

Interim results for the six months to 30 June 2022

Cloud transition continues, while hardware supply chain delays performance

Maintel Holdings Plc, a leading provider of cloud, network and security managed services, is pleased to announce its interim results for the six months to 30 June 2022.

Key Financial Information

Unaudited results for 6 months ended 30 June:	2022	2021	Increase/ (decrease)
Group revenue (£'m)	46.7	53.5	(12.7)%
Gross profit (£'m)	15.3	14.8	3.4%
Adjusted EBITDA	3.6	4.3	(16.6)%
(Loss)/ profit before tax (£'m)	(0.5)	3.8	(113.2)%
Adjusted profit before tax ^[5] (£'m)	2.4	2.9	(18.3)%
Basic (loss)/ earnings per share (p)	(1.8)	27.0	(106.5)%
Adjusted earnings per share ^[3] (p)	11.1	14.2	(21.8)%
Net cash debt ^[4] (£'m)	19.4	19.1	1.5%
Contracted cloud seats	160,000	117,000	36.7%

Financial headlines

- Cloud transition continues to grow: 36.7% growth on contracted seats to 160,000, associated cloud and software revenues amounts to £19.8m, representing 42.4% of revenue for the period (H1 2021: 30.4%)
- Total recurring revenue continues to grow, and now represents 73.7% of Maintel's revenue for the period, up from 68.9% on a comparable basis^[1] for H1 2021
- Gross Margin increases to 32.8%, up from 32.4% in H1 2022 on a comparable basis^[1] (up from 27.8% on a statutory, unadjusted basis), reflecting the growth of the higher margin cloud and software revenue stream
- Global hardware supply chain issue delays project implementations and adversely impacts revenue: £46.7m in H1 2022 behind the comparative period in H1 2021 (-10.6% on a like for like basis^[1])
- Adjusted EBITDA reduces to £3.6m (H1 2021: £4.3m), reflecting the revenue dynamic
- Net debt^[4] at 30 June 2022 amounts to £19.4m, in line with expectations

Operational highlights

- Sales order intake continues to grow, as the sales team performs to target in H1, despite the slowdown in the public sector tenders and customer concerns over hardware supply delivery
- Sales Order Book reaches an all time high with multi-year contract values totalling over £45m
- Maintel's successful transition to a cloud and managed services business continues successfully, as revenues from cloud and software customers now reach £19.8m in H1

2022 up 24.5% compared to £15.9m in H1 2021, and now represents 42.4% of the Company total revenue (H1 2021: 30.4% on a comparable basis^[1])

- Organisational optimisation delivers £0.5m savings from the same period last year, and on a comparable basis^[1]
- Maintel enters a 3-year refinance agreement with HSBC for a £26m Sustainability Linked Loan facility at improved terms
- Gabriel Pirona is appointed as Chief Financial Officer from 2 May 2022, bringing valuable experience into the Group which has already seen significant operational improvements

Ioan MacRae, CEO commented:

The first half of FY22 has proved hugely frustrating with anticipated challenges exceeding our initial expectations. The global hardware supply chain crisis, and in particular the shortage of semiconductors, deterred Maintel from delivering timely projects ordered by customers in the latter part of 2021 and early 2022. The acute delays in global logistics translated into significantly delayed revenue recognition for Maintel. The delayed forecasted revenue for the supply of LAN, WAN, Wi-Fi and SD-WAN related projects exceeded £6m for the first 6 months of 2022. Whilst supply chains are set to improve, normalisation is not anticipated until the second quarter of 2023.

As a strategic partner to many Health, Local, Housing and Education organisations, Maintel's revenue suffered from the post-pandemic challenges inherent to the public sector. The lasting effects of the pandemic and subsequent activity slowdown led to a reduction in tender awards and continued adjourned projects, whilst confirmation of new budgets are pending and full access to sites was resumed.

Whilst managing these headwinds, our focus remains on the group's transformation to a cloud, network and security managed services business, continued sales performance, organisational optimisation, and the introduction of new managed services.

Our transformation to a cloud and managed services business continues. In the first half, we contracted a further 28,000 cloud seats, bringing our total contracted cloud seats to 160,000, marking a 37.7% increase on H1 2021. It was pleasing to see a mix of public and private cloud solutions being sold during the period, proving our updated cloud portfolio is resonating across our UCaaS and CCaaS offerings.

Our sales team continue to build the sales order book with a strong order intake for the first 6 months and in line with expectations. The sales team have won some significant customer contracts, albeit the associated revenues are unlikely to significantly benefit financial performance until 2023. Such customer wins include Mid and South Essex NHS Foundation Trust for 11,000 public cloud seats, Hywell Dda University Health Board, IDH Group, Calor Gas, Harrods, and Guy's and St Thomas' NHS Foundation Trust. These contracts cover a mix of fully managed cloud, LAN and SD-WAN technologies.

The Group remains focused on managing the cost base, while not compromising future growth, despite the impact of inflation and the associated price increases from suppliers, as well as the salary increases to retain and support staff with the rise in the cost of living. Careful cost management and organisational optimisation continues with headcount at 496 at 30 June 2022, and operational expenses lower than the comparative period to 30 June 2021. As the cash generation in H1 2022 improved compared to the same period in 2021, Net Debt^[4] remains at £19.4m and in line with expectations.

Notes

[1] Comparable operations include continuing operations, excluding revenue and EBITDA contributions from the disposed Managed Print Services division of £0.0m (H1 2021: £1.2m) and £0.0m (H1 2020: £0.1m) respectively.

Comparable analysis also includes an adjustment in H1 2021 for reclassification of Costs of Goods Sold to administrative expense for £1.8m (this is inline with the presentation at year ended December 2021) and capitalisation of software licence costs from Costs of Goods Sold of £0.6m, to match the H1 2022 presentation

[2] Adjusted EBITDA is EBITDA of £3.2m (H1 2021: £7.9m), adjusted for exceptional items and share based payments (note 5).

[3] Adjusted earnings per share is basic (loss) per share of (1.8)p (H1 2021: earnings per share of 27.0p), adjusted for intangibles amortisation, exceptional items and share based payments (note 4). The weighted average number of shares in the period was 14.3m (H1 2021: 14.4m).

[4] Interest bearing debt (excluding issue costs of debt and IFRS 16 debt) minus cash.

[5] Adjusted profit before tax of £2.4m (H1 2020: 2.9m) is basic (loss)/profit before tax, adjusted for intangibles amortisation, exceptional items and share based payments.

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

For further information please contact:

Ioan MacRae, Chief Executive Officer	0344 871 1122
Gab Pirona, Chief Financial Officer	
Dan Davies, Chief Technology Officer	

finnCap, (Nomad and Broker)

Jonny Franklin-Adams / Emily Watts (Corporate Finance)	020 7220 0500
Sunila de Silva (Corporate Broking)	

Oakley Advisory, (Financial Advisors)
Christian Maher

020 7766 6900

Chairman's statement

Whilst hardware supply-chain problems were a known threat at the end of 2021, the delays and impact on business globally have proved more severe than forecasted. The sales team continue to perform well, building the sales order book, but we are disappointed that our vendor partners are unable to supply the required hardware to deliver projects for our customers in a timely way. The revenue impact has been significant and will remain so for the rest of this year with supply chains not expected to normalise until the second quarter of 2023.

The economic impact of the pandemic has further impeded the Group's results, with continued delays to public sector tenders being issued and awarded, the impact of which will be felt throughout the current financial year.

In the face of these economic and hardware challenges, it is good to see the Group continue its successful transformation into a cloud and managed services provider with contracted cloud seats increasing 37.7% on the same period last year and a strong pipeline underpinning our ambition to drive total contracted seats to 170,000 by year-end. Cloud services and associated revenues now account for 42.4% of total Group revenues in the period at £19.8m, an increase of 24.9% over the same period last year.

Despite the reduction in revenues (-10.6% on a comparable basis) and the cost of inflation, the Group has maintained its debt position at £19.4m, in line with the Board's expectations, through careful cost management and a programme of restructuring. Headcount currently stands at 496, down from 600 at the end of December 2020.

Our managed services and technology division saw an overall 23.0% decline in revenue, with technology declining by 27.5% owing to the impact of the semiconductor supply issues outlined above. Managed services declined by 18.2%, in line with expectations as customers downsize their estates or change their technology, resulting in price erosion on renewal or on transition to our cloud services. The latter saw a 39.3% increase in revenues to £6.0m (H1 2021: £4.3m) of pure cloud subscription revenue.

The Network Services division delivered a strong performance during the period with revenues increasing by 4.9%, and gross margin expanding 7.4 percentage points to 40.9% (H1 2021: 33.5%). The 39.3% increase in cloud subscription revenues referred to above significantly contributed to the division's results and delivered additional margin rich revenue from associated calls and lines.

It was good to conclude the refinancing of the business with HSBC and pleasing that the Group was the first technology business to be granted a sustainability linked loan. The £26m facility, in place for a minimum of 3 years, provides better terms and the framework of a supportive banking partner, proving invaluable through challenging times.

I am also delighted to welcome Gabriel Pirona to Maintel as our Chief Financial Officer. Gab joined us in May 2022 and brings a wealth of experience and knowledge to the Group. We look forward to his positive impact on our performance as he brings greater efficiencies and agility into our operations.

Outlook

The Board remains confident that Maintel will return to organic growth as global supply chains normalise, likely in spring 2023. Consequently, we expect H2 2022 trading to be consistent with the period reported. It is not, we feel, timely to resume dividend payments, but this will be kept under review as conditions improve.

Following a thorough review and upgrade of products and services offered by the company carried out over the past 18 months, we strongly believe that Maintel is well positioned to serve our customer base and address market needs well into the future. Major customer contract awards in recent months confirm this, even though the lack of hardware components is slowing project delivery and the associated revenue recognition.

While public sector contract awards were lower than anticipated in H1 2022, we expect an increase in tendering activity during H2 and into 2023 as investment continues in digital transformation across local government, health, housing and education sectors. Our expectation is to reach our contracted cloud seat target of 170,000 at year-end, continuing the company's transition into a cloud and managed services business.

Our sales team's performance year-to-date is encouraging, with a strong forecast for the second half of 2022. The sales order book currently stands at the highest value on record, proving the appeal of our solution offerings and the strength of customer demand for our portfolio of products. This underpins confidence that organic growth will resume as orders are fulfilled and associated revenues flow through.

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

J D S Booth
Chairman

29 September 2022

Business review

Results for the 6 month period to 30 June 2022

Group revenue reduced by 12.6% to £46.7m (H1 2021: £53.5m), and on a comparable basis ^[1], reduced by 10.6% to £52.3m.

Recurring revenue as a percentage of total revenue (being all revenue excluding one-off projects) grew to 73.7% (H1 2021: 68.3%).

Adjusted EBITDA^[2] reduced by 25.9% on a comparable basis^[1] mainly reflecting the revenue dynamic in the first half of the year as we retain staff and other operational expenses associated with the future delivery of the order book. On a headline basis, adjusted EBITDA reduced by 16.6% to £3.6m (H1 2021: £4.3m). The adjusted EBITDA for the 6 months to June 2022 has been impacted (by comparison to H1 2022) by the capitalisation of subscription licenses of £0.6m. Please see note one to the interim financial statements, on the basis of preparation.

Adjusted profit before tax^[5] was £2.4m (H1 2021: £2.9m).

The Group generated a loss before tax of £0.5m (H1 2021: profit of £3.8m) and loss per share of 1.8p (H1 2021: earnings per share of 27.0p). This includes a net exceptional debit of £0.3m (H1 2021: cost of £3.6m) (refer note 7) and intangibles amortisation of £2.6m (H1 2021: £2.7m).

Adjusted earnings per share (EPS) decreased by 21.8% to 11.1p (H1 2021: 14.2p) based on a weighted average number of shares in the period of 14.3m (H1 2021: 14.4m).

	6 months to 30 June 2022	6 months to 30 June 2021	
	£000	£000	Increase/ (decrease)
Revenue	46,746	53,469	(12.6)%
(Loss) / profit before tax	(575)	3,817	
Add back intangibles amortisation	2,651	2,718	
Exceptional items (note 7)	261	(3,613)	
Share based remuneration	71	27	
Adjusted profit before tax	2,408	2,949	(18.3)%
Interest	398	557	
Depreciation	808	825	
Adjusted EBITDA ^[2]	3,614	4,332	(16.6)%

Basic (loss)/earnings per share	(1.8)p	27.0p	-
Diluted	<u>(1.8)p</u>	<u>27.0p</u>	<u>-</u>
Adjusted (loss)/earnings per share ⁽³⁾	11.1p	14.2p	(21.8)%
Diluted	<u>11.1p</u>	<u>14.2p</u>	<u>(21.8)%</u>

Review of operations

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

Elements of cloud services revenues are currently accounted for in both the managed services and technology division (under both managed services related and technology revenue lines), and the network services division (under the data connectivity services and cloud revenue lines). Cloud services revenues accounted for 42.4% of total Group revenues in the period (H1 2021: 29.7%), an increase of 13 percentage points, growing to £19.8m (H1 2021: £15.9m), an increase of 24.9% over the same period last year.

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

	6 months to 30 June 2022	6 months to 30 June 2021	
Revenue analysis	£000	£000	(Decrease) / increase
Managed services related	12,730	15,558	(18.2)%
Technology ^(d)	<u>12,279</u>	<u>16,926</u>	<u>(27.5)%</u>
Managed services and technology division	25,009	32,484	(23.0)%
Network services division	19,504	18,590	4.9%
Mobile division	<u>2,233</u>	<u>2,395</u>	<u>(6.8)%</u>
Total Group	<u>46,746</u>	<u>53,469</u>	<u>(12.6)%</u>

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

Managed services and technology division

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

	6 months to 30 June 2022	6 months to 30 June 2021	
	£000	£000	Increase / (decrease)
Divisional revenue	25,009	32,484	(23.0)%
Divisional gross profit	6,610	7,455	(11.0)%
Gross margin (%)	26.4%	22.9%	

Revenue in this division decreased by 20.1% on a comparable basis⁽¹⁾ to £25.0m, including an adjustment to exclude revenue contributions from the disposed Managed Print Services division of £0.0m (H1 2021: £1.2m) and for reclassification of Costs of Goods Sold to administrative expense for £1.8m in H1 2022. These movements reflect the decline in our legacy on-premises managed services customer base. The gross margin of the division contracted to 26.4% in H1 2022 from 28.6% on a comparable basis⁽¹⁾ in H1 2021 as a result of a greater percentage of third-party services, and some margin pressure on technology sales, particularly in the public sector.

Within the division, technology saw a decline in revenues, by 27.5%, due to the impact of semiconductor supply constraints, the weakening of the British Pound against the US Dollar, and continued margin pressure on the larger deals, particularly in the LAN and WIFI space and in Public Sector, and movement in the mix of lower margin third party against internally delivered professional services.

On a comparable basis⁽¹⁾, the managed services base declined by 11.6% in the period, mainly due to customers downsizing their estates or evolving technologies as a result of the pandemic. Furthermore, as part of our business transformation, we are transitioning some customers from on-premises technology into Maintel cloud-based platforms where traditional "support" is replaced by a longer term, recurring managed services revenue which is reported in our network services division.

Network services division

The network services division sells a portfolio of connectivity and communications services, including managed MPLS (multi-protocol label switching) networks, SD-WAN services, security as a service, internet access services, dedicated access to public cloud services, SIP (session initiation protocol) telephony services, inbound and outbound telephone calls and cloud based Unified Communications and Contact Centre solutions.

	6 months to 30 June 2022	6 months to 30 June 2021	
	£000	£000	Increase / (decrease)
Call traffic	1,443	2,187	(34.0)%
Line rental	3,715	3,606	3.0%
Data connectivity services	8,116	8,257	(1.7)%
Cloud	6,006	4,313	39.3%
Other	224	227	(2.1)%
Total division	19,504	18,590	4.9%
Division gross profit	7,918	6,232	27.1%
Gross margin (%)	40.9%	33.5%	

Network services revenue grew by 4.9% in the period and the gross margin of the division expanded to 40.9% including a 34 basis points impact from an adjustment for capitalisation of subscription licenses of £0.6m. This reflects the positive contribution of the continued significant growth in cloud subscription revenues, up 39.3%, and an encouraging slow down of natural erosion across both data connectivity (1.7% vs 5.0% from H1 2022 to H1 2021) and fixed line revenues (3.0% growth vs 4.1% decline from H1 2020 to H1 2021).

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

The modest recovery in Data connectivity revenue decline is mainly a result of the reduced churn in H1 2022 compared to H1 2021. In addition, multiple new contract wins and key renewals in this space during H2 2021 and H1 2022, resulting from our new SD-WAN multi-cloud connectivity proposition and a renewed focus in this area, are yet to be realised as revenue due to hardware supply chain issues, boding well for further recovery in this space, particularly in 2023 and beyond as these contracts roll out and additional contracts are secured.

Maintel has continued to invest in this area over the period, introducing a new 5G router portfolio into our core offering.

Maintel cloud services

Maintel has continued to grow its cloud services for both unified communications and contact centre applications - with 160,000 contracted cloud seats (up 36.7% on H1 2021) and revenues from cloud & software customers now at £19.8m, representing 42.4% of revenue (H1 2021: 29.7% of revenue). During the first half of 2022, cloud deployment velocity showed signs of improvement as our customers begin to recover from the pandemic and we remain hopeful of reaching the target of 170,000 contracted seats at the end of 2022, assuming an anticipated increase in public sector contract awards.

We continued to invest in our growth areas of cloud and software and throughout the period have launched new products and services including the spring release of our own Callmedia CX Now CCaaS public cloud offering, an International SIP offering, enhancements to our ICON Teams Connector service for Microsoft Teams and ongoing enhancements to our ICON Portal digital customer engagement platform.

Mobile division

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

	6 months to 30 June 2022 £000	6 months to 30 June 2021 £000	Decrease
Revenue	2,234	2,395	(6.8)%
Gross profit	823	1,154	(28.7)%
Gross margin (%)	36.8%	48.2%	
Number of customers	619	693	(10.7)%
Number of connections	27,341	26,995	1.3%

Revenue decreased by 6.8% to £2.2m (H1 2021: £2.4m) with gross profits at £0.8m (H1 2021: £1.2m), and lower margins of 36.8% compared to 48.2% in the prior period. The main contributing factor was the adverse variances in bonuses earned in the year from our main partners.

O2 continues to be our core partner and route to market, bolstered by our Vodafone agreement which enhances our commercial offering as well as increasing our ability to serve our customers more effectively and efficiently. Lastly, our own ICON Mobilise wholesale offering is ideal for customers who require an agile solution that caters for unique billing, network, and commercial requirements.

Maintel's mobile go-to-market proposition will continue to focus on the mid-market and low-end enterprise segments where our portfolio is best suited. We continued to invest in this area during the period, with the launch of a mobile reporting and management capability within our ICON Portal digital customer engagement platform.

Administrative expenses

Administrative expenses mainly comprise costs related to the sales and marketing teams, the support functions and the managerial positions, as well as the associated growth generating investments and general costs. On a comparable basis, the total other administrative expenses amounted to £13.0m for the period, reduced from £13.4m in H1 2021 (up from £11.8m on statutory, unadjusted basis for H1 2021, not including an adjustment in H1 2021 for reclassification of Costs of Goods Sold to administrative expense for £1.8m). The net £0.4m reduction mainly reflects the £0.5m savings from organisational optimisation initiatives.

The overall headcount dropped by 2.9% or 15 FTEs and now stands at 496 (H1 2021: 511) as a result of the Group's programme of re-organisation and right sizing of the business to facilitate our continued transition to a cloud and managed services business as reported at the year-end 2021.

Cash flow

The Group net debt (excluding IFRS 16 liabilities and issue costs of debt) of £19.4m at 30 June 2022, compares to £19.4m net debt at 31 December 2021.

	6 months to 30 June 2022 £000	6 months to 30 June 2021 £000
Cash generated by operating activities before disposal of managed print services business	3,279	1,345
Taxation (paid)/ received	(370)	50
Capital expenditure	(1,412)	(951)
Finance cost (net)	(471)	(446)
Issue costs of debt	(234)	(38)
Free cashflow	792	(40)
Net proceeds on disposal of Managed Print Services business	-	4,395
Payments in respect of prior period business combination	(311)	(622)
Proceeds from borrowings	22,500	-
Repayment of borrowings	(15,500)	(3,659)
Lease liability repayments	(517)	(566)
Increase / (decrease) in cash and cash equivalents	6,964	(492)
Cash and cash equivalents at start of period	(3,869)	(3,845)
Exchange differences	(5)	(19)
Cash and cash equivalents at end of period	3,090	(4,356)
Bank borrowings	(22,500)	(14,841)
Net debt excluding issue costs of debt	(19,410)	(19,197)
Adjusted EBITDA (note 5)	3,614	4,332

The Group generated £3.3m of cash from operating activities compared to an underlying H1 2021 comparator of £1.3m which excludes a £4.3m benefit arising from the sale of the managed print service business. Cash generation was very strong in the period, with reported cash conversion of adjusted EBITDA^[6] at 111% (H1 2021: 52%). Cash collections remain strong, while the Group also benefits from a sound bad debt position in the period. We are confident that the cash generation will remain strong in H2.

Capital expenditure outlay of £1.4m in the period (H1 2022: £1.0m) was driven by our continued investment across Maintel's product and service portfolio.

Tax paid in the period is in relation to the Groups historical losses being fully utilised and taxable profits arising in the year ended 31 December 2021.

COVID-19

Whilst restrictions have lifted, we will continue to monitor the situation and remain mindful of possible further measures which could affect our ability to deliver projects. Our staff wellbeing remains a top priority whilst managing a hybrid working model with the gradual return to offices since 2021, subject to any changes to Government guidelines.

Dividends

In line with the announcement made on 1 June 2021, the Board has made the decision to continue to pause dividend payments until there is more certainty around the ongoing impact of the pandemic and macro-political situation impacting global supply of hardware. As such, the Board will not declare an interim dividend for 2022 (H1 2021: Nil).

On behalf of the board

I G MacRae
Chief Executive Officer

2022

[6] Cash conversion calculated as adjusted EBITDA plus working capital to adjusted EBITDA.

Consolidated statement of comprehensive income (unaudited)
for the 6 months ended 30 June 2022

		6 months to 30 June 2022 £000 (Unaudited)	6 months to 30 June 2021 £000 (Unaudited)
	Note		
Revenue	2	46,746	53,469
Cost of sales		(31,395)	(38,628)
Gross profit		15,351	14,841
Other operating income	3	455	461
Administrative expenses			
Intangibles amortisation		(2,651)	(2,718)
Exceptional items	7	(261)	3,613
Share based payments		(71)	(27)
Other administrative expenses		(13,000)	(11,796)
		(15,982)	(10,928)
Operating (loss) / profit		(177)	4,374
Net financial costs		(398)	(557)
(Loss) / profit before taxation		(575)	3,817
Taxation credit		323	61
(Loss) / Profit for the period and attributable to owners of the parent		(252)	3,878
Other comprehensive income for the period			
Exchange differences on translation of foreign operations		9	(6)
Total comprehensive (loss) / income for the period attributable to the owners of the parent		(243)	3,872
Earnings / (loss) per share from continuing operations attributable to the ordinary equity holders of the parent			
Basic	4	(1.8)p	27.0p
Diluted	4	(1.8)p	27.0p

Consolidated statement of financial position (unaudited)

at 30 June 2022

		30 June 2022	31 December 2021
	Note	£000 (Unaudited)	£000 (Audited)
Non-current assets			
Intangible assets		54,789	56,021
Right-of-use assets		2,711	3,173
Property, plant and equipment		1,427	1,091
Trade and other receivables		360	630
		59,287	60,915
Current assets			
Inventories		1,592	1,009
Trade and other receivables		29,089	30,229
Income tax		92	-
Cash and cash equivalents		3,090	-
		33,863	31,238
Total assets		93,150	92,153
Current liabilities			
Trade and other payables		43,087	43,805
Lease liabilities		840	906
Income tax		-	267
Borrowings	8	2,400	19,362
Total current liabilities		46,327	64,340
Non-current liabilities			
Other payables		482	455
Lease liabilities		1,853	2,251
Deferred tax liability		1,224	1,558
Borrowings	8	19,887	-
Total non-current liabilities		23,449	4,264
Total liabilities		69,773	68,604
Total net assets		23,377	23,549
Equity			
Issued share capital		144	144
Share premium		24,588	24,588
Other reserves		70	61
Retained earnings		(1,425)	(1,244)
Total equity		23,377	23,549

Consolidated statement of changes in equity (unaudited)
for the 6 months ended 30 June 2022

	Note	Share capital £000	Share premium £000	Other reserves £000	Retained earnings £000	Total £000
At 31 December 2020		144	24,588	73	(5,964)	18,841
Profit for the period		-	-	-	3,878	3,878
Other comprehensive income:						
Foreign currency						
Translation differences		-	-	(6)	-	(6)
Total comprehensive loss for the period		-	-	(6)	3,878	3,872
Share based payments		-	-	-	27	27
At 30 June 2021		144	24,588	67	(2,059)	22,740
Profit for the period		-	-	-	793	793
Other comprehensive income:						
Foreign currency						
Translation differences		-	-	(6)	-	(6)
Total comprehensive loss for the period		-	-	(6)	793	787
Share based payments		-	-	-	22	22
At 31 December 2021		144	24,588	61	(1,244)	23,549
Loss for the period		-	-	-	(252)	(252)
Other comprehensive income:						
Foreign currency						
translation differences		-	-	9	-	9
Total comprehensive income for the period		-	-	9	(252)	243
Share based payments		-	-	-	71	71
At 30 June 2022		144	24,588	70	(1,425)	23,377

Consolidated statement of cash flows (unaudited)
for the 6 months ended 30 June 2022

	6 months to 30 June 2022 £000	6 months to 30 June 2021 £000
Operating activities		
(Loss)/ profit before taxation	(575)	3,817
Adjustments for:		
Net gain on sale of the Managed Print Services business	-	(4,043)
Intangibles amortisation	2,651	2,718
Non-cash items	-	(105)
Share based payment charge	71	27
Depreciation of plant and equipment	330	321
Depreciation of right of use asset	478	505
Interest expense (net)	398	557
Operating cash flows before changes in working capital	3,353	3,797
(Increase)/ decrease in inventories	(583)	916
Decrease / (increase) in trade and other receivables	1,410	(5,810)
(Decrease) / increase in trade and other payables	(226)	2,442
Cash generated from operating activities	3,954	1,345
Tax (paid) / received	(370)	50
Net cash flows generated from operating activities	3,584	1,395
Investing activities		
Purchase of plant and equipment	(667)	(76)
Purchase of software	(1,420)	(875)
Net Proceeds from the sale of the Managed Print Services business	-	4,395
Purchase price in respect of prior period business combinations	(311)	(622)
Net cash flows used in investing activities	(2,398)	2,822

Consolidated statement of cash flows (continued) (unaudited)
for the 6 months ended 30 June 2022

	6 months to 30 June 2022 £000	6 months to 30 June 2021 £000
Financing activities		
Proceeds from borrowings	22,500	-
Repayment of borrowings	(15,500)	(3,659)
Lease liability repayments	(517)	(566)
Interest paid	(471)	(446)
Issue costs of debt	(234)	(38)
Net cash flows generated / (used in) from financing activities	5,778	(4,709)
Net increase / (decrease) in cash and cash equivalents	6,964	(492)
Cash and cash equivalents at start of period	(3,869)	(3,845)
Exchange differences	(5)	(19)
Cash and cash equivalents at end of period	3,090	(4,356)

Notes to the interim financial information

1. Basis of preparation

The financial information in these unaudited interim results is that of the holding company and all its subsidiaries (the Group). The financial information for the half-years ended 30 June 2022 and 30 June 2021 does not comprise statutory financial information within the meaning of s434 of the Companies Act 2006 and is unaudited. It has been prepared in accordance with the recognition and measurement requirements of UK adopted International Accounting Standards (IAS) but does not include all the disclosures that would be required under IAS. The accounting policies adopted in the interim financial statements are consistent with those adopted in the last annual report for financial year 2021 and those applicable for the year ended 31 December 2022.

During H1 2022, the below item was reviewed by management.

Intangible assets

Software licenses

During the period, a review of the change in the scale of the Group's activities in use of these third-party licences took place. Based on increases observed, it is deemed appropriate to begin to capitalise these items. These purchases were not material in previous reporting periods and material amounts that meet the criteria are being incurred for the first time. The H1 2022 results include capitalisation of subscription licenses of £0.6m.

The comparative financial information presented herein for the year ended 31 December 2021 does not constitute full statutory accounts for that period but has been extracted from those accounts. The statutory accounts for the year ended 31 December 2021 were filed

with the Registrar of Companies. The audit report on those statutory accounts was not qualified and did not contain a reference to any matters to which the auditor drew attention by way of emphasis without qualifying the report and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

In preparing the interim financial statements the directors have considered the Group's financial projections, borrowing facilities and other relevant financial matters, and the board is satisfied that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the directors continue to adopt the going concern basis in preparing the financial statements.

2. Segmental information

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

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

Six months to 30 June 2022 (unaudited)

	Managed service and technology £000	Network services £000	Mobile £000	Total £000
Revenue	<u>25,009</u>	<u>19,504</u>	<u>2,233</u>	<u>46,746</u>
Gross profit	<u>6,610</u>	<u>7,918</u>	<u>823</u>	<u>15,351</u>
Other operating income				455
Other administrative expenses				(13,000)
Share based payments				(71)
Intangibles amortisation				(2,651)
Exceptional items				<u>(261)</u>
Operating (loss)				(177)
Interest (net)				<u>(398)</u>
(Loss) before taxation				(575)
Income tax credit				<u>323</u>
(Loss) after taxation				<u>(252)</u>

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

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

	Managed service and technology £000	Network services £000	Mobile £000	Central/ inter- company £000	Total £000
Intangibles amortisation	-	-	-	2,651	2,651
Exceptional items	107	-	-	154	261

Six months to 30 June 2021 (unaudited)

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

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

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

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

3. Other operating income

	6 months to 30 June 2022 £000 (unaudited)	6 months to 30 June 2021 £000 (unaudited)
Other operating income	455	461

Other operating income of £0.5m in the period relates to monies associated with the recovery of research and development expenditure credits (H1 2021: £0.5m).

4. Earnings per share

Earnings per share and adjusted earnings per share is calculated by dividing the (loss) / profit after tax for the period by the weighted average number of shares in issue for the period. These figures being prepared as follows:

	6 months to 30 June 2022 £000 (unaudited)	6 months to 30 June 2021 £000 (unaudited)
Earnings used in basic and diluted EPS, being profit / (loss) after tax	(252)	3,878
Adjustments:		
Amortisation of intangibles on business combinations	2,099	2,275
Exceptional items (note 7)	261	(3,613)
Tax relating to above adjustments	(607)	(562)
Share based payments	71	27
Interest charge on deferred consideration	18	39
Adjusted earnings used in adjusted EPS	1,590	2,044

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

	6 months to 30 June 2022 Number 000	6 months to 30 June 2021 Number £000
Weighted average number of ordinary shares of 1p each	14,362	14,362
Potentially dilutive shares	19	23
	14,362	14,385
<i>(Loss) / earnings per share</i>		
Basic	(1.8)p	27.0p
Diluted	(1.8p)	27.0p
Adjusted - basic after the adjustments in the table above	11.1p	14.2p
Adjusted - diluted after the adjustments in the table above	11.1p	14.2p

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

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

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

	6 months to 30 June 2022 £000 (unaudited)	6 months to 30 June 2021 £000 (unaudited)
(Loss) / Profit before tax	(575)	3,817
Net interest payable	398	557
Depreciation of property, plant and equipment	330	321
Depreciation of right of use asset	478	505
Amortisation of intangibles	2,651	2,718
EBITDA	3,282	7,918
Share based payments	71	27
Exceptional items (note 7)	261	(3,613)
Adjusted EBITDA	3,614	4,332

6. Dividends

The directors have decided not to declare an interim dividend for 2022 (2021: nil).

7. Exceptional items

	6 months to 30 June 2022 £000 (unaudited)	6 months to 30 June 2021 £000 (unaudited)
Fees relating to revised credit facilities agreement	154	40
Staff restructuring and other employee related costs	153	380
Gain on disposal of the managed print services business	(16)	(4,043)
(Income) relating to onerous lease provision	(30)	-
Other	-	10
	261	(3,613)

Staff restructuring and other employee related costs of £153k (H1 2021: £380k) includes £21k relating to untaken employee annual leave as a result of COVID-19 (H1 2021: £158k).

8. Borrowings

	30 June 2022 £000 (unaudited)	31 December 2021 £000 (audited)
Current bank overdraft - secured	2,400	3,869
Current bank loan - secured	19,887	15,493

On 24 March 2022, the Group signed a new agreement with HSBC Bank plc ("HSBC") to replace the National Westminster Bank Plc (NWB) facility. The new facility with HSBC consists of a revolving credit facility ("RCF") of £20m with a £6m term loan on a reducing basis. The maturity date of the agreement is 3 years from the signing date. The term loan will be repaid in equal monthly instalments 7 months from signing. Interest on the borrowings is the aggregate of the applicable margin and SONIA for sterling / SOFR for USD / EURIBOR for euros.

Covenants based on Adjusted EBITDA to Net Finance Charges and Total Net Debt to Adjusted EBITDA are tested on a quarterly basis.

The non-current bank loan above is stated net of unamortised issue costs of debt of £0.1m (31 December 2020: £0.1m).

The facilities are secured by a fixed and floating charge over the assets of the Company and its subsidiaries. Interest is payable on amounts drawn on the revolving credit facility and loan facility at a covenant-dependent tiered rate of 2.60 % to 3.25% per annum over SONIA, with a reduced rate payable on undrawn facility.

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

9. Post balance sheet events

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