin Stevens	
Annette Nabavi	
Nicholas Taylor	

8 April 2016

To the holders of Existing Ordinary Shares and, for information only, to holders of Options

Dear Shareholders,

Proposed acquisition of the holding companies of Azzurri Communications Limited

Proposed Placing of 3,428,572 Ordinary Shares at 700 pence per Ordinary Share

Adoption of New Articles of Association

Admission of the Enlarged Share Capital to trading on AIM

and

Notice of General Meeting

1. INTRODUCTION

On 8 April 2016, the Company entered into a conditional agreement with, *inter alia*, the Sellers to acquire the whole of the issued and to be issued share capital of the Azzurri Communications Group, for an aggregate consideration of £1.00. The terms of the Acquisition Agreement also provide that the Company will acquire the Azzurri Communications Group with its existing senior debt and other indebtedness. It is a term of the Acquisition Agreement that the Company procure the repayment of the Azzurri Communications Group's then existing senior debt and other indebtedness immediately following Completion which it intends to do out of part of the proceeds from the New Facilities. This equates to an enterprise value for Azzurri Communications Group of £48.5 million. The Acquisition constitutes a reverse takeover under Rule 14 of the AIM Rules, and accordingly requires Shareholder approval.

The Directors expect the Acquisition, if completed, to be a transformational acquisition with strong strategic and financial rationale. The Directors believe that the Acquisition will provide Maintel with enhanced scale and visibility, an attractive customer base, enhancement of operations, a broader product offering and will allow further capability expansion. The Directors also expect the Acquisition to be immediately earnings enhancing, delivering significant synergy benefits, which are explained further below.

The Enlarged Group will provide an offering with a broad suite of solutions and services including:

- a network services division;
- a mobile division;
- Managed Services; and
- technology and professional services.

The Acquisition is conditional, *inter alia*, on approval by Maintel's shareholders at a General Meeting to be convened and held on 27 April 2016 and Admission taking place by no later than 31 May 2016.

Admission is expected to occur at 8.00 a.m. on 28 April 2016, the Acquisition Agreement is expected to become unconditional save for Completion on 28 April 2016 and the Acquisition is expected to complete on 4 May 2016.

This document contains detailed information about the matters described above and explains why the Directors consider that they are in the best interests of the Company and its Shareholders as a whole. The Directors recommend that you vote in favour of the Resolutions to be proposed at the General Meeting, notice of which is set out in Part VI of this document.

The Directors who hold interests in Ordinary Shares have irrevocably undertaken to vote in favour of the Resolutions to be proposed at the General Meeting in respect of a total of 4,839,262 Ordinary Shares representing approximately 44.94 per cent. of the Existing Ordinary Shares.

2. BACKGROUND TO AND RATIONALE FOR THE ACQUISITION

The Company provides a comprehensive portfolio of communication and technology services, delivered on-premise or cloud based, encompassing UC, contact centre, workforce optimisation, networking and security, mobile and connectivity services, to mid-market and enterprise customers in both the private and public sector across the UK and Continental Europe. The Company has historically delivered organic growth which has been complemented by selective acquisitions such as Datapoint in 2013 and Proximity in 2014. These acquisitions have brought additional strengths in the areas of contact centres, design authority, data networking, security and wireless networks as well as additional European customers and exposure.

Azzurri Communications provides a variety of communication services, including telephony, mobile services, document solutions, workforce optimisation, security, UCaaS and Managed Service products. Azzurri Communications has an attractive customer base focused on UK SMEs and enterprises in the private and public sector. A substantial part of the Azzurri Communications' revenue stream is recurring at approximately 77 per cent. predominantly driven by cloud, data, mobile, unified communications and Managed Services, with other income including project fees from systems and installation.

The Directors believe that the Company is well placed to benefit from sector consolidation. The Directors consider that Azzurri Communications currently presents an attractive consolidation opportunity allowing the Company to enhance its offering, achieve scale benefits and to maximise value for Shareholders. The Directors believe that the Acquisition will be transformational for the Group and will deliver the following benefits to the Enlarged Group:

- complementary product offering and target market which provides enhanced scale and visibility in terms of securing revenue;
- good reputation with an attractive customer base;
- enhancement of the Company's scale of operations and provision of a broader product offering to enable cross selling and up selling, e.g. enhancing data networking;
- the ability to achieve material cost synergies associated with workforce rationalisation, supplier consolidation and certain other cost of sales and operational savings; and
- expected to be immediately earnings enhancing to the Group following Completion of the Acquisition.

Azzurri Communications has a broad suite of services which the Directors believe will strengthen Maintel's market proposition. There is little customer overlap between the two companies, which will provide the Company with an augmented customer base and should provide the Enlarged Group with a significant opportunity to cross sell and up sell services between each existing customer base.

The Directors believe the key strengths of the Enlarged Group will be:

- strong financial profile, with high levels of recurring revenue and scope for significant margin improvement;
- cash generative, asset light model;

- its enlarged client base across the private and public sector;
- an accelerated shift in the business towards the Company's strategic target markets of hosted cloud services and mobile data; and
- an increase in scale in Managed Services and mobile services.

3. INFORMATION ON AZZURRI COMMUNICATIONS

History of Azzurri Communications

The Azzurri Communications business was founded in 2000 and provides cloud based and on premise technology and managed communications services for businesses and public sector customers in the UK across the data, voice and mobile segments. Between 2000 and 2007, Azzurri Communications acquired 16 companies. In 2006, Silverfleet Capital acquired a majority stake in the company. Azzurri Communications' buy and build acquisition strategy contributed to the substantial increase in the company's debt profile. In 2011, Silverfleet Capital sold its entire holding in the company to a banking consortium (but retained a minority interest in Warden Holdco). Silverfleet Capital's exit required a significant refinancing of the debt. The company underwent a strategic review in 2013 and Azzurri Communications announced further restructuring measures in May 2014. Chris Jagusz was appointed chief executive officer in September 2014 and has focused on developing the core platform. Azzurri Communications has invested approximately £1.0 million to date in its cloud platform, ICON. From 2014 onwards, the company has focused on improving margins and rationalising the business.

The Azzurri Communications Business

Azzurri Communications provides UCaaS, connectivity, mobility and security services to mid-market UK businesses in the public and private sector.

Azzurri Communications works in partnership with businesses and is experienced in delivering solutions that are compatible with a wide range of technologies through a team of multi vendor accredited engineers. Azzurri Communications' focus is on continually integrating innovative new technologies and helping customers, particularly those with multi site operations and 250 to 5,000 full time employees, to uncover cost savings to help fund and deliver change through technology consolidation and competitive pricing.

The Azzurri Communications business has been in decline since 2013, in respect of revenue. This decline was across all revenue segments excluding Data although predominately in its mobile business (which was as a result of the change in relationship with certain carriers and the settlement of an overpayment disagreement with a carrier which was finalised in January 2015) and in Consulting, Calls and Lines. Significant restructuring costs have impacted profitability. Azzurri Communications has focused on reducing its cost base over the past three years and driving long term profit margins through product development (especially in cloud) working to improve project delivery to time and budget, process improvements and more cost effective procurement. New product launches in line with this strategy included ICON Connect, Azzurri Communications' converged connectivity solution and enterprise mobile. Recent developments include support for Skype for Business and Avaya to supplement its Mitel-based UCaaS offerings. Furthermore, the Directors believe that the Enlarged Group will significantly benefit from the identified synergies and economies of scale.

Azzurri Communications' service lines include:

Internal Reporting Lines

1. *Consulting, Calls and Lines (CCL)*

   Fixed voice calls and lines, IP voice, audio and web conferencing, cost management consultancy.

2. *Systems and Installation*

   Installation of PBX systems, LAN and IPT, CallMedia Software.

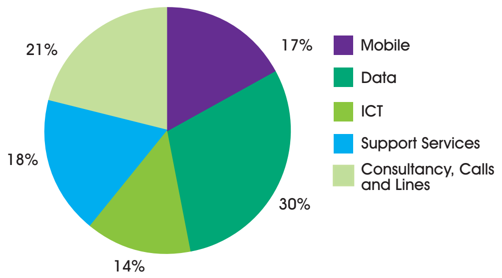
3. *Data*

   Data circuits, WANs, network monitoring.

4. *Support Services*
Onsite and remote maintenance of customers' ICT infrastructure, Managed Services.

5. *Mobile*
O2 reseller, mobile data.

Revenue by product divisions



Source: Azzurri Communications Groups' financial information for the 12 months to 30 June 2015

Accreditations

Azzurri Communications has achieved accreditations for its products and services, including the Mitel Platinum Partner accreditation, ISO accreditations for Quality Management (ISO9001) and Security (ISO27001), nine lots on the Network Services Framework (RM1045) for public sector ICT services, which accredits Azzurri Communications to tender for public sector business and the UK government's Cyber Essentials Plus accreditation.

Customers

Azzurri Communications has an attractive customer base focused on UK SMEs and enterprises in the private and public sector. Azzurri Communications' customers are sector diverse and there is limited customer concentration, with its top 15 customers accounting for only 35.3 per cent. of revenues for FY2015. Azzurri Communications has high levels of recurring revenue of approximately 77 per cent.

Azzurri Communications targets customers in three market segments:

- Enterprise – customers include Carpetright, Grant Thornton, The Co-Operative, Matalan, JD Sports, PZ Cussons, Savills, Biffa and Endsleigh;
- Public Sector – includes University College London Hospitals, the Department for Transport and South Lanarkshire Council; and
- SMEs – include Hastings Direct and Camps Solicitors.

Azzurri Communications' largest customer by revenue for the financial year ended 30 June 2015 has indicated that although it does not intend to renew its contract which expires in September 2016, it is expected it will be extended for a further six months while the customer migrates service provider. For the financial year ended 30 June 2015, this customer represented 7.3 per cent. of Azzurri Communications' revenue.

Property

Azzurri Communications leases a total of four properties and owns one property for technical, administrative and sales purposes. These properties are based in Weybridge (headquarters), Aldridge, Burnley, Fareham and East Kilbride.

Non core assets

The Acquisition of Azzurri Communications includes certain assets, which are deemed non-core assets. In particular, Azzurri Communications has a loss-making small office – home office (SoHo) mobile business based in East Kilbride, which is currently undergoing a consultation process. This business is separate from Azzurri Communications' main, mid-market-focused mobile business.

Employees

Azzurri Communications currently employs approximately 500 employees across five locations; Weybridge (HQ), Aldridge, Burnley, Fareham and East Kilbride, as at the latest practicable date prior to the publication of this document.

Overview financial information on the Azzurri Communications Group

Section B (I) of Part III of this document contains audited historical financial information on Azzurri Communications Group for the three years ended 30 June 2015 and Section B (II) contains unaudited interim financial information for the six month period ended 31 December 2015. Azzurri Communications is a wholly owned indirect subsidiary of Warden Holdco and is therefore consolidated in this historical financial information.

The following summary financial information on Azzurri Communications Group has been derived from the financial information contained in Section B (I) of Part III of this document. The following summary financial information should be read in conjunction with the full text of this document and with the financial information presented in Part III. Investors should not rely solely on this summarised financial information.

	Year ended 30 June 2013 £m	*Year ended 30 June 2014 £m*	*Year ended 30 June 2015 £m*
Revenue	111.0	104.5	101.3
Cost of Sales	(94.2)	(90.3)	(86.7)
Gross Profit	16.8	14.2	14.6
EBITDA[1]	5.6	2.1	4.6
Operating profit/(loss)	0.8	(3.0)	(0.7)
Profit/(loss) before tax	(8.0)	50.5	(4.5)

[1] Earnings before interest, tax, depreciation and amortisation.

	6 months ended 31 December 2014 £m	*6 months ended 31 December 2015 £m*
Revenue	50.1	46.2
Cost of Sales	(43.2)	(39.2)
Gross Profit	6.9	7.0
EBITDA[1]	2.2	2.0
Operating profit/(loss)	(0.7)	(0.4)
Profit (loss) before tax	(2.6)	(2.2)

[1] Earnings before interest, tax, depreciation and amortisation.

4. INFORMATION ON MAINTEL

Maintel is a leading independent B2B reseller of voice and data solutions.

History of the Group

The Group's business, which was founded by Angus McCaffery and Tim Mason, commenced trading in 1991. In the early 1990's, the Group's primary business was to provide telecommunications equipment maintenance and support services to UK businesses. The Group also had a supporting business re-selling voice minutes in London.

In June 1996, a consortium of investors, led by John Booth, established the Company as the vehicle through which they would acquire the Group. Since this transaction the Company has been the holding company of the Group. With the consortium's support, the Group expanded its product coverage to partner with Nortel and Mitel.

To further pursue its growth strategy, the Company was admitted to trading on AIM in 2004. Following its admission to AIM, key milestones for the Group include:

- the acquisition of District Holdings in 2006, adding approximately 400 customers to the Group;
- forming a key partnership with Cable and Wireless in 2007;
- the Group's acquisition of part of Redstone's Avaya business in 2010 for £1.8 million, which began its on-going partnership with Avaya;
- forming a partnership with O2 Unify for the provision of UCaaS, contact centres and enterprise communications;
- the acquisition of Totility in 2011 for £7.0 million, adding mobile telephony to the Group's portfolio;
- the acquisition, in September 2013, of the UK and Ireland operations of the Datapoint group for £3.5 million. Datapoint provide consulting and professional services in Unified Communications with a particularly strong presence in the contact centre sector. The acquisition of Datapoint provided the Group with new skill sets, allowing the Group to develop in new sectors including the contact centre market where Maintel already had a presence but where Datapoint had a much greater depth of knowledge and experience. The acquisition also provided the Group with a new opportunity in Ireland, where Datapoint has an office;
- the acquisition, in October 2014, of Proximity for £11.6 million, another Avaya Platinum Enterprise Business Partner, which increased Maintel's range of capabilities in Unified Communications, contact centre, design authority, data networking, security and wireless. The majority of contributed revenue and profit has been from within the Managed Services and equipment segment, with the remainder in network services. Synergies resulting from the joint servicing of the Proximity and Maintel bases include bringing currently subcontracted support contracts in house as a result of the combined Group's extended skillsets, and cost savings from joint purchasing. The integration of Proximity and realisation of these synergies is progressing well and significant cost savings have been achieved. The variety of sales skills across the Group has been reorganised to capitalise on opportunities presented by the Group's increasing product portfolio;
- becoming Avaya's Service Excellence Partner of the Year in 2015, which recognises Maintel's position as a leading business communications and services provider and key Avaya Platinum partner; and
- being awarded Avaya's Technical Excellence Award in 2016.

The Maintel Business

Maintel provides communication solutions to mid-market and enterprise businesses either on-premise or cloud-based. The Directors believe Maintel has long lasting relationships and retains the highest level of accreditations with its core vendors. With more than 20 years' experience, Maintel specialises in combining the skills and technologies from its vendors with the capabilities of its in-house experts to provide complete end-to-end solutions to its customers.

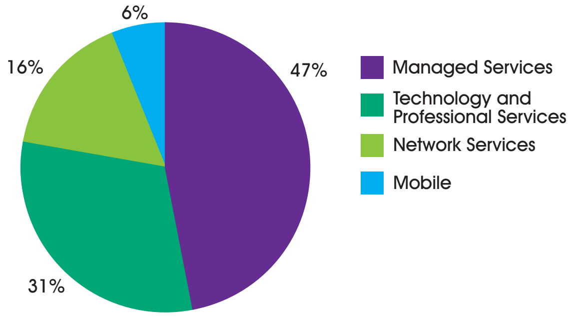
Its technology portfolio encompasses UC, contact centre, workforce optimisation, networking and security, mobile and connectivity services for mid-market and enterprise businesses in the private and public sector.

The Group has moved towards increasing its exposure to Managed Services and technology and professional services which are of a higher recurring revenue nature, combined with progression from legacy services (e.g. calls and lines). The Group has a high level of recurring revenue, at 69 per cent. The Company's customer contracts are typically multi year on a rolling renewal basis. The Group has been consistently profitable and its growth has been both organic and through selective M&A activity, with management having successfully executed and integrated a range of acquisitions since 2006.

Products and services

The Group operates in four segments: Managed Services, mobile, network services and technology and professional services. Further information on the four segments is outlined below.

Revenue by product divisions for the financial year ended 31 December 2015*



*Percentage of total group revenues, excluding intercompany revenue stream

Source: Results for the financial year ended 31 December 2015

Managed Services

The Managed Services revenue stream comes from providing maintenance, service (including monitoring and asset management) and support for on- and off-premise voice and data equipment, including UC, contact centre, data and network security products and hosted & cloud services. These contracts are typically multi-year.

Due to a mixture of both organic and acquired growth, revenue has increased over the last five years and the product mix has changed towards the new Mitel and Avaya products.

The Managed Services revenue stream, worth £23.9 million in FY2015, is largely recurring, based on delivery of a scope of service to an agreed service level agreement.

Technology and professional services

The technology and professional service division is made up of the sales of technology (equipment) and associated professional services (consultancy, project management and implementation engineering). The acquisitions of Datapoint and Proximity have led to an increase in this revenue stream.

Network services division

The network services division sells a portfolio of services which includes telephone line rental, inbound and outbound telephone calls, data connectivity, internet access and hosted IP telephony solutions. These services complement those offered by the other divisions.

Over the past 5 years, the revenue mix within the division has moved away from the traditional line rental and calls to the newer data and hosted services.

Mobile division

Maintel Mobile derives its revenue primarily from commissions received under its dealer agreements with Vodafone and O2, supplemented by revenue derived from ongoing customer monthly spend and hardware (mobile phone) sales.

Key Strengths

- Industry leading position on Avaya and Mitel portfolios;
- Quality of earnings: strength of the commercial model, driven by strong margins and a high level of recurring revenues;
- Attractive client list: limited customer concentration across all areas of technical provision, including public sector emergency and other mission-critical services;

- International network able to support customers globally: global customers demonstrate reach and the reliability of the established global support network;
- Strong public sector focus with access to government contracts;
- High level of partner support: strong relationships with technology partners mean the Company can leverage its skills to deliver innovative solutions; and
- Combining skills and technologies from market leading vendors with its in-house experts, Maintel provides complete and top end solutions delivered on premise or within the cloud.

Location and Employees

The Company has offices in London, Thatcham, Manchester and Dublin and employed approximately 270 people, as at 31 December 2015.

Overview financial information on Maintel

Audited historical financial information on Maintel for the three financial years ended 31 December 2013, 31 December 2014 and 31 December 2015 is incorporated by reference in Section C of Part III of this document.

The following summary financial information on Maintel has been derived from the financial information incorporated by reference in Section C of Part III of this document. The following summary financial information should be read in conjunction with the full text of this document and with the financial information presented in Part III (by reference). Investors should not rely solely on this summarised financial information.

	Year ended 31 December 2013 £m	*Year ended 31 December 2014 £m*	*Year ended 31 December 2015 £m*
Revenue	31.1	41.9	50.6
Profit before tax	3.6	3.8	4.2
Adjusted* profit before tax	5.2	6.1	7.3
EBITDA	4.7	5.6	6.8
Adjusted** EBITDA	5.4	6.4	7.7

*Adjusted for customer relationship intangibles and exceptional items.
** Adjusted for exceptional items.

Sales and Routes to Market

Direct Sales

Maintel's direct route to market, which accounts for the majority of sales, is focused on mid-market to larger enterprises and the public sector, offering its full range of products and services including specialist contact centre requirements. Direct customers include businesses such as CGI, Telegraph Media Group, and Age UK. Maintel is also active in the public sector, for example Maintel was awarded the Crown Commercial Service Network Services Framework to supply Public Sector organisations in August 2015, giving it privileged access across eight core areas of communications products and services to national and local public sector organisations.

In November 2015, Maintel was awarded the government G-Cloud 7 framework that allows the Company to offer cloud based UC services to the public sector. The proposition is based on the Company's Mitel cloud product and offers the public sector an opex-based, as opposed to a capex-based, service proposition.

Indirect Sales

Sales also come from Maintel's network of over 40 Channel Partners whom Maintel actively supports with sales engagement and customer relationships. Channel Partners can be broadly categorised as follows:

- Hardware and software resellers: these organisations, which typically supply equipment such as PBXs, data equipment and software, use Maintel for technical, installation and support coverage and skills. Such partners include both domestic companies and international companies who need a partner and presence in the UK and continental Europe.
- Systems integrators: these organisations provide consultancy, services, support and solutions to larger companies and the public sector and need third-party partners, such as Maintel, to meet customers' needs.
- Carriers and mobile operators: these organisations are focused on large enterprise business, who look to take the whole communications spend under one roof but outsource specialist services such as UC and contact centre support to companies like Maintel. Such partners include Vodafone and O2.

Cross-selling

The breadth of Maintel's service offering, combined with the nature of its attractive customer base, provides considerable opportunities to cross-sell business divisions. Currently, approximately one third of Maintel's customers are customers of more than one of its business divisions. This growth strategy has been a sales focus for the Group as a whole and will continue to be a focus for the Group in terms of Azzurri Communications' customers.

On Completion, the Enlarged Group will continue to use these direct, indirect and cross-selling routes to market.

Accreditations

Maintel is one of the limited number of providers in the UK to achieve ISO20000, an international standard for IT service management. The Company holds ISO9000 certification for its quality management, ISO14001 for its environmental management system and ISO27001 certification for its information security, which is increasingly important for enterprise businesses.

5. MARKET OPPORTUNITY AND COMPETITIVE ENVIRONMENT

Market Opportunity

The increasing breadth of technology solutions means that in house specialists often lack capacity, scale, experience, or knowledge of alternative solutions. UCaaS providers act as experts in delivering best of breed combinations of communications and networks, with this concept of outsourcing becoming increasingly popular. The UC market sits at a point of convergence between traditional telecoms and IT services offering users a common eco system with anytime, anywhere, connectivity from any device. The UK data services market continues to be driven by outsourcing; this is largely driven by businesses transitioning from capex-to-opex based provisioning models and continued proliferation of data.

Due to the increasing confidence in the reliability and security of wide area network connections and the adoption by almost all vendors of virtualisable software-based communications platforms, the Directors believe that the telecoms industry will see a continued move towards communications platforms deployed in public, private and virtual private clouds, especially in the SME and enterprise sectors, in order to improve competitive position through providing greater agility in the workplace and reducing costs. Maintel is already deploying and supporting deployments in all three of these cloud models.

Competitive Landscape

The Directors believe that technological change has led to the convergence between the traditionally distinct IT service, data and telecommunications sectors. The Directors believe that the Acquisition will solidify the Enlarged Group's position in the UC market.

6. ENLARGED GROUP STRATEGY

Strategy

The Group's strategy is to maintain and further its leading position in the UC and contact centre market for mid-sized and enterprise customers. The Directors believe that the Enlarged Group will have a more competitive position in its market, retaining the opportunity to deliver the flexibility customers require while benefitting from its increased scale, more favourable negotiating position with key suppliers, breadth of expertise and its combined track record to instil credibility and confidence in the Enlarged Group.

It is anticipated that the Acquisition will accelerate the shift in business towards hosted cloud services and data networking whilst increasing scope and scale in Managed Services, the areas where the Directors believe there is significant opportunity.

While the Directors' strategy remains focused on organic growth, the fragmented nature of the Managed Services market could present further opportunities to acquire complementary businesses that the Directors may consider if they believe them to be accretive to Shareholder value.

Integration Plan

The Company has developed a comprehensive plan to ensure the success of the Acquisition and the engagement of both businesses in delivering their respective goals and targets, as well as the opportunities to leverage the best of both. The plan creates a single operation, under one brand, going to market as one company with a common strategy, vision and culture.

An integration director will be appointed to implement the plan and realise the synergies and to continually refine the plan, ensuring that further areas of synergy opportunity are identified. The Directors anticipate that this process will be ongoing for approximately two years post completion of the Acquisition.

The plan identifies the need to deliver a high level of service and communication to customers, especially the top 100 customers of the combined business, during the initial integration period.

Integration Synergies

On completion of the Proposals, it is intended that the Enlarged Group be headquartered in London with other main offices in Thatcham, Dublin, Burnley, Weybridge, Fareham and Aldridge.

The Directors expect the Enlarged Group to achieve significant cost savings, primarily through operating expenditure (workforce rationalisation, property, marketing, legal and professional fees and IT licences), and cost of sales (vendor savings, supplier rationalisation, improved purchasing power, managed data service contracts brought in-house, ceased lines and economies of scale).

The synergies described above are expected to result in an annualised cost saving of approximately £4.6 million (operating expenditure savings: approximately £3.8 million and cost of sales savings: approximately £0.8 million) from the full financial year to 31 December 2017 and beyond. Achieving the cost savings is estimated to cost approximately £1.0 million in cash in the year ending 31 December 2016. £1.9 million of cost savings are expected to be realised in the financial year ending 31 December 2016.

In addition to the above, the Enlarged Group will have an improved product offering for cross selling and upselling purposes. Furthermore, the Company's existing customers will be able to access a full range of hosted and Managed Services products through Azzurri Communications' ICON platform and the Company's broad suite of and capability in UC and contact centre on premise solutions should enable Azzurri Communications to target additional managed and technology and professional services opportunities. Additional synergies are also expected from *inter alia*, certain software licences and systems migration (including billing, IT platform and management information reporting).

7. CURRENT TRADING AND PROSPECTS

Maintel Group

The Group achieved revenue of £50.6 million for 2015, up 21 per cent. from the £41.9 million in 2014, with recurring revenue at 69 per cent. Profit before tax (adjusted for exceptional items) was up 19 per cent. to £7.3 million from the £6.1 million in 2014, and EPS (adjusted for exceptional items) increased by 29 per cent. to 60.3p (2014: 46.7p).

While Q1 2016 initially saw a relatively slow start to the year, the Directors feel confident in an outlook for continued revenue growth. This is supported by two new managed service wins in the insurance and utility sectors which are expected to generate a combined annualised revenue run rate of approximately £3.0 million in due course. In addition, the Group is in advanced discussions over a single, large multi-million £ revenue contract that could yet benefit this year's turnover. With the sales pipeline now at record levels, the Board remains confident for the year ahead and looks forward to providing you with further updates in due course.

Azzurri Communications Group

Azzurri Communications Group's focus over the past 12 months has been on cost restructuring, increasing efficiency, better supply chain management and profit margin improvement. Azzurri Communications Group's broad product portfolio, including its ICON platform, should enable it to grow in line with the increasing demand for cloud-based unified communications services. Whilst revenue has been declining over the last few years, the rate of decline has now slowed and gross profit margin has stabilised.

8. PRINCIPAL TERMS AND CONDITIONS OF THE ACQUISITION

Acquisition of Azzurri Communications Group

On 8 April 2016, the Company entered into the Acquisition Agreement with, inter alia, the Sellers to acquire from the Sellers their entire legal and beneficial interest in the share capital of Warden Holdco and Warden Midco, being, respectively, the holding company and the intermediate holding company of Azzurri Communications, for an aggregate consideration of £1.00. The terms of the Acquisition Agreement provide that the Company will acquire the Azzurri Communications Group with its then existing senior debt and other indebtedness and that the Company will procure the repayment of the Azzurri Communications Group's then existing senior debt and other indebtedness immediately following Completion. Certain indebtedness of the Azzurri Communications Group to holders of Warden Midco loan notes amounting to approximately £500,000 will be extinguished prior to the Acquisition. This equates to an enterprise value for Azzurri Communications Group of £48.5 million.

Minority shareholders in Warden Holdco and Warden Midco

In addition to the Sellers, there are certain other shareholders in Warden Holdco and Warden Midco holding a minority of shares in Warden Holdco and Warden Midco. In connection with these minority shareholdings:

- certain institutions, being the Minority SPA Sellers, who hold minority shareholdings in either Warden Holdco and/or Warden Midco shall sell the shares held by them in the share capital of either company pursuant to the Minority SPAs; and
- the remaining minority shareholders in Warden Holdco shall be required by the Sellers to transfer the shares held by them in Warden Holdco to the Company in accordance with the compulsory transfer (so-called drag along) provisions contained within the articles of association of Warden Holdco which provide for the distribution of the 'Exit Proceeds' (as defined therein) in accordance with a prescribed repayment mechanism.

In this instance, no payment will be due to the Minority SPA Sellers or the dragged shareholders as the aggregate consideration payable by the Company for the Acquisition is £1.00 in aggregate which will be retained by the Company on behalf of the Sellers, the Minority SPA Sellers and the dragged shareholders.

Conditions to Acquisition

Completion of the Acquisition is conditional upon:

- approval of the Acquisition by Shareholders at the General Meeting;
- Admission of the Placing Shares;
- the Placing Agreement being in full force and effect and the New Facilities being available for draw down; and
- the Company receiving on the Completion Date:
  - o the transfer by the Sellers of all rights, title and interests in the shares held by them in Warden Holdco and Warden Midco;
  - o the transfer by the Minority SPA Sellers of all rights, title and interests as exist in the Minority SPA Shares held by the Minority SPA Sellers; and
  - o the transfer of all rights, title and interests as exist in the Holdco Dragged Shares.

Waiver of Condition

As described in the risk factor headed "The Acquisition may not complete" contained in Part II of this document, receipt of the Holdco Dragged Shares is dependent upon the effective implementation of the compulsory transfer (drag along) provisions of the articles of association of Warden Holdco. Whilst the Directors do not expect any issues with the operation of the compulsory transfer provisions, and the articles of association of Warden Holdco contain relevant provisions in order to implement the transfer of the Holdco Dragged Shares, there is the possibility that the shareholders being subjected to the drag along provisions may challenge the operation of the drag along. The Acquisition Agreement provides that the Company may elect to waive the condition that they must receive the entire issued share capital of Warden Holdco and Warden Midco in circumstances where 95 per cent. or more (but less than 100 per cent.) of the entire issued share capital of Warden Holdco and Warden Midco is capable of being transferred to the Company.

Warranties

The Acquisition Agreement includes title warranties from the Sellers in favour of the Company, with each Seller's liability under the Acquisition Agreement limited to the amount of consideration received by the Seller. Warranties in respect of Azzurri Communications Group are included in a Warranty Deed and a tax indemnity included in a Tax Deed. The Company has procured a warranty and indemnity insurance policy in the aggregate value of £25 million and it will be unable to recover in respect of the first £500,000 of claims (in which event can seek to claim for the excess thereafter). Claims under this policy are subject to certain financial limitations and caps and also, in the usual way, to matters fairly disclosed by the Warrantors.

Additional information

Additional information relating to the Acquisition Agreement, Warranty Deed and Tax Deed is set out in paragraph 17 of Part V of this document.

9. FINANCIAL IMPACT OF THE ACQUISITION

Maintel is financing the Acquisition and associated expenses through (i) a Placing, raising gross proceeds of £24.0 million and (ii) approximately £36.0 million of new debt (part of which, amongst other things, will be used to finance the Acquisition and associated costs) to be drawn in conjunction with Completion under the New Facilities.

The Acquisition is expected to be immediately earnings enhancing.

The Company entered into New Facilities with The Royal Bank of Scotland plc on or around 8 April 2016. The New Facilities total £36 million in committed funds (with an option to borrow up to a further £20 million in uncommitted accordion facilities) and are replacing the Company's existing facilities with Lloyds Bank plc. Utilisation of the New Facilities is subject to a number of conditions precedent to be satisfied prior to or immediately on Completion. The Company's existing term and revolving facilities with Lloyds Bank plc will be repaid and terminated.

The Company's Articles restrict the powers of the Company and its subsidiaries to be able to put in place debt finance and other indebtedness in the nature of borrowings. This is done by capping the amount of permitted borrowings of the Group by reference to a multiple of three times the amount of the capital and reserves of the Group as shown in the latest audited balance sheet of the Group. Although this limit is not expected to be exceeded once a consolidated audited balance sheet is prepared for the Enlarged Group, this cap will be exceeded on the basis of the current latest audited balance sheet of the Group. Accordingly, in accordance with the Articles, in the Resolutions Shareholders are being invited to approve the increase in permitted borrowings resulting from entry into the New Facilities and drawdown under the New Facilities.

The New Facilities will be used by the Company to refinance the Company's existing facilities and to part fund the Acquisition and associated costs, with the remainder being made available to fund the general corporate and working capital purpose of the Enlarged Group.

The Directors believe that the cash generation from the Enlarged Group will mean that the Enlarged Group will rapidly deleverage.

Further details of the New Facilities are set out in paragraph 18.5 of Part V of this document.

10. DIRECTORS

Directors

The Board currently comprises the following Directors:

John Booth, *Non Executive Chairman* (age 57)

John was appointed chairman of Maintel in 1996. He also chairs or acts as a non executive director of several private companies in investment management and media, and is a consultant to Herald Venture Partners. John's earlier career was spent in equity investment and broking where he held various senior positions including Head of Equities at Bankers Trust and co founder and executive chairman until 2011 of the Link Group, acquired by ICAP plc in 2008. He is a Fellow of Merton College, Oxford and a trustee of several charities in which role he serves on a number of investment committees.

Eddie Buxton, *Chief Executive Officer* (age 55)

Eddie has over 20 years' experience in the telecommunications sector and was appointed chief executive in February 2009. He joined Maintel from Redstone Plc where he was Managing Director of the Telecoms division. Prior to that, Eddie was the Business Customer Director at Centrica Telecommunications (Onetel) which was successfully sold in 2005 to Carphone Warehouse, and held Sales Director roles at NTL and Cable & Wireless.

Angus McCaffery, *Executive Director* (age 49)

Angus co founded Maintel in 1991 and was the Group's sales and marketing director until this role was assumed by Stuart Legg in late 2014. He now focuses on finding larger organic and inorganic opportunities as well as maintaining the relationships with the Company's larger partners and the overall development of the Company. He is also a non executive director of Nasstar Plc, the AIM listed cloud computing provider.

Mark Townsend, *Chief Financial Officer* (age 53)

Mark was appointed to the Board on 8 April 2016. Mark is a Chartered Accountant having qualified with Price Waterhouse (now PwC) in 1988. He has extensive operational and commercial experience across FMCG, retail, construction and rental sectors. Previously he was Group Finance Director at Livingston Ltd. During his time there, he assisted in a successful sale of the business to a PE-backed acquirer. Prior to Livingston, Mark was Group Finance Director at Brogan Group for 5 years and has held senior finance positions with Oriflame Cosmetics SA and Pitney Bowes Ltd.

Kevin Stevens, *Group Operations Director* (age 50)

Kevin was appointed to the Board on 1 January 2014. He joined the Group in June 2010 and has been a director of the main trading company, Maintel Europe Limited, since December 2011. He has worked in the Communications and IT industry since 1981, holding senior operations and general management positions with Genesis Telecommunications, Xpert Communications, Redstone and Westcon Convergence, with a focus on improving business operations, process and customer service.

Stuart Legg, *Group Sales and Marketing Director* (age 43)

Stuart was appointed to the Board on 8 April 2016. Stuart has over 23 years' experience in the telecommunications industry, focusing on delivering applications for Nortel, CISCO and Avaya portfolios. Stuart was a part of the senior management team who sold Mettoni to Enghouse in 2010 and was a board member of Proximity prior to its acquisition by the Company in 2014.

Annette Nabavi, *Non Executive Director* (age 63)

Annette was appointed to the Board on 30 June 2014. She is also a non executive director on the board of the IPSE, the Association of Independent Professionals and the Self Employed, a director of Women in Telecoms & Technology (WiTT) Ltd and a member of the Advisory Board of the National Media Museum. Annette undertakes corporate finance advisory work with AHV Associates LLP and previously held the positions of Global Head of Telecoms Business Development at ING Barings, Managing Director of XchangePoint Holdings Ltd and she was a Senior Partner at the PA Consulting Group.

Nicholas Taylor, *Non Executive Director* (age 49)

Nicholas has extensive experience of working with growing organisations, principally in the media and communications industries. He has worked as a consultant and in house, in both an executive and non executive capacity and has held senior positions in both private and public businesses and in the not for profit sector.

11. RELATED PARTY TRANSACTIONS

John Booth, Non-Executive Chairman of the Company is subscribing for a total of 571,429 Placing Shares as part of the Placing.

Angus McCaffery, Executive Director of the Company is subscribing for a total of 142,857 Placing Shares as part of the Placing. Mr McCaffery's subscription may be through funding secured against, among other things, his existing shareholding in the Company. Disclosures will be announced by the Company in accordance with the AIM Rules in due course, in such circumstances.

By virtue of Mr Booth and Mr McCaffery being Directors of the Company, their subscription for Placing Shares constitutes a related party transaction for the purposes of Rule 13 of the AIM Rules.

The independent Directors (being the Directors, excluding Mr Booth and Mr McCaffery) consider, having consulted with finnCap in its capacity as Nominated Adviser to the Company, that the terms of Mr Booth's and Mr McCaffery's subscriptions in the Placing are fair and reasonable insofar as the Company's shareholders are concerned.

Hargreave Hale Ltd ("Hargreave Hale") is a related party of the Company as defined by the AIM Rules by virtue of its status as a substantial shareholder. Hargreave Hale is subscribing for 1,001,040 Placing Shares as part of the Placing.

John Spens is a related party of the Company as defined by the AIM Rules by virtue of his status as a substantial shareholder. John Spens is subscribing for 357,143 Placing Shares as part of the Placing.

The Directors consider, having consulted with finnCap in its capacity as Nominated Adviser to the Company, that the terms of Hargreave Hale's and John Spens' subscription in the Placing are fair and reasonable insofar as the Company's shareholders are concerned.

Although not a related party transaction pursuant to the AIM Rules, Shareholders are advised that Hopton Hill Limited, a company owned by Nicholas Taylor, Non-Executive Director of the Company, is estimated to receive a fee of approximately £60,000 in relation to the consultancy services provided around the Placing and Acquisition.

Additionally, Shareholders are advised that Anchusa Consulting Limited, a company owned by Annette Nabavi, Non-Executive Director of the Company, is estimated to receive a fee of approximately £56,000 in relation to the consultancy services provided around the Placing and Acquisition.

12. INFORMATION ON THE PLACING

£24.0 million (before fees and expenses) is being raised by way of a placing of 3,428,572 Ordinary Shares at a placing price of 700 pence per Ordinary Share. The Placing Shares will represent approximately 24.1 per cent. of the Enlarged Group's issued share capital immediately following Admission. The Placing Price represents a discount of approximately 0.7 per cent. to the closing middle market price of 705 pence per Ordinary Share on 7 April 2016 (being the latest practicable day prior to publication of this document). The Placing is not being underwritten. The net proceeds will be used to fund the Acquisition.

The Placing Agreement contains certain provisions (including customary market related provisions) entitling finnCap and Oakley to terminate the Placing Agreement in certain limited circumstances at any time prior to Admission.

The Placing is conditional on the Placing Agreement becoming unconditional (and not being terminated) and the Placing Agreement is conditional, among other things: (i) the approval by shareholders of the Resolutions to be proposed at the General Meeting which will grant authority to the Directors to allot the Placing Shares and disapply pre-emption rights in respect of the Placing Shares; (ii) the Acquisition Agreement remaining in full force and effect and all conditions under the Acquisition Agreement capable of being satisfied prior to the date of Admission having been satisfied and all conditions under the Acquisition Agreement required to be satisfied after the date of Admission remaining capable of being satisfied; (iii) all conditions under the New Facilities required to be satisfied prior to the date of Admission having been satisfied; and (iv) on Admission becoming effective by no later than 8.00 a.m. on 28 April 2016 (or such later time, not being later than 8.00 a.m. on 31 May 2016, as Maintel, finnCap and Oakley may agree). Admission is expected to become effective, and dealings in the Placing Shares to commence, at 8.00 a.m. on 28 April 2016. The Placing Agreement is not subject to any right of termination after Admission.

An application will be made to the London Stock Exchange for the Enlarged Share Capital to be admitted to trading on AIM. The Placing Shares will be issued credited as fully paid and will, on Admission, rank *pari passu* with the Group's existing issued Ordinary Shares. Upon Admission, Maintel's enlarged issued share capital will comprise 14,197,059 Ordinary Shares with voting rights. Maintel does not hold any shares in treasury. This figure of 14,197,059 Ordinary Shares may be used by shareholders in Maintel following Admission as the denominator for the calculations by which they will determine if they are required to notify their interest in, or a change in their interest in, the share capital of Maintel under the FCA's Disclosure and Transparency Rules.

The Acquisition is conditional upon Admission and, accordingly, the Placing will complete before completion of the Acquisition. It is possible that the condition under the Acquisition Agreement regarding the delivery of the Holdco Dragged Shares may remain outstanding at the time of Admission. In the unlikely event that Admission occurs, but the conditions precedent in the Acquisition Agreement are not satisfied or waived, the Acquisition will not complete. In this scenario, the Directors intend that the proceeds of the Placing be invested elsewhere or returned to Shareholders in due course, subject to legal or other restrictions on so doing.

13. SHARE DEALING CODE

The Directors comply with Rule 21 of the AIM Rules for Companies relating to directors' and applicable employees' dealings in the Company's securities. Accordingly, the Company has adopted a share dealing code for directors and applicable employees and the Company will take all reasonable steps to ensure compliance by its directors and applicable employees with the provisions of the AIM Rules relating to dealing in securities.

14. CORPORATE GOVERNANCE

The Board recognises the importance of, and is committed to, good corporate governance and as has been the practice of the Company to date, it intends, following Admission, so far as is practicable and appropriate for a company of its size, stage of development and nature as a company whose securities are traded on AIM to follow the provisions of the Corporate Governance Code.

15. DIVIDEND POLICY

Declaration and payment of dividends by the Company will be dependent upon the financial position, cash requirements, future prospects and profits available for distribution of the Enlarged Group and other factors regarded by the Board as relevant at the time. It is expected that the Enlarged Group will generate sufficient profits and free cash flow to allow the Board to consider paying dividends for the financial year to 31 December 2016 and beyond, and it is the Board's intention to put in place a progressive dividend policy.

The Company paid a dividend of 20.9 pence per Ordinary Share in respect of the financial year ended 31 December 2014 and has paid a second interim dividend of 16.5 pence per Ordinary share in respect of the financial year ended 31 December 2015, in addition to the interim dividend of 12.8 pence per Ordinary Share already paid in respect of this period implying total full year dividend of 29.3 pence. It is the Board's current intention to increase the dividend per share by 5 per cent. and 10 per cent. for the financial years ending 31 December 2016 and 31 December 2017, respectively.

16. SHARE INCENTIVE SCHEMES

Share incentive schemes will remain in place as they were prior to the Acquisition and no additional schemes are proposed at this time. Further details of the Company's existing share incentive schemes are set out in paragraph 7 of Part V of this document. Rewards and benefits for the Executive Directors will be reviewed by the Remuneration Committee for the financial year ending 31 December 2016.

17. NEW ARTICLES OF ASSOCIATION

The Board proposes the adoption of the New Articles by special resolution at the General Meeting. A copy of the proposed New Articles is available for inspection at the Company's offices at 160 Blackfriars Road, London SE1 8EZ, during usual business hours on any business day up to and including the day of the General Meeting and will also be available for inspection at the General Meeting for at least 15 minutes prior to and during the meeting. Additionally the proposed New Articles are available for inspection on the Company's website at the following address: www.maintel.co.uk. The principal changes proposed to be made to the Articles are described at paragraph 6 of Part V of this document.

18. THE TAKEOVER CODE

The Takeover Code will govern takeover offers for the Company and other matters to which the Takeover Code applies. For further detail, see paragraph 20 of Part V.

19. GENERAL MEETING

Set out at the end of this document is a notice convening the General Meeting to be held on 27 April 2016 at 11.00 a.m. at the Company's offices at 160 Blackfriars Road, London SE1 8EZ at which the following Resolutions will be proposed, of which Resolutions 1 and 2 will be proposed as ordinary resolutions and Resolutions 3 and 4 will be proposed as special resolutions:

19.1 the approval of the Acquisition for the purposes of Rule 14 of the AIM Rules for Companies and the approval of the entry into the New Facilities and any drawdown under the New Facilities in excess of the limitations on borrowing powers set out in the Company's Articles;

19.2 the authorisation of the Directors to allot new Ordinary Shares in connection with the Placing;

19.3 the disapplication of statutory pre emption rights in respect of the allotment of new Ordinary Shares in connection with the Placing; and

19.4 the adoption of the New Articles.

20. ADMISSION AND CREST SETTLEMENT

As the Acquisition constitutes a reverse takeover of the Company under Rule 14 of the AIM Rules, Shareholder consent to the Acquisition is required at the General Meeting. If the Resolutions are duly passed at the General Meeting, the admission of the Company's Existing Ordinary Shares to trading on AIM will be cancelled (immediately prior to Admission) and the Enlarged Share Capital will be admitted to trading on AIM.

Application will be made to the London Stock Exchange for the Enlarged Share Capital to be admitted to trading on AIM. Admission is expected to take place at 8.00 a.m. on 28 April 2016.

The Placing Shares are eligible for CREST settlement. CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument in accordance with the requirements of CREST. The New Articles permit the holding and transfer of Placing Shares to be evidenced in uncertificated form in accordance with the requirement of CREST. Accordingly, following Admission, settlement of transactions in Placing Shares may take place within the CREST system if the relevant Shareholder so wishes. CREST is a voluntary system and Shareholders who wish to receive and retain share certificates will be able to do so.

21. TAXATION

Information regarding United Kingdom taxation is set out in paragraph 12 of Part V of this document. If you are in any doubt as to your tax position, you should consult an appropriate professional adviser immediately.

22. RISK FACTORS

Your attention is drawn to the Risk Factors set out in Part II of this document.

23. ADDITIONAL INFORMATION

You should read the whole of this document and not just rely on the information contained in this Part I. Your attention is drawn to the additional information set out in Parts III to V of this document.

24. ACTION TO BE TAKEN

You will find accompanying this document a Form of Proxy for use in connection with the General Meeting. Whether or not you intend to be present at the General Meeting, you are asked to complete the Form of Proxy in accordance with the instructions printed on it so as to be received by the Company's registrars, Computershare Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY, as soon as possible but in any event not later than 11.00 a.m. on 25 April 2016. Completion of the Form of proxy will not preclude you from attending and voting at the General Meeting should you wish.

25. RECOMMENDATIONS AND IRREVOCABLE UNDERTAKINGS

The Directors consider, for the reasons set out above, that the Proposals are in the best interests of the Company and Shareholders as a whole. Accordingly, the Directors recommend that you vote in favour of the Resolutions at the General Meeting.

The Directors who hold interests in Ordinary Shares have irrevocably undertaken to vote in favour of the resolutions to be proposed at the General Meeting in respect of a total of 4,839,262 Ordinary Shares, representing approximately 44.94 per cent. of the Existing Ordinary Shares.

In addition to the Directors, certain other Shareholders have irrevocably undertaken to vote in favour of the Resolutions in respect of the Ordinary Shares in which they are interested, amounting, in aggregate, to 7,593,259 Ordinary Shares, representing approximately 70.5 per cent. of the Existing Ordinary Shares.

PART II

RISK FACTORS

This document contains forward looking statements, which have been made after due and careful enquiry and are based on the Directors' current expectations and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. These forward-looking statements are subject to, *inter alia*, the risk factors described in this Part II. The Directors believe that the expectations reflected in these statements are reasonable, but they may be affected by a number of variables which could cause actual results or trends to differ materially. Each forward-looking statement speaks only as of the date of the particular statement.

Factors that might cause a difference include, but are not limited to, those set out in this Part II. Given these uncertainties, prospective investors are cautioned not to place any undue reliance on such forward looking statements. The Company disclaims any obligation to update any such forward looking statements in the document to reflect future events or developments.

Any investment in the Ordinary Shares would be subject to a number of risks. Prior to investing in the Ordinary Shares, prospective investors should consider carefully the factors and risks associated with any investment in the Ordinary Shares, the Group's business and the industry in which it operates, together with all other information contained in this document including, in particular, the risk factors described below. Additional risks and uncertainties that are not currently known to the Group, or that it currently deems immaterial, may also have an adverse effect on the Group's business, financial condition and operating results. If this occurs the price of the Ordinary Shares may decline and investors could lose all or part of their investment. Investors should consider carefully whether an investment in the Ordinary Shares is suitable for them in light of the information in this document and their personal circumstances.

The following is not an exhaustive list or explanation of all risks that prospective investors may face when making an investment in the Ordinary Shares and should be used as guidance only. The order in which risks are presented is not necessarily an indication of the likelihood of the risks actually materialising, of the potential significance of the risks or of the scope of any potential harm to the Group's business, prospects, results of operation and financial position.

RISKS RELATING TO THE ACQUISITION

The Acquisition may not complete

Completion of the Acquisition is subject to the satisfaction (or waiver) of a number of conditions contained in the Acquisition Agreement including the approval of the Acquisition by the Shareholders at the General Meeting, Admission and the Placing Agreement being in full force and effect and the New Facilities being available for drawdown. The Completion of the Acquisition is also dependent upon the effective implementation of drag provisions in the articles of association of Warden Holdco. If Shareholders do not approve the Acquisition at the General Meeting or the drag along provisions are challenged or not effective then, subject to the exercise by the Company of the waiver of the condition such that the Company may receive 95 per cent. or more (but less than 100 percent.) of the entire issued share capital of Warden Holdco and Warden Midco, then the Acquisition may not complete, which could result in a delay in the achievement of the Company's strategic objectives.

In the unlikely event that Admission occurs, but the conditions precedent in the Acquisition Agreement are not satisfied or waived, the Acquisition will not complete. In this scenario, the Directors intend that the proceeds of the Placing be invested elsewhere or returned to Shareholders in due course, subject to legal or other restrictions on so doing.

In the event that the Acquisition proceeds and the Company agrees to receive 95 per cent. or more but less than 100 per cent. of the issued share capital of Warden Holdco, this will result in minority shareholders in Warden Holdco. This may result in administrative complexity in convening meetings of shareholders of Warden Holdco and may limit flexibility for Warden Holdco in the future particularly in relation to dividends and distribution by Warden Holdco to its shareholders.

Maintel's ability to effectively and fully realise the benefits of the Acquisition

The Enlarged Group may not realise all the expected operational benefits from the Acquisition or may encounter difficulties in achieving these anticipated benefits or incur unexpected costs.

Operating two established businesses together is a complex exercise and carries associated risks. If not managed carefully, the operational effectiveness and efficiency of the two businesses could be negatively affected, impacting upon profitability and cash generation as well as relations with key stakeholders.

Maintel's plan to cross sell services and/or products from Maintel and Azzurri Communications to their respective customer networks and the achievement of certain sales, operating and capital expenditure efficiencies could take longer and prove more difficult than anticipated. Similarly, certain production, procurement and administrative efficiencies between Maintel and Azzurri Communications may take longer to realise and cost more than expected as a result of, *inter alia*, differences in organisational structure, IT systems, management and operational issues. This could reduce the potential benefits arising from the Acquisition, or have a negative impact on the business, its operating profit or the overall financial condition of the Enlarged Group.

There may be unforeseen integration difficulties which may distract or overstretch management

The integration of the Azzurri Communications Group will require significant time and effort on the part of the Enlarged Group's management. If such integration difficulties are significant, this could adversely affect the business, financial condition, results of operations or prospects of the Enlarged Group.

The process of integrating operations could, amongst other things, divert management's attention away from the activities of one or more of the existing operations, as well as interrupt business momentum, and could result in a loss of key personnel. Although regulatory and operational decision making will often be undertaken by each of the businesses locally, coordinating its decision making across all of the businesses in the Enlarged Group will present challenges within the Enlarged Group's management team.

There is a risk that the challenges associated with managing the Enlarged Group will distract or overstretch the management team and that consequently the underlying businesses will not perform in line with management or shareholder expectations.

Risk that the desired synergy benefits may not be achieved by the Enlarged Group

The value of an investment in the Enlarged Group is dependent on the Enlarged Group achieving its strategic aims. The Enlarged Group is targeting significant synergies from the Acquisition and the Enlarged Group's financial planning and funding strategies are based in part on realising the synergies. There is a risk that synergy benefits from the Acquisition may fail to materialise, may take longer than anticipated or they may be lower than have been estimated. In addition, the cost of funding these synergies may exceed expectations and such eventualities may have a material adverse effect on the financial position of the Enlarged Group.

Risk that the Azzurri Communications Group's results will not match Maintel's expectations

If the results and cash flows generated by the Azzurri Communications Group are not in line with the Company's expectations, it may materially impact on the financial performance of the Enlarged Group. Such an impact on the financial performance of the Enlarged Group may mean that the Directors' expectation that the Acquisition will be earnings accretive to Shareholders in the current financial year of Maintel after Completion will not be achieved. In addition, any goodwill that arises on the Acquisition may be required to be written down, which, while having no cash impact, could have an adverse effect on the Enlarged Group's financial position, performance and share price.

Due diligence

Whilst due diligence has been conducted on the Azzurri Communications Group, some of the documentation maintained by the Azzurri Communications Group is incomplete or inconclusive, including in relation to the historical financial arrangements of the Azzurri Communications Group. In particular, the Sellers have not provided definitive confirmation with respect to the repayment or write off of certain historical loans. Whilst such issues appear to be historical concerns, and the Azzurri Communications Group has prepared a number of years of audited financial statements since the date of such historical loans, there can be no guarantee that issues regarding the historical financial arrangements of Azzurri Communications Group may not arise in the future.

Whilst the Company has received confirmations through the warranties and indemnities under the Acquisition Agreement, Warranty Deed and Tax Deed and has certain protections under the Warranty and Indemnity Policy, there is no guarantee that such arrangements will provide adequate compensation for the Company for any loss or liability arising from any undisclosed liabilities, issues or defects that may arise in relation to Azzurri Communications Group. Nor is there any guarantee that any loss or liability incurred is capable of being recovered in full under the terms of the Warranty and Indemnity Policy. This could have a material adverse effect on the financial position of the Enlarged Group.

Dilapidation Provisions

The Company has made provision for certain cash outflows that may arise upon cessation of Azzurri Communications' leases as a result of past operations. The Group cannot be certain that the provisions made for leasehold dilapidations will be sufficient in any event and should further liabilities arise this could adversely affect the Enlarged Group's business, financial condition and operating results.

Dependence on key customers

While no individual customer represents more than 8 per cent. of Azzurri Communications' total revenues, Azzurri Communications has a number of larger customers that would account for a significant proportion of its business. A failure by the Enlarged Group to meet minimum quality and service obligations agreed with these customers, an insolvency event in respect of one of Azzurri Communications' key customers, or a decision by one of these customers to direct their business elsewhere, could adversely affect the Enlarged Group's business, financial condition and operating results.

Risk that third parties may terminate or alter existing contracts with the Azzurri Communications Group

Certain agreements that the Azzurri Communications Group has with its key suppliers, service providers and customers, including financing and credit agreements, contain "change of control" or similar clauses allowing the counterparty to terminate or change the terms of the contract. These change of control provisions may be triggered by the Acquisition. In addition, a number of the contracts of the Azzurri Communications Group are short term, not in writing or continuing past their formal expiry date. Accordingly, there is a risk that the counterparties to those agreements may, following the change of control of Azzurri Communications at Completion, exercise any rights that they may have under such agreements to terminate the agreements or elect not to continue with the Azzurri Communications Group once acquired by the Company. Such termination or other loss of contract could have an adverse effect upon the Enlarged Group's financial position, performance and share price.

Debt Financing, covenants and interest rate risk

The Acquisition will increase the overall leverage of the Enlarged Group, which will result in increased borrowing costs which could limit the Enlarged Group's commercial and financial flexibility. In connection with the Acquisition, Maintel will enter into the New Facilities giving access to a revolving credit facility part of which will be used, amongst other things, to finance the Acquisition and associated costs. The level of borrowings creates a risk that the Enlarged Group will be unable to service debt payments, or comply with other requirements of the borrowing in the future, rendering it repayable. The terms of the debt also contain certain restrictive covenants as further described in paragraph 18.5 of Part V of this document, the breach of which may trigger default provisions. Covenants may also restrict the Group's business and funding decisions and could adversely affect the Enlarged Group's business, financial condition and operating results. There is also a risk that borrowings will not be able to be refinanced in future, or that the terms of such refinancing may not be as favourable as the existing terms of borrowing. Any failure to meet the terms of the New Facilities may have a material adverse effect on the Enlarged Group's business.

Accordion Facility may not be available

The New Facilities include an "accordion facility" which would potentially allow the Enlarged Group to seek an additional up to £20 million of debt finance. However, this potential facility may only be made available on the satisfaction of certain conditions and with the agreement of the original lender and is subject to credit approval. If such facility is not made available, this could impact on the Enlarged Group's ability to grow its business in line with its business plan, which could adversely affect the business, financial condition and returns to shareholders.

RISKS RELATING TO THE INDUSTRY IN WHICH THE GROUP OPERATES

The pricing environment in the telecoms industry could become more difficult than anticipated

Prices for many telecoms products have declined consistently in recent years, through a combination of regulatory intervention and market competition. These declining price trends are expected to continue. It is possible that the pricing environment could become more difficult than currently anticipated by the Company, and this could have an adverse impact on the Enlarged Group's revenues and profit margins. The Group has experienced pricing pressures from competitors and customers which may adversely affect sales levels or gross margins. In particular, the Company has had, and the Enlarged Group will have, greater competition when tendering for and in retaining its larger customers.

Government and legislative change

There may be changes in future government policy in relation to mobile and wireless telecommunications which may have a material adverse effect on the Enlarged Group's business.

The UK telecoms market is subject to regulation by Ofcom

The Group's main businesses are principally regulated and supervised by Ofcom as well as by government and other regulatory authorities at both a UK and EU level. There has been in the past and there is likely to be further regulatory intervention in the future which may have unforeseen impacts on market pricing and services provided by the Group at that time. This could include the regulation of services purchased by the Group for use in its service offerings, the regulation of services sold by the Group and the regulation of services with which the Group competes.

Decisions made by regulators and the courts could have an adverse impact on the Group's financial performance and such impact could on occasion be retrospective.

Competition

The Group's, and following Completion the Enlarged Group's, current and potential competitors have established, or may establish, financial and strategic relationships amongst themselves or with existing or potential customers or other third parties to increase the ability of their products to address customer needs. Accordingly, it is possible that new competitors or alliances amongst competitors could emerge and acquire significant market share. Existing and/or increased competition could, therefore, adversely affect the Group's, and following Completion the Enlarged Group's, market share and/or force the Group, and following Completion the Enlarged Group, to reduce the price of its products, which could have a material adverse effect on the Group's, and following Completion the Enlarged Group's, performance, financial condition or business prospects.

Technological Change

The Group operates in markets that are subject to constant technological development, evolving industry standards and changes in customer needs. Therefore, the Group, and following Completion the Enlarged Group, is subject to the effects of actions by competitors in these markets and relies on its ability to anticipate and adapt to constant technological changes taking place in the industry. To maintain its strong position in the market, the Group, and following Completion the Enlarged Group, needs to successfully market its products and services and respond to both commercial actions by competitors and other competitive factors affecting these markets, anticipating and adapting promptly to technological changes, changes in consumer preferences and general economic, political and social conditions.

Failure to do so effectively could have an adverse effect on the Group's, and following Completion the Enlarged Group's, business, prospects, results of operations, financial condition or the market price of the Ordinary Shares.

New products and technologies arise constantly while the development of existing products and technologies could render obsolete the products and services the Group, and following Completion the Enlarged Group, offers and the technologies it uses. The Group and, following Completion the Enlarged Group may incur unforeseen costs due to technological change. An increase in the level of capital expenditure would adversely affect the Group's, and following Completion the Enlarged Group's, free cash flow.

Unanticipated interruptions

The Group's business depends on providing customers with highly reliable services. Unanticipated network or other interruptions may occur as a result of system failures, (whether accidental or otherwise) including as a result of hardware or software failures, which affect the quality of or cause an interruption in the Group's service. Such failures can result from a variety of factors within the Group's control, including human error, equipment failure, power loss, failure of services related to the internet and telecommunications, physical or electronic security breaches, as well as factors outside of the Group's control, including, *inter alia*, sabotage, vandalism, system failures of network service providers, fire, earthquake, adverse weather and other natural disasters, water damage, fibre optic cable cuts, power loss not caused by the Group and terrorism.

The Group, and following Completion the Enlarged Group, may not be able to meet the levels of service expected from customers or which it is required to meet in the event of service interruptions. Any such failure could result in customer dissatisfaction and reduced revenues and may also damage the Group's, and following Completion the Enlarged Group's, reputation and could reduce the confidence of the Group's, and following Completion the Enlarged Group's, customers in its services, impairing its ability to retain existing customers and attract new customers.

The Group's infrastructure and systems are at risk from cyber attacks

The Group relies on information technology systems to conduct its operations. Because of this reliance, the Group and in particular its infrastructure and systems are at risk from cyber attacks. Cyber attacks can result from deliberate attacks or unintentional events and may include (but are not limited to) third parties gaining unauthorised access to the Group's infrastructure and systems for the purpose of misappropriating its financial assets, intellectual property or sensitive information, corrupting data, or causing operational disruption. If the Group suffers from a cyber attack, whether by a third party or insider, it may incur significant costs and suffer other negative consequences, such as remediation costs (including liability for stolen assets or information) and repairing any damage caused to the Group's network infrastructure and systems. The Group may also suffer reputational damage and loss of investor confidence.

RISKS RELATING TO THE ENLARGED GROUP'S BUSINESS

Vulnerability to customer churn

The nature of the Group's core managed services business means that managed service contracts may be reviewed after their initial term by customers renewing or updating their communications services or by customers periodically reviewing their contractual arrangements. This can lead to customers re-tendering their business. Maintel, and following Completion the Enlarged Group, needs to ensure that it retains as many of its current customers as possible as well as increasing its customer base through new sales. Any significant reduction in its current customer base could have an adverse effect on the Group's, and following Completion the Enlarged Group's, revenue and profitability.

Strategic partnerships

Part of Maintel's strategy is to leverage its relationships with strategic partners. There can be no guarantee that the Enlarged Group will be able to enter into further strategic alliances or partnership arrangements, or that potential and existing partners will not enter into relationships with competitors. The Enlarged Group's failure to establish further strategic alliances or the loss of existing partners could have a material adverse effect on its business and financial condition.

The Group is subject to significant competition, which may increase

The Group competes with a number of competitors, some of which have greater financial, marketing and other resources than the Group. These competitors may seek to develop products which more successfully compete with the Group's, and following Completion the Enlarged Group's, current product range and they may also adopt more aggressive pricing policies or undertake more extensive marketing and advertising campaigns. The Group's competitors may be able to respond more quickly to new or emerging technologies, changes in customer requirements and/or demands, or to devote greater resources to the development, promotion and sales of their products and services than the Group, and following Completion the Enlarged Group, can. This may have a negative impact on sales volumes or profit margins achieved by the Group, and following Completion the Enlarged Group, in the future. The Group, and following Completion the

Enlarged Group, would face an increase in competition if existing competitors further developed their product ranges or if there were new entrants to the market with comparable or competitively superior products.

In addition, changes in technology are altering the nature of how communications services are provided and consumed and reducing the importance of national boundaries. Therefore in future the Enlarged Group may face increased competition from competitors who are different from those it has competed with historically or who are based outside the UK.

The planned development and expansion of the Group's, and following Completion the Enlarged Group's, business may not be achieved

Any failure of the Group, and following Completion the Enlarged Group, to ensure that its products remain competitive in the marketplace may have a material impact on the Group's, and following Completion the Enlarged Group's, financial performance. Maintel plans to continue in the future to develop innovative solutions for its indirect and direct customers but there can be no assurance that the Group, and following Completion the Enlarged Group, will be able successfully to develop new products and expand its business as planned or that the new products will be successful or that the business they generate will be profitable.

If the Group is unable to maintain a high level of customer service and customer satisfaction, demand for the Enlarged Group's products and services could suffer

The Directors believe that the Group's future revenue growth depends on the Group's ability to provide customers with quality service that not only meets the Group's stated commitments, but meets and then exceeds customer service and product expectations. If the Group, and following Completion the Enlarged Group, is unable to provide customers with quality customer support in a variety of areas, it could face customer dissatisfaction, decreased overall demand for its services, and loss of revenue. In addition, the Group's, and following Completion the Enlarged Group's, inability to meet customer service and product expectations may damage its reputation and could consequently limit its ability to retain existing customers and attract new customers, which would adversely affect the Enlarged Group's ability to generate revenue and negatively impact its operating results.

The technology upon which the Group's products and services are based may become obsolete

The sectors in which the Group competes are subject to rapid and significant changes in technology, and the technology upon which the Group's products and services are based may become obsolete or may not continue to have sufficient market acceptance to create adequate demand for the Group's products and services. In order to compete successfully, the Group, and following Completion the Enlarged Group, will need to continue to improve its products and services and to develop and market new products and services that keep pace with technological change.

The Group and, following Completion, the Enlarged Group, may also incur unforeseen costs in the course of such product and service development including in respect of investment in fixed assets. An increase in the level of capital expenditure would adversely affect the Group's, and following Completion the Enlarged Group's, free cash flow.

The Group may not be successful in developing new products and appropriately pricing its new and existing products

The Group's continued success is dependent on the successful development of new products, in particular those which differentiate it from its competitors and which anticipate the evolving needs of its customers. Any failure to develop new products on a timely basis and to price new and existing products appropriately may affect the quality of services delivered to customers and adversely impact the reputation and financial condition of the Group, and following Completion the Enlarged Group.

The Group's performance is dependent on maintaining competitive customer service levels

Failure to provide and maintain competitive customer service levels and operational and back office processes could result in customers moving to other providers, and this could have an adverse effect on the financial position of the Group, and following Completion the Enlarged Group.

The Group is dependent on the supply of certain products and services

The Group is dependent on third party suppliers for the provision of network infrastructure, network interconnection, IP traffic transit, equipment and associated services. The performance of equipment and services purchased from third party suppliers is not guaranteed to be error free or to ensure 100 per cent. service availability (and failures have occurred which have triggered service outages affecting the Group's customers), and any such performance failures could adversely affect the level of service the Group, and following Completion the Enlarged Group, delivers to its customers.

Any breakdown or change in the Group's relationships with its suppliers, any supplier declining to sell products or services to the Group for any reason, any material changes in prices, any disruption to the supply of products or services to the Group, any supplier having financial difficulties or going out of business and therefore not satisfying orders, or product liability claims relating to products supplied by third parties could have an adverse effect on the Group's, and following Completion the Enlarged Group's business. Should the Group be required to change a supplier it may be that the particular products or services provided are difficult and/or time consuming to replace or that the Group has to incur additional costs in making the change or is unable to fully replicate the desired functionality.

Contracts with mobile operators

The Group is reliant on contracts with mobile operators in order to provide its services. Any termination, non renewal or variation of the commercial terms of one or more of such contracts could have an adverse effect on the Group's, and following Completion the Enlarged Group's, business, prospects, results of operations, financial condition or the market price of the Ordinary Shares.

The ownership and use of intellectual property by the Group may be challenged by third parties or otherwise disrupted

The Group relies and, following Completion, the Enlarged Group will rely on intellectual property laws and third party non-disclosure agreements to protect its intellectual property rights. The Group currently has, and following Completion the Enlarged Group will have, in place a policy of requiring its consultants, advisors and third party partners to enter into confidentiality agreements and its employees to enter into assignment of invention, non-disclosure and non-compete agreements. However, historically, on a small number of occasions, the Enlarged Group may not have entered into such agreements with all parties that have had access to its confidential information or intellectual property. There is also no assurance that such agreements will provide for a meaningful protection of confidential information or intellectual property in the event of any unauthorised use or disclosure of information. Furthermore the Group and, following Completion, the Enlarged Group cannot provide assurance that any of its employees, consultants, contract personnel or third party partners, either accidentally or through wilful misconduct, will not cause serious damage to its programmes and/or its strategy, by, for example, disclosing confidential information to its competitors. It is also possible that confidential information could be obtained by third parties as a result of breaches of the Group's and, following Completion, the Enlarged Group's computer systems or its physical or electronic security systems. Despite precautions which may be taken by the Group to protect its products, unauthorised parties may attempt to copy, or obtain and use, its products and the technology incorporated in them. Additionally, intellectual property required by the Group to develop, market and sell its products, or the intellectual property belonging or licensed to the Group may be challenged by third parties and may not be available to it indefinitely. Any action to enforce the Group's, and following Completion the Enlarged Group's, rights against any misappropriation or unauthorised use and/or disclosure of confidential information and intellectual property is likely to be time-consuming and expensive and may ultimately be unsuccessful, or may result in a remedy that is not commercially adequate.

Risk of loss of key management or personnel

The Group is and, following Completion, the Enlarged Group will continue to be reliant on the continued services of its key personnel, who have skills which are critical to the continued successful operation of the business. Failure to retain such individuals, or to attract and retain strong management and technical staff in the future, could have an adverse effect upon any part of the Group's and, following Completion, the Enlarged Group's business and its results. The risk of departure of, injury or illness to the Group's, and following Completion the Enlarged Group's, key employees could lead to the Group, and following Completion the Enlarged Group, failing to achieve its objectives, which could have an adverse effect on the financial condition or results of operations of the Group and, following Completion, the Enlarged Group.

Employment contracts have been entered into and other steps taken to encourage the retention of key personnel, but there can be no assurance that the Group and, following Completion, the Enlarged Group will be able to retain such individuals, or to attract and retain strong management and technical staff in the future, and its business, results of operations, financial condition and/or growth prospects could be materially adversely affected if certain key individuals either cease to be employed by, or their services cease to be available to the Group and, following Completion, the Enlarged Group.

The Group is, and following Completion, the Enlarged Group will be reliant on certain key customers

Although the Group has, and the Enlarged Group will have, a diverse customer base, and although the Group is confident that the quality of services it provides should continue to make those relationships successful, there is no assurance that will be the case. These relationships (and underlying agreements) could be lost for a variety of reasons including, but not limited to, the Group's services not meeting customer expectations and market competition. Loss of one or more customers could have a material adverse impact on the Group's financial performance, operating results and cash flows.

Contractual Terms

The Group's contracts and, following completion, the Enlarged Group's contracts may lack uniformity or be based upon the terms and conditions set by its customers. As a result, the Group will likely negotiate contracts on a case-by-case basis and, in order to close a transaction, may sometimes accept onerous contract terms. In particular, some contracts contain uncapped indemnity provisions. If the Group is unable effectively to negotiate with key customers and partners, the business and operating results of the Company may be adversely affected.

Claims by third parties

While the Directors believe that the Group's products and other intellectual property do not infringe upon the proprietary rights of third parties, there can be no assurance that the Group will not receive communications from third parties asserting that the Group's, and following Completion the Enlarged Group's, products and other intellectual property infringe, or may infringe, their proprietary rights. Any such claims, with or without merit, could be time consuming, result in costly litigation and the diversion of technical and management personnel, cause product delays or require the Enlarged Group to develop non infringing technology or enter into royalty or licensing agreements or re brand products. Such royalty or licensing agreements, if required, may not be available on terms acceptable to the Enlarged Group or at all. In the event of a successful claim of product infringement against the Group and any failure or inability of the Enlarged Group to develop non infringing products or licence the infringed or similar products, the Enlarged Group's business, operating results or financial condition could be materially adversely affected.

Risks relating to obtaining financing

The Group aims to finance its current and future operations with a mixture of equity and debt financing. No assurance can be given that the Group and, following Completion, the Enlarged Group will be able to raise equity and debt financing in the future. If the Enlarged Group is unable to obtain the funding it requires in the future it may have a material adverse effect on the Enlarged Group's future financial condition and results.

Staff misconduct

There is a risk to the Group and, following Completion, the Enlarged Group that staff misconduct could occur. Misconduct by staff could include fraud, destroying computer data, or hiding from the Group, and following Completion the Enlarged Group, unauthorised or unsuccessful activities, which, in either case, may result in unknown and unmanaged risks or losses. Staff misconduct could also involve the improper use of confidential information, which could result in regulatory sanctions and serious reputational harm. It is not always possible to detect employee misconduct and the precautions the Group, and following Completion the Enlarged Group, takes to prevent and detect this activity may not be effective in all cases and the Group's, and following Completion the Enlarged Group's, business, operating results or financial condition could be materially adversely affected.

Force majeure

The Group's and, following Completion, the Enlarged Group's operations now or in the future may be adversely affected by risks outside the control or anticipation of the Group, and following Completion the Enlarged Group's, including labour unrest, civil disorder, war, subversive activities or sabotage, fires, earthquakes, floods, explosions or other catastrophes, epidemics or quarantine restrictions, which may have a material adverse effect on the Group's and, following Completion, the Enlarged Group's future financial condition and results.

The Group's, and following Completion the Enlarged Group's, performance could be adversely affected by poor economic conditions

The Group and, following Completion, the Enlarged Group derives most of its profits from the UK and is therefore sensitive to fluctuations in the UK economy. The Group's performance depends to a certain extent on a number of factors outside of the control of the Group which impact on the UK's corporate spending, including political and economic conditions which may prevent the Group and, following Completion, the Enlarged Group from accessing its funds in particular, the current uncertainty around the referendum in the UK on continued membership of the European Union and uncertainty in the event of a vote to leave the European Union may lead to uncertain markets. Changes in economic conditions in the United Kingdom and elsewhere, including, for example, interest rates, rates of inflation, industry conditions, political and diplomatic events and trends, tax laws, gross domestic product levels, credit conditions, and other factors could have an adverse effect on the financial performance and prospects of the Group, and following Completion the Enlarged Group.

Acquisition risk

The Group may acquire other businesses if suitable opportunities become available. Any future acquisition poses integration and other risks which may significantly affect the Group's, and following Completion the Enlarged Group's, results or operations. To the extent that suitable opportunities arise, the Group, and following Completion the Enlarged Group, may expand its business through the identification and acquisition of companies, technologies, products and services.

There can be no assurance that the Group and, following Completion, the Enlarged Group will identify suitable acquisitions or opportunities, obtain the financing necessary to complete and support such acquisitions or acquire businesses on satisfactory terms, or that any business acquired will prove to be profitable. In addition, the acquisition and integration of independent companies is a complex, costly and time consuming process involving a number of possible problems and risks, including possible adverse effects on the Group's and, following Completion, the Enlarged Group's operating results, diversion of management's attention, failure to retain personnel, failure to maintain customer service levels, disruption to relationships with customers and other third parties, risks associated with unanticipated events or liabilities and difficulties in the assimilation of the operations, technologies, systems, services and products of the acquired companies.

No assurance can be given that the Group and, following Completion, the Enlarged Group will be able to manage future acquisitions profitably or to integrate such acquisitions successfully without substantial costs, delays or other problems and any failure to achieve successful integration of such acquisitions could have a material adverse effect on the results of operations or financial condition of the Group and, following Completion, the Enlarged Group.

Tax risk

Any changes to current UK and international taxation legislation (including corporate, personal, capital and indirect taxation), the interpretation of such legislation by tax authorities as well as changes to accounting standards, may impact on the Group's and, following Completion, the Enlarged Group's financial situation and results. There is also a risk of unexpected tax costs through the failure of tax planning, or challenge by tax authorities of the basis of transfer pricing. These matters could have a material adverse effect on the Group's and, following Completion, the Enlarged Group's, business, results of operations, financial condition and/or growth prospects.

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

Upon Admission, John Booth and Angus McCaffery will between them beneficially own, in aggregate, approximately 39.0 per cent. of the Enlarged 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.

RISKS RELATING TO THE ORDINARY SHARES

The market price of the Ordinary Shares may fluctuate significantly in response to a number of factors, some of which may be out of the Company's control

Publicly traded securities from time to time experience significant price and volume fluctuations that may be unrelated to the operating performance of the companies that have issued them. In addition, the market price of the Ordinary Shares may prove to be highly volatile. The market price of the Ordinary Shares may fluctuate significantly in response to a number of factors, some of which are beyond the Company's control, including but not limited to: variations in operating results in the Company's reporting periods; changes in financial estimates by securities analysts; poor stock market conditions affecting companies engaged in the same sector; additions or departures of key personnel; any shortfall in turnover or net profit or any increase in losses from levels expected by securities analysts; and future issues or sales of Ordinary Shares. Any or all of these events could result in a material decline in the price of the Ordinary Shares.

Suitability of the Ordinary Shares as an investment

The Ordinary Shares may not be a suitable investment for all the recipients of this document. Before making a final decision, Shareholders and other prospective investors are advised to consult an appropriate independent financial adviser authorised under the FSMA if such Shareholder or other prospective investor is resident in the UK or, if not, from another appropriately authorised independent financial adviser who specialises in advising on acquisitions of shares and other securities.

Investment in shares traded on AIM is perceived to involve a higher degree of risk than investment in a company whose shares are listed on the Official List of the UK Listing Authority. An investment in the Ordinary Shares may be difficult to realise.

The value of the Ordinary Shares, and the income received from them, can go down as well as up and Shareholders may receive less than their original investment.

In the event of a winding up of the Company, the Ordinary Shares will rank behind any liabilities of the Company and therefore any return for Shareholders will depend on the Company's assets being sufficient to meet the prior entitlements of creditors.

Legislation and tax status

This document has been prepared on the basis of current legislation, regulation, rules and practices and the Director's interpretation thereof. Such interpretation may not be correct and it is always possible that legislation, rules and practice may change. Any change in legislation and in particular tax status or tax residence of the Group or in tax legislation or practice may have an adverse effect on the returns available on an investment in the Company.

The Company's ability to meet its dividend payment objectives or pay dividends in the future is not certain

Maintel is the ultimate holding company of the Group. The future prospects, financial condition and results of operations of Maintel are primarily dependent on the respective trading performance of members of its Group and, following Completion, the Enlarged Group, and upon the level of distributions, interest payments and loan repayments, if any, received from them, and upon any amounts received on asset disposals and the level of their respective cash balances. The failure of the Group's and, following Completion, the Enlarged Group's, subsidiaries to generate profits and cash may result in Maintel having insufficient funds to make dividend payments in line with the Board's dividend policy to its shareholders.

Further issuances of Ordinary Shares may be dilutive

The Company may decide to offer additional shares in the future for capital raising or other purposes. Shareholders who do not take up or who are not eligible to take up such an offer will find their proportionate ownership and voting interests in the Company to be reduced. Additional issuances of shares may not be done on a pre-emptive basis and, as such, Shareholders may be diluted. An additional offering could also have a material adverse effect on the market price of the Ordinary Shares as a whole.

The market price for Ordinary Shares may decline below the Placing Price

There is no assurance that the public trading market price of the Ordinary Shares will not decline below the Placing Price. Should that occur, relevant Shareholders will suffer an immediate loss as a result. Moreover, there can be no assurance that, following investors' acquisition of Placing Shares, they will be able to sell their Ordinary Shares at a price equal to or greater than the Placing Price for those shares.

PART III

FINANCIAL INFORMATION

SECTION A – ACCOUNTANT'S REPORT ON THE AZZURRI COMMUNICATIONS GROUP

BDO LLP
55 Baker Street
London
W1U 7EU

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

finnCap Ltd
60 New Broad Street
London
EC2M 1JJ

8 April 2016

Dear Sirs

Maintel Holdings Plc (the "Company") and its subsidiary undertakings (together, the "Group") Warden Holdco Limited and its subsidiaries (together, "Azzurri Communications Group")

Introduction

We report on the financial information set out in Section B (I) of Part III. This financial information has been prepared for inclusion in the admission document dated 8 April 2016 of Maintel Holdings Plc (the "Admission Document") on the basis of the accounting policies set out in note 2 to the financial information. This report is required by paragraph (a) of Schedule Two of the AIM Rules for Companies and is given for the purpose of complying with that paragraph and for no other purpose.

Responsibilities

The directors of the Company are responsible for preparing the financial information in accordance with International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion on the financial information and to report our opinion to you.

Save for any responsibility arising under paragraph (a) of Schedule Two of the AIM Rules for Companies to any person as and to the extent there provided, to the fullest extent permitted by the law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Schedule Two of the AIM Rules for Companies, consenting to its inclusion in the Admission Document.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the 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 financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America or other jurisdictions outside the United Kingdom and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of the Azzurri Communications Group as at 30 June 2013, 30 June 2014 and 30 June 2015 and of its results, cash flows and changes in equity for the years ended 30 June 2013, 30 June 2014 and 30 June 2015 in accordance with International Financial Reporting Standards as adopted by the European Union.

Declaration

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules for Companies we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules for Companies.

Yours faithfully

BDO LLP
Chartered Accountants

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

SECTION B, I – FINANCIAL INFORMATION ON THE AZZURRI COMMUNICATIONS GROUP

Group Statements of Comprehensive Income

	Note	*30 June 2013 £'000*	*30 June 2014 £'000*	*30 June 2015 £'000*
Revenue	3(a)	111,015	104,497	101,264
Cost of sales		(94,198)	(90,308)	(86,670)
Gross profit		16,817	14,189	14,594
Administrative expenses		(16,043)	(17,199)	(15,319)
Operating profit/(loss)	3(b)	774	(3,010)	(725)
Adjusted EBITDA	5(a)	6,674	4,985	5,905
Depreciation	11	(1,227)	(1,148)	(1,046)
Amortisation of intangible assets	12	(3,610)	(3,918)	(4,247)
Exceptional items	5(b)	(1,063)	(2,929)	(1,337)
Operating profit/(loss)		774	(3,010)	(725)
Finance income	8	1	58,669	2
Finance costs	9	(8,801)	(5,194)	(3,734)
(Loss)/profit before income tax		(8,026)	50,465	(4,457)
Income tax credit	10	1,187	1,248	160
(Loss)/profit for the financial year		(6,839)	51,713	(4,297)

There is no other comprehensive income for any of the periods presented.

Notes 1 to 27 are an integral part of the historical financial information.

Group Balance Sheets

	Note	*30 June 2013 £'000*	*30 June 2014 £'000*	*30 June 2015 £'000*
Non-current assets				
Property, plant and equipment	11	3,615	3,160	2,629
Intangible assets	12	45,704	42,236	39,727
Deferred tax asset	10(c)	–	644	804
		49,319	46,040	43,160
Current assets				
Inventories	16	3,765	3,166	2,388
Trade and other receivables	15	30,119	31,312	25,069
Cash and cash equivalents	17	4,826	3,099	3,536
		38,710	37,577	30,993
Total assets		88,029	83,617	74,153
Equity attributable to owners				
Share capital	24	10	10	10
(Accumulated losses)/Retained earnings		(48,811)	2,902	(1,395)
Total equity		(48,801)	2,912	(1,385)
Non-current liabilities				
Loans and borrowings	20	–	42,485	40,868
Provisions for other liabilities and charges	22	248	–	–
Deferred tax liability	10(c)	604	–	–
		852	42,485	40,868
Current liabilities				
Trade and other payables	19	33,465	35,097	30,652
Loans and borrowings	20	102,459	2,690	3,486
Provisions for other liabilities and charges	22	54	433	532
		135,978	38,220	34,670
Total equity and liabilities		88,029	83,617	74,153

Notes 1 to 27 are an integral part of the historical financial information.

Group Statements of Changes in Equity

	Share capital £'000	*(Accumulated losses)/ Retained earnings £'000*	*Total equity/ (deficiency) £'000*
At 1 July 2012	10	(41,972)	(41,962)
Comprehensive Income			
Loss for the year and total comprehensive expense	–	(6,839)	(6,839)
At 30 June 2013	10	(48,811)	(48,801)
At 1 July 2013	10	(48,811)	(48,801)
Comprehensive Income			
Profit for the year and total comprehensive income	–	51,713	51,713
At 30 June 2014	10	2,902	2,912
At 1 July 2014	10	2,902	2,912
Comprehensive Income			
Loss for the year and total comprehensive expense	–	(4,297)	(4,297)
At 30 June 2015	10	(1,395)	(1,385)

Notes 1 to 27 are an integral part of the historical financial information.

Group Cash Flow Statements

	Note	*30 June 2013 £'000*	*30 June 2014 £'000*	*30 June 2015 £'000*
Cash flows from operating activities				
Cash generated from operations	18	6,721	3,170	5,914
Net cash generated from operating activities		6,721	3,170	5,914
Cash flows from investing activities				
Purchases of property, plant and equipment		(949)	(696)	(515)
Purchases of intangible assets		(642)	(450)	(408)
Net cash used in investing activities		(1,591)	(1,146)	(923)
Cash flows from financing activities				
Finance costs paid		(3,532)	(2,473)	(1,554)
Debt issue costs paid		(957)	(1,278)	–
Repayments of bank loans		(2,000)	–	(3,000)
Net cash used in financing activities		(6,489)	(3,751)	(4,554)
Net (decrease)/increase in cash and cash equivalents		(1,359)	(1,727)	437
Cash and cash equivalents at beginning of financial year		6,185	4,826	3,099
Cash and cash equivalents at end of financial year	17	4,826	3,099	3,536

Notes 1 to 27 are an integral part of the historical financial information.

Notes to the Group historical financial information

1. General information

Warden Holdco Limited ("Warden Holdco") is a private limited company incorporated and domiciled in England and Wales. Warden Holdco Limited and its subsidiaries (the "Azzurri Communications Group" or "the Group") trade under the name Azzurri Communications Limited. The principal activities of the Azzurri Communications Group are the sale, installation and maintenance of communications equipment and the provision of network routing and consultancy services.

2. Accounting policies

Basis of preparation

The historical financial information comprises the group statements of comprehensive income, the Group statements of changes in equity, the Group cash flow statements for the year ended 30 June 2013, 30 June 2014 and 30 June 2015; and the Group balance sheets as at 30 June 2013, 30 June 2014 and 30 June 2015 and notes 1 to 27 below.

The Azzurri Communications Group has prepared the historical financial information in accordance with EU Endorsed International Financial Reporting Standards ("IFRS"), International Financial Reporting Interpretations Committee ("IFRIC") interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. The historical financial information ("HFI") has been prepared under the historical cost convention except on the recognition of certain financial instruments. The principal accounting policies, which have been consistently applied by the Group and by the company are as set out below.

The HFI is presented in Sterling and all values are rounded to the nearest thousand pounds (£'000) except where otherwise indicated.

Basis of consolidation

The HFI consolidates the financial statements of Warden Holdco Limited and all its subsidiaries.

Subsidiaries are consolidated from the date of their acquisition, being the date on which the Azzurri Communications Group obtains control, and continue to be consolidated until the date that such control ceases. Control of a subsidiary arises when the Azzurri Communications Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The existence and effect of potential voting rights are considered when assessing whether the Azzurri Communications Group controls another entity. The financial statements of subsidiaries are prepared for the same reporting period as for the parent company, using consistent accounting policies. All intercompany balances and transactions, including unrealised profits arising from them, are eliminated on consolidation.

Underlying performance analysis

In addition to measuring total performance in the Azzurri Communications Group statement of comprehensive income, Warden Holdco discloses additional analysis which its directors believe enhances the understanding of the underlying results of the Azzurri Communications Group. Items which are excluded from underlying results presented as EBITDA and Adjusted EBITDA are as follows:

- *Exceptional items* are one off costs or income and not expected to recur in future periods.
- *Amortisation and impairment charges* are non-cash costs relating to the amortisation and impairment of good-will and intangible assets.
- *Depreciation* is a non-cash cost relating to the amortisation of property plant and equipment.

Foreign currency translation

Transactions in foreign currencies are initially recorded in the functional currency (Sterling) by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the income statement. All group entities are UK companies and apply Sterling as their functional currency.

Business combinations and goodwill

Fair values are attributed to the acquired identifiable assets and liabilities, including intangible assets.

Goodwill, which represents the difference between the fair value of purchase consideration and the acquired interest in the fair value of the net assets, is capitalised and is subject to annual impairment testing or more frequently if events or changes in circumstances indicate that goodwill may be impaired.

Deferred and contingent consideration

Where part of the consideration is payable after a business combination the deferred consideration is measured at fair value at the acquisition date under the requirement of IFRS 3 'Business Combinations' (revised). Fair value of deferred consideration is determined by discounting, where material, the amounts payable to their present value, at prevailing rates of return for financial instruments having substantially the same terms, taking into account any premium or discount likely to be incurred in settlement. The present value discount is unwound over the period of the outstanding liability and included under finance costs in the Statements of Comprehensive Income.

Any consideration adjustment contingent on future events is recorded at the acquisition date at fair value and in subsequent periods is remeasured at fair value through profit or loss.

Research and development

Internal research costs are charged against income as incurred. Internal development costs are capitalised as intangible assets only when all of the following conditions are met:

- There is an identifiable asset;
- the product is technically feasible and marketable;
- the Group has adequate resources to complete the development of the product;
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

The capitalised costs are amortised from when the asset is ready to use on a straight line basis over the period of its expected benefit, being 2 years. Other internal development costs are charged against income as incurred since the criteria for their recognition as an asset are not met.

Intangible assets

Intangible assets including trade names, customer contracts and software are carried at cost less accumulated amortisation and accumulated impairment losses.

An intangible asset acquired as part of a business combination is recognised separately from goodwill if the asset is separable or arises from contractual or other legal rights and its fair value can be measured reliably.

Intangible assets with a finite life are amortised over their expected useful lives, as follows:

Trade Names	–	16.67% per annum straight line
Customer Contracts	–	14.29% per annum straight line
Software	–	25% per annum straight line

The carrying value of intangible assets is reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. Such costs include costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on all property, plant and equipment, other than freehold land, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the balance sheet date, of each asset evenly over its expected useful life, as follows:

Buildings	–	40 years straight line basis
Plant and machinery	–	20%-33% per annum straight-line basis

The carrying values of property, plant and equipment are reviewed for impairment when events or circumstances indicate the carrying value may not be recoverable.

The assets lives and residual values are assessed as appropriate at each period end.

Leases

Assets held under finance leases, which transfer to the Azzurri Communications Group substantially all the risks and benefits incidental to ownership of the leased asset, are capitalised at the inception of the lease and included in property, plant and equipment at the fair value of the leased assets or, if lower, the present value of the minimum lease payments, as determined at the inception of the lease. The obligations relating to finance leases, net of finance charges in respect of future years, are recognised as liabilities. Lease payments are apportioned between the reduction of the lease liability and finance charges in the income statement so as to achieve a constant rate of interest on the remaining balance of the liability. Assets held under finance leases are depreciated over the shorter of the estimated useful life of the asset and the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases and rentals payable are charged in the income statement on a straight line basis over the lease term.

Receipts for tenants where the properties are sublet are off-set against the operating charges incurred for the associated operating lease.

Impairment of non-financial assets

The Azzurri Communications Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Azzurri Communications Group makes an estimate of the asset's recoverable amount. The recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes all external costs incurred in bringing each product to its present location and condition as follows:

Goods for resale	–	Purchase cost on a FIFO basis.
Work in progress	–	Cost of direct materials and external subcontracted labour incurred to date on the project. Internal labour is expensed as used.
Maintenance Stock	–	Average cost basis inclusive of delivery costs and net of discounts received.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal. Maintenance stock is written down over the period for which the stock is expected to be used on related maintenance contracts.

Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at the lower of their original invoiced value and recoverable amount. Provision is made where there is objective evidence that the Azzurri Communications Group will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at banks and in hand and short-term deposits with an original maturity of three months or less.

Interest bearing loans and borrowings

All loans and borrowings are initially recognised at fair value less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in finance income and finance expense.

Trade and other payables

Trade and other payables are initially recorded at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Income taxes

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Income tax is charged or credited directly to equity if it relates to items that are credited or charged to equity. Otherwise income tax is recognised through profit and loss.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss;
- deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Provisions

A provision is recognised when the Azzurri Communications Group has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect is material, expected future cash flows are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability.

Where the Azzurri Communications Group expects some or all of a provision to be reimbursed, for example under an insurance policy, the reimbursement is recognised as a separate asset but only when recovery is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement. Where discounting is used, the increase in the provision due to unwinding the discount is recognised as a finance cost.

De-recognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in profit or loss other than when a capital contribution has taken place.

Pensions and other post-retirement benefits

The Azzurri Communications Group operates a number of defined contribution pension schemes. Contributions are charged through profit and loss as they become payable in accordance with the rules of the schemes.

Share capital

Equity share capital is recorded at the fair value of net proceeds received on issue of the company's equity share capital.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Azzurri Communications Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty.

For all revenue sources, the following criteria must also be met before revenue is recognised:

Sale of equipment

Revenue from the sale of equipment is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on the dispatch of goods.

Installation of equipment

The Azzurri Communications Group uses the percentage of completion method in accounting for its installation contracts. Use of this method requires the Azzurri Communications Group to estimate both the services performed to date as a proportion of the total services to be performed and the expected contract gross margin.

Where the contract outcome cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred where it is probable they will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Rendering of services

Revenue from the provision of audit and consultancy services is recognised in full when the savings have been identified and agreed with the customer. Through the life of the contract, revenue is recognised on a percentage of completion basis provided that there is certainty as to the total contract value.

Revenue for service contracts is recognised on a straight line basis over the life of the contract.

Mobile connection revenue

Mobile connections revenue is recognised in line with the contractual terms with the service provider. Revenue is recognised upfront based on a guaranteed minimum spend and is then reconciled for actual spend midway through the contract term.

Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Azzurri Communications Group makes estimates and assumptions relating to the future. The resulting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Revenue recognition

The Azzurri Communications Group uses the percentage of completion method in accounting for its installation contracts. Use of this method requires the Azzurri Communications Group to estimate both the services performed to date as a proportion of the total services to be performed and the expected contract gross margin.

Estimated impairment of goodwill

The Azzurri Communications Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy "Impairment of non-financial assets". The recoverable amounts of cash generating units have been determined based on value in use calculations. These calculations require the use of estimates. Further details are provided in note 13 in respect of the sensitivity of the value in use calculation to changes in the key assumptions.

Stock provisioning

The Azzurri Communications Group makes a provision for obsolete maintenance stock based on the write down of value over a period from the date of last use. Judgements are made, based on historical experience,that this policy is a reasonable basis on which to provide based on the life of support contracts.

Accounting standards issued

A number of accounting standards have been issued which are available for early adoption and will be relevant to future reporting periods.

The Group has considered IFRS15 *Revenue from Contracts with Customers* which takes effect and must be adopted for the first time in the group's 2018 financial statements. Having considered the Group's revenue streams and current recognition policies, as disclosed in the Revenue Recognition accounting policy above, it is the directors' preliminary assessment that no material impact is expected following the move from recognition of revenue on the transfer of risks and rewards to the transfer of control given the nature of the goods and services provided by the Group and the relatively short periods over which they are typically provided.

The Group also notes IFRS16 *Leases* which takes effect and must be adopted for the first time in the group's 2020 financial statements. This IFRS will require the Group to recognise its leases for properties and motor vehicles as both an asset and a rental obligation in its consolidated statement of financial position, but is not expected to have any material effect on the Group's profitability.

3. Revenue and Operating profit/(loss)

(a) Revenue

Revenues represent key services provided to customers across a range of revenue streams which can be provided to certain customers under single managed service contracts. The Azzurri Communications Group has 5 key revenue streams being (i) Mobile, (ii) Data, (iii) ICT, (iv) Support Services and (v) Consultancy, Calls and Lines (CCL). Revenue generated for these key revenue streams were as follows:

	30 June 2013 £000	*30 June 2014 £000*	*30 June 2015 £000*
Mobile	19,354	15,513	17,140
Data	27,978	31,942	30,832
ICT	20,441	16,865	14,266
Support Services	19,235	18,389	18,216
Consultancy, Calls and Lines	24,007	21,788	20,810
	111,015	104,497	101,264

(b) Operating profit/(loss)

This is stated after charging/(crediting):

	30 June 2013 £'000	*30 June 2014 £'000*	*30 June 2015 £'000*
Depreciation of owned property, plant and equipment	1,227	1,148	1,046
Amortisation of intangible assets	3,610	3,918	4,247
Total depreciation and amortisation expense	4,837	5,066	5,293
Loss on disposal of property, plant and equipment	(4)	4	–
Operating lease payments – minimum lease payments	2,287	2,272	1,644
Research and development expenditure written off	866	265	997
Net foreign currency differences	46	(40)	82
Bad debts recovered	(39)	(121)	–

4. Segmental information

Azzurri Communications Group, as a whole, is considered to be one operating segment, in that the Azzurri Communications Group sells UCaaS solutions to its client base, and the chief operating decision maker (CODM) reviews the business on the basis of the business operating as a single segment.

Azzurri Communications Group has predominantly one geographic market which is the UK.

5. Underlying performance analysis

(a) EBITDA/Adjusted EBITDA

In addition to measuring total performance in the Azzurri Communications Group statement of comprehensive income, Azzurri Communications Group discloses additional analysis which its directors believe enhances the understanding of the underlying results of the Azzurri Communications Group. Items which are excluded from underlying results presented as EBITDA and Adjusted EBITDA are as follows:

- *Exceptional items* are one off costs or income and not expected to recur in future periods.
- *Depreciation* is a non-cash cost relating to the amortisation of property plant and equipment.
- *Amortisation and impairment charges* are non-cash costs relating to the amortisation and impairment of goodwill and intangible assets.

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

	Period to 30 June 2013 £'000	*Period to 30 June 2014 £'000*	*Period to 30 June 2015 £'000*
(Loss)/profit before income tax	(8,026)	50,465	(4,457)
Finance costs	8,800	5,194	3,732
Finance income on extinguishment of loans	–	(58,669)	–
Depreciation	1,227	1,148	1,046
Amortisation of intangible assets	3,610	3,918	4,247
EBITDA	5,611	2,056	4,568
Exceptional costs	1,063	2,929	1,337
Adjusted EBITDA	6,674	4,985	5,905

(b) Exceptional items

Exceptional items relate to material non-recurring items and as such do not form part of the underlying results. The Azzurri Communications Group incurred the following exceptional costs for the financial years 2013-2015.

	30 June 2013 £'000	*30 June 2014 £'000*	*30 June 2015 £'000*
Restructuring costs	523	986	1,056
Refinancing costs	445	443	–
Contract Termination costs	–	1,500	281
Building costs	95	–	–
	1,063	2,929	1,337

Restructuring costs are mainly comprised of redundancy costs and also include vacated property costs for each of the above years. Contract termination costs represent settlement costs in connection with settling a commercial dispute with a supplier.

6. Auditors' remuneration

During the periods presented the Azzurri Communications Group obtained the following services from the Azzurri Communications Group's auditors (PwC) as detailed below:

	30 June 2013 £'000	*30 June 2014 £'000*	*30 June 2015 £'000*
Fee for audit of Company	13	13	11
Fee for audit of Subsidiaries	240	175	152
Total audit fee	253	188	163
Fees payable to the Group's auditor for other services			
– taxation advisory	–	30	5
– taxation compliance	70	73	11
– other assurance services	–	50	4
	70	153	20

7. Staff costs and directors' emoluments

a) Azzurri Communications Group Staff Costs

	30 June 2013 £'000	*30 June 2014 £'000*	*30 June 2015 £'000*
Wages and salaries	27,035	26,964	24,525
Social security costs	2,779	3,100	2,631
Other pension costs (note 25)	600	659	618
	30,414	30,723	27,774

The monthly average number of Azzurri Communications Group employees and directors on service contracts during the year was as follows:

	30 June 2013	*30 June 2014*	*30 June 2015*
Operations	610	585	504
Administration	82	71	66
	692	656	570

b) *Azzurri Communications Group Directors' emoluments*

	30 June 2013	*30 June 2014*	*30 June 2015*
Aggregate emoluments (£'000)	727	679	578
Company contributions paid to money purchase pension schemes (£'000)	20	53	38
Compensation for loss of office (£'000)	112	–	–
Number of directors accruing benefits under defined contribution schemes	2	2	2

c) *Highest paid director*

	30 June 2013 £'000	*30 June 2014 £'000*	*30 June 2015 £'000*
Aggregate emoluments	326	264	193
Company contributions paid to money purchase pension schemes	–	39	24

None of the directors of Azzurri Communications Group hold any share options, nor hold shares receivable under a long term incentive scheme.

8. Finance income

	30 June 2013 £'000	*30 June 2014 £'000*	*30 June 2015 £'000*
Gain on release of bank loan	–	58,669	–
Bank interest receivable	1	–	2

Following the completion of a group refinancing transaction during October 2013, the Group was released from bank loans and borrowings of £58,669,000 by its lenders, a syndicate of banks. The gain on extinguishment of bank loans of £58,669,000 was recognised through profit and loss. The gain represented the difference between the carrying amount of bank loans and borrowings extinguished, and consideration paid. Borrowings costs of £577,000 were also written off on extinguishment of the borrowings, these costs are recognised within amortisation of long-term loan issue costs (refer note 9).

9. Finance costs

	30 June 2013 £'000	30 June 2014 £'000	30 June 2015 £'000
Interest on bank loans	6,993	2,940	1,328
Interest on shareholder loans	–	1,157	1,693
Non-utilisation fees	128	124	120
Bank charges	137	163	107
Amortisation of long-term loan issue costs	1,543	810	486
	8,801	5,194	3,734

10. Income tax credit

(a) *Tax on profit on ordinary activities*

Tax credit recognised in the statement of comprehensive income

	30 June 2013 £'000	30 June 2014 £'000	30 June 2015 £'000
Current tax:			
UK corporation tax	–	–	–
Total current income tax result	–	–	–
Deferred tax:			
Current period	(1,196)	(1,385)	(708)
Changes in tax rates	(38)	27	36
Tax over provided in previous years	47	110	512
Total deferred tax credit	(1,187)	(1,248)	(160)

Effective from 1 April 2014, the UK main corporation tax rate was reduced to 21 per cent. from 23 per cent. A further reduction to the UK corporation tax rates to 20 per cent. from 1 April 2015 was enacted on 2 July 2013. As a result the relevant deferred tax balances have been re-measured and recognised at 20 per cent. being the lowest rate enacted at the balance sheet date.

Further changes to the UK corporation tax rates were announced in the Chancellor's 2016 Budget in March. These include reductions to the main rate to reduce the rate to 19 per cent. from 1 April 2017 and to 17 per cent. from 1 April 2020. As the changes had not been substantively enacted at the balance sheet date their effects are not included in these financial statements. The potential future financial effect of changes to tax assets recognised at 30 June 2015 based on these changes in tax rates is not material to the historical financial information.

Tax assessed for the period is lower than the standard rate of Corporation tax in the UK.

(b) *Reconciliation of the total tax credit*

	30 June 2013 £'000	*30 June 2014 £'000*	*30 June 2015 £'000*
(Loss)/profit before income tax	(8,026)	50,465	(4,457)
Accounting loss multiplied by the UK standard rate of corporation tax of 20.75% (2014: 22.5%; 2013: 23.75%)	(1,907)	11,355	(925)
Expenses not deductible for tax purposes/ (Income not taxable)	(210)	(47)	16
Income not taxable – gain on release of bank loan	–	(13,195)	–
Adjustment in respect of prior years	47	110	512
Tax losses carried forward to future periods	921	502	340
Income not taxable	–	–	(139)
Changes in tax rates	(38)	27	36
Total tax	(1,187)	(1,248)	(160)

(c) *Deferred income tax*

Deferred income tax assets (DTA's) and liabilities (DTL's) are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. The movements on the deferred income tax accounts are as follows:

	30 June 2013 £'000	*30 June 2014 £'000*	*30 June 2015 £'000*
Beginning of period	1,791	604	(644)
Credit through SOCI	(1,187)	(1,248)	(160)
At end of period	604	(644)	(804)
Analysed as:			
Deferred tax asset	(2,885)	(2,989)	(2,458)
Deferred tax liability	3,489	2,345	1,654
Net deferred tax liability/(asset)	604	(644)	(804)

Net Deferred tax liability/(asset)

	Intangible Assets	*Accelerated Tax depreciation*	*Provisions*	*Tax Losses*	*Net DTL/ (DTA)*
At 1 July 2012	4,468	(2,069)	(608)	–	1,791
Charged/(credited) through SOCI	(979)	(197)	(58)	–	(1,234)
Adjustment for prior periods through SOCI	–	–	47	–	47
At 30 June 2013	3,489	(2,266)	(619)	–	604
Charged/(credited) through SOCI	(1,144)	50	37	(300)	(1,357)
Adjustment for prior periods through SOCI	–	110	–	–	110
At 30 June 2014	2,345	(2,106)	(582)	(300)	(643)
Charged/(credited) through SOCI	(691)	(285)	3	300	(673)
Adjustment for prior periods through SOCI	–	(6)	518	–	512
At 30 June 2015	1,654	(2,397)	(61)	–	(804)

Deferred income tax assets are recognised for tax loss carry-forwards only to the extent that the realisation of the related tax benefit through future profits is probable. The Group did not recognise deferred income tax assets of £8,782,259 (2014: £8,081,000; 2013: £8,678,000) in respect of trading losses (Gross tax losses available at 30 June 2015: £43.9m; 2014: £38.5m; 2013: £37.8m) as it is unlikely that sufficient future taxable profit is expected to be available for the utilisation of these unused losses.

11. Property, plant and equipment

	Freehold land and buildings £'000	*Plant and machinery £'000*	*Total £'000*
Cost:			
At 1 July 2012	1,658	2,336	3,994
Additions	–	949	949
Disposals	–	(377)	(377)
At 30 June 2013	1,658	2,908	4,566
Additions	–	696	696
Disposals	–	(940)	(940)
At 30 June 2014	1,658	2,664	4,322
Additions	–	515	515
At 30 June 2015	1,658	3,179	4,837
Accumulated depreciation:			
At 1 July 2012	(9)	(88)	(97)
Depreciation charge for the year	(22)	(1,205)	(1,227)
Disposals	–	373	373
At 30 June 2013	(31)	(920)	(951)
Depreciation charge for the year	(21)	(1,127)	(1,148)
Disposals	–	937	937
At 30 June 2014	(52)	(1,110)	(1,162)
Provided during the year	(21)	(1,025)	(1,046)
At 30 June 2015	(73)	(2,135)	(2,208)
Net book value at 30 June 2013	1,627	1,988	3,615
Net book value at 30 June 2014	1,606	1,554	3,160
Net book value at 30 June 2015	1,585	1,044	2,629

The Warden Holdco management considered that the fair value of property, plant and equipment is not materially different from the book value.

12. Intangible assets

Group

	Goodwill £'000	Trade names £'000	Customer contracts £'000	Software £'000	Total £'000
Cost:					
At 1 July 2012	69,498	6,377	10,673	3,660	90,208
Additions during the year	–	–	–	642	642
At 30 June 2013	69,498	6,377	10,673	4,302	90,850
Additions during the year	–	–	–	450	450
At 30 June 2014	69,498	6,377	10,673	4,752	91,300
Additions during the year	–	–	–	1,738	1,738
At 30 June 2015	69,498	6,377	10,673	6,490	93,038
Accumulated amortisation and impairment:					
At 1 July 2012	(39,485)	(576)	(826)	(649)	(41,536)
Charge for year	–	(1,063)	(1,525)	(1,022)	(3,610)
At 30 June 2013	(39,485)	(1,639)	(2,351)	(1,671)	(45,146)
Charge for year	–	(1,063)	(1,525)	(1,330)	(3,918)
At 30 June 2014	(39,485)	(2,702)	(3,876)	(3,001)	(49,064)
Charge for year	–	(1,063)	(1,525)	(1,659)	(4,247)
At 30 June 2015	(39,485)	(3,765)	(5,401)	(4,660)	(53,311)
Net book value:					
At 30 June 2013	30,013	4,738	8,322	2,631	45,704
At 30 June 2014	30,013	3,675	6,797	1,751	42,236
At 30 June 2015	30,013	2,612	5,272	1,830	39,727

13. Impairment of goodwill and intangibles with indefinite lives

Goodwill acquired through business combinations has been allocated for impairment testing purposes to Azzurri Communications Limited on an ongoing business basis as a single cash-generating unit (CGU). An impairment test is a comparison of the carrying value of the assets of a business or CGU to their recoverable amount. Impairment would result where the recoverable amount is less than the carrying value. The Group carries out its impairment testing as at 30 June each year.

The recoverable amount of the Azzurri Communications Group's CGU has been determined based on a pre-tax value in use calculation. The calculation uses revenue and EBITDA projections, net of spend on tangible fixed assets based on approved financial budgets for the following financial year. EBITDA is believed to be a good representation of operating cash flows after applying a cash conversion ratio, based on the Azzurri Communications Group's previous performance in translating operating profit after exceptional items into operating cash (between 100 per cent. and 53 per cent. over the past 3 years). Forecast rates are based on a translation rate of between 60 per cent. and 100 per cent. The cash flow projections in the financial years following the initial year reflect management's expectations of the longer term operating performance of the CGU and the long term growth prospects in the CGU's market.

Key assumptions used in value in use calculations

The key assumptions used for the calculation in value in use are as follows:

Impairment tests for the year ended 30 June 2015

1. Initial decrease in EBIT (for the year ending 30 June 2016) (21.7%)
2. Increase in medium term growth rates in EBIT (for year ending 30 June 2017) (54.2%)
3. Static medium term growth rates in EBIT percentage (for year ending 30 June 2018) (0%)
4. Long term growth rates percentage (2.0%)
5. Discount Rate percentage (9.0%) – (post-tax)
6. Cash Generation from operating activities (as a percentage of EBIT) (90.0% to 106.0%) including long term cash generation of 91.4 per cent.

1. *Initial decrease in EBIT* is driven by expected decrease in revenue. Assumptions have been set in consideration of current sales and gross margin pipelines and predictions of market conditions.
2. *Medium term growth in EBIT* is driven by management's assessment of the future operating margin growth for the following two financial years based on expected revenue growth and forecast cost savings together with future market conditions.
3. *Long term growth rates* reflect management's best estimates of future market growth as well as the long term growth rate in gross domestic product for the UK.
4. *Discount rates* reflect management's estimate of the weighted average cost of capital and reflects specific risks relevant to the cash generating unit.
5. *Cash generation from operating activities (as a percentage of EBIT)* reflect management's best estimates of cash generation rates based on historical rates, latest working capital forecasts and market conditions.

Summary of results – 30 June 2015

Goodwill and intangible assets were tested for impairment as at 30 June 2015 and were deemed not impaired. As at 30 June 2015, the value in use of £67.8m is higher than its carrying value. A sensitivity analysis has been performed around the base assumptions, being EBIT, growth rates and WACC. A 20 per cent. reduction in the discounted cash flows would not result in an impairment being required.

Impairment tests for the year ended 30 June 2014

1. Initial increase in EBITDA (for the year ending 30 June 2015) % (63.0%)
2. Decrease in medium term growth rates in EBITDA (for year ending 30 June 2016) % (-31%)
3. Static medium term growth rates in EBITDA (for year ending 30 June 2017) % (0%)
4. Long term growth rates % (2.5%)
5. Discount Rate % (7.8%) – (post-tax)
6. Cash Generation from operating activities (as a percentage of EBITDA) (60% to 100%) including long term cash generation of 50 per cent.

1. *Initial increase in EBITDA* is driven by expected decrease in operational costs. Assumptions have been set in consideration of current sales and gross margin pipelines and predictions of market conditions.
2. *Medium term growth in EBITDA* is driven by management's assessment of the future operating margin growth for the following two financial years based on expected revenue growth and forecast cost savings to-gether with future market conditions.
3. *Long term growth rates* reflect management's best estimates of future market growth as well as the long term growth rate in gross domestic product for the UK.
4. *Discount rates* reflect management's estimate of the weighted average cost of capital and reflects specific risks relevant to the cash generating unit.
5. *Cash generation from operating activities (as a % of EBITDA)* reflect management's best estimates of cash generation rates based on historical rates, latest working capital forecasts and market conditions.

Summary of results – 30 June 2014

Goodwill and intangible assets were tested for impairment as at 30 June 2014 and were deemed not impaired. As at 30 June 2014, the value in use of £53.0m is higher than its carrying value. A sensitivity analysis was performed around the base assumptions, being EBITDA, growth rates and WACC. A 20 per cent. reduction in the discounted cash flows would not result in an impairment being required.

Impairment tests for the year ended 30 June 2013

1. Initial decrease in EBITDA (for the year ending 30 June 2014) % (-2.0%)
2. Medium term increase in EBITDA (for year ending 30 June 2015) % (22.0%)
3. Medium term increase in EBITDA (for year ending 30 June 2016) % (8.0%)
4. Long term growth rates % (2.5%)
5. Discount Rate % (12.9%) – (pre-tax)
6. Cash Generation from operating activities (as a percentage of EBITDA) % (60% to 69%) including long term cash generation of 60 per cent.

1. *Initial reduction in EBITDA* is driven by expected declines in revenue and consequently operating margins, and expected changes to the cost base for the coming year. Assumptions have been set in consideration of current sales and gross margin pipelines and predictions of market conditions.
2. *Medium term growth in EBITDA* is driven by management's assessment of the future operating margin growth for the following two financial years based on expected revenue growth and forecast cost savings together with future market conditions.
3. *Long term growth rates* reflect management's best estimates of future market growth as well as the long term growth rate in gross domestic product for the UK.
4. *Discount rates* reflect management's estimate of the weighted average cost of capital and reflects specific risks relevant to the cash generating unit.
5. *Cash generation from operating activities (as a % of EBITDA)* reflect management's best estimates of cash generation rates based on historical rates, latest working capital forecasts and market conditions.

Summary of results – 30 June 2013

Goodwill and intangible assets as at 30 June 2013 were tested for impairment with no further impairment resulting. At 30 June 2013, value in use was £52.5m based on management's impairment model.

Sensitivity to changes in assumptions

The sensitivity of the recoverable amount to these assumptions is as follows:

Assumption	*Change (absolute change in assumption %)*	*Effect on present value cashflows*	*Amount EBITDA £'000*
Initial reduction in EBITDA	1% decrease	Decrease	(63)
Medium term reduction in EBITDA	1% decrease	Decrease	(69)
Medium term growth in EBITDA	1% decrease	Decrease	(67)
Long term growth rates	1% decrease	Decrease	(3,772)
Discount rate	1% increase	Decrease	(4,704)
Long term cash generation	1% decrease	Decrease	(596)

Management for Azzurri Communications Group considered these sensitivities in concluding that no impairment is needed.

14. Azzurri Communications Group Entities

Warden Holdco Limited owns either directly or indirectly 100 per cent. of the ordinary share capital of the following active subsidiary companies. The principal activity of Azzurri Capital Limited is the provision of finance to the Azzurri Communications Group. The principal activities of Azzurri Communications Limited are the sale, installation and maintenance of communications equipment and the provision of network routing and consultancy services.

Incorporated in the United Kingdom and operating:

Warden Midco Limited
Azzurri Holdings Limited*
Azzurri Capital Limited *
Azzurri Communications Limited*

Incorporated overseas and dormant

Azzurri Communications Inc* (formerly Sirocom Inc) incorporated in USA

Incorporated in the United Kingdom and dormant:

Azzurri Trustees Limited*
Azzurri Scotland Limited*
Azzurri Data Limited*
Azzurri Mobile Limited*
CallMedia Limited*
DVH Group Limited*
F H Brown Office Technologies Limited*
Focus Communications International Limited*
MiSpace Limited*
MiTech AMS Limited*
MiTech Digitalk Limited*
MiTech Europe Limited*
MiTech Group Limited*
MiTech Services Limited*
Netwise Systems Limited*
Plenitude Data Services Limited*
Siroconnect Limited*
Smart Connection Company Limited*
Smart House UK Limited*
Wireless Air Ware Limited*

* held by a subsidiary company.

The Azzurri Communications Group consolidates all of the subsidiary companies.

15. Trade and other receivables

Group

	30 June 2013 £'000	*30 June 2014 £'000*	*30 June 2015 £'000*
Current			
Trade receivables	14,734	14,315	12,403
Other debtors	468	400	642
Prepayments and accrued income	14,917	16,597	12,024
	30,119	31,312	25,069

At 30 June 2015, Trade receivables above are shown net of £313,834 (2014: £192,000; 2013: £426,000) provision for bad and doubtful debts.

Warden Holdco management considered that the carrying amount of the above assets approximates their fair value. For an analysis of the credit quality of trade receivables please refer to note 23.

16. Inventories

	30 June 2013 £'000	30 June 2014 £'000	30 June 2015 £'000
Goods for resale	456	386	150
Maintenance stock	3,309	2,780	2,238
	3,765	3,166	2,388

At 30 June 2015, inventories are stated after a provision of £3,098,398 (2014: £2,626,080; 2013: £1,909,780) against net realisable value.

Total inventory expensed in the year ended 30 June 2015 and included in cost of sales was £57,691,491 (2014: £60,178,118; 2013: £62,563,000).

17. Cash and cash equivalents

	30 June 2013 £'000	30 June 2014 £'000	30 June 2015 £'000
Cash at bank and in hand	4,826	3,099	3,536

At 30 June 2015 the fair value of cash and cash equivalents is £3,535,851 (2014: £3,099,000; 2013: £4,826,000).

18. Cash generated from operations

	30 June 2013 £'000	30 June 2014 £'000	30 June 2015 £'000
(Loss)/profit before tax	(8,026)	50,465	(4,457)
Adjustments for:			
Amortisation of intangible assets	3,610	3,918	4,247
Depreciation of property, plant and equipment	1,227	1,148	1,046
Loss on disposal of property, plant and equipment	–	4	1
Gain on extinguishment of bank loans	–	(58,669)	–
Finance costs	8,801	5,194	3,734
Changes in working capital:			
– Decrease in inventories	406	599	776
– Decrease/(increase) in trade and other receivables	1,903	(1,193)	6,243
– (Decrease)/increase in trade and other payables	(1,200)	1,704	(5,676)
Cash generated from operations	6,721	3,170	5,914

19. Trade and other payables

	30 June 2013 £'000	30 June 2014 £'000	30 June 2015 £'000
Current			
Trade payables	10,396	9,354	6,576
Other taxers and social security	2,112	2,492	2,594
Accruals and other payables	8,732	8,904	6,874
Deferred income	12,225	14,347	14,608
	33,465	35,097	30,652

Warden Holdco management considered that the carrying amount of the above liabilities approximates their fair value.

20. Loans and borrowings

	30 June 2013 £'000	30 June 2014 £'000	30 June 2015 £'000
Current			
Bank borrowings	102,459	2,690	3,486
	102,459	2,690	3,486
Non-current			
Bank borrowings and shareholder loans	–	42,485	40,868
	–	42,485	40,868

Bank borrowings and shareholder loans comprise the following:

	30 June 2013 £'000	30 June 2014 £'000	30 June 2015 £'000
Variable rate bank loan 2011-2014 – Tranche A	53,004	–	–
Variable rate bank loan 2011-2014 – Tranche B	49,969	–	–
Variable rate bank loan 2013-2016 – Facility A	–	25,000	22,000
Unsecured loan notes 2013 – 2017	–	21,157	22,850
	102,973	46,157	44,850
Less: unamortised issue costs	(514)	(982)	(496)
Total borrowings net of unamortised issue costs	102,459	45,175	44,354
Split between current and non-current as follows:			
Current instalments due on bank loans	102,459	2,690	3,486
Non-current instalments due on bank loans	–	42,485	40,868

The bank loans are secured by way of the share capital of Azzurri Communications Limited. Bank loans bear interest at the following rates over LIBOR:

	2015	*2014*	*2013*
Facility A	5.00%	5.00%	N/A
Tranche A	N/A	3.75%	3.75%
Tranche B	N/A	9.00%	9.00%

For the years ended 30 June 2015 and 30 June 2014, the unsecured loan notes bear interest at the rate of 8 per cent. per annum.

Following the completion of a group refinancing transaction during October 2013, the Group was released from bank loans and borrowings of £58,669,000 by its lenders, a syndicate of banks. The gain on extinguishment of bank loans of £58,669,000 was recognised through profit and loss. The gain represented the difference between the carrying amount of bank loans and borrowings extinguished, and consideration paid.

Unamortised issue costs at 30 June 2015 and 30 June 2014 relate to amounts capitalised when the bank loans were re-financed in October 2013. The costs are being written off over the period to the expiry of the debt in December 2016.

The company also has access to the following Revolver Credit Facility:

	30 June 2013 £'000	*30 June 2014 £'000*	*30 June 2015 £'000*
Revolving credit facility 31 December 2016	4,942	4,942	4,942

The facility was not utilised in 2015, 2014 or 2013. Non utilisation fees are payable on the above at margins of 2.50% per annum.

21. Obligations under leases

Operating lease agreements where the Azzurri Communications Group is the lessee

The Azzurri Communications Group has entered into commercial leases on certain properties and motor vehicles. These leases have a duration between 1 and 10 years. Only the property lease agreements contain an option for renewal, with such options being exercisable three months before the expiry of the lease term at rentals based on market prices at the time of exercise. There are no restrictions placed upon the lessee by entering into these arrangements.

	Property			Motor vehicles			Total		
	2013 £000	*2014 £000*	*2015 £000*	*2013 £000*	*2014 £000*	*2015 £000*	*2013 £000*	*2014 £000*	*2015 £000*
Within one year	997	886	516	1,062	919	564	2,059	1,805	1,080
Between two and five years	2,407	2,192	896	1,350	939	377	3,757	3,131	1,273
Over five years	277	91	–	–	–	–	277	91	–
	3,681	3,169	1,412	2,412	1,858	941	6,093	5,027	2,353

Where a strategic decision to withdraw from certain properties has been made, the liability is recognised in provisions.

Operating lease agreements where the Azzurri Communications Group is the lessor

The Azzurri Communications Group had sublet its offices in Newbury and the rental agreement expired on 25 March 2015. Future minimum lease rentals receivable under non-cancellable operating leases were as follows:

	30 June 2013 £'000	*30 June 2014 £'000*	*30 June 2015 £'000*
Operating leases which expire:			
within one year	79	57	–
Between two and five years	59	–	–

22. Provisions for other liabilities and charges

	30 June 2013 £'000	30 June 2014 £'000	30 June 2015 £'000
Property provision			
At 1 July	433	302	433
Provided during the year	(131)	131	99
At 30 June	302	433	532
Included in current liabilities	54	433	532
Included in non-current liabilities	248	–	–

The property provision represents management's best estimate of the Azzurri Communications Group's liability for dilapidations and rental on vacated properties. The liability is recognised after deduction of rental income receivable from subletting. The provision has not been discounted as the directors of Azzurri Communications Group believe its fair value is not materially different to its book value.

23. Financial instruments

Capital risk management

The Azzurri Communications Group manages its capital to ensure that entities in the Azzurri Communications Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Azzurri Communications Group consists of debt, which includes the borrowings disclosed in note 20, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

Financial instruments by category

Assets as per balance sheet	30 June 2013 £'000	30 June 2014 £'000	30 June 2015 £'000
Trade and other receivables (note 15)	15,202	14,715	13,045
Cash and cash equivalents (note 17)	4,826	3,099	3,356
Total	20,028	17,814	16,401

Financial instruments by category

Liabilities as per balance sheet	30 June 2013 £'000	30 June 2014 £'000	30 June 2015 £'000
Trade and other payables (note 19)	21,240	20,750	16,044
Loans and borrowings (note 20)	102,459	45,175	44,354
Total	123,699	65,925	60,398

Trade receivables

The age profile of the Azzurri Communications Group's trade receivables is set out below:

	2013			2014			2015		
	Gross £000	*Impaired £000*	*Carrying value £000*	*Gross £000*	*Impaired £000*	*Carrying value £000*	*Gross £000*	*Impaired £000*	*Carrying value £000*
Up to 30 days	9,358	–	9,358	10,025	–	10,025	8,797	–	8,797
30+ days	5,802	(426)	5,376	4,482	(192)	4,290	3,920	(314)	3,606
Total	15,160	(426)	14,734	14,507	(192)	14,315	12,717	(314)	12,403

The Warden Holdco management does not believe there is a material risk of non-payment of the 30+ day trade receivables and that the impairment provision is adequate due to the strong relationships with customers and the continued management of the customer infrastructure.

The carrying amounts of the Azzurri Communications Group's trade receivables are denominated in the following currencies:

	30 June 2013 £'000	*30 June 2014 £'000*	*30 June 2015 £'000*
Pounds	14,645	14,239	12,344
US dollar	76	–	54
Other currencies	13	76	5
Total	14,734	14,315	12,403

Before accepting any new customer, the Azzurri Communications Group uses an external credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed on a regular basis. All trade receivables that are neither past due nor impaired have received satisfactory credit scores under the external credit scoring systems used and their quality is therefore considered to be of an acceptable standard.

Movements on the Azzurri Communications Group provision for impairment of trade receivables are as follows:

	30 June 2013 £'000	*30 June 2014 £'000*	*30 June 2015 £'000*
At 1 July	436	426	192
Net provided for/(written off) in the year	(10)	(234)	122
Total	426	192	314

In addition to the above, bad debts not provided of £5,333 (2014: £120,539 2013: £38,500) were written off through profit and loss in the year.

The financial instrument risk management objectives, policies and strategies for the Group are as follows:

Liquidity risk

Details of contractual maturities for assets and liabilities underpin the management of liquidity risk.

Gross cash flows include interest and other revenue cash flows.

The Azzurri Communications Group aims to mitigate liquidity risk by managing cash generation from its subsidiaries. Investment is carefully controlled, with authorisation limits operating up to board level and cash payback years applied as part of the investment appraisal process. In this way, the Azzurri Communications Group aims to maintain a good credit rating to facilitate fund raising.

Excess cash used in managing liquidity is only invested in financial instruments exposed to insignificant risk of changes in market value, being placed on interest-bearing deposits with maturities fixed at no more than 6 months. The Group has arranged the working capital facility to allow short term flexibility where required.

The Azzurri Communications Group is subject to quarterly financial covenants and 'Change in management' provisions as a condition of bank loans provided by a syndicate of banks. If the Azzurri Communications Group does not comply with these terms then the syndicate of lenders would have the right, but would not be obliged, to demand immediate repayment of all amounts owed.

The directors of Azzurri Communications Group regularly review the forecasts and projections for the Group, including assumptions around sales, gross margins and costs and the associated cash flows generated in order to assess the ability of the company to operate within the level of its current facility and meet banking covenant tests and to take mitigating actions where necessary to ensure that covenants are met.

For the reporting periods 30 June 2013, 30 June 2014 and 30 June 2015, the contracted cash flows of the Group's financial instruments were as follows:

30 June 2013 *Contractual cash flows*	*Carrying amount* *£'000*	*Gross nominal value* *£'000*	*Within 1 year* *£'000*	*Between 1-2 years* *£'000*	*Between 2-5 years* *£'000*	*Indefinite timescale* *£'000*
Financial assets						
Cash (floating rate)	4,826	4,826	4,826	–	–	–
Trade and other receivables	15,202	15,202	15,202	–	–	–
Total financial assets	20,028	20,028	20,028	–	–	–
Financial liabilities						
Bank loans (floating rate)	102,459	102,459	102,459	–	–	–
Trade and other payables	21,240	21,240	21,240	–	–	–
Total financial liabilities	123,699	123,699	123,699	–	–	–
Net cash outflow	(103,671)	(103,671)	(103,671)	–	–	–

30 June 2014 *Contractual cash flows*	*Carrying amount* *£'000*	*Gross nominal value* *£'000*	*Within 1 year* *£'000*	*Between 1-2 years* *£'000*	*Between 2-5 years* *£'000*	*Indefinite timescale* *£'000*
Financial assets						
Cash (floating rate)	3,099	3,099	3,099	–	–	–
Trade and other receivables	14,715	14,715	14,715	–	–	–
Total financial assets	17,814	17,814	17,814	–	–	–
Financial liabilities						
Bank loans (floating rate)	24,666	27,619	4,328	4,290	19,001	–
Loan notes (fixed rate)	20,709	27,703	–	–	27,703	–
Trade and other payables	20,750	20,750	20,750	–	–	–
Total financial liabilities	65,925	76,072	25,078	4,290	46,704	–
Net cash outflow	(48,111)	(58,258)	(7,264)	(4,290)	(46,704)	–

30 June 2015 *Contractual cash flows*	*Carrying amount* *£'000*	*Gross nominal value* *£'000*	*Within 1 year* *£'000*	*Between 1-2 years* *£'000*	*Between 2-5 years* *£'000*	*Indefinite timescale* *£'000*
Financial assets						
Cash (floating rate)	3,536	3,536	3,536	–	–	–
Trade and other receivables	13,045	13,045	13,045	–	–	–
Total financial assets	16,581	16,581	16,581	–	–	–
Financial liabilities						
Bank loans (floating rate)	21,757	23,291	4,290	19,001	–	–
Loan notes (fixed rate)	22,597	27,703	–	–	27,703	–
Trade and other payables	16,044	16,044	15,330	612	102	–
Total financial liabilities	60,398	67,038	19,620	19,613	27,805	–
Net cash outflow	(43,817)	(50,457)	(3,039)	(19,613)	(27,805)	–

Foreign currency

The Azzurri Communications Group has no material level of exposure to foreign currency.

Interest rate risk

The Azzurri Communications Group is exposed to interest rate risk as entities in the Azzurri Communications Group borrow funds at floating interest rates.

The Azzurri Communications Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

The following table details the Azzurri Communications Group's sensitivity to a 1 per cent. increase and decrease in the LIBOR rate. One percent is the sensitivity rate used when reporting interest rate risk internally to key management personnel, and represents management's assessment of the reasonably possible change in interest rates. A positive number below indicates an increase in profit and other equity where the LIBOR rate decreases by 1 per cent. For a 1 per cent. increase in the LIBOR rate, there would be an equal and opposite impact on the profit and other equity, and the balances below would be negative.

	30 June 2013 *£'000*	*30 June 2014* *£'000*	*30 June 2015* *£'000*
Profit	1,018	239	239

Credit risk

There are no significant concentrations of credit risk within the Azzurri Communications Group. Management's best estimate of the maximum credit risk exposure relating to financial assets is represented by the carrying values as at the balance sheet date. The share capital of the company is held as security for the bank loans of Azzurri Capital Limited. The Group's credit control procedures are outlined above.

24. Equity

At 30 June 2013, 30 June 2014 and 30 June 2015

	Number	*£'000*
Authorised		
A ordinary shares of 1p each	675,000	7
B ordinary shares of 1p each	125,000	1
C ordinary shares of 1p each	200,000	2
	1,000,000	10

	'A' Ordinary shares at 1p each	*'B' Ordinary shares at 1p each*	*'C' Ordinary shares at 1p each*	*Total*
Allotted, called up and fully paid				
Number	675,000	125,000	200,000	
Amount in £	6,750	1,250	2,000	10,000

Voting rights

In accordance with the articles of association of Warden Holdco, each class of share ranks *pari passu*. The issued A, B and C ordinary shares constitute separate classes of shares.

25. Pensions and other post-retirement benefits

The Azzurri Communications Group operates a number of defined contribution pension schemes for its employees. The assets of the schemes are held separately from those of the Azzurri Communications Group in independently administered funds. The unpaid contributions outstanding at the year end included in current trade and other payables are £97,811 (2014: £113,224; 2013: £108,278).

The pension plans have not invested in any of the Azzurri Communications Group's own financial instruments nor in the properties or other assets used by the Azzurri Communications Group.

The amounts recognised through profit and loss for each year is as follows:

	30 June 2013 £'000	*30 June 2014 £'000*	*30 June 2015 £'000*
Recognised through profit and loss	600	659	618

26. Related party transactions

During each of the years presented, the Azzurri Communications Group did not enter into any related party transactions.

Compensation of key management personnel

	30 June 2013 £'000	*30 June 2014 £'000*	*30 June 2015 £'000*
Short-term employee benefits	1,707	1,342	995

As noted below in Note 27, the Warden Holdco management considered that there is no overall controlling party.

27. Ultimate parent company and controlling party

As at 30 June 2015, the Warden Holdco management considered that there was no overall controlling party.

SECTION B, II – UNAUDITED INTERIM FINANCIAL INFORMATION ON THE AZZURRI COMMUNICATIONS GROUP

Consolidated statement of comprehensive income

For the six months ended 31 December 2015

	Note	*Unaudited 6 months ended 31 December 2015 £'000*	*Unaudited 6 months ended 31 December 2014 £'000*
Revenue	5	46,247	50,087
Cost of sales		(39,220)	(43,162)
Gross profit		7,027	6,925
Administrative expenses		(7,386)	(7,607)
Operating loss	7	(359)	(682)
Adjusted EBITDA	3	2,166	2,515
Depreciation		(297)	(523)
Amortisation of intangible assets		(2,079)	(2,379)
Exceptional items	6	(149)	(295)
Operating (loss)/profit		(359)	(682)
Finance income		2	–
Finance costs	8	(1,817)	(1,872)
Loss before income tax		(2,174)	(2,554)
Income tax (charge)/credit		–	–
Loss for the financial period		(2,174)	(2,554)

There is no other comprehensive income for the period or the comparative period.

Notes 1 to 15 are an integral part of the interim financial information.

Consolidated statement of financial position

As at 31 December 2015

	Note	*Unaudited as at 31 December 2015 £'000*	*Audited as at 30 June 2015 £'000*
Non-current assets			
Property, plant and equipment		2,535	2,629
Assets under construction		180	–
Intangible assets		37,637	39,727
Deferred tax asset		804	804
		41,156	43,160
Current assets			
Inventories	10	2,351	2,388
Trade and other receivables	9	24,035	25,069
Cash and cash equivalents		2,006	3,536
		28,392	30,993
Total assets		69,548	74,153
Equity attributable to owners			
Share capital		10	10
Accumulated losses		(3,569)	(1,395)
Total equity		(3,559)	(1,385)
Non-current liabilities			
Loans and borrowings	12	24,164	40,868
Current liabilities			
Trade and other payables	11	27,569	30,652
Loans and borrowings	12	20,859	3,486
Provisions for other liabilities and charges	13	515	532
		48,943	34,670
Total equity and liabilities		69,548	74,153

Notes 1 to 15 are an integral part of the interim financial information.

Consolidated statement of changes in equity

For the six months ended 31 December 2015

	Share capital £'000	*Retained earnings/ (Accumulated losses) £'000*	*Total equity £'000*
At 1 July 2014 – audited	10	4,102	4,112
Comprehensive Income			
Loss for the period and total comprehensive expense – unaudited	–	(2,554)	(2,554)
At 31 December 2014 – unaudited	**10**	**1,548**	**1,558**
At 1 July 2015 – audited	10	(1,395)	(1,385)
Comprehensive Income			
Loss for the period and total comprehensive expense – unaudited	–	(2,174)	(2,174)
At 31 December 2015 – unaudited	**10**	**(3,569)**	**(3,559)**

Notes 1 to 15 are an integral part of the interim financial information.

Consolidated statement of cash flows

For the six months ended 31 December 2015

	Unaudited 6 months ended 31 December 2015 £'000	*Unaudited 6 months ended 31 December 2014 £'000*
Cash flows from operating activities		
Cash generated from operations	1,311	1,824
Net cash generated from operating activities	1,311	1,824
Cash flows from investing activities		
Purchases of property, plant and equipment	(191)	(350)
Purchases of intangible assets	(306)	(102)
Investment in assets under construction	(180)	–
Net cash used in investing activities	(677)	(452)
Cash flows from financing activities		
Finance costs paid	(664)	(730)
Repayments of bank loans	(1,500)	(1,500)
Net cash used in financing activities	(2,164)	(2,230)
Net decrease in cash and cash equivalents	(1,530)	(858)
Cash and cash equivalents at beginning of financial period	3,536	3,099
Cash and cash equivalents at end of financial period	2,006	2,241

Notes 1 to 15 are an integral part of the interim financial information.

Notes to the Interim financial information

For the six months ended 31 December 2015

1. General information

Warden Holdco Limited ("Warden Holdco") is a private limited company incorporated and domiciled in England and Wales. Warden Holdco and its subsidiaries (the "Azzurri Communications Group") trade under the name Azzurri Communications Limited. The principal activities of the Azzurri Communications Group are the sale, installation and maintenance of communications equipment and the provision of network routing and consultancy services.

2. Basis of preparation

The financial information in these interim results is that of the Azzurri Communications Group. It has been prepared in accordance with the recognition and measurement requirements of International Financial Reporting Standards as adopted for use in the EU (IFRSs) but does not include all of the disclosures that would be required under IFRSs. The accounting policies applied by the Azzurri Communications Group in this financial information are the same as those applied by the Azzurri Communications Group in its financial statements for the year ended 30 June 2015 and which will form the basis of the 2016 financial statements.

A number of amendments to and interpretations of existing standards have become effective for periods beginning on 1 July 2015, but no new standards; none of these is expected to materially affect the Warden Holdco Group.

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

The comparative financial information presented herein for the year ended 30 June 2015 does not constitute full statutory accounts for that period. The Azzurri Communications Group's annual report and accounts for the year ended 30 June 2015 have been delivered to the Registrar of Companies. The Azzurri Communications 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 section 498(2) or section 498(3) of the Companies Act 2006.

The financial information for the half-years ended 31 December 2015 and 31 December 2014 is unaudited.

The interim financial information is presented in Sterling and all values are rounded to the nearest thousand pounds (£'000) except where otherwise indicated.

3. Underlying performance analysis

In addition to measuring total performance in the consolidated statement of comprehensive income, Azzurri Communications Group discloses additional analysis which the directors believe enhances the understanding of the underlying results of the Azzurri Communications Group. Items which are excluded from underlying results, presented as EBITDA and Adjusted EBITDA are as follows:

- *Exceptional items* are one off costs or income and not expected to recur in future periods.
- *Depreciation* is a non-cash cost relating to the amortisation of property plant and equipment.
- *Amortisation and impairment charges* are non-cash costs relating to the amortisation and impairment of goodwill and intangible assets.

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

	Unaudited 6 months ended 31 December 2015 £'000	*Unaudited 6 months ended 31 December 2014 £'000*
Loss before income tax	(2,174)	(2,554)
Net finance costs	1,815	1,872
Depreciation	297	523
Amortisation of intangible assets	2,079	2,379
EBITDA	2,017	2,220
Exceptional costs	149	295
Adjusted EBITDA	2,166	2,515

4. Segmental information

The Group considers that Azzurri Communications Group, as a whole is one operating segment, in that the Group sells UCaaS solutions to its client base, and the chief operating decision maker (CODM) reviews the business on the basis of the business operating as a single segment.

The Azzurri Communications Group has predominantly one key geographic market, which is the UK.

5. Revenue

Revenues represent key services provided to customers across a range of revenue streams which can be provided to certain customers under single managed service contracts. The Azzurri Communications Group has 5 key revenue streams being (i) Mobile, (ii) Data, (iii) ICT, (iv) Support Services and (v) Consultancy, Calls and Lines (CCL). Revenue generated for these key revenue streams were as follows:

	Unaudited six months ended 31 December 2015 £'000	*Unaudited six months ended 31 December 2014 £'000*
Mobile	4,871	8,170
Data	12,556	12,689
ICT	10,028	9,258
Support Services	8,798	9,323
Consultancy, Calls and Lines	9,994	10,647
	46,247	50,087

6. Exceptional items

	Unaudited 6 months ended 31 December 2015 £'000	*Unaudited 6 months ended 31 December 2014 £'000*
Restructuring costs	149	208
Refinancing costs	57	87
Other	(57)	–
	149	295

Exceptional items relate to material non-recurring items and as such do not form part of the underlying results. The Azzurri Communications Group incurred £149,000 (2014: £295,000) of exceptional items in the period, consisting of restructuring costs of £149,000 (2014: £208,000), refinancing costs of £57,000 (2014: £87,000) and legal recovery of £57,000 (2014: £nil).

7. Group operating loss

This is stated after charging/(crediting):

	Unaudited 6 months ended 31 December 2015 £'000	*Unaudited 6 months ended 31 December 2014 £'000*
Defined contribution pension costs and post retirement benefits	282	309
Research and development expenditure written off	362	524
Net foreign currency differences	(4)	–

8. Finance costs

	Unaudited 6 months ended 31 December 2015 £'000	*Unaudited 6 months ended 31 December 2014 £'000*
Interest on bank loans	608	690
Interest on shareholder loans	903	836
Non-utilisation fees	60	60
Bank Charges	3	43
Amortisation of long-term loan issue costs	243	243
	1,817	1,872

9. Trade and other receivables

	Unaudited as at 31 December 2015 £'000	*Audited as at 30 June 2015 £'000*
Current		
Trade receivables	11,813	12,403
Other debtors	458	643
Prepayments and accrued income	11,764	12,024
	24,035	25,069

Trade debtors above are shown net of a provision for bad and doubtful debts of £437,367 (30 June 2015: £313,834).

10. Inventories

	Unaudited as at 31 December 2015 £'000	*Audited as at 30 June 2015 £'000*
Goods for resale	132	150
Maintenance Stock	2,219	2,238
	2,351	2,388

Inventories are stated after a provision against net realisable value of £3,200,353 (2015: £3,098,398).

11. Trade and other payables

	Unaudited as at 31 December 2015 £'000	*Audited as at 30 June 2015 £'000*
Current		
Trade payables	6,658	6,576
Other taxes and social security	1,865	2,594
Accruals	5,755	6,874
Deferred income	13,291	14,608
	27,569	30,652

12. Loans and borrowings

	Unaudited as at 31 December 2015 £'000	*Audited as at 30 June 2015 £'000*
Current		
Bank borrowings	20,247	3,486
Finance lease obligations	612	–
	20,859	3,486
Non-current		
Bank borrowings and shareholder loans	23,752	40,868
Finance lease obligations	412	–
	24,164	40,868

Bank borrowings and shareholder loans comprise the following:

	Unaudited as at 31 December 2015 £'000	*Audited as at 30 June 2015 £'000*
Bank senior debt: variable rate loan 2013-2016 (Facility A)	20,500	22,000
Unsecured loan notes 2013 – 2017	23,752	22,850
	44,252	44,850
less: unamortised issue costs	(253)	(496)
	43,999	44,354
Split between current and non-current as follows:		
Current instalments due on bank loans	20,247	3,486
Non-current instalments due on bank loans	23,752	40,868

The bank loans are secured by way of the share capital of Azzurri Communications Limited. The loans bear interest at the following rates over LIBOR:

	2015	*2014*
Facility A	5.00%	5.00%

Unamortised issue costs relate to amounts capitalised when the bank loans were refinanced in October 2013. The costs are being amortised over the period to the expiry of the debt in December 2016.

For the six months ended 31 December 2015, the unsecured loan notes bear interest at the rate of 8 per cent. per annum.

The Azzurri Communications Group also has access to the following Revolving Credit Facility:

	Unaudited as at 31 December 2015 £'000	*Audited as at 30 June 2015 £'000*
Revolving credit facility 31 December 2016	4,942	4,942

The facility was not utilised in the period to 31 December 2015 or in the year ended 30 June 2015. Non utilisation fees are payable on the above at margins of 2.50 per cent. per annum. Fees for the interim period have been accrued for at 31 December 2015.

13. Provisions for other liabilities and charges

The property provision of £515,000 (30 June 2015: £532,000) is a current liability at the reporting date and represents management's best estimate of the Azzurri Communications Group's liability for dilapidations and rental on vacated properties.

14. Related party transactions

During the interim period and the year ended 30 June 2015, the Azzurri Communications Group did not enter into any related party transactions.

Compensation of key management personnel including directors:

	Unaudited 6 months ended 31 December 2015 £'000	*Unaudited 6 months ended 31 December 2014 £'000*
Short-term employee benefits	653	498

15. Ultimate parent company and controlling party

The Azzurri Communications Group considers that as at 31 December 2015, there is no overall controlling party.

SECTION C – FINANCIAL INFORMATION ON THE MAINTEL GROUP

Historical financial information for each of the three financial years ended 31 December 2013, 31 December 2014 and 31 December 2015.

Historical financial information

1. Pursuant to Rule 28 of the AIM Rules for Companies, the published consolidated annual report and accounts of Maintel Holdings Plc for each of the two financial years ended 31 December 2013 and 31 December 2014 and the published historical financial information for the financial year ended 31 December 2015 that can be found in the announcement released by the Company on 8 April 2016 are not reproduced in this document.

2. The annual report and accounts or historical financial information, as applicable, for each of the three financial years ended 31 December 2013, 31 December 2014 and 31 December 2015 were prepared under International Financial Reporting Standards, as adopted by the EU ("IFRS").

3. The annual report and accounts for each of the two financial years ended 31 December 2013 and 31 December 2014 and the historical financial information for the financial year ended 31 December 2015 that can be found in the announcement released by the Company on 8 April 2016 (which is also available in the RNS announcements section on the Company's website www.maintel.co.uk to which the below page references relate), include, on the pages specified in the table below, the following information:

Nature of information	*Year ended 31 December 2013 Page*	*Year ended 31 December 2014 Page*	*Year ended 31 December 2015 Page*
Independent auditors' report	28	28	23
Consolidated statement of changes in equity	32	31	27
Consolidated statement of financial position	31	30	26
Consolidated cash flow statement	33	32	28
Accounting policies	34	33	29
Notes to the financial statements	34	33	29

4. BDO LLP is a member of the Institute of Chartered Accountants in England and Wales and has issued unqualified audit opinions on the consolidated financial statements of Maintel and its subsidiaries included in the annual report and accounts of Maintel for each of the three financial years ended 31 December 2013, 31 December 2014 and 31 December 2015.

5. The admission document, published accounts and reports and announcements referred to above can be viewed on the Company's website at: http://www.maintel.co.uk/investors/aim-rule-26/ documents-reports-announcements.

PART IV

UNAUDITED PRO FORMA STATEMENT OF NET ASSETS OF THE ENLARGED GROUP

The following unaudited pro forma statement of net assets of the Enlarged Group (the "pro forma financial information") as at 31 December 2015 has been prepared to illustrate the effect of the Acquisition on the balance sheet of the Group as if the Acquisition had taken place on 31 December 2015.

The pro forma financial information has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and therefore does not reflect the Group's actual financial position or results.

The pro forma financial information is based on the consolidated net assets of the Group as at 31 December 2015, set out in the audited historical results for the year ended 31 December 2015 as announced on 8 April 2016, and has been prepared in a manner consistent with the accounting policies to be adopted by the Company in preparing its next financial statements and on a basis set out in the notes below.

		Adjustments			
	The Group as at 31 December 2015 (note 1) £m	*The Azzurri Communi-cations Group as at 31 December 2015 (note 2) £m*	*Acquisition of Warden Holdco by the Company (notes 3,4) £m*	*Net placing proceeds (note 5) £m*	*Pro forma net assets of the Enlarged Group £m*
Assets					
Non-current assets					
Property, plant and equipment	0.7	2.5	–	–	3.2
Assets under construction	–	0.2	–	–	0.2
Intangible assets	18.1	37.6	3.6	–	59.4
Deferred tax asset	–	0.8	–	–	0.8
	18.8	41.1	3.6	–	63.5
Current assets					
Inventories	1.3	2.4	–	–	3.6
Trade and other receivables	11.0	24.0	–	–	35.1
Cash and cash equivalents	2.8	2.0	–	–	4.8
	15.1	28.4	–	–	43.5
Total assets	33.9	69.5	3.6	–	107.1
Liabilities					
Non-current liabilities					
Borrowings	(4.0)	(24.2)	(3.0)	0.3	(30.9)
Deferred tax liability	(0.8)	–	–	–	(0.8)
	(4.8)	(24.2)	(3.0)	0.3	(31.7)
Current liabilities					
Trade and other payables	(20.3)	(27.6)	–	–	(47.8)
Borrowings	(2.0)	(20.9)	–	22.9	–
Current tax liabilities	(0.3)	–	–	–	(0.3)
Provisions	–	(0.5)	–	–	(0.5)
	(22.5)	(48.9)	–	22.9	(48.6)
Total liabilities	(27.4)	(73.1)	(3.0)	23.2	(80.3)
Net assets/(liabilities)	6.6	(3.6)	0.6	23.2	26.8

Notes:

1. The net assets of the Group at 31 December 2015 have been extracted without material adjustment from the audited consolidated financial statements of the Company for the year ended 31 December 2015.

Adjustments:

2. The net liabilities of the Azzurri Communications Group have been extracted without material adjustment from the unaudited consolidated interim financial information of Warden Holdco for the six months ended 31 December 2015, which are set out in Section B (II) of Part III of this document.

3. An adjustment has been made to reflect the acquisition of Warden Holdco by the Company.

	£m
Consideration payable in cash: £1	0.0
Total consideration	0.0
Less book value of net liabilities of the Azzurri Communications Group as at 31 December 2015	3.6
Estimated intangible assets arising on the Transaction	3.6

For the purposes of this pro forma information, no adjustment has been made to the separate assets and liabilities of the Azzurri Communications Group to reflect their fair value. The difference between the net liabilities of the Azzurri Communications Group as stated at their book value at 31 December 2015 and the estimated consideration has therefore been presented as a single value in "Intangible assets". The net liabilities of the Azzurri Communications Group will be subject to a fair value restatement as at the effective date of the transaction. Actual intangible assets included in the Company's next published financial statements may therefore be materially different from that included in the pro forma statement of net assets.

4. The increase in borrowings comprises the consideration payable in cash of £1 and estimated transaction costs of the Company of £3.1 million.

5. The placing is estimated to raise net proceeds of approximately £24.0 million (£20.2 million gross proceeds less estimated expenses of £3.8 million.)

6. No account has been taken of the financial performance of the Group since 31 December 2015, the financial performance of the Azzurri Communications Group since 31 December 2015, nor of any other event save as disclosed above.

PART V

ADDITIONAL INFORMATION

1. RESPONSIBILITY

1.1 The Directors, whose names appear on page 5 of this document, and the Company accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors and the Company (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. All the Directors accept individual and collective responsibility for compliance with the AIM Rules.

2. THE COMPANY

2.1 The Company was incorporated and registered in England and Wales with registered number 03181729 on 2 April 1996 as a private company limited by shares under the name FCB 1167 Limited. On 30 April 1996, the Company changed its name to Maintel Holdings Limited, and on 11 December 2004 the Company was re registered as a public limited company with the name Maintel Holdings Plc.

2.2 The principal legislation under which the Company operates is the Act and regulations made under the Act. The liability of the Company's members is limited to the amount, if any, unpaid on the shares held by them.

2.3 The Company is domiciled in the United Kingdom. The registered office and principal place of business of the Company is at 160 Blackfriars Road, London, England SE1 8EZ (telephone number +44 (0)344 871 1122). The Company's website is www.maintel.co.uk.

3. SUBSIDIARIES, CURRENT AND PROPOSED

3.1 The Company is the holding company of the Group. The Company's principal activity following Admission will be to act as the holding company of its subsidiaries. The following table contains details of the Company's principal subsidiaries as at the date of this document:

Company name	*Principal activity*	*Country of incorporation*	*Percentage ownership*
Maintel Europe Limited	Sale, maintenance and support of office based voice and data equipment	England and Wales	100%
Datapoint Customer Solutions Limited	Sale, maintenance and support of office based voice and data equipment	England and Wales	100%
Datapoint Global Services Limited	Sale, maintenance and support of office based voice and data equipment	England and Wales	100%
Maintel International Limited	Sale, maintenance and support of office based voice and data equipment	Republic of Ireland	100%
Maintel Voice and Data Limited	Provider of network services	England and Wales	100%
Maintel Mobile Limited	Provider of mobile services	England and Wales	100%

3.2 On Completion of the Acquisition, the Company will hold the following additional principal subsidiaries:

Company name	*Principal activity*	*Country of incorporation*	*Percentage ownership*
Warden Holdco Limited	Holding Company	England and Wales	100%(1)
Warden Midco Limited	Holding Company	England and Wales	100%
Azzurri Communications Limited	Sale, maintenance, installation and support of communications equipment	England and Wales	100%

(1) It is a condition to Completion that the Sellers must deliver to the Company the entire legal and beneficial interest in the share capital of Warden Holdco and Warden Midco, but this can be waived in certain circumstances to delivery of 95 per cent. of the issued share capital of Warden Holdco (see further paragraph 8 of Part I of this document).

3.3 Save as disclosed in paragraphs 3.1 and 3.2, there are no undertakings in which the Company has a capital interest likely to have a significant effect on the assessment of its own assets and liabilities, financial position or profits and losses.

4. SHARE CAPITAL

4.1 The authorised share capital of the Company as at the date of this document is £175,718.40 divided into 17,571,840 ordinary shares of £0.01 each. It is proposed to adopt new articles of association to make a small number of changes of a minor, technical or clarificatory nature, including the removal of the Company's current authorised share capital. A summary of the changes proposed to be implemented through the adoption of the New Articles of Association is set out in paragraph 6 of Part V of this document. The adoption of the New Articles of Association is subject to and conditional upon the approval by Shareholders at the General Meeting.

4.2 Set out below are details of the issued share capital of the Company (i) as at the date of this document and (ii) immediately following the Placing and Admission:

	Present		*Immediately following Admission*	
	Number	*Nominal Value (£)*	*Number*	*Nominal Value (£)*
Issued Ordinary Shares	10,768,487	107,684.87	14,197,059	141,970.59

4.3 On 31 December 2012, the issued share capital of the Company was £106,745.78 divided into 10,674,578 Ordinary Shares. The following changes to the issued share capital of the Company have taken place since 31 December 2012:

4.3.1 on 18 December 2014, the Company issued 40,000 Ordinary Shares to satisfy its obligation to issue shares pursuant to the Option Plan; and

4.3.2 on 9 April 2015, the Company issued 53,909 Ordinary Shares to satisfy its obligation to issue shares pursuant to the Option Plan.

4.4 The following is a reconciliation of the number of issued Ordinary Shares at the beginning and end of the financial period of the Company ended 31 December 2015:

Date	*Description*	*Issued Ordinary Shares*
1 January 2015	Balance at start of period	10,714,578
January 2015 to December 2015	Issue of shares	53,909
31 December 2015	Balance at end of period	10,768,487

4.5 The Placing Shares are to be allotted and issued pursuant to the Resolutions to be proposed at the General Meeting which, if passed, will *inter alia*:

4.5.1 generally and unconditionally authorise the Directors in accordance with section 551 of the Act to allot shares in the Company up to an aggregate nominal amount of £34,285.72 in respect of the Placing; and

4.5.2 empower the Directors pursuant to section 570 of the Act to allot equity securities (within the meaning of section 560 of the Act) for cash pursuant to the authority referred to in paragraph 4.5.1 above as if section 561(1) of the Act did not apply to such allotment, such power being limited to the allotment of up to 34,285.72 Ordinary Shares in connection with the Placing.

4.6 The provisions of section 561 of the Act confer on shareholders rights of pre emption in respect of the allotment of securities which are, or are to be, paid up in cash (other than by way of allotments to employees under any employee share scheme as defined in section 1166 of the Act). Subject to certain limited exceptions, unless the approval of shareholders is obtained in a general meeting of the Company, the Company must normally offer Ordinary Shares to be issued for cash to existing shareholders on a *pro rata* basis.

4.7 By a resolution of the Board passed on 7 April 2016 it was resolved conditionally upon (i) the Resolutions being passed at the General Meeting (but effective immediately prior to) and (ii) Admission taking place prior to 31 May 2016, to allot the Placing Shares for cash at the Placing Price.

4.8 As at 7 April 2016 (being the last practicable date before publication of this document) 245,636 Ordinary Shares were under option pursuant to the terms of the Share Plans. Further details of the Share Plans are summarised in paragraph 7 of this Part V.

4.9 The Ordinary Shares in issue on Admission will be in registered form and, following Admission, will be capable of being held in uncertificated form. In the case of Ordinary Shares held in uncertificated form, the Articles permit the holding and transfer of Ordinary Shares under CREST. CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by certificate and transferred otherwise than by written instrument. The Directors will apply for the Ordinary Shares to be admitted to CREST. The records in respect of Ordinary Shares held in uncertificated form will be maintained by Euroclear UK & Ireland Limited and the Company's registrar, Computershare Services PLC (details of whom are set out on page 5).

4.10 It is anticipated that, where appropriate, share certificates will be despatched by first class post within ten days of Admission. Temporary documents of title will not be issued. Prior to the despatch of definitive share certificates, transfers will be certified against the register.

4.11 The International Security Identification Number ("**ISIN**") of the Ordinary Shares is GB00B046YG73 and the Stock Exchange Daily Official List ("**SEDOL**") number is B046YG7.

4.12 The legislation under which the Placing Shares will be issued is the Act and regulations made under the Act.

4.13 The Ordinary Shares are denominated in sterling.

4.14 Following the Placing and Admission (assuming all the Placing Shares are allotted pursuant to the Placing), the Existing Ordinary Shares will represent approximately 75.9 per cent. of the Enlarged Share Capital.

4.15 The Placing Shares will, on Admission, rank *pari passu* in all respects and will rank in full for all dividends and distributions thereafter declared, made or paid on the ordinary share capital of the Company.

4.16 Save as disclosed in this paragraph 4, as at the date of this document:

4.16.1 the Company did not hold any treasury shares and no Ordinary Shares were held by, or on behalf of, any member of the Group;

4.16.2 no shares have been issued otherwise than as fully paid;

4.16.3 the Company has no outstanding convertible securities, exchangeable securities or securities with warrants;

4.16.4 the Company has given no undertaking to increase its share capital; and

4.16.5 no capital of any member of the Group is under option or is agreed, conditionally or unconditionally, to be put under option.

5. ARTICLES OF ASSOCIATION

Articles of association

The Articles include provisions to the following effect:

5.1 *Objects*

Section 31 of the Act provides that the objects of a company are unrestricted unless any restrictions are set out in the articles. There are no such restrictions in the Articles and the objects of the Company are therefore unrestricted.

5.2 *Authorised share capital*

The authorised share capital of the Company is £175,718.40 divided into 17,571,840 ordinary shares of £0.01 each.

5.3 *Voting rights*

5.3.1 Subject to any rights or restrictions attached to any shares, on a show of hands:

5.3.1.1 every shareholder who is present in person has one vote;

5.3.1.2 every proxy present who has been duly appointed by one or more shareholders entitled to vote on the resolution(s) has one vote; and

5.3.1.3 a proxy has one vote for and one vote against the resolution(s) if he has been duly appointed by more than one shareholder and either (i) is instructed by one or more of those shareholders to vote for the resolution and by one or more others to vote against it; or (ii) is instructed by one or more of those shareholders to vote in one way and is given a discretion as to how to vote by one or more others (and wishes to use that discretion to vote in the other way).

5.3.2 Subject to any rights or restrictions attached to any shares, on a poll every shareholder present in person or by proxy shall have one vote for every share of which he is the holder.

5.3.3 Where there are joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the vote or votes of the other joint holder or holders. Seniority is determined by the order in which the names of the holders stand in the register.

5.3.4 Unless the Board otherwise determines, a shareholder shall not be entitled to vote unless all calls or other sums due from him in respect of shares in the Company have been paid.

5.3.5 In the case of equality of votes the Chairman of the Company shall not be entitled to have a casting vote, in addition to any other vote he may have.

5.4 *Dividends*

5.4.1 Subject to the Act and the Articles, the Company may by ordinary resolution declare dividends, but no such dividends shall exceed the amount recommended by the Board. Subject to the Act, the Board may declare and pay such interim dividends (including any dividend payable at a fixed rate) as appear to the Board to be justified by the profits of the Company available for distribution.

5.4.2 Except as otherwise provided by the rights attached to shares, all dividends shall be declared and paid according to the amounts paid up or credited as paid up (other than amounts paid in advance of calls) on the shares in respect of which the dividend is paid and shall be apportioned and paid proportionately to the amounts paid up on such shares during any portion or portions of the period in respect of which the dividend is paid.

5.4.3 Dividends may be declared or paid in whatever currency the Board decide. Dividends shall not carry a right to receive interest unless otherwise provided by the rights attached to such share or the provisions of another agreement between the holder or share and the Company.

5.4.4 All dividends unclaimed for a period of 12 years after having been declared or becoming due for payment shall be forfeited and cease to remain owing by the Company.

5.4.5 The Board may, with the authority of an ordinary resolution of the Company:

5.4.5.1 offer holders of shares of any particular class the right to elect to receive further shares, credited as fully paid, instead of cash in respect of all or part of any dividend or dividends specified by the ordinary resolution or otherwise decided by the Board;

5.4.5.2 direct that payment of all or part of any dividend declared may be satisfied by the distribution of specific assets.

5.4.6 There are no fixed or specified dates on which entitlements to dividends payable by the Company arise.

5.5 *Pre emption rights*

In certain circumstances, shareholders may have statutory pre emption rights under the Act in respect of the allotment of new shares in the Company. These statutory pre emption rights would require the Company to offer new shares for allotment by existing shareholders on a *pro rata* basis before allotting them to other persons. In such circumstances, the procedure for the exercise of such statutory pre emption rights would be set out in the documentation by which such shares would be offered to shareholders.

5.6 *Distribution of capital and assets on a winding up*

The capital and assets of the Company on a winding up shall be applied in repaying to the holders of shares the amounts paid up or credited as paid up on the shares and shall be distributed according to the number of such shares held by them respectively.

5.7 *Transfer of shares*

5.7.1 Every transfer of shares which are in certificated form must by an instrument of transfer in any usual form or in any form approved by the Board and shall be executed by or on behalf of the transferor and (in the case of a transfer of a share which is not fully paid up) by or on behalf of the transferee.

5.7.2 Every transfer of shares which are in uncertificated form must be made in accordance with the Uncertified Securities Regulations 2001 and by means of a relevant system (such as CREST).

5.7.3 The Board may, in its absolute discretion and without giving any reason, refuse to register any transfer of certificated shares if: (a) it is in respect of a share which is not fully paid up (provided that the refusal does not prevent dealings in the Company's shares from taking place on an open and proper basis); (b) it is in respect of more than one class of share; (c) it is not duly stamped (if so required); or (d) it is not delivered for registration to the registered office of the Company or such other place as the Board may from time to time determine, accompanied (except in the case of a financial institution where no certificate was issued or in the case of renunciation where a certificate has not been issued) by the relevant share certificate and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer.

5.8 *Suspension of rights*

If a shareholder or any person appearing to be interested in shares held by such a shareholder has been duly served with a notice under section 793 of the Act and has failed in relation to any shares ("**default shares**") to give the Company the information thereby required within 14 days from the date of the notice, then, unless the Board otherwise determines, the shareholder shall not be entitled to vote or exercise any right conferred by membership in relation to meetings of the Company in respect of such default shares. Where the holding represents more than 0.25 per cent. of the issued shares of that class, the payment of dividends may be withheld without any liability to pay interest on such moneys if and when they are fully paid to the member and such shareholder shall not be entitled to transfer such shares other than by an approved transfer unless the shareholder himself is not in default and the shareholder proves to the satisfaction of the Board that no person in default is interested in the shares the subject of the transfer.

5.9 *Untraced shareholders*

The Company is entitled to sell any share of a shareholder who is untraceable, provided that:

5.9.1 for a period of not less than 12 years (during which at least three dividends have been payable on the share), no dividend in respect of the untraceable shares has been claimed;

5.9.2 at the end of such 12 year period, the Company has advertised in a national and local (ie the area in which the shareholder's registered address is situated) newspaper its intention to sell such share; and

5.9.3 the Company has not, during such 12 year period or in the three month period following the last of such advertisements, received any communication in respect of such share from the shareholder.

The Company shall be indebted to the former shareholder for an amount equal to the net proceeds of any such sale.

5.10 *Variation of class rights*

5.10.1 Subject to the Act, all or any of the rights or privileges attached to any class of shares in the Company may be varied or abrogated in such manner (if any) as may be provided by such rights, or, in the absence of any such provision, either with the consent in writing of the holders of at least three fourths of the nominal amount of the issued shares of that class (excluding any shares of that class held as treasury shares) or with the sanction of a special resolution passed at a separate meeting of such holders of shares of that class, but not otherwise. The quorum at any such meeting (other than an adjourned meeting) is two persons holding or representing by proxy at least one third in nominal amount of the issued shares of the class in question.

5.10.2 The rights attached to any class of shares shall not, unless otherwise expressly provided in the rights attaching to such shares, be deemed to be varied or abrogated by the creation or issue of shares ranking *pari passu* with or subsequent to them, by the purchase or redemption by the Company of any of its own shares, the transfer by the Company of any treasury shares or the directors resolving the class of shares is a participating security.

5.11 *Share capital, changes in capital and purchase of own shares*

5.11.1 Subject to the Act and to the Articles, the power of the Company to allot and issue shares shall be exercised by the Board at such times and on such terms and conditions as the Board may determine but no share may be issued at a discount.

5.11.2 Subject to the Act and to any rights attached to any existing shares, any share may be issued with such rights or restrictions as the Company may from time to time determine by ordinary resolution.

5.11.3 Subject to the Act, the Company may issue redeemable shares.

5.12 *General meetings*

5.12.1 The Board may convene a general meeting whenever it thinks fit. Shareholders also have a statutory right to requisition a general meeting in certain circumstances.

5.12.2 Pursuant to the Act, an annual general meeting shall be called on not less than 21 clear days' notice in writing. All other general meetings shall be called by not less than 14 clear days' notice in writing.

5.12.3 The quorum for a general meeting is two shareholders present in person (including a shareholder present through a corporate representative) or by proxy being entitled to vote.

5.12.4 At any general meeting, the Board and, at any general meeting, the chairman of the meeting may make any arrangement and impose any requirement or restriction which it or he considers appropriate to ensure the security or orderly conduct of the meeting. This may include requirements for evidence of identity to be produced by those attending, the searching of their personal property and the restriction of items which may be taken into the meeting place.

5.13 *Appointment of directors*

5.13.1 Unless otherwise determined by ordinary resolution, the number of directors (other than alternate directors) shall not exceed eight but shall not be less than three.

5.13.2 The Company may by ordinary resolution appoint any person who is willing to act and is permitted by law to act as a director either as an additional director or to fill a vacancy. The Board may also appoint any person who is willing to act as a director. Any person appointed by the Board as a director will hold office only until conclusion of the next annual general meeting of the Company, unless he is re elected during such meeting.

5.13.3 The Board may appoint any director to hold any employment or executive office in the Company and may also revoke or terminate any such appointment (without prejudice to any claim for damages for breach of any service contract between the director and the Company).

5.14 *Remuneration of directors*

5.14.1 The total of the fees paid to the non executive directors for their services shall be such aggregate amount as the directors may from time to time determine.

5.14.2 The salary or remuneration of executive directors shall be determined by the Board and may be either a fixed sum of money or may altogether or in part be governed by business done or profits made or otherwise determined by the Board.

5.14.3 Each director is entitled to be repaid all reasonable travelling, hotel and other expenses properly incurred by him in the performance of his duties as director.

5.15 *Retirement and removal of directors*

5.15.1 At each annual general meeting of the Company the following directors shall retire:

5.15.1.1 a director appointed by the Board after the last annual general meeting;

5.15.1.2 any director previously appointed in order to increase the total number of directors above the minimum and any director who has been a director at each of the preceding two annual general meetings.

5.15.1.3 Any director who was not appointed or re appointed at one of the two preceding annual general meetings; and

5.15.2 Each such director may, if eligible, offer himself for re election. If the Company, at the meeting at which a director retires, does not fill the vacancy the retiring director shall, if willing, be deemed to have been reappointed unless it is expressly resolved not to fill the vacancy or a resolution for the reappointment of the director is put to the meeting and lost.

5.16 *Directors' interests*

5.16.1 Subject to the Act and provided that he has disclosed to the directors the nature and extent of any interest, a director is able to enter into contracts or other arrangements with the Company, hold any other office with the Company or be a director, employee or otherwise interested in any company in which the Company is interested. Such a director shall not be liable to account to the Company for any profit, remuneration or other benefit realised by any such office, employment, contract, arrangement or proposal.

5.16.2 Save as otherwise provided by the Articles, a director shall not vote on, or be counted in the quorum in relation to, any resolution of the Board concerning any contract, arrangement, transaction or proposal to which the Company is or is to be a party and in which he (together with any person connected with him) is to his knowledge materially interested, directly or indirectly. Interests which cannot reasonably be regarded as likely to give rise to a conflict of interest and resolutions regarding various permitted matters are disregarded. However, a director can vote and be counted in the quorum where the resolution relates to any of the following:

5.16.2.1 the giving of any guarantee, security or indemnity in respect of (i) money lent or obligations incurred by him or by any other person at the request of or for the benefit of the Company or any of its subsidiary undertakings or (ii) a debt or obligation of the Company or any of its subsidiary undertakings for which the director himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;

5.16.2.2 the participation of the director in an offer of securities of the Company or any of its subsidiary undertakings, including participation in the underwriting or sub underwriting of the offer;

5.16.2.3 a proposal involving another company in which he and any persons connected with him has a direct or indirect interest of any kind, unless he and any persons connected with him hold an interest in shares representing one per cent. or more of either any class of equity share capital, or the voting rights, in such company;

5.16.2.4 any arrangement for the benefit of employees of the Company or of any of its subsidiary undertakings which does not award the director any privilege or benefit not generally awarded to the employees to whom such arrangement relates;

5.16.2.5 any proposal concerning the purchase or maintenance of any insurance policy under which he may benefit; and

5.16.2.6 any proposal concerning indemnities in favour of directors or the funding of expenditure by one or more directors on defending proceedings against such director(s).

5.16.3 A director shall not vote or be counted in the quorum on any resolution of the Board concerning his own appointment (including fixing or varying the terms of his appointment or its termination) as the holder of any office or place of profit with the Company or any company in which the Company is interested.

5.16.4 The Board may authorise any matter that would otherwise involve a Director breaching his duty under the Act to avoid conflicts of interest, provided that the interested director(s) do not vote or count in the quorum in relation to any resolution authorising the matter.

5.16.5 An interested director must act in accordance with any terms determined by the Board. An authorisation of a relevant matter may also provide that where the interested director obtains information that is confidential to a third party (other than through his position as director) he will not be obliged to disclose it to the Company or to use it in relation to the Company's affairs, if to do so would amount to a breach of that confidence.

5.17 *Powers of the directors*

5.17.1 The business of the Company shall be managed by the Board, which may exercise all the powers of the Company.

5.17.2 Subject to the provisions of the Act, the Board may exercise all the powers of the Company to borrow money, to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital, to issue debentures and other securities and to give security, either outright or as collateral security for any debt, liability or obligation of the Company or of any third party. The Board shall restrict the borrowings of the Company and, insofar as it is able, of its subsidiary undertakings, so as to procure that the aggregate principal amount outstanding in respect of borrowings by the Group at any time, shall not, exceed a sum equal to three times the aggregate of the amount paid up (or credited as paid up) on the Company's allotted share capital and the total amount standing to the credit of the capital and revenue reserves and profit and loss account of the Group (net of any negative balances whether or not distributable), as shown in the latest published audited balance sheet of the Group.

5.17.3 The Board may exercise all the powers of the Company to provide pensions or other retirement or superannuation benefits, death or disability benefits or other allowances or gratuities, by insurance or otherwise, for any person who is, or has at any time been, a director of or employed by or in the service of the Company or of any company which is an associated company, and for any member of his family (including a spouse or former spouse) or any person who is, or was, dependent on him.

5.18 *Directors' indemnity and insurance*

5.18.1 Subject to the Act, each director of the Company and of any associated company may be indemnified against any liability.

5.18.2 Subject to the Act, the Board may purchase and maintain insurance against any liability for any director of the Company or of any associated company.

6. NEW ARTICLES

The changes to the existing Articles of Association which would arise from the adoption of the New Articles of Association are set out below:

6.1 *Authorised share capital*

The requirement for a company to have an authorised share capital was abolished by the Act. The New Articles of Association make no provision as to the maximum number of shares that may be allotted by the Company, thereby removing the Company's current limit of £175,718.

6.2 *Proxies and record dates*

The time limits for the appointment or termination of proxies, and by which a person must be entered in the register of members in order to be entitled to attend and vote at a meeting of a company, have been altered by the Act and a company may exclude weekends and bank holidays for the purposes of the timing for delivery of proxies or determining which persons may attend and vote at a general meeting. The New Articles of Association expressly allow the Company to exclude weekends and bank holidays from the time for delivery of all forms of proxy and for the purpose of determining which persons may attend and vote at a general meeting.

7. SHARE PLANS

7.1 Overview

The Company has adopted the following employee share plans. Under each of these plans, awards may be granted to employees and directors of the Group which entitle them to acquire Ordinary Shares subject to certain conditions:

7.1.1 the Maintel Holdings Plc 2009 Option Plan ("**Option Plan**");

7.1.2 the Maintel 2015 Long Term Incentive Plan ("**LTIP**"); and

7.1.3 the Maintel Holdings Share Incentive Plan ("**SIP**").

Under the Share Plans, awards have been made and are outstanding as follows:

7.1.3.1 Option Plan: options have been granted and are outstanding over a total of 245,636 Ordinary Shares;

7.1.3.2 LTIP: no awards have yet been made under the LTIP; and

7.1.3.3 SIP: as at 7 April 2016 (being the latest practicable date prior to the publication of this document), 87,491 Ordinary Shares were held within the SIP for the benefit of employees of the Group.

Summaries of the key features of the Share Plans are set out in paragraphs 7.2 to 7.4 below. The following features are common to all of the Share Plans:

Dilution limits

The maximum number of new Ordinary Shares over which awards may be granted under the Share Plans in any 10 year period may not exceed 10 per cent. of the number of Ordinary Shares in issue from time to time.

Ordinary Shares transferred from treasury to satisfy awards will count as newly issued shares for these purposes.

Awards which have lapsed or been surrendered will not count towards these dilution limits.

Pension Benefits

None of the benefits which may be received under any of the Share Plans will be pensionable.

7.2 **LTIP**

7.2.1 *Overview*

Under the LTIP, awards may be granted to employees and executive directors of the Group to acquire Ordinary Shares. Awards may take the form of conditional rights to acquire Ordinary Shares or options to acquire Ordinary Shares with an exercise price of nil, nominal value or market value. The LTIP also includes a schedule ("**CSOP Schedule**") which permits the grant of options ("**CSOP Options**") with a market value exercise price and which meets the requirements of a company share option plan for the purposes of schedule 4 to the Income Tax (Earnings & Pensions) Act 2003.

The Remuneration Committee of the Company supervises the operation of the LTIP and will grant any awards under it.

7.2.2 *Participation*

Participation in the LTIP is open to executive directors and employees of the Group.

7.2.3 *Timing of grant of awards*

Generally, awards can only be made under the LTIP in the six week period following the announcement by the Company of its results for any period. However, an award may be made outside these six week periods where the Remuneration Committee considers that there are circumstances justifying the grant of an award.

7.2.4 *Individual participation limit*

The maximum value of Ordinary Shares over which awards may be granted under the LTIP to a participant ("**Participant**") in any financial year of the Company may not exceed 200 per cent. of his annual rate of basic salary at the grant date.

7.2.5 *Performance conditions and vesting*

Awards will normally vest after a minimum period of three years from the date of grant (as from the date the renumeration committee resolves to make the grant).

Awards may be subject to the satisfaction of performance conditions which the Remuneration Committee determines to be challenging and aligned with the Company's strategic goals and long term interests of Shareholders.

Where performance conditions have been set, if an event subsequently occurs which causes the Remuneration Committee to consider that the performance conditions are no longer appropriate, the Remuneration Committee may amend the performance conditions in such manner as is reasonable in the circumstances and produces a fairer measure of performance.

To the extent that any award does not vest, it will forthwith lapse.

Following vesting of a conditional share award or exercise of an option, the Remuneration Committee may recommend that such award or option shall be satisfied by the payment of a cash sum equal in amount to the market value of the Ordinary Shares which would otherwise have vested or been transferred (less the option price).

7.2.6 *Timing of vesting of awards*

Save as set out below, an award shall not vest earlier than the third anniversary of the date of grant or, if earlier, the third anniversary of the date on which there was resolution to grant.

7.2.7 *Ceasing to be an employee*

Participants who cease to be employees or directors within the Group will normally forfeit any unvested awards.

Unless a Participant has been dismissed for cause, he (or his personal representatives if he has died) may exercise vested options for a period of six months following the date of cessation of employment (or 12 months where the Participant has died). If a Participant is dismissed for cause, his options will lapse immediately.

If a Participant dies before his award vests, the award shall vest immediately in respect of a number of Ordinary Shares determined by the Remuneration Committee in accordance with any performance conditions.

If a Participant leaves as a result of ill health, injury or disability, retirement, redundancy, a relevant transfer within the meaning of the Transfer of Undertakings (Protection of Employment) Regulations 2006 or by reason of the Participant's employing company ceasing to a member of the Group or for any other reason determined by the Remuneration Committee ("good leaver"), that Participant's awards will vest on the normal vesting date (or on such earlier date as the Remuneration Committee may determine). The number of Ordinary Shares in respect of which the award vests in accordance with performance conditions shall be determined by the Remuneration Committee and, except in the case of a market value option, will then be reduced to the proportion of the vesting period which has elapsed at the date of his cessation of employment.

7.2.8 *Change of control and winding up*

If there is a change of control of the Company, awards will vest immediately (except that where the change of control is a result of an internal reorganisation, the Remuneration Committee may determine that awards shall be exchanged for substantially equivalent awards in the new holding company). The number of Ordinary Shares in respect of which awards will vest will be determined by the Remuneration Committee in accordance with the performance conditions but there shall not be any reduction in respect of the proportion of the vesting period which has elapsed up to the date of the change of control.

To the extent that options vest on a change of control, they may generally be exercised within a period of up to six months after the date of the relevant event.

With the consent of the acquiring company, Participants may be allowed to exchange awards so as to operate over shares in the acquiring company.

If notice is given of a resolution for the voluntary winding up of the Company, all awards shall vest conditionally on the passing of the resolution. The number of Ordinary Shares in respect of which awards vest will be determined by the Remuneration Committee in accordance with the performance conditions but there shall not be any reduction in respect of the proportion of the vesting period which has elapsed up to the date of when such notice is given or resolution passed.

7.2.9 *Dividend equivalent*

An award (other than a market value option) may include the right, on vesting of the award or (in the case of an option) the exercise of an option to additional Ordinary Shares or cash equal in value/amount to dividends paid during the period from the grant date until the date of delivery of the Ordinary Shares (or cash) in respect of a number of Ordinary Shares equal to the number in respect of which the relevant award has vested.

7.2.10 *Reduction and clawback*

The Remuneration Committee may at its discretion decide that the number of Ordinary Shares subject to an award shall be reduced or eliminated (i) if it is discovered that the award has been granted or vested on the basis of any incorrect information relevant to the setting of performance conditions or to determining their satisfaction, or (ii) in the event of misconduct on the part of the Participant. In the case of an award which has already vested or an option which has already been exercised, the Remuneration Committee may decide that the Participant should repay an amount equal to some or all of the benefit received.

7.2.11 *Variation of share capital*

In the event of any variation of share capital (including by way of capitalisation, rights issue or offer, bonus issue, sub division, consolidation or reduction of share capital), a demerger transaction involving the Company, the payment of a special dividend by the Company or in such other circumstances as the Remuneration Committee considers appropriate, the number of Ordinary Shares subject to an award, and any purchase price in respect of an option may be adjusted by the Remuneration Committee as it determines to be fair and reasonable (having consulted the Company's professional advisers as appropriate).

7.2.12 *Amendment of the LTIP*

The Board, acting on the recommendation of the Remuneration Committee, may amend the LTIP from time to time. An amendment may not adversely affect the existing rights of a Participant without his prior consent.

The Board may establish sub plans for overseas jurisdictions and/or make such modifications to the LTIP as are necessary or expedient to take account of local tax, exchange control, securities laws or other regulations in overseas jurisdictions.

7.2.13 *Term of the LTIP*

The LTIP shall terminate 10 years after its adoption or on such earlier date as the Board shall determine, following which, no further awards may be granted.

7.2.14 *CSOP Schedule*

The CSOP Schedule permits the Company to grant CSOP Options which have tax advantages pursuant to the provisions of schedule 4 to the Income Tax (Earnings & Pensions) Act 2003 ("**Schedule 4**"). Where such CSOP Options are granted, the terms of the LTIP will apply save insofar as those terms are required to be modified in order to comply with Schedule 4. In particular:

7.2.14.1 the aggregate subscription price (at the date of grant) of all outstanding CSOP Options granted to any one Participant under the CSOP Schedule and under any other Schedule 4 scheme adopted or operated by the Company may not exceed £30,000 (or such other limit permitted by Schedule 4);

7.2.14.2 CSOP Options may not have an exercise price less than the market value of an Ordinary Share at the date of grant of the Option;

7.2.14.3 CSOP Options may not be settled in cash and dividend equivalents are not payable in respect of CSOP Options;

7.2.14.4 CSOP Options vest in full on a change of control and certain other corporate events; and

7.2.14.5 any variation as described in paragraph 7.2.10 above shall only apply on a variation of share capital and must meet the requirements of Schedule 4.

7.3 **Share Incentive Plan (SIP)**

7.3.1 *Overview*

The SIP is designed to satisfy the conditions set out in Schedule 2 to the Income Tax (Earnings & Pensions) Act 2003 so that Ordinary Shares may be provided to employees of the Group in a tax efficient manner.

The SIP operates through a UK resident trust ("**SIP Trust**") of which the trustees ("**Trustees**") are Eddie Buxton, Nicholas Taylor and Dale Todd. The Trustees will acquire Ordinary Shares (by subscription or purchase on the market) which are then held on behalf of participants in the SIP ("**Participants**").

7.3.2 *Eligibility*

All UK resident employees (and, at the invitation of the Company, non resident employees) who have been employed within the Group for a minimum qualifying period specified by the Board in relation to any particular proposed award (not being more than 18 months or such other period as may be specified by the legislation from time to time) are eligible to participate in the SIP on similar terms. The Board has (to date) specified six months as the qualifying period.

7.3.3 *Types of award which may be granted*

Under the SIP, the Board may make the following types of award:

7.3.3.1 free share award;

7.3.3.2 partnership share award; and/or

7.3.3.3 matching share aware,

Dividend shares may also be acquired.

The Board may make different types of award in different financial periods.

The Board has to date granted partnership share awards.

The principal features of these different types of award are as follows:

7.3.3.4 Free Shares

Awards of free Ordinary Shares ("**Free Shares**") may be made to Participants up to a maximum value of £3,600 per Participant in each tax year (or such other maximum from time to time permitted by the legislation). Free Shares may be awarded by reference to the satisfaction of fair and objective performance criteria.

7.3.3.5 Partnership Shares

The Board may allow Participants the opportunity to purchase Ordinary Shares ("**Partnership Shares**") out of their pre tax salary, up to a maximum of £1,800 per tax year or 10 per cent. of pre tax salary if lower (or such other amount or percentage as may be permitted from time to time by the legislation). The purchase price will be deducted from salary subject to a minimum specified by the Board, which may not be greater than £10 on any occasion.

The Board may specify a maximum number of Ordinary Shares to be included in any particular Partnership Share award.

The salary allocated to Partnership Shares can be accumulated for a period of up to 12 months ("**Accumulation Period**") or Partnership Shares can be purchased out of deductions from the Participant's pre tax annual basic salary when those deductions are made. A Participant and the Company may agree to vary the amount of salary deductions and the intervals of those deductions. If there is an Accumulation Period, the number of Ordinary Shares purchased shall be determined by dividing the Participant's aggregate pay deducted during the Accumulation Period by the market value of the Partnership Shares.

Once acquired, Partnership Shares may be withdrawn from the SIP by the Participant at any time.

7.3.3.6 Matching Shares

Where Participants purchase Partnership Shares, they may be given up to two free Ordinary Shares ("**Matching Shares**") for every purchased Partnership Share. If Matching Shares are allocated, all Participants who have purchased Partnership Shares must be awarded Matching Shares on the same basis.

7.3.3.7 Dividend Shares

Participants may be required or permitted to purchase additional Ordinary Shares ("**Dividend Shares**") using dividends received by them in respect of their Ordinary Shares held under the SIP.

7.3.4 *Holding period and cessation of employment*

All Free Shares and Matching Shares must normally remain within the SIP for a period of three to five years, as specified by the Board at the time the awards are made, unless the Participant ceases to be employed within the Group.

If a Participant ceases to be an employee within the Group by reason of death, injury or disability, redundancy, retirement, by reason of a relevant transfer within the meaning of the Transfer of Undertakings (Protection of Employment) Regulations 2006 or by reason of the Participant's employing company ceasing to a member of the Group (each a "**Good Leaver**") his Free Shares and/or Matching Shares will be transferred to him (or to his personal representative).

If a Participant ceases to be an employee of the Group within a period specified by the Board at the date the award is made in circumstances when he is not a Good Leaver, his Free Shares and Matching Shares will be forfeited and he will have no further entitlement to them, unless the relevant Free Share agreement or Partnership Share agreement provides otherwise.

7.3.5 *Rights relating to the shares*

Ordinary Shares held under the SIP shall, subject to the provisions of the SIP, rank *pari passu* in all respects with other Ordinary Shares.

Where Ordinary Shares are held under the SIP by the Trustee on behalf of a Participant, the Trustee must comply with any voting instructions given by the Participant and otherwise, save as required or permitted by the SIP, deal with a Participant's Shares only in accordance with his directions.

7.3.6 *Company events*

In the event of a general offer being made to Shareholders (or similar takeover event taking place) during a holding period, Participants will be able to direct the Trustee as to how to act in relation to their Ordinary Shares held in the SIP. In the event of a corporate re organisation, any Ordinary Shares held by Participants may be replaced by equivalent shares in a new holding company.

7.3.7 *Variation of capital*

Ordinary Shares, or rights to them, acquired by Participants on a variation of share capital of the Company will usually be treated in the same way as the Ordinary Shares acquired or awarded under the UK SIP, in respect of which the rights were conferred and as if they were acquired or awarded at the same time.

7.3.8 *Alterations to the SIP*

The Board may alter the SIP as it thinks fit from time to time. No alteration to the SIP can be made which would materially affect any subsisting rights of Participants without the prior consent or sanction of a majority of the Participants who would be affected.

7.4 **Option Plan**

All options granted under the Option Plan have already vested and no further options will be granted under the Option Plan.

The following provisions are relevant to outstanding options:

7.4.1 the options are exercisable until the tenth anniversary of grant at which time they will lapse, unless they lapse earlier in accordance with the Option Plan rules;

7.4.2 following his cessation of employment, a participant in the Option Plan will have a period of time, determined by the Remuneration Committee, to exercise his vested options, at the end of which they will lapse if not exercised;

7.4.3 on a change of control or voluntary winding up of the Company, participants in the Option Plan will have a period of time determined by the Remuneration Committee in which to exercise options at the end of which the options will lapse if not exercised;

7.4.4 in the event of a merger or demerger affecting the Company or Group the Remuneration Committee has discretion to adjust the number of Ordinary Shares subject to outstanding options in such manner and with effect from such date as it considers appropriate and as the Company's auditors have confirmed to be in their opinion fair and reasonable;

7.4.5 in the event of a variation of share capital of the Company by way of capitalisation, rights issue, subdivision, consolidation, reduction or otherwise, the number of Ordinary Shares subject to an outstanding option and the terms and conditions applying to such option shall be adjusted in such manner as the Remuneration Committee may determine to be appropriate and as the Company's auditors have confirmed to be in their opinion fair and reasonable;

7.4.6 the Remuneration Committee may amend the Option Plan as it thinks fit. Generally, no alteration may affect subsisting rights of participants without the prior consent or sanction of a majority of the participants who responded to the notification by the Company of the proposed change.

8. INTERESTS OF DIRECTORS AND OTHER MAJOR SHAREHOLDERS

8.1 As at the date of this document and immediately following Admission, the interests (all of which are beneficial unless otherwise stated), whether direct or indirect, of the Directors and their families (within the meaning set out in the AIM Rules) in the issued share capital of the Company and the existence of which is known to or could, with reasonable diligence, be ascertained by the Directors are as follows:

	Before Admission			*Following Admission*	
Director	*Number of Ordinary Shares*	*Percentage of Existing Ordinary Shares*	*Number of Ordinary Shares subscribed for pursuant to the Placing*	*Number of Ordinary Shares*	*Percentage of Enlarged Share Capital*
John Booth	2,760,301	25.63	571,429	3,331,730	23.47
Eddie Buxton(1)	4,654	0.04	–	4,654	0.03
Angus McCaffery	2,055,629	19.09	142,857	2,198,486	15.49
Mark Townsend	–	–	–	–	–
Kevin Stevens(2)	2,731	0.03	–	2,731	0.02
Stuart Legg	–	–	–	–	–
Annette Nabavi	–	–	–	–	–
Nicholas Taylor(1)	15,947	0.15	–	15,947	0.11

Notes:

(1) The SIP operates through a UK resident trust of which Nicholas Taylor, Eddie Buxton and Dale Todd are the trustees ("**Trustees**"). The Trustees acquire Ordinary Shares (by subscription or purchase on the market) which are then held on behalf of participants in the SIP. As at 7 April 2016 (being the latest practicable date prior to the publication of this document) Nicholas Taylor held 78,544 Ordinary Shares on behalf of participants in the SIP and Eddie Buxton held 82,837 Ordinary Shares on behalf of participants in the SIP.

(2) Kevin Stevens' interests in 436 Ordinary Shares are held by his wife.

8.2 As at the date of this document, the following options over Ordinary Shares had been granted pursuant to the Share Plans to the following Directors for nil consideration, all of which options are already vested and exercisable:

Director	*Number of Ordinary Shares under option*	*Exercise price*	*Grant date*	*Last exercise date*
Eddie Buxton	107,818	200p	18 May 2009	18 May 2019
	107,818	300p	18 May 2009	18 May 2019
Kevin Stevens	10,000	530p	29 May 2014	29 May 2024

8.3 Save as disclosed in paragraphs 8.1 and 8.2 above, none of the Directors has any interest in the share capital of the Company or of any of its subsidiaries nor does any member of his or her family (within the meaning set out in the AIM Rules) have any such interest, whether beneficial or non beneficial.

8.4 As at 7 April 2016 (being the last practicable date prior to the publication of this document) and so far as the Directors are aware, the only persons (other than any Director) who are or will be interested, directly or indirectly, in three per cent. or more of the issued share capital of the Company prior to and immediately following Admission are as follows:

	Before Admission			*Following Admission*	
Shareholder	*Number of Ordinary Shares*	*Percentage of Existing Ordinary Shares*	*Number of Ordinary Shares subscribed for pursuant to the Placing*	*Number of Ordinary Shares*	*Percentage of Enlarged Share Capital*
J A Spens	1,731,171	16.1	357,143	2,088,314	14.7
Hargreave Hale Ltd[(1)]	1,461,300	13.6	1,001,040	2,462,340	17.3
Herald Investment Trust plc[(2)]	610,000	5.7	194,217	804,217	5.7

Note:

(1) 1,457,000 of these Ordinary Shares are held for unit trusts operated by Marlborough Fund Managers Ltd, for whom Hargreave Hale Ltd manages the investments, on a discretionary basis.

(2) John Booth is a shareholder of Herald Investment Trust plc.

8.5 Save as disclosed in paragraph 8.4 above, the Company and the Directors are not aware of (i) any persons who, directly or indirectly, jointly or severally, exercises or could exercise control over the Company, nor (ii) any arrangements the operation of which may at a subsequent date result in a change in control of the Company.

8.6 The voting rights of the persons listed in paragraph 8.4 above do not differ from the voting rights of any other holder of Ordinary Shares.

8.7 There are no outstanding loans granted by any member of the Group to any Director nor are there any guarantees provided by any member of the Group for the benefit of any Director.

8.8 Other than the Company and its subsidiaries, the Directors hold the following directorships and are partners in the following partnerships and have held the following directorships and been partners in the following partnerships within the five years prior to the date of this document:

Director	*Current*	*Previous*
John Booth	Chatsworth House Trust Cerno Capital Partners LLP The Diocese of Chichester Education Trust The Chichester Diocesan Fund and Board of Finance (Incorporated) Foreign Anglican Church and Educational Association Limited Herald Investment Management Limited Herald Ventures Limited Partnership HIML Holdings Limited Integrated Acquisition I Ltd Integrated Asset Management Plc The John Booth Charitable Foundation The London Theatre Company Productions Limited Natilik Limited Natilik Holdings Limited Oldfield & Co.(London) Limited Pallant House Gallery The Project for Modern Democracy	The Imaginarium Studios Limited Jazz FM Limited The Link Asset and Securities Company Limited Martha Limited Parnassus Property Limited Staffcare Limited Walsingham College Trust Association Limited

Director	*Current*	*Previous*
John Booth *(continued)*	Shrine Trading Limited St. Andrew Holborn Trading Limited	
Eddie Buxton	–	–
Angus McCaffery	Denara Holdings Limited Denara Technologies Limited E Know.net Limited Hengelo Ltd Nasstar Plc	–
Mark Townsend	Townsend Business Services Ltd	Brogan Group UK Limited Livingston Group Limited
Kevin Stevens	–	–
Stuart Legg	–	Proximity Communications Limited
Annette Nabavi	Anchusa Consulting Limited The Association of Independent Professionals and the Self Employed Limited Women in Telecoms and Technology (WITT) Limited	–
Nicholas Taylor	Hopton Hill Limited Juna Investments Limited	Caveman Films Holdings Limited G Plus Limited G Plus Europe Limited The Imaginarium Studios Limited Linstock Communications Limited

8.10 As at the date of this document none of the Directors:

8.10.1 has any unspent convictions in relation to any indictable offences; or

8.10.2 has been bankrupt or entered into an individual voluntary arrangement; or

8.10.3 save as disclosed in paragraphs 8.11 and 8.12, was a director of any company at the time of or within 12 months preceding any receivership, compulsory liquidation, creditors voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with that company's creditors generally or with any class of its creditors; or

8.10.4 has been a partner in a partnership at the time of or within 12 months preceding any compulsory liquidation, administration or partnership voluntary arrangement of such partnership; or

8.10.5 has had his assets the subject of any receivership or has been a partner of a partnership at the time of or within 12 months preceding any assets thereof being the subject of a receivership; or

8.10.6 has been subject to any public criticism by any statutory or regulatory authority (including any designated 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 a company.

8.11 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.

8.12 In or about July 2002 Wicked Web Limited (renamed WWCVL Limited on 24 October 2002) 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.

9. DIRECTORS' SERVICE AGREEMENTS AND LETTERS OF APPOINTMENT

9.1 Each of the executive Directors has a service agreement with the Company. Details of these service agreements are set out below:

Director	*Date of agreement*	*Current salary (per annum)*
Eddie Buxton	15 December 2008	£194,371
Angus McCaffery	2 December 2004	£151,898
Mark Townsend	8 April 2016	£145,000
Kevin Stevens	7 April 2014	£140,760
Stuart Legg	8 April 2016	£160,000

9.2 **Eddie Buxton**: was appointed Chief Executive Officer of the Company in February 2009. He entered into his current service agreement with the Company on 15 December 2008. Mr Buxton's current salary is £194,371 per annum which is subject to annual review by the Remuneration Committee. Mr Buxton is entitled to participate in a discretionary performance related bonus scheme. He is also entitled to various benefits under the agreement including company car/cash alternative, pension, private medical insurance, permanent health insurance and directors' and officers' liability insurance. There are provisions in the service agreement requiring Mr Buxton to keep information about the Group confidential and to protect the Group's intellectual property rights. The service agreement contains various separate and independent restrictive covenants relating to non-competition and non-interference with suppliers for a period of six months following termination of his employment and also non-poaching of key employees for a period of twelve months following termination of his employment.

9.3 **Angus McCaffery**: co-founded the Group in 1991. He entered into his current service agreement with the Company on 2 December 2004, as amended on 25 April 2014. He currently holds the role of Executive Director. Mr McCaffery's current salary is £151,898 per annum (representing a pro rated amount for a four day working week of a salary of £189,873), which is subject to annual review by the Remuneration Committee. Mr McCaffery is entitled to participate in a discretionary performance related bonus scheme. He is also entitled to various benefits under the agreement including company car/cash alternative, pension, private medical insurance, permanent health insurance and directors' and officers' liability insurance. There are provisions in the service agreement requiring Mr McCaffery to keep information about the Group confidential and to protect the Group's intellectual property rights. The service agreement contains various separate and independent restrictive covenants relating to non-competition, non-interference with suppliers and non-poaching of key employees for a period of twelve months following termination of his employment.

9.4 **Mark Townsend**: has been employed by the Group since 7 April 2016. He entered into his current service agreement with the Company on 7 April 2016. He currently holds the role of Chief Financial Officer having been appointed on 7 April 2016. Mr Townsend's current salary is £145,000 per annum which is subject to annual review by the Remuneration Committee. Mr Townsend is entitled to participate in a discretionary performance related bonus scheme. He is also entitled to various benefits under the agreement including company car/cash alternative, pension, private medical insurance, permanent health insurance and directors' and officers' liability insurance. There are provisions in the service agreement requiring Mr Townsend to keep information about the Group confidential and to protect the Group's intellectual property rights. The service agreement contains various separate and independent restrictive covenants relating to non-competition, non-interference with suppliers and non-poaching of key employees for a period of twelve months following termination of his employment.

9.5 **Kevin Stevens**: has been employed by the Group since June 2010 and was appointed to the Board on 1 January 2014. He entered into his current service agreement with the Company on 7 April 2014. He currently holds the role of Group Operations Director. Mr Stevens' current salary is £140,760 per annum which is subject to annual review by the Remuneration Committee. Mr Stevens is entitled to participate in a discretionary performance related bonus scheme. He is also entitled to various benefits under the agreement including company car/cash alternative, pension, private medical insurance, permanent health insurance and directors' and officers' liability insurance. There are provisions in the service agreement requiring Mr Stevens to keep information about the Group confidential and to protect the Group's intellectual property rights. The service agreement contains various separate and independent restrictive covenants relating to non-competition, non-interference with suppliers and non-poaching of key employees for a period of six months following termination of his employment.

9.6 **Stuart Legg**: has been employed by the Group since 31 January 2011. He entered into his current service agreement with the Company on 7 April 2016. He currently holds the role of Sales Director having been appointed on 7 April 2016. Mr Legg's current salary is £160,000 per annum which is subject to annual review by the Remuneration Committee. Mr Legg is entitled to participate in a discretionary performance related bonus scheme. He is also entitled to various benefits under the agreement including company car/cash alternative, pension, private medical insurance, permanent health insurance and directors' and officers' liability insurance. There are provisions in the service agreement requiring Mr Legg to keep information about the Group confidential and to protect the Group's intellectual property rights. The service agreement contains various separate and independent restrictive covenants relating to non-competition, non-interference with suppliers and non-poaching of key employees for a period of twelve months following termination of his employment.

9.7 **John Booth**: has been appointed a non executive Director and Chairman of the Company since 1996. He entered into his current letter of appointment on 24 November 2004. The appointment was for an initial period of one year (subject to re election at the annual general meeting) and thereafter terminable on three months' notice by either party. Pursuant to this letter of appointment, Mr Booth is required to devote an appropriate amount of time to his role, which is currently agreed to be equivalent to 1 day per month. The fee payable for Mr Booth's services as a non executive Director is £41,615 per annum and is subject to annual review.

9.8 **Annette Nabavi**: was appointed a non executive Director of the Company pursuant to the terms of a letter of appointment dated 27 June 2014. The appointment is for an initial period of three years (subject to re election at the next annual general meeting). Pursuant to this letter of appointment, Ms Nabavi is required to devote an appropriate amount of time to her role, which is currently agreed to be equivalent to 1 day per month. The fee payable for Ms Nabavi's services as a non executive Director is £30,600 per annum and is subject to annual review.

9.9 **Nicholas Taylor**: was appointed a non executive Director of the Company with effect from 1 January 2006, by letter of appointment dated 1 December 2005. The appointment was for an initial period of three years (subject to re election at each annual general meeting) and thereafter terminable on three months' notice by either party. Pursuant to this letter of appointment, Mr Taylor is required to devote an appropriate amount of time to his role, which is currently agreed to be equivalent to 1 day per month. The fee payable for Mr Taylor's services as a non executive Director is £30,600 per annum and is subject to annual review.

9.10 Save as disclosed in paragraphs 9.1 to 9.9 above, there are no existing or proposed service agreements or consultancy agreements between any of the Directors and the Company which cannot be terminated by the Company without payment of compensation within 12 months.

9.11 The aggregate of the remuneration paid and benefits in kind (including bonus payments) granted to the Directors by any member of the Group in respect of the financial year ended 31 December 2015 was approximately £846,000.

9.12 There are no arrangements under which any Director has waived or agreed to waive future emoluments nor have there been any such waivers of emoluments during the financial year immediately preceding the date of this document.

10. EMPLOYEES

Details of the average number of the Maintel Group's employees (including directors) during each of the three financial periods covered by the historical financial information is as follows:

	31 December 2015 £m	*31 December 2014 £m*	*31 December 2013 £m*
Corporate and administration	40	36	26
Sales and customers service	99	80	72
Technical and engineering	138	125	96
	277	241	194

Details of the average number of the Azzurri Communications Group's employees (including directors) during each of the three financial periods covered by the historical financial information is as follows:

	30 June 2015 £m	*30 June 2014 £m*	*30 June 2013 £m*
Operations	504	585	610
Administration	66	71	82
	570	656	692

11. RELATED PARTY TRANSACTIONS

11.1 Save as disclosed in paragraph 11 of Part I and referred to in the financial statements incorporated by reference to Part III of this document, no member of the Group entered into a transaction with a related party during the period between 1 January 2013 and the date of this document.

11.2 Save as disclosed in the financial statements in Part III of this document no member of the Azzurri Communications Group entered into a transaction with a related party during the period between 1 January 2013 and the date of this document.

11.3 None of the Directors has any interest, direct or indirect, in any assets which have been acquired by, disposed of by, or leased to, any member of the Enlarged Group or which are proposed to be acquired by, disposed of by, or leased to, any member of the Enlarged Group.

12. TAXATION

The following paragraphs are intended as a general guide only for Shareholders who are resident in the UK for tax purposes, holding Ordinary Shares as investments and not as securities to be realised in the course of a trade. They are based on the existing rates of tax, current legislation and HMRC practice, all of which may change in the future, and assume that the UK Finance Bill 2016 will be enacted in its current form in relation to the taxation of dividends received by individual Shareholders. Any Shareholder who is any doubt about their tax position, or who is subject to taxation in a jurisdiction other than the UK, should consult their own professional adviser.

12.1 **Capital gains tax ("CGT")**

If a Shareholder who is a UK individual disposes of all or some of their Ordinary Shares, a liability to tax on capital gains made from the disposal may arise. The extent of the tax liability will depend on the availability to the Shareholder of the CGT annual exemption (£11,100 for the 2016/2017 tax year), to the extent this has not been used against other gains, and any other tax reliefs available such as existing capital losses. It was announced at the 2016 Budget in March that, for disposals on or after 6 April 2016, CGT will be charged at a rate of 10 per cent. for basic rate taxpayers and 20 per cent. for higher and additional rate taxpayers. The indexation allowance is not available for individuals.

Trustees of a UK resident trust will also be subject to CGT on any capital gains from disposals of Ordinary Shares. Any gain may be capable of mitigation by use of the annual exemption available to the trustees (£5,550 for the 2016/2017 tax year), to the extent this has not been used against other gains, and any other tax reliefs available such as existing capital losses. It was announced at the 2016 Budget in March that, for disposals on or after 6 April 2016, CGT will be charged at a rate of 20 per cent. for trustees. The indexation allowance is not available for trustees.

Shareholders that are UK tax resident companies and hold Ordinary Shares as an investment will be subject to corporation tax on any capital gain arising, subject to mitigation by the indexation allowance and potentially by any losses available to the company. The current rate of corporation tax is 20 per cent., although the UK Government has announced plans to reduce this rate to 19 per cent. from April 2017 and 17 per cent. from April 2020. An exemption from corporation tax arising on any capital gain (known as the "substantial shareholdings exemption") may be available if the corporate Shareholder holds at least 10 per cent. of the Company's Ordinary Shares and has done so for at least 12 months in the two years prior to disposal, provided that certain other conditions are met.

12.2 **UK stamp duty and stamp duty reserve tax**

No UK stamp duty will be payable on the issue by the Company of Ordinary Shares. Nor should there be any liability to UK stamp duty/stamp duty reserve tax on subsequent transactions involving Ordinary Shares listed on AIM, since the abolition of such tax on transfers from 28 April 2014 onwards.

12.3 **UK taxation of dividends**

Withholding Tax

Under current UK tax legislation, no amounts in respect of UK tax will be withheld at source from dividend payments made by the Company in respect of Ordinary Shares.

Individuals

Subject to the enactment of the Finance Bill 2016, from 6 April 2016 onwards the taxation of dividends for UK resident individual Shareholders will change. The "dividend tax credit" that previously applied will be abolished and replaced with a new tax-free "dividend allowance" of £5,000. UK resident individual Shareholders will not pay income tax on the first £5,000 of their dividend income, regardless of how much non-dividend income they have, but the new allowance will not be available to set against non-dividend income. Depending on a Shareholder's personal circumstances, and to the extent it is not used against other income, the general income tax personal allowance (£11,000 for the 2016/17 tax year) may also be available to set against any dividend income from Ordinary Shares (in addition to the new "dividend allowance").

The tax rates that apply to dividend income in excess of the £5,000 allowance will be 7.5 per cent. (for dividend income within the basic rate band), 32.5 per cent. (for dividend income within the higher rate band) and 38.1 per cent. (for dividend income within the additional rate band).

UK resident individual Shareholders should therefore seek the appropriate advice on how such proposed changes may impact their personal tax affairs.

Companies

Shareholders that are UK tax resident companies and hold Ordinary Shares as an investment (but excluding certain insurance companies and companies that hold shares as trading stock) may meet one of the corporation tax exemptions and not ultimately be liable to UK corporation tax or income tax on dividends paid in respect of Ordinary Shares. Corporate Shareholders should seek appropriate advice if they are in any doubt as to the UK tax treatment of any dividend income from Ordinary Shares.

The above comments are intended as a general guide to the current tax position in the UK (and, as noted above, assume that the UK Finance Bill 2016 will be enacted in its current form). This summary is not a substitute for an investor obtaining professional or tax advice before applying for or acquiring Ordinary Shares. If you are not resident in the UK, or are in any doubt as to your tax position, you should consult an appropriate professional adviser without delay.

13. WORKING CAPITAL

The Directors are of the opinion, having made due and careful enquiry, taking into account available bank and other facilities and the net proceeds of the Placing receivable by the Company, that the working capital available to the Enlarged Group is sufficient for its present requirements, that is for at least the next 12 months from the date of Admission.

14. SIGNIFICANT CHANGE

There has been no significant change in the financial or trading position of the Maintel Group since 31 December 2015, being the date to which the Maintel Group's last audited financial statements were published.

There has been no significant change in the financial or trading position of the Azzurri Communications Group since 31 December 2015, being the date to which the most recent historical financial information of the Azzurri Communications Group as included in Section B (II) of Part III of this document was prepared.

15. LITIGATION

No member of the Enlarged Group is involved in any legal or arbitration proceedings which are having or may have a significant effect on the Enlarged Group's financial position nor, so far as the Company is aware, are any such proceedings pending or threatened by or against any member of the Enlarged Group.

16. PLACING AGREEMENT

In connection with the Placing, the Company, the Directors, finnCap and Oakley entered into the Placing Agreement on 8 April 2016. The Placing Agreement is conditional on, *inter alia*, the Acquisition Agreement remaining in full force and effect and all conditions under the Acquisition Agreement capable of being satisfied prior to the date of Admission having been satisfied and all conditions under the Acquisition Agreement required to be satisfied after the date of Admission remaining capable of being satisfied, the passing of the Resolutions at the General Meeting, and Admission occurring on 28 April 2016 or such later date (not being later than 8.00 a.m. on 31 May 2016) as the Company, finnCap and Oakley may agree. The principal terms of the Placing Agreement are as follows:

16.1 finnCap and Oakley have agreed, as agents of the Company, to use their reasonable endeavours to procure placees to subscribe for the Placing Shares at the Placing Price;

16.2 the Company has agreed to pay finnCap, conditional on Admission, a corporate finance fee of £250,000 and, a commission of 1.50 per cent. of the aggregate value of the Placing Price of the Placing Shares (plus any applicable VAT);

16.3 the Company has agreed to pay Oakley, conditional on Admission, a corporate finance fee of £485,000 and a commission of 1.50 per cent. of the aggregate value of the Placing Price of the Placing Shares (plus any applicable VAT);

16.4 the Company may pay a further commission, at its sole discretion, both in relation to the amount of the commission and its allocation between finnCap and Oakley, of up to 0.5 per cent. of the aggregate value of the Placing Price of the Placing Shares (plus any applicable VAT);

16.5 the Company has agreed to pay all of the costs and expenses of and incidental to the Placing and related arrangements which have been incurred by finnCap or Oakley together with any applicable VAT;

16.6 the Company has given certain warranties to finnCap and Oakley as to the accuracy of the information in this document and as to other matters relating to the Enlarged Group. The Company has given an indemnity to finnCap and Oakley against any losses or liabilities arising out of the proper performance by finnCap and Oakley of their duties under the Placing Agreement; and

16.7 finnCap and Oakley may terminate the Placing Agreement before Admission in certain circumstances, including for material breach of the warranties referred to above.

17. ACQUISITION AGREEMENT, WARRANTY DEED, TAX DEED AND MINORITY SPAs

17.1 Acquisition Agreement

On 8 April 2016 the Company entered into a conditional share purchase agreement ("**Acquisition Agreement**") with FinPart B.V., NIBC Bank N.V., Barclays Converted Investments No 2 Limited, Globe Nominees Limited, Remich Holding I Sa rl, BOI-IF Services No5 Company, AIB Ventures Capital Limited, North Westerly CLO III B.V. (together referred to as the "**Sellers**") and Warden Holdco for the sale and purchase of certain shares in the share capital of Warden Holdco and Warden Midco for an aggregate consideration of £1.00 and the assumption of the existing debt of the Azzurri Communications Group. The Company has committed to procuring the satisfaction of the outstanding debt held in the Azzurri Communications Group immediately following Completion.

The Acquisition Agreement is subject to and conditional upon:

17.1.1 a resolution to approve the Acquisition being passed at a general meeting of the Company by the Longstop Date;

17.1.2 the admission of the Placing Shares to trading on AIM;

17.1.3 the Placing Agreement being in full force and effect such that the Company will receive the net proceeds of the Placing from the Placing Agents in accordance with the terms of the Placing Agreement and the New Facilities being available for draw down in immediately available funds in the full amount; and

17.1.4 the Sellers delivering to the Company on the date of Completion all of the shares in the share capital of Warden Holdco by (i) the transfer of such number of shares held by them (as detailed in part 1 of Schedule 1 of the Acquisition Agreement); (ii) the transfer of all rights, title and interests as exist in the Holdco Dragged Shares; and (iii) the transfer of all rights, title and interests as exist in the Minority SPA Shares held by the Minority SPA Sellers.

Upon Completion, the Company shall indirectly hold (either through its holding in Warden Holdco or Warden Midco) the entire issued share capital of Azzurri Communications Limited.

The Sellers have severally given warranties to the Company regarding their title to the shares they respectively hold in the share capital of Warden Holdco and/or Warden Midco (as applicable), and their capacity to enter into, and be bound by the terms of, the Acquisition Agreement.

17.2 Warranty Deed

On 8 April 2016 the Company entered into a warranty deed ("Warranty Deed") relating to the sale and purchase of the entire issued share capital of Warden Holdco Limited with Christopher Jagusz (CEO of Azzurri Communications Limited) and Andrew Marshall (CFO of Azzurri Communications Limited) (together, the "Warrantors").

Pursuant to the Warranty Deed, the Warrantors jointly and severally give warranties to the Company in relation to the business and affairs of the Azzurri Communications Group. The liability of each of the Warrantors is capped at £1.00 and is subject to a number of further limitations commensurate with a transaction of this nature. The Company has procured warranty and indemnity insurance up to the sum of £25 million in respect of any claims made by the Company under the warranties and indemnities contained within the Warranty Deed or the Tax Deed (see further paragraph 18.6 of this Part V).

17.3 Tax Deed

Pursuant to the Tax Deed, the Warrantors have given an indemnity in favour of the Company in relation to the pre-Completion tax affairs of the Azzurri Communications Group.

The Tax Deed gives the Company the usual scope of contractual cover for a transaction in the nature of the Acquisition. The liability of the Warrantors is capped at £1.00 each and is subject to a number of further limitations commensurate with an acquisition of this type.

The Company has procured warranty and indemnity insurance up to the sum of £25 million in respect of any claims made by the Company under the warranties and indemnities contained within the Warranty Deed or the Tax Deed.

17.4 **Silverfleet Minority SPA**

On 8 April 2016 the Company entered into a conditional share purchase agreement ("**Silverfleet Minority SPA**") with Silverfleet Fourth Nominees Limited, Silverfleet PSPS Nominees Limited, Silverfleet BOS Nominees Limited and Silverfleet Holborn Nominees Limited (together referred to as "**Silverfleet**") in relation to the sale by Silverfleet of the shares held by it (as nominee) in Warden Midco. The agreement is conditional upon the conditions in the Acquisition Agreement (as more particularly described in paragraph 17.1 of Part V of this document) being satisfied. Silverfleet has given warranties to the Company regarding its title to the shares held by it and its capacity to enter into, and be bound by the terms of, the agreement.

17.5 **RBC Minority SPA**

On 8 April 2016 the Company entered into a conditional share purchase agreement ("**RBC Minority SPA**") with RBC CEES Trustee Limited ("**RBC**") in relation to the sale by RBC of the shares held by it in Warden Holdco and Warden Midco. The agreement is conditional upon the conditions in the Acquisition Agreement (as more particularly described in paragraph 17.1 of Part V of this document) being satisfied. RBC has given warranties to the Company regarding its title to the shares held by it and its capacity to enter into, and be bound by the terms of, the agreement.

17.6 **Investec Minority SPA**

On 8 April 2016 the Company entered into a conditional share purchase agreement ("**Investec Minority SPA**") with Investec Bank PLC ("**Investec**") in relation to the sale by Investec of the shares held by it in Warden Holdco. The agreement is conditional upon the conditions in the Acquisition Agreement (as more particularly described in paragraph 17.1 of Part V of this document) being satisfied. Investec has given warranties to the Company regarding its title to the shares held by it and its capacity to enter into, and be bound by the terms of, the agreement.

17.7 **NAB Investments Minority SPA**

On 8 April 2016 the Company entered into a conditional share purchase agreement ("**NAB Investments Minority SPA**") with NAB Investments Limited ("**NAB**") in relation to the sale by NAB of the shares held by it in Warden Holdco and Warden Midco. The agreement is conditional upon the conditions in the Acquisition Agreement (as more particularly described in paragraph 17.1 of Part V of this document) being satisfied. NAB has given warranties to the Company regarding its title to the shares held by it and its capacity to enter into, and be bound by the terms of, the agreement.

18. MATERIAL CONTRACTS

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

18.1 the Placing Agreement (see paragraph 16 of this Part V);

18.2 the Acquisition Agreement, Warranty Deed, Tax Deed and Minority SPAs (see paragraph 17 of this Part V);

18.3 **Proximity Acquisition Agreement**

The Company entered into a share sale and purchase agreement dated 24 October 2014, with each of Darren Keith Boyce and Donald Macaulay Kerr (together known as the "**sellers**") and Amanda Boyce, Joanna Bradley, Stuart Legg, Surinderjit Gill, Roberto Casula, Gavin Hobbs, Daniel Davies, Peter Francis and Sarah Coldrick (together known as the "**other shareholders**") pursuant to which the Company agreed to purchase the entire issued share capital of Proximity Communications Limited. The purchase was for an aggregate purchase price of £11,565,982, subject to an adjustment to be determined by the completion accounts within 10 business days of the agreement. The share purchase agreement incorporated warranties, indemnities, covenants and undertakings that are typical for transactions of this nature.

18.4 **Existing Facilities**

As at the date of this document, the Group has banking facilities in the aggregate amount of £13 million available to it, provided by Lloyds Bank plc pursuant to a term and revolving facilities agreement dated 24 October 2014. Such facilities comprise a term loan facility of up to £6 million and revolving credit facilities of up to £7 million. The term facilities have been amortising at a rate of £500,000 per financial quarter since December 2014 and as at 31 December 2015, approximately £6 million was outstanding under such facilities. Both the term and revolving facilities are due for repayment on 24 October 2017, and will be refinanced upon first drawdown of the 'New Facilities' referred to in paragraph 18.5 below.

The margin applicable to these facilities is 2.25 per cent. per annum above LIBOR. The financial covenants of these existing facilities require cashflow cover (being the ratio of cashflow to net finance charges (including cash capital repayments)) as at the date of this document to be no less than 1.1 times, and leverage (being the ratio of total net debt to EBITDA) to be no less than 2.0 times.

In addition to the Company, seven other members of the Group have granted cross-guarantees and security in respect of the Company's liabilities in respect of these facilities to Lloyds Bank plc.

The consent of Lloyds Bank plc to enter into, amongst other things, the Acquisition Agreement and the New Facilities, which is required pursuant to the terms of the existing facilities, was obtained on 7 April 2016.

18.5 **New Facilities**

The Company entered into a £36 million revolving credit facility (with uncommitted accordion facilities of up to a further £20 million, to be available for drawing after the second anniversary of the agreement) with The Royal Bank of Scotland plc (in various capacities including, amongst others, agent and lender) on or around 8 April 2016.

These New Facilities are to be used for the purposes of payment of the purchase price for the Acquisition, to pay costs associated with the Acquisition, and refinancing of the above existing indebtedness with Lloyds Bank plc and for the Enlarged Group's general corporate and working capital purposes.

Such facilities are available to the Company for a term of five years, from the date of the agreement with the amount of committed facilities available to the Enlarged Group reducing over that period to a limit of £31 million on the third anniversary of the date of the agreement, and then to £26 million on the fourth anniversary of the date of the agreement.

The facility agreement reflects a negotiated form of the LMA leveraged finance facilities agreement. In terms of pricing:

18.5.1 a margin is payable in respect of the facilities, ranging between 1.70 per cent. and 2.85 per cent. per annum above LIBOR, depending on the Enlarged Group's senior debt leverage ratio (being the ratio of total net debt on the last day of the relevant period to EBITDA in respect of that relevant period);

18.5.2 an arrangement fee of 1 per cent. of the total committed facilities (i.e. £360,000) shall be payable on first drawdown of the New Facilities; and

18.5.3 a commitment fee of 40 per cent. of the applicable margin shall be payable on any undrawn part of the committed facilities from the earliest to occur on first drawdown of the New Facilities or 15 June 2016. For the avoidance of doubt, no commitment fee is payable in respect of the £20 million accordion facility until such time as the Company exercises its rights to draw that facility.

The principal financial covenants relating to the New Facilities are, as mentioned above, a senior debt leverage ratio of no less than 3.25, such ratio ratcheting down to 2.25 times over an 18 month period, a senior interest cover ratio (being the ratio of EBITDA to finance charges in any relevant period) to be no less than 5.0 times and cashflow cover (being the ratio of cashflow to debt service in any relevant period) to be no less than 1.2 times. Each covenant is to be tested on a quarterly basis.

Certain members of the Group have agreed to provide cross-guarantees and security in respect of the New Facilities (such security to be granted immediately prior to Completion) and certain members of the Enlarged Group will be required to accede to the facilities agreement upon Completion in order to provide similar cross-guarantees, as well as grant their own security on the same basis as that granted by the Group.

18.6 **Warranty and Indemnity Insurance**

Maintel has procured a warranty and indemnity insurance policy on 8 April 2016 in relation to claims arising pursuant to the warranties in the Warranty Deed or claims under the Tax Deed. The limit of liability under the warranty and indemnity insurance policy is £25,000,000 in aggregate. However, Maintel will be unable to recover in respect of the first £500,000 of claims (but can seek to recover up to £25,000,000 in aggregate thereafter). Claims under the warranty and indemnity insurance policy are subject to customary limitations and exclusions.

19. CONSENTS

19.1 BDO LLP has given and not withdrawn its consent to the inclusion of its report in Section A of Part III of this document in the form and context in which it appears.

19.2 finnCap has given and not withdrawn its consent to the issue of this document with the inclusion of its name and references to it in the form and context in which they appear.

19.3 Oakley has given and not withdrawn its consent to the issue of this document with the inclusion of its name and references to it in the form and context in which they appear.

20. MANDATORY BIDS, SQUEEZE OUT AND SELL OUT RULES RELATING TO THE ORDINARY SHARES

20.1 **Mandatory bid**

The Takeover Code applies to the Company. Under the Takeover Code, if an acquisition of Ordinary Shares were to increase the aggregate holding of the acquirer and its concert parties to shares carrying 30 per cent. or more of the voting rights in the Company, the acquirer (and depending on the circumstances, its concert parties) would be required, except with the consent of the Panel on Takeovers and Mergers, to make a cash offer for the outstanding shares in the Company at a price not less than the highest price paid for any interests in the Ordinary Shares by the acquirer or its concert parties during the previous 12 months. This requirement would also be triggered by an acquisition of shares by a person holding (together with its concert parties) shares carrying between 30 and 50 per cent. of the voting rights in the Company if the effect of such acquisition were to increase that person's percentage of the voting rights.

20.2 **Squeeze out**

Under the Act, if an offeror were to acquire 90 per cent. of the Ordinary Shares within four months of making the offer, it could then compulsorily acquire the remaining 10 per cent. It would do so by sending a notice to outstanding shareholders telling them that it will compulsorily acquire their shares and then, six weeks later, it would execute a transfer of the outstanding shares in its favour and pay the consideration to the Company, which would hold the consideration on trust for outstanding shareholders. The consideration offered to the shareholders whose shares are compulsorily acquired under the Act must, in general, be the same as the consideration that was available under the takeover offer.

20.3 **Sell out**

The Act also gives minority shareholders in the Company a right to be bought out in certain circumstances by an offeror who has made a takeover offer. If a takeover offer related to all the Ordinary Shares and at any time before the end of the period within which the offer could be accepted the offeror held or had agreed to acquire not less than 90 per cent. of the Ordinary Shares, any holder of shares to which the offer relates who has not accepted the offer can require the offeror to acquire his shares. The offeror would be required to give any shareholder notice of his right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of minority shareholders to be bought out, but that period cannot end less than three months after the end of the acceptance period. If a shareholder exercises its rights, the offeror is bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

21. GENERAL

21.1 The total costs and expenses of, or incidental to, the Placing and Admission, all of which are payable by the Company, are estimated to be approximately £3.8 million (exclusive of value added tax). This amount includes the commissions referred to in paragraph 16 of this Part V. The expected net proceeds of the Placing, after deduction of such costs and expenses, is £20.2 million. No expenses of the Placing are being specifically charged to subscribers under the Placing.

21.2 Save as disclosed in this document, no person (other than the Company's professional advisers named in this document and trade suppliers) has at any time within the 12 months preceding the date of this document received, directly or indirectly, from the Company or any other member of the Group or entered into any contractual arrangements to receive, directly or indirectly, from the Company or any other member of the Group on or after Admission any fees, securities in the Company or any other benefit to the value of £10,000 or more.

21.3 The Placing is not being underwritten.

21.4 The Placing Price of 700 pence represents a premium of 699 pence above the nominal value of one pence per Ordinary Share. The Placing Price is payable in full on application.

21.5 The auditor of the Company is BDO LLP, a firm of chartered accountants and registered auditors, which has audited the Company's accounts for each of the three financial years ended 31 December 2015. The audit reports were unqualified and did not contain a statement under sections 498(2) or (3) of the Act.

21.6 Save for the Acquisition the Enlarged Group currently has no significant investments in progress and the Enlarged Group has made no firm commitments concerning future investments.

21.7 Save as disclosed in Part I of this document, the Directors are not aware of any patents or other intellectual property rights, licences, particular contracts or manufacturing processes on which the Company is dependent.

21.8 The Directors are unaware of any exceptional factors which have influenced the Maintel Group's activities.

21.9 The Directors are unaware of any exceptional factors which have influenced the Azzurri Communications Group's activities.

21.10 Save in connection with the application for Admission, none of the Ordinary Shares has been admitted to dealings on any recognised investment exchange and no application for such admission has been made and it is not intended to make any other arrangements for dealings in the Ordinary Shares on any such exchange.

21.11 The Directors are not aware of any information that they should reasonably consider as necessary for the investors to form a full understanding of (i) the assets and liabilities, financial positions, profits and losses and prospects of the Company and the securities for which Admission is being sought; (ii) the rights attached to those securities; and (iii) any other matter contained herein.

22. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during usual business hours on any day (Saturdays, Sundays and public holidays excepted) at the Company's offices of 160 Blackfriars Road, London SE1 8EZ until the conclusion of the General Meeting, and will also be available for inspection at the place of the General Meeting during, and for at least 15 minutes before, the General Meeting:

22.1 this document;

22.2 the existing Articles of Association and the New Articles of Association;

22.3 the accountant's report on the historical financial information of Azzurri Communications Group, prepared by BDO LLP and set out in Section A of Part III of this document;

22.4 the audited consolidated financial statements of the Group for the three years ended 31 December 2015;

22.5 copies of the service agreements of the executive Directors; and

22.6 copies of the letters of appointment of the non-executive Directors.

Dated 8 April 2016

PART VI

NOTICE OF GENERAL MEETING

MAINTEL HOLDINGS PLC

(incorporated and registered in England and Wales with registered number 03181729)

Notice is given that a general meeting of Maintel Holdings Plc ("**Company**") will be held at 160 Blackfriars Road, London SE1 8EZ on 27 April 2016 at 11.00 a.m. for the purposes of considering and, if thought fit, passing the following resolutions. Resolutions one and two will be proposed as ordinary resolutions and resolutions three to five (inclusive) will be proposed as special resolutions.

ORDINARY RESOLUTIONS

1. THAT

   1.1 the proposed acquisition by the Company of the entire issued and to be issued share capital of Warden Holdco Limited and Warden Midco Limited pursuant to and on the terms and subject to the conditions contained in an agreement dated 8 April 2016 between the Company, as purchaser, and a consortium of eight investment banks, as sellers and Warden Holdco Limited ("**Acquisition Agreement**") as more particularly described in the admission document issued by the Company dated 8 April 2016 ("**Admission Document**") be and is hereby approved and that the directors of the Company, or a duly constituted committee of the directors be and are hereby authorised to waive, amend, vary or extend any of the terms and conditions of the Acquisition (as defined in the Admission Document) or the Acquisition Agreement or related agreements (but not to a material extent) and do all such things they may consider necessary or desirable in connection with the Acquisition; and

   1.2 for the purposes of Article 111.2 of the Company's Articles of Association, the entry by the Company into the New Facilities (as defined in the Admission Document) and any drawdown by the Company under the terms of the New Facilities in the amounts described in the Admission Document be and are hereby approved.

2. THAT, subject to the passing of resolution 1, pursuant to section 551 of the Companies Act 2006 ("**Act**") and, in addition to authorities granted at the Company's last annual general meeting, the directors be and are generally and unconditionally authorised to exercise all powers of the Company to allot shares in the Company and to grant rights to subscribe for, or to convert any security into shares in the Company up to an aggregate nominal amount of £34,285.72, in respect of the proposed Placing (as defined and summarised in the Admission Document) provided that this authority shall expire on the earlier date of fifteen months from the date this resolution is passed or the Company's annual general meeting to be held in 2017, save that the Company may make an offer or agreement before the relevant authority expires which would or might require shares to be allotted or rights to subscribe for or to convert any security into shares to be granted after such expiry and the directors may allot shares or grant such rights pursuant to any such offer or agreement as if this authority had not expired.

SPECIAL RESOLUTION

3. THAT, subject to the passing of resolution 2, pursuant to section 570 of the Act and, in addition to authorities granted at the Company's last annual general meeting, the directors be and are generally empowered to allot equity securities (within the meaning of section 560 of the Act) for cash pursuant to the authority granted by resolution 2 as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities referred to in resolution 2, in respect of the proposed Placing (as defined and summarised in the Admission Document) and that this power shall expire on the earlier date of fifteen months from the date this resolution is passed or the Company's annual general meeting to be held in 2017.

4. THAT the articles of association produced to the meeting and signed by the chairman of the meeting for identification purposes be adopted as the articles of association of the Company in substitution for, and to the exclusion of, the existing articles of association of the Company.

By order of the board

Dale Todd
Secretary

8 April 2016

Registered office
160 Blackfriars Road, Southwark, London SE1 8EZ

Registered in England and Wales No. 03181729

Notes

Entitlement to attend and vote

1. The right to vote at the meeting is determined by reference to the register of members. Only those shareholders registered in the register of members of the Company as at 6.00 p.m. on 25 April 2016 (or, if the meeting is adjourned, 6.00pm on the date which is two working days before the date of the adjourned meeting) shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. Changes to entries in the register of members after that time shall be disregarded in determining the rights of any person to attend or vote (and the number of votes they may cast) at the meeting.

Proxies

2. A shareholder is entitled to appoint another person as his or her proxy to exercise all or any of his or her rights to attend and to speak and vote at the meeting. A proxy need not be a shareholder of the Company.

   A shareholder may appoint more than one proxy in relation to the meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. Failure to specify the number of shares each proxy appointment relates to or when two or more proxies are valid but different appointments relate to the same share, the one which was signed last is treated as replacing and revoking the others as regards that share. If the Company cannot determine which proxy was signed last, all proxies may be invalid.

   A proxy may only be appointed in accordance with the procedures set out in notes 3 and 4 below and the notes to the proxy form.

2.1 The appointment of a proxy will not preclude a shareholder from attending and voting in person at the meeting.

3. A form of proxy is enclosed. When appointing more than one proxy, complete a separate proxy form in relation to each appointment. Additional proxy forms may be obtained by contacting the Company's registrar on 0370 707 1182 or the proxy form may be photocopied. State clearly on each proxy form the number of shares in relation to which the proxy is appointed.

3.1 To be valid, a proxy form must be received by post or (during normal business hours only) by hand at the offices of the Company's registrar, Computershare Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY, no later than 48 hours before the general meeting (or, if the meeting is adjourned, no later than 48 hours before the time of any adjourned meeting).

4. CREST members who wish to appoint a proxy or proxies for the meeting (or any adjournment of it) through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed (a) voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

4.1 In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "**CREST Proxy Instruction**") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by Computershare Services plc (ID 3RA50) no later than 11.00 a.m. on 25 April 2016 (or, if the meeting is adjourned, no later than 48 hours (excluding any part of a day that is not a working day) before the time of any adjourned meeting). For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which Computershare Services plc is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

4.2 CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed (a) voting service provider(s), to procure that his or her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

4.3 The Company may treat a CREST Proxy Instruction as invalid in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

Corporate representatives

5. A shareholder which is a corporation may authorise one person to act as its representative at the meeting. Each representative may exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual shareholder.

Method of voting

6. Voting on all resolutions at a general meeting shall be decided on a show of hands unless a poll is duly demanded.

Total voting rights

7. As at 7 April 2016 (being the last practicable date before the publication of this notice), the Company's issued share capital consists of 10,768,487 ordinary shares of 1 pence each, carrying one vote each. The Company does not hold any ordinary shares in treasury. Therefore, the total voting rights in the Company as at 7 April 2016 are 10,768,487 ordinary shares.

Documents available for inspection

8. The following documents will be available for inspection during normal business hours at the registered office of the Company from the date of this notice until the time of the meeting. They will also be available for inspection at the place of the meeting from at least 15 minutes before the meeting until it ends:

8.1 a copy of the admission document issued by the Company dated 8 April 2016;

8.2 copies of the service contracts of the executive directors;

8.3 copies of the letters of appointment of the non executive directors; and

8.4 a copy of the new articles of association of the Company.

Communications with the Company

9. Except as provided above, shareholders who wish to communicate with the Company in relation to the meeting should do so using the following means:

9.1 calling our shareholder helpline on 0370 707 1182.

9.2 No other methods of communication will be accepted. Any electronic communication sent by a shareholder to the Company or Computershare Services PLC which is found to contain a virus will not be accepted by the Company, but every effort will be made by the Company to inform the shareholder of the rejected communication.

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