Annual Report & Accounts 2015

Maintel Holdings Plc

CONTENTS

Who we are	02
Chairman's statement	04
Strategic report	06
Board of directors	20
Report on corporate governance	22
Report of the remuneration committee	28
Report of the Directors	32
Statement of Directors' responsibilities	35
Independent auditors' report	36
Consolidated statement of comprehensive income	37
Consolidated statement of financial position	38
Consolidated statement of changes in equity	39
Consolidated statement of cash flows	40
Notes forming part of the consolidated financial statements	41
Maintel Holdings Plc – Company balance sheet	63
Maintel Holdings Plc – Company reconciliation of movement in shareholders' funds	64
Notes forming part of the Company financial statements	65
Directors, Company details and advisers	69
Notice of annual general meeting	70

Effortless business communications, putting leading enterprises and large organisations on their chosen path to business transformation.

We deliver voice and data platforms and services that fuel innovation and growth.

REVENUES

£50.6m

↑21%

2014: £41.9m

ADJUSTED PROFIT BEFORE TAX[1]

£7.3m

↑19%

2014: £6.1m

ADJUSTED EARNINGS PER SHARE[2]

60.3p

↑29%

2014: 46.7p

SECOND INTERIM DIVIDEND PER SHARE

16.5p

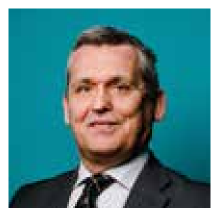
↑42%

2014 FINAL DIVIDEND: 11.6p

Notes

[1] Adjusted profit before tax is basic profit before tax of £4.2m (2014: £3.8m),adjusted for intangibles amortisation and exceptional costs, the latter primarily relating to the termination of property leases and the signing of new leases, together with acquisition related redundancy costs (2014: legal and professional fees and acquisition related redundancy costs).

[2] Adjusted earnings per share is basic earnings per share of 38.0p (2014: 27.6p), adjusted for intangibles amortisation and the exceptional costs.



"2015 was another successful year for Maintel, with revenue and profit growth boosted by the full year impact of the 2014 acquisition of Proximity which is now fully integrated. Contact centre and data services were particularly rewarding growth areas for us over the past year"

Eddie Buxton
Maintel CEO

Who we are

Maintel strives to understand and anticipate customer needs, aligning products, services and solutions to meet those needs and deliver real strategic value.

Supporting over 13,000 customer sites

Over 20 years' experience in our field

A workforce of over 250 highly skilled employees

Ambition builds great vision

We rely on the skills and expertise of Maintel people to deliver project leadership and technology excellence that empowers our customers for the long-term.

Together we build responsive and flexible services that evolve to emerging challenges and capitalise on opportunities for change.

An exciting past; a secure future

Founded in 1991, Maintel became AIM listed in 2004. Significant organic growth continues to accompany the success of the business, feeding expansion of its global footprint with additional international capabilities to support requirements for over 13,000 customer sites. The highly skilled team of over 250 Maintel people has also grown through the acquisition of several key enterprise technology providers, whose expertise complements the core Maintel proposition.

Technology leaders

Maintel's core expertise encompasses unified communications, contact centre solutions, workforce optimisation, networking and security, mobile and connectivity services. By combining skills and technologies from vendor and carrier partners with the highly accredited capabilities of its in-house experts, Maintel provides complete end-to-end solutions delivered on-premises or via the cloud.

Chairman's statement

"As always, the Group's continuing success is dependent on the enthusiasm and effort shown by all Maintel employees, to whom I express the Board's appreciation. We look forward to building on these achievements in 2016."

I am very pleased to be able to report another year of strong growth for the Group, with a full 12 months' contribution from Proximity underpinning a 21% increase in revenues to £50.6m (2014: £41.9m). Adjusted profit before tax increased by 19% to £7.3m (2014: £6.1m) and unadjusted profit before tax increased 9% to £4.2m (2014: £3.8m). Adjusted EPS consequently rose 29% to 60.3p (2014: 46.7p) and unadjusted EPS by 38% to 38.0p (2014: 27.6p).

The acquisition of Proximity in October 2014 has added a broad range of services and skills to the Group's portfolio, and increased the Group's ability to manage highly technical, major transformation projects. Reflecting this, in June the Group won its largest ever contract, with negotiations ongoing with a further two Proximity customers for particularly large contracts. The integration of Proximity is now complete and we realised additional cost synergies in the period which contributed to the Group's improvement in gross margin to 38% (2014: 37%).

The managed service and technology division delivered a 24% increase in revenues and 30% increase in gross profit, with good technology sales more than compensating for a £0.8m reduction in the managed service base over the year. This solid performance was achieved in spite of fluctuating levels of new sales throughout the year. As reported at the interim stage, the first half was slower than expected, probably due to uncertainty around the general election. New sales recovered in Q3, slowing again in the first part of Q4 before recovering

Increased Net Cash Flow

from operating activities of £6.8m

Increased Dividend

50% of H2 adjusted earnings per share

Recurring Revenues

£34.9m at 69% of total group turnover

strongly in December. The strong end to the year enabled us to begin 2016 with a substantial managed services backlog, giving us confidence in the stability of the base in the current financial year.

The Group's network services division performed particularly strongly in the period, with reported revenue growth of 17% and organic revenue growth (excluding the full year contribution from Proximity) of 11%. The growth was driven by a 111% increase in data revenues year on year, whilst the historical calls and lines revenues fell slightly as customers continued to transition to new technologies. This shift in mix resulted in a decline in gross margin; however gross profit increased by £0.2m. The data pipeline remains strong and is continuing to drive growth in this division.

Following a positive performance in 2014, the mobile division's performance was disappointing, with revenue down 3% and gross profit down 21%. This was due to the loss of some larger customers and further changes in the commission model resulting in profits now being realised towards the end of the contract life.

Cash generation was strong in the year, with net cash flow from operating activities of £6.8m (2014: £6.1m). As a result of this, net debt reduced by £3.5m, to £3.2m at the year end, after the payment of £2.6m in dividends, equating to a net debt to 2015 adjusted EBITDA ratio of just 0.4x.

In line with our stated intention to increase the dividend payout ratio to 50% of adjusted EPS by the time of the final 2015 dividend, we have paid a second interim dividend of 16.5p per share. This was paid on 5 April and took the full year dividend to 29.3p per share.

We continue to develop our areas of expertise in our chosen markets with up-selling the skills derived from recent acquisitions remaining a strategic priority. We were delighted by our recent win of Avaya's Technical Excellence award for the second time in 3 years, and we now have 285 Avaya accreditations across the Group.

As always, the Group's continuing success is dependent on the enthusiasm and effort shown by all Maintel employees, to whom I express the Board's appreciation. We look forward to building on these achievements in 2016.

Finally, the Company announces that Dale Todd has decided to step down as Finance Director and from the Board of Directors, effective immediately. He will remain as Company Secretary and the Board would like to thank Dale who has been a stalwart of Maintel since he joined in 2002. His steady hand on the financial tiller has contributed significantly to the Company's sustained success over the years. It is the Board's intention to appoint Mark Townsend who will take over from Dale as Chief Financial Officer, having worked with the Company since January of this year. Additionally the Board also intends to appoint Stuart Legg to the Board of Directors, with Stuart having acted as Group Sales & Marketing Director since he joined the Group as part of the Proximity acquisition in October 2014. A further announcement will be made in due course.

J D S Booth
Chairman

7 April 2016

Strategic Report

Results for the year

Maintel has continued to make significant progress in 2015 with reported revenues increasing by 21% to £50.6m (2014: £41.9m), adjusted profit before tax (as described below) increasing by 19% to £7.3m (2014: £6.1m), and adjusted EPS increasing by 29% to 60.3p (2014: 46.7p). The investment we have made in the acquisition of complementary businesses continues to deliver good results and puts us in a strong position for future growth.

On an unadjusted basis profit before tax increased by 9% to £4.2m (2014: £3.8m) and EPS by 38% to 38.0p (2014: 27.6p) which includes the effect of an additional £0.8m amortisation of intangibles relating to a full year charge in respect of Proximity and a £0.5m benefit from a deferred tax adjustment.

2015 included a full 12 months' contribution from Proximity, the business acquired in October 2014.

	2015 £000	2014 £000	Increase
Revenue	50,623	41,890	21%
Profit before tax	4,151	3,809	9%
Add back customer relationship intangibles amortisation	2,235	1,472	
Exceptional items	884	809	
Adjusted profit before tax	7,270	6,090	19%
EBITDA	6,841	5,598	22%
Adjusted EBITDA [a]	7,725	6,407	21%
Basic earnings per share	38.0p	27.6p	38%
Diluted	37.5p	27.2p	38%
Adjusted earnings per share [b]	60.3p	46.7p	29%
Diluted	59.5p	46.0p	29%

(a) Excluding the exceptional costs in the table above (note 12)

(b) Adjusted profit after tax divided by weighted average number of shares (note 11)

Launch of Maintel Cloud

Integration of Proximity

Increased Capabilities

Strong cash performance

The Group delivered continued strong operating cash flows in the year, with net cash flows from operating activities of £6.8m (2014: £6.1m). The increase was primarily driven by increased profits and an improvement in working capital. As a result the Group ended the year with net debt of £3.2m (2014: £6.7m) or just 0.4x (2014: 1.0x) adjusted EBITDA. £4.0m of borrowings were repaid during the year, with the term loan drawn to finance the Proximity acquisition reduced to £3.5m at year end.

Acquisition of Proximity

The acquisition of Proximity in October 2014 added approximately 250 customers in the mid-market and enterprise space, as well as enhanced technical skills through its employees. Operational integration is complete and Proximity's business and assets were formally transferred to other Group companies on 1 January 2016. Reorganisation of the sales function occurred early in 2015, which involved a reallocation of customer accounts and sales responsibilities internally. As a result it is not meaningful to report on Proximity and the underlying business separately other than for its network services business.

Proximity's customers are typically larger and more complex than Maintel's historical customers, so customers are less likely to move. Consequently there was minimal churn in the acquired customer base during the year.

The acquisition of Proximity has added a broad range of services and skills to the Group's portfolio, and increased the Group's ability to manage highly technical, major transformation projects. For example, in June the Group won its largest contract to date, to transform an existing customer's contact centre infrastructure and provide bespoke applications. The initial part of this contract was delivered in the year, with further contracted revenue contributing to the 2016 financial year. Negotiations are ongoing with a further two Proximity customers for similar sized contracts, highlighting the Group's increasing ability to win larger, more complex contracts, following the Proximity acquisition and in line with our stated strategy.

As a result of the integration process there have been a number of redundancies across the Group and the cost of these, £0.2m, has been disclosed as an exceptional item in the income statement.

Strategic Report (continued)

Review of operations

The table below summarises the revenue of the three operational divisions of Maintel. Proximity revenues are primarily derived from managed services and technology sales, with £0.5m revenue attributable to the network services division. Proximity revenue does not contribute to the Mobile division. The 2014 full year numbers included 9 weeks' contribution from Proximity.

The level of recurring revenue reduced to 69% (2014: 73%) due to a full year contribution of Proximity (2015 recurring revenues of 61%) with their increased weighting of technology revenues against managed service revenues in the period.

Revenue analysis	**2015 £000**	**2014 £000**	**Increase/ (decrease)**
Managed services related	23,900	20,604	16%
Technology [c]	15,714	11,389	38%
Total managed services and technology division	39,614	31,993	24%
Network services division	8,383	7,156	17%
Mobile division	2,815	2,907	(3%)
Intercompany	(189)	(166)	
Total Maintel Group	50,623	41,890	21%

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

The managed service and technology division has shown strong growth with the inclusion of a full year's contribution from Proximity combined with strong technology sales.

As reported at the half year, the Group experienced lower levels of new sales in the lead-up to the UK general election in May, but then saw a strong recovery of new orders in May to July.

New sales in H2 were stronger due to increased momentum resulting in a particularly strong end to the year. The volatility in new sales throughout the course of the year is a direct result of the increased pipeline of larger projects with longer sales cycles and decision making timeframes.

The network services division continued to show impressive organic growth in the period, particularly through the increase in newer data and SIP products. Revenue was supplemented by the inclusion of a full year of Proximity's network services operations.

Mobile revenue fell slightly year on year with margins also dropping as the Group won additional new customers which had a higher associated cost of acquisition. No Mobile revenues were associated with the Proximity acquisition.

Group Gross margin Increase to 38%

Revenue increase by 21% to £50.6m

Group gross margin increased to 38% (2014: 37%) as a result of a shifting business mix towards professional and consultancy services. The reduction in gross margins in the network services division is a result of two new large long-term contracted data customers attracting lower margins, offset by the synergies realised through the integration of Proximity into the Group. These synergies included Maintel contracting for non-Avaya business that Proximity would historically have signed outside the Group, a number of redundancies and improved supplier terms from joint purchasing.

Divisional performance is described further below.

Managed services and technology division

The managed services and technology division provides the management, maintenance, service and support of office-based voice and data equipment across the UK and internationally, on a contracted basis. It also supplies and installs voice and data equipment together with providing professional and consultancy services, both to our direct clients and through our partner relationships.

Revenue in this division increased by 24% to £39.6m, with managed services related revenue up 16% year on year and technology sales up 38%, both benefiting from the contribution from Proximity.

The fillip in mid-year sales orders saw encouraging orders from several large new private and public customers, and the initial order for a £2.6m transformation project to extend and upgrade an existing customer's call centres. In H2 one of our largest customers carried out a major upgrade to its data network.

The bulk of the new orders relate to contemporary or leading edge technology, further supporting the modernisation of the base as break-fix revenue is gradually replaced by a wider array of managed and monitoring service revenues.

Managed services

At the half year it was reported that the managed service base had reduced by £0.5m since the end of 2014; it is encouraging that it has fallen by only £0.3m since then, with a backlog of orders going into 2016 and a strong pipeline of public and private sector opportunities.

Technology

We previously highlighted the start of a major international roll-out for a pharmaceuticals company, an original Datapoint customer, in Q4 2014. This project gained traction during 2015 and regular sizeable orders were received from that customer throughout the year. We are experiencing an increase in the hosted/cloud unified communication opportunities where our Maintel Cloud proposition starts to gain traction.

	2015 £000	2014 £000	Increase
Divisional revenue	39,614	31,993	24%
Division gross profit	15,749	12,158	30%
Gross margin (%)	40%	38%	
Operating profit before customer relationship intangibles amortisation and exceptional costs	6,015	4,418	36%

Strategic Report (continued)

Gross margin within the division increased to 40% in the period, driven by business mix and the realisation of synergies post the Proximity acquisition.

Gross profit has increased by £3.6m compared with 2014, with a full year of Proximity results included in 2015.

Overall, the division's operating profit has increased by 36%, compared with the increase in gross profit of 30%; a description of the main sales and administration cost savings is given below.

Given the application of common resource across both managed service and technology sales, profit breakdown within the division is not provided; however the shared resource cost is monitored closely internally.

Network services division

The network services division sells a portfolio of services which includes telephone line rental, inbound and outbound telephone calls, data connectivity, SIP trunking, internet access and hosted IP telephony solutions. These services complement the on-premises and cloud solutions offered by the managed service and technology division and the mobile division.

Revenue analysis	**2015 £000**	**2014 £000**	**Increase/ (decrease)**
Call traffic	2,407	2,447	(2)%
Line rental	3,185	3,247	(2)%
Data connectivity services	2,196	1,040	111%
Other, including SIP and IP telephony	595	422	41%
Total division	8,383	7,156	17%
Division gross profit	2,284	2,074	10%
Gross margin (%)	27%	29%	
Operating profit before customer relationship intangibles amortisation	1,146	1,027	12%

Network services revenue increased 17% year on year on a reported basis, with strong growth in underlying revenues of 11% to £7.8m (2014: £7.1m), excluding £0.5m of revenue from Proximity (2014: £0.1m). This was driven by a 111% increase in data revenue on the back of some significant contracts which are still being connected and so will deliver further benefit in 2016.

Data connectivity services revenue primarily consists of MPLS networks, internet access and access circuits to support SIP trunking and hosted telephony services. This revenue will continue to grow as we move our focus away from the legacy calls and lines services. Data and SIP trunking sales are strong in multiple sectors including health, education and charities and the success in being appointed as an official supplier to the new public sector framework agreement in July 2015 will further position us as a key partner in this sector.

Call traffic and traditional line rental revenue declined by 2% year on year but remains more resilient than expected given the market reduction in call volumes, regulatory price changes and the transition of customers to SIP trunking solutions with inclusive minute bundles. A significant line rental customer was also renewed in the summer at a reduced tariff which resulted in a reduction in line rental revenue in the second half of the year. A strong focus on customer satisfaction and retention has, however, helped the division keep attrition at a low level.

The shift from more commoditised traditional line rentals to SIP benefits our business through lower attrition levels associated with SIP, and plays to Maintel's professional service, solution design and engineering strengths. It also pulls through more data connectivity services. Over 80% of our new sales pipeline is made up of data, SIP and hosted opportunities as we move away from legacy products.

Divisional gross profit increased by 10% in the period (3% on an underlying basis), however the percentage margin reduced slightly to 27% (2014: 29%). This reduction was due to a large, lower margin data equipment order won in H1, which was to support the implementation of a new 90-site MPLS order, and the managed reduction in higher margin call traffic revenue being replaced by the stickier but lower margin data revenue.

Operating profit increased by 12%, with the business proving to be highly scalable on a relatively fixed overhead base.

Strategic Report (continued)

Mobile division

Maintel Mobile derives its revenue primarily from commissions received under its dealer agreements with Vodafone and O2.

	2015 £000	2014 £000	Increase/ (decrease)
Revenue	2,815	2,907	(3%)
Gross profit	1,196	1,517	(21%)
Gross margin (%)	42%	52%	
Operating profit	389	764	(49%)

	At 31 December 2015	At 31 December 2014	
Number of customers	830	815	2%
Number of connections	12,011	13,199	(9%)

Mobile revenue fell 3% year on year to £2.8m (2014: £2.9m), and gross profit fell 21% to £1.2m (2014: £1.5m).

The reduction in revenue was as a result of two main factors: the churn of two larger customers and the impact of changes to commission payments. The churn of the larger customers, with consequent reduction in revenue share, was as a result of the customers moving to an alternative mobile network. The changes to commission payments has seen the move from up-front commissions to more of a revenue share model meaning that the benefit of new contracts and renewals is now experienced later in the typical 24 month mobile contract cycle. Mobile roaming tariff changes have had a small impact, however this has not been material in the year as our roaming revenues are relatively small and commission levels were historically already lower in this area.

We have continued to see good levels of new client wins and higher levels of customer renewals, including the renewal of our largest Vodafone client, which has resulted in the number of contracted subscribers increasing to over 80% with an increasing proportion of customers taking additional digital and fixed line services alongside their Maintel mobile service. This increased penetration of services into the base is expected to contribute to reductions in churn going forward as the base becomes stickier.

Gross profit decreased year on year as margins were impacted both by the network commission changes outlined above and by the higher cost of sale associated with winning new customers from outside the Group, with mobile contracts being used to acquire net new customers to the business.

Other operating income

This comprised rental income of £12,000 (2014: £Nil) generated as a result of sub-letting a part of the new London premises. The sub lease commenced in December 2015, and will generate £130,000 of annual rental income for at least three years.

Administrative expenses, excluding intangibles amortisation and exceptional expenses

Administrative expenses	2015 £000	2014 £000	Increase/ (decrease)
Maintel (excluding Proximity) sales expenses	4,351	3,740	16%
Maintel (excluding Proximity) other administrative expenses (excluding intangibles amortisation and exceptional expenses)	4,109	4,970	(17%)
Maintel excluding Proximity	8,460	8,710	(3%)
Proximity administrative expenses	3,070	665	
Total administrative expenses excluding intangibles amortisation and exceptional expenses	11,530	9,375	23%

As already noted, some of Proximity's inherited costs are now shared across the Group, and so the above figures reflect the costs in respect of the entity to which they are contracted, rather than the entity which obtains the benefit, and as such are indicative only, with a view to showing the control that continues to be exercised over administrative expenses and the more significant movements. The Proximity comparative figures are for nine weeks.

Maintel sales expenses increased by £0.6m (16%) in the period, as a more robust infrastructure was developed to support the Group's ability to continue to grow revenue, including an expansion of the pre-sales team (£0.1m of this team's cost was recorded in cost of sale in 2014). Increased commissions on higher sales orders, together with increased marketing costs, also contributed to the higher sales costs in 2015.

Maintel's other administrative expenses fell £0.9m in the year. £0.2m of this was an increased management charge to Proximity, this being based on Proximity's higher revenues. The main external savings were due to a reduction in property costs following the termination of Brentford and Dublin office leases in the second half of the year as detailed below, and several residual redundancies related to the Datapoint acquisition.

Proximity administration costs are tightly controlled, with a number of elements, particularly premises, benefitting from regional costs compared with the London-based costs of most of the rest of the Group. Various savings have been seen during the year as Proximity has been integrated into the Group, including director costs, sales staff and marketing costs and the closure of its London office.

Strategic Report (continued)

Exceptional costs

An analysis of the exceptional costs of £0.9m (2014: £0.8m) shown in the income statement is provided in note 12, the main elements being overlapping rent costs, lease termination penalties, property dilapidation costs and redundancies following the Datapoint and Proximity acquisitions.

The main factor behind the overlapping rent costs was the signing of the lease on new London premises with effect from 10 July 2015 whilst the pre-existing lease did not terminate until 31 December 2015 and occupation of the new premises did not take place until December. The costs of the new premises for H2 have therefore been treated as exceptional.

Redundancy costs were incurred primarily on the integration of the Proximity business together with some residual integration of the Datapoint business.

Intangible amortisation

The intangibles amortisation charge increased in the year due to a full year charge in respect of Proximity. Impairment and amortisation charges are discussed further below.

Foreign exchange

The Group's reporting currency is sterling; however it trades in other currencies, notably the euro, and has assets and liabilities in those currencies. The euro rate moved from €1.28 = £1 at 31 December 2014 to €1.36 = £1 at 31 December 2015. The effect of this and other movements in the period was a charge to the income statement of £44,000 (2014: £50,000), which is included in other administrative expenses.

The exchange difference arising on the retranslation at the reporting date of the equity of the Group's Irish subsidiary, whose functional currency is the euro, is recorded in the translation reserve as a separate component of equity, being £41,000 in the period (2014: £47,000).

Interest

The Group recorded a £0.3m interest charge in the year (2014: £0.1m), with £1,000 interest earned in the year (2014: £2,000). The increased charge reflects the increase in the Group's borrowings to finance the acquisition of Proximity in October 2014.

Taxation

The consolidated statement of comprehensive income shows a particularly low tax rate of 1.7% (2014: 22.7%) for the reasons described below. Each of the Group companies is taxed at 20.25%, other than Maintel International Limited, which is taxed at 12.5% (2014: 21.5%; 12.5%). Certain recurring expenses that are disallowable for tax raise the effective rate above this.

The tax charge in the period benefited from some adjustments, including (a) tax relief on the exercise of share options for which there is no income statement charge in the period (£62,000), (b) relief claimed on certain 2014 costs which were deemed disallowed in that period but are now allowed following further investigation (£71,000), (c) the release of a historical provision no longer required (£65,000), and (d) a £0.5m credit to the income statement on a reappraisal of the ability to use Datapoint tax losses.

The tax charge in the year includes a deferred tax charge relating to the tax losses of the Datapoint companies, whereby the UK companies do not currently pay corporation tax on their profits, but a tax asset in respect of the historic losses is charged to the income statement as the losses are used. The deferred tax charge in the year was £0.5m (2014: £0.2m) in relation to the brought forward losses. There is, however, also a £0.5m deferred tax credit included in the income statement, reflecting an increase in the deferred tax asset based on the directors' assessment that more tax losses are likely to be useable than was assumed at the date of Datapoint's acquisition. This is described further in note 21.

Dividends and adjusted earnings per share

A final dividend for 2014 of 11.6p per share (£1.243m in total) was paid on 1 May 2015, and an interim dividend for 2015 of 12.8p (£1.378m) was paid on 7 October 2015.

In line with the announcement made on the 25 February 2016, a second interim dividend of 16.5p per share, representing a 42% increase on the final dividend for 2014, was paid on 5 April 2016 to shareholders on the register on 4 March 2016. The associated ex-dividend date was 3 March 2016. The second interim dividend represents 50% of H2 2015 adjusted EPS, in line with the Group's stated dividend policy.

This takes the total dividend payment for the full year 2015 to 29.3p.

The second interim dividend was paid in lieu of the normal final dividend in order that payment could be made prior to the introduction on 6 April 2016 of new income tax legislation relating to dividends. In accordance with accounting standards, this dividend is not accounted for in the financial statements for the period under review as it had not been committed as at 31 December 2015.

It is the Board's current intention to increase the dividend per share by 5% and 10% for the financial years ending 31 December 2016 and 31 December 2017, respectively.

Consolidated statement of financial position

Net assets increased by £1.6m in the year to £6.6m at 31 December 2015.

Intangible assets are £2.2m less than at 31 December 2014, this being the amortisation of the customer contract intangible.

The net book value of property, plant and equipment has increased by £0.4m since last year end, including £0.3m expenditure on fitting out the new London and Dublin offices, and £0.1m on establishing a resilient network in a datacentre environment, net of a depreciation charge of £0.2m.

Trade receivables reduced by £0.8m in the year, being the net effect of a number of phasing differences in both technology and managed service invoicing spanning the year end.

Prepayments reduced by £0.6m, most of this being a reduction in prepaid subcontractor costs, including the loss of a particular subcontractor-dependent contract and some previously subcontracted work now managed in-house, together with a reduction in property prepayments on the termination of leases.

The value of inventories has reduced by £0.1m in the year, to £1.3m. The value of stock held for resale fell slightly due to the timing of customer deliveries, and provisioning continues to be applied to older maintenance stock.

Trade payables have increased by £0.3m since 31 December 2014, with a number of different supplier and delivery timing factors affecting the balance.

Other tax and social security liability has reduced by £0.2m, the VAT liability being less due to lower Q4 customer invoicing in 2015 than in 2014.

Accruals have increased by £0.4m year on year, the bulk of the increase being attributable to the accounting effects of the new property leases, including rent free periods and a capital contribution received, less accrual releases on previous leases. This was partially offset by a reduction in other accruals, including redundancy and operational accruals.

Deferred managed service income has reduced by £1.4m due to invoice timing differences and to a lesser extent the reduction in size of the customer base.

Other deferred revenue has increased by £0.3m due to invoice timing differences.

Corporation tax liabilities have reduced by £0.6m due to a higher proportion of profit emanating from the Datapoint companies with their associated historical tax losses, the payment of Proximity's 2014 tax liability of £0.2m and the credits noted in the taxation section above.

The deferred tax liability has decreased by £0.4m in the year as a result of the application of £0.5m of deferred tax asset to Datapoint profits in the year and £0.1m deferred tax arising on capital expenditure, net of a £0.4m credit to the income statement relating to the intangibles amortisation charge as shown in note 21 and the £0.5m additional asset established in relation to the projected use of Datapoint tax losses.

Strategic Report (continued)

Intangible assets

The Group has two intangible asset categories: (i) an intangible asset represented by customer contracts and relationships acquired from third party companies, and (ii) goodwill relating to those acquisitions.

The intangible assets represented by purchased customer contracts and relationships were carried at £8.3m at the period end (2014: £10.5m). The intangible assets are subject to an amortisation charge of 16.7% of cost per annum in respect of managed service and maintenance contract relationships, and 14.2% per annum in respect of network services contracts and Maintel Mobile customer relationships, with £2.2m being amortised in 2015 (2014: £1.5m), the increase attributable to a full year's amortisation of the Proximity customer relationships.

Goodwill of £9.9m (2014: £9.9m) is carried in the consolidated statement of financial position, which is subject to an impairment test at each reporting date. No impairment has been charged to the consolidated statement of comprehensive income in 2015 (2014: £Nil).

Cash flow

The Group had net debt of £3.2m at 31 December 2015 (2014: £6.7m), equating to a net debt: adjusted EBITDA ratio of 0.4x (2014: 1.0x). An explanation of the £3.5m improvement in net debt is provided below.

	2015 £000	2014 £000
Cash generated from operating activities	7,829	7,103
Taxation	(1,048)	(1,049)
Capital expenditure	(554)	(81)
Finance cost (net)	(264)	(133)
Free cashflow	5,963	5,840
Dividends	(2,621)	(1,954)
Acquisitions (net of cash acquired)	–	(8,468)
Proceeds from borrowings	–	10,000
Repayments of borrowings	(4,000)	(2,750)
Issue of new ordinary shares	54	88
(Decrease)/increase in cash and cash equivalents	(604)	2,756
Cash and cash equivalents at start of period	3,347	544
Exchange differences	41	47
Cash and cash equivalents at end of period	2,784	3,347
Bank borrowings	(6,000)	(10,000)
Net debt	(3,216)	(6,653)
Adjusted EBITDA	7,725	6,407

Cash generated from operating activities in 2015 of £7.8m (2014: £7.1m) derives from the Group's increased profitability, together with £1.0m from favourable working capital movements, £4.0m of the inflow being applied in reducing borrowings, with higher than usual capital expenditure due to the fitting out of the new office premises.

The Group incurred an exceptional cost of £0.9m during 2015 (2014: £0.8m), primarily redundancy costs and property costs (described above and in note 12).

Further details of the Group's term loan, RCF and overdraft facility are given in note 20.

Property

Three of the Group's four main property leases terminated in H2 2015:

- When acquired in September 2013, Datapoint's UK Brentford office was sparsely occupied due to the contraction of the business prior to Maintel's involvement with it. Post-acquisition, further rationalisation and some altered working practices meant that there was no rationale to retain the office and a break option was exercised with effect from 2 August 2015, saving approximately £0.5m per annum. The few residual occupants relocated to the Group's London headquarters.
- A break option was also exercised on Datapoint's (now renamed Maintel International Limited) Dublin office, with effect from 31 October 2015. This triggered a one year rent penalty which has been treated as an exceptional cost in the income statement. A lease has been negotiated on new premises, saving approximately £40,000 per annum.
- The lease on Maintel's long-term premises at Webber Street in Southwark terminated at the end of 2015. A lease was signed on new office space close to Webber Street, at 160 Blackfriars Road, at an increased cost (net of the sublet of some of the space) of £0.4m per annum reflecting not so much a premium rent payable on the new premises as the exceptionally economic rent paid historically. A short-term lease has been signed on a part of the Webber Street premises to continue to accommodate the Group's London stores operation, whilst new storage premises are located.

The Brentford and Dublin offices incurred dilapidation costs on termination. Costs had been provided in respect of dilapidations, but a net Group charge of £11,000 was incurred and has been treated as an exceptional cost in the income statement.

Proximity's Thatcham premises are significantly less expensive than the new London offices and are located in the M4 "technology corridor". Whilst the core Maintel business will remain focused in London, there is space to grow in Thatcham and whilst we do not intend to actively relocate employees to Thatcham, we take the opportunity to do so as and when recruiting for new or replacement employees.

Overall, excluding the exceptional costs incurred in 2015, the Group's property costs in 2016 are expected to be virtually unchanged year on year.

Business model and strategy

The Group's objective is to maximise shareholder returns over the short, medium and long term through the provision of telecoms-related products and services. Historically these services were provided predominantly in the UK, however with the acquisition of the UK and Ireland operations of the Datapoint group in September 2013, the Group now also services a range of customers overseas.

The provision of these services is centred around the Group's managed services and technology division.

The Group has a contracted customer base of £25m per annum, and the provision of managed

Strategic Report (continued)

and break-fix services to this base creates the opportunity to sell in other services, primarily equipment and professional services, and the Group combines these revenue streams into a single business unit. The Group operates two other business units – network services and mobile – whose services are cross-sold into the managed services base and to external clients, mostly in the SME sector.

Organic growth in each business unit is targeted in each financial year, and will be supplemented by the acquisition of complementary companies or client bases where clear shareholder value creation can be achieved. Acquisitions may be funded out of cashflow, borrowings or the issue of shares, dependent on a range of factors considered at the time. Targeted acquisitions will also bring extended capabilities, such as the overseas customers and enhanced contact centre expertise acquired with Datapoint and further security, professional service and higher end Avaya expertise with Proximity.

Principal risks and uncertainties

The directors consider that the principal risks to the Group relate to technological advance, marketplace relationships, pricing strategies and integration risk. Some risks may be unknown to the Group and others may be more, or less, material than currently envisaged by the directors, and so the following may not give a comprehensive view of all the risks and uncertainties affecting the business.

Telecommunications hardware has historically focused on a PBX core, which is gradually being replaced by hosted and cloud capabilities. Customers' acceptance of the new technologies moves at varying rates, however, so that legacy systems will continue to be serviced for some time to come. Maintel sells and maintains the replacement breed of unified communications and contact centre systems, and has had notable success with the transition to date. Managed service income from the new technology can be reduced when compared to traditional telephony although this is mitigated through reduced service delivery costs and promoting a managed service concept, retaining where possible the resultant enhanced calls and lines revenue and up-selling high value new products such as network monitoring and security, software assurance and mobile services. The acquisition of Datapoint and Proximity, with their broader range of associated business application skills in the unified communications contact centre high growth space, continues to accelerate Maintel's ability to drive new revenue streams.

VoIP technology is a potential threat to the reselling of call minutes with a particular type of customer. Recognising this potential risk, the Group has expanded its product portfolio to include SIP trunking and hosted IP technology, which is gaining traction, with these and related revenue growing significantly during 2015. The development of VoIP is constantly monitored so that the Group may take advantage of profitable business models as and when they appear.

The Group has a close partner relationship with O2/Telefonica, Vodafone and Capita, such that these companies and their clients constitute a significant share of its managed service base. Should these relationships be terminated, the managed service base would reduce to that extent over time, necessitating a commensurate reduction in costs. Partnerships with other integrators continue to be developed to reduce the percentage weighting of business with these partners.

Maintel Mobile is a dealer for networks, primarily Vodafone and O2, and is reliant on its relationships with those companies. The Group more generally relies on its contracts with both suppliers and clients and, beyond contractual status, maintains strong relationships with them at various levels of the business, as well as striving to ensure that client expectations are met and, where possible, exceeded.

The Group's managed service contracts have a natural finite life, and are subject to competitive attack, so that there is an inevitable customer churn. The directors monitor the rate and causes of churn and implement strategies with the objective of minimising attrition and growing the customer base organically and by way of acquisition if cost effective.

The pricing of the network services and mobile divisions' products and services can be affected by regulatory bodies in the UK and the EU. The Group is also potentially subject to new pricing strategies by both competitors and suppliers, whether due to their own internal policies or in response to technological change. The Group mitigates these risks by assessing anticipated regulations and pricing strategies and amending its own pricing policies accordingly.

The Group has stated that it will acquire suitable companies which fit certain criteria, and recognises that there is a risk of operational disturbance in the course of integrating acquired companies into the Group's existing operations. The Group mitigates this risk by way of due diligence and detailed planning involving senior management, drawing on the experience of previous acquisitions.

Outlook

The strategic acquisitions of Datapoint (2013) and Proximity (2014) are now fully integrated and have resulted in the business being able to offer a complete unified communications portfolio to mid-market and enterprise customers. We are well positioned in the sector and the skills and expertise in the Group have been recognised by our core vendor Avaya, which has awarded Maintel its Technical Excellence Award in 2016 as one of the most technically skilled partners globally.

While Q1 2016 initially saw a relatively slow start to the year, we 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 £3.0m 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.

We remain committed to considering suitable and complementary acquisition opportunities, on the basis that they provide clear value to our shareholders.

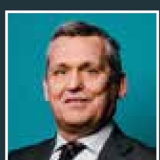
The board remains confident in the progression of the business, demonstrated by the pay out of a second interim dividend of 50% of adjusted earnings per share in the second half of the year.

On behalf of the board

E Buxton
Chief Executive

7 April 2016

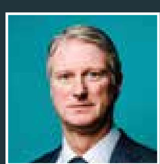
Board of Directors



Eddie Buxton

Chief executive

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 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.



Dale Todd

Finance director

Dale qualified as a chartered accountant with Thomson McLintock (now KPMG) in 1982 and joined the Group in March 2002. Prior to this he held positions as group finance director at Rolfe & Nolan Plc, Best International Group Plc and HS Publishing Group Ltd.

Angus McCaffery

Director

Angus co-founded Maintel in 1991 and was the Group 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 our larger partners and the overall development of Maintel. Angus is also a non-executive director of Nasstar plc, an AIM Listed hosted desktop provider.

Kevin Stevens

Group operations director

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, efficiencies, process and customer service.

John Booth

Non-executive chairman

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, telecoms 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.

Nicholas Taylor

Non-executive director

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. He is also non-executive chairman of Linstock Communications, a public relations consultancy.

Annette Nabavi

Non-executive director

Annette was appointed to the board on 30 June 2014. She is also a non-executive director on the board of 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.

Report on corporate governance

As a company listed on the Alternative Investment Market of the London Stock Exchange, Maintel Holdings Plc is not required to comply with the UK Corporate Governance Code ("the Code"). However, the board of directors recognises the importance of, and is committed to, ensuring that proper standards of corporate governance operate throughout the Group. A description of the main governance policies and procedures adopted by the Group is set out below.

Board of directors

The board consists of four executive directors and three non-executive directors, the latter being John Booth, who is chairman, Annette Nabavi and Nicholas Taylor. Darren Boyce, previously CEO of Proximity, was appointed a non-executive director on an initial one year term to 24 November 2015, on which date he resigned. The chairman is responsible for the effective running of the board and the chief executive is ultimately responsible for all operational matters and the financial performance of the Group.

Other than in respect of Mr Booth's and Mr Taylor's shareholdings in the Company, the non-executive directors are independent of management and are free from any business or other relationship which could materially interfere with the exercise of their independent judgement. During 2015 Anchusa Consulting Limited, a company owned by Mrs Nabavi, provided consultancy support on specific projects; however, given the limited nature of these engagements, the board does not consider it to have compromised her independence.

In light of the length of time Mr Taylor has served on the board, Mrs Nabavi replaced him as the senior independent director at the end of 2015.

The board is satisfied that each of the non-executive directors commits sufficient time to the fulfilment of their duties as a director of the Company.

The executive directors are Eddie Buxton who is Chief executive, Dale Todd Finance director, Kevin Stevens Operations director and Angus McCaffery who has responsibility for business development.

The directors' biographies on pages 20 to 21 demonstrate the range and depth of experience they bring to the Group.

The board meets regularly, normally monthly, and both reviews operations and assesses future strategy for the operating subsidiaries and for the Group as a whole. It operates to a schedule of matters specifically reserved for its decision.

Although not required to retire this year in accordance with the articles, corporate governance guidance recommends that non-executive directors with more than nine years' service are re-elected annually, and John Booth and Nicholas Taylor, having been directors since 1996 and 2006 respectively, offer themselves for re-election.

The Company has purchased insurance to cover its directors and officers against any costs they may incur in defending themselves in any legal proceedings instigated against them as a direct result of duties carried out on behalf of the Company. The insurance does not provide cover in the event that a director is proved to have acted fraudulently or dishonestly.

The directors are able to seek independent professional advice as necessary, for the furtherance of their duties, at the Company's expense within designated financial limits.

Report on corporate governance (continued)

The following committees deal with specific aspects of the Group's affairs:

Audit committee

The audit committee is chaired by Nicholas Taylor with John Booth and Annette Nabavi being the other members throughout the year, together with Darren Boyce until his resignation on 24 November 2015. The board is satisfied that for the year under review and thereafter Mr Taylor has adequate recent and relevant commercial and financial knowledge and experience to chair the committee; it also considers that Mrs Nabavi has such knowledge and experience.

The remit of the committee is to:

- consider the continued appointment of the external auditors, and their fees, terms of engagement and independence, including the appointment of the auditors to undertake non-audit work;
- liaise with the external auditors in relation to the nature and scope of the audit;
- review the form and content of the financial statements and any other financial announcements issued by the Company;
- review any comments and recommendations received from the external auditors;
- review the Company's statements on internal control systems and the policies and process for identifying and assessing business risks and the management of those risks by the Company.

The audit committee convenes at least twice a year to review the six monthly and annual financial statements and at these meetings in 2015 Eddie Buxton, Dale Todd (who acted as secretary to the committee) and the external auditors attended by invitation.

In 2015 it also liaised informally with the executive directors in relation to published financial information and other audit-related matters. Nicholas Taylor and Annette Nabavi also met separately with the external auditors in the absence of executive management.

The principal issues addressed by the committee during the year were:

- the external auditors' year-end report for 2014, the review of the Group's preliminary results in 2015 and the disclosures in the 2014 annual report;
- the external audit plan for the 2015 financial statements which included a review of the audit objectives, scope, timetable and deliverables;
- the re-appointment of BDO LLP as external auditors, their independence and objectivity and their fee;
- consideration of the external auditors' observations on the internal financial controls arising from their annual audit.

BDO LLP is retained to perform audit and audit-related work for the Group. The committee monitors the nature and extent of non-audit work undertaken by the auditors, including reviewing the letter of independence provided by the auditors annually which includes details of audit and non-audit work undertaken. The committee is satisfied that there are adequate controls in place to ensure auditor independence and objectivity. Details of audit and non-audit fees for the period under review are shown in note 7 of the financial statements.

Remuneration committee

Annette Nabavi is chair of the remuneration committee, its other members being John Booth and Nicholas Taylor. The committee met twice during the year. The committee's report to shareholders on directors' remuneration is set out on page 28.

Nomination committee

The nomination committee had two members during 2015, both non-executive, being John Booth, chairman, and Nicholas Taylor. The committee meets as required and met twice in 2015, Annette Nabavi also attending each meeting by invitation. Its terms of reference include:

- reviewing the structure, size and composition of the board;
- identifying and nominating suitable candidates to fill vacancies on the board.

Report on corporate governance (continued)

Board attendances

The following table shows the attendance of the directors at meetings of the board and the Audit, Remuneration and Nomination committees during the year.

	Board	Audit committee	Remuneration committee	Nomination committee
Number of meetings in the year				
J Booth	15	2	2	2
D Boyce	13	2	–	–
E Buxton	16	–	–	–
A McCaffery	12	–	–	–
A Nabavi	15	2	2	–
K Stevens	15	–	–	–
N Taylor	16	2	2	2
D Todd	16	–	–	–

Conflicts of interest

The Group has established procedures for the disclosure and review of any conflicts, or potential conflicts, of interest which the directors may have and for the authorisation of such conflict matters by the board. The board considers that these procedures are operating effectively.

Relationship with shareholders

The Chairman's statement and the Strategic report on pages 4 to 19 include a detailed review of the business and future developments.

In addition to regular financial reporting, significant matters relating to trading or development of the business are released to the market by way of Stock Exchange announcements as required.

The directors meet with institutional and other shareholders when possible, usually following the announcement of the Company's results, to keep them informed about the performance and objectives of the business. Nicholas Taylor and Annette Nabavi also attended certain shareholder meetings during 2015, representing the non-executive directors, to better understand the shareholders' views and to ensure there is an independent channel for their views, should that be necessary.

The annual general meeting provides a further forum for shareholders to communicate with the board. Details of resolutions to be proposed at the annual general meeting are set out in the notice of meeting.

Internal control

The board is ultimately responsible for the Group's systems of internal control, and for reviewing their effectiveness. Such systems can provide reasonable, but not absolute, assurance against material misstatement or loss. The board believes that the Group has internal control systems in place appropriate to the size and nature of its business.

The directors do not consider that an internal audit function is required, given the size and nature of the business at this time. This situation is reviewed annually.

The Group maintains a comprehensive process of financial reporting. The annual budget is reviewed and approved by the board before being formally adopted, following which the board receives at least monthly financial reports of the Group's performance compared to the budget, with explanations of significant variances. Monthly cash flow forecasts are provided to the board, as are budget reforecasts if deemed appropriate.

The executive directors monitor key performance indicators on a monthly basis, management of these being delegated to the Group's senior management.

The board undertakes a rolling review of known and potential risks, and addresses newly identified risks as they arise, with controls put in place to minimise their potential effect on the Group.

The key operational functions of the Group are subject to processes established and externally audited under ISO9001, ISO20000 and ISO27001, which the directors consider to be a valuable additional internal and external control tool of the business.

Operating control

Each executive director has defined responsibility for specific aspects of the Group's operations. The executive directors, together with key senior executives, meet regularly – both at weekly management meetings and on an ad hoc basis – to discuss day-to-day operational matters.

Investment appraisal

Capital expenditure is controlled via the budgetary process, the budget being approved by the board. Expenditure is approved as required by the chief executive. Acquisitions and significant unbudgeted capital expenditure are reviewed by the board as they arise.

Risk management

The board is responsible for identifying the major business risks faced by the Group and for determining the appropriate course of action to manage these risks. The Group's approach to financial risk management is further explained in note 22 to the financial statements.

Going concern

The Group has a sound financial record including strong operating cash flows derived from a substantial level of recurring revenue across a range of sectors and as a consequence and after reviewing cash balances, borrowing facilities and projected cash flows, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Report of the remuneration committee

The remuneration committee's remit is to measure the performance of, and determine remuneration policy relating to, directors and senior employees. To support this responsibility it has access to professional and other advice external to the Group. Taking these factors into account, it then makes recommendations to the board.

The committee consists of three non-executive directors, Annette Nabavi (chair of the committee), Nicholas Taylor and John Booth, and met twice during 2015.

Remuneration policy

The Group's executive director remuneration policy is designed to attract and retain directors of the calibre required to maintain the Group's position in its marketplace.

The executive director remuneration package consists of up to four elements:

(a) Basic salary

An executive director's basic salary is determined by the remuneration committee at the beginning of each year. In deciding appropriate levels the committee considers the relative responsibilities of each of the directors. The basic salary of the executive directors was increased with effect from 1 February 2016.

(b) Pension contributions and other benefits

Executive directors are entitled to employer pension contributions of 3% of basic salary, or additional salary in lieu thereof.

They also receive a car allowance and membership of private health, permanent health and life assurance schemes.

(c) Bonus

The executive directors are eligible to receive bonuses, dependant on Group profitability and other performance criteria.

(d) Share options

Eddie Buxton, Kevin Stevens and Dale Todd have been granted share options, details of which are shown below.

Directors' service agreements

Executive directors' service agreements, which include details of remuneration, will be available for inspection at the annual general meeting. Each executive director has a six month rolling service agreement.

Non-executive directors

John Booth and Nicholas Taylor each have a three month rolling contract. Annette Nabavi has a contract which expires in normal circumstances on 26 June 2017 but which is terminable on three months' notice.

The remuneration of the non-executive directors is agreed by the executive directors, and is based upon the level of fees paid at comparable companies and taking account of the directors' evolving responsibilities. Taking these factors into account, the remuneration of the non-executive directors was reviewed in 1 February 2016. The non-executives receive no payment or benefits other than their fees and associated auto-enrolment pension contributions, although Mrs Nabavi was a beneficiary of consultancy fees during the year as described below (2014: Mrs Nabavi and Mr Taylor).

Directors remuneration

The remuneration of the directors in office during the year was as follows:

	Salaries/ fees	Benefits	Bonus	Pension contributions	Total 2015 [1]	Total 2014 [1,2]
Non executive directors						
J D S Booth	41	–	–	–	41	40
D K Boyce [3]	20	–	–	–	20	4
A P Nabavi [4]	25	–	–	–	25	13
N J Taylor [5]	31	–	–	–	31	30
Executive directors						
E Buxton	190	12	5	6	213	243
A J McCaffery	149	21	5	5	180	191
K Stevens	136	11	12	4	163	161
W D Todd	151	12	5	5	173	199
	743	56	27	20	846	881

(1) Excluding social security costs in respect of the above amounting to £102,000 (2014: £109,000), and excluding gains on the exercise of share options in the year of £291,000 (2014: £182,000).

(2) Total 2014 remuneration of £881,000 includes bonuses of £120,000, employer pension contributions of £16,000 and benefits of £55,000, so that salaries amounted to £690,000.

(3) In addition to his fees as a director stated above, Proximity Communications Ltd paid £64,000 (2014: £14,000 plus £1,000 expenses) to a company of which Mr Boyce is a shareholder and director in respect of consultancy services provided to Proximity following its acquisition.

(4) In addition to her fees as a director stated above, the Company paid £11,000 (2014: £13,000) to a company of which Mrs Nabavi is a shareholder and director in respect of consultancy services provided to the Company during the year.

(5) In 2014, in addition to his fees as a director stated above, the Company paid £20,000 (2015: £Nil) to a company of which Mr Taylor is a shareholder and director in respect of consultancy services provided to the Company during that year.

The directors are the only employees of the Company.

Report of the remuneration committee (continued)

Directors' interests in ordinary shares

The directors' interests in the ordinary shares of the Company are shown in the report of the directors on page 32. These include holdings under the Company's Share Incentive Plan, to which all of the directors subscribe apart from non-executive director Mrs Nabavi.

Share options

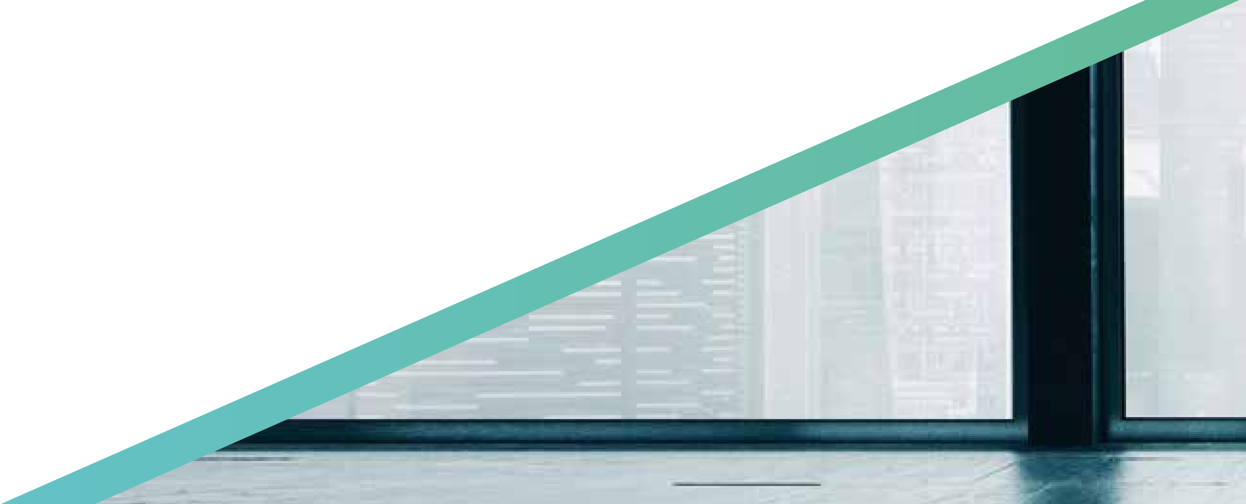
On 18 May 2009 the directors of the Company approved the adoption of the Maintel Holdings Plc 2009 Option Plan. The following options remain outstanding under the Plan:

Option holder	Number of shares	Date of grant	Option price	Expiry of option
Eddie Buxton	107,818	18 May 2009	200p	18 May 2019
Eddie Buxton	107,818	18 May 2009	300p	18 May 2019
Dale Todd	10,000	17 April 2013	345p	17 April 2023
Dale Todd	10,000	19 Dec 2013	525p	19 Dec 2023
Kevin Stevens	10,000	29 May 2014	530p	29 May 2024

All options have vested.

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year:

	2015 Number of options	2015 WAEP	2014 Number of options	2014 WAEP
Outstanding at the beginning of the year	299,545	245p	329,545	233p
Granted during the year	–	–	10,000	530p
Exercised during the year	(53,909)	100p	(40,000)	220p
Outstanding at the end of the year	245,636	276p	299,545	245p



The Company's mid-market share price at 31 December 2015 was 760p per share, and the high and low prices during the year were 807.5p and 600p respectively.

Share Incentive Plan

In 2006 the Company established the Maintel Holdings Plc Share Incentive Plan ("SIP"). The SIP is open to all employees with at least six months' continuous service with a Group company, and allows employees and directors to subscribe for existing shares in the Company at open market price out of their gross salary. The employees own the shares from the date of purchase, but must continue to be employed by a Group company and hold their shares within the SIP for five years to benefit from the full tax benefits of the plan. At 31 December 2015 there were 86,670 shares held by the SIP, representing 0.8% of the issued share capital of the Company (2014: 89,747 and 0.8%).

The report of the remuneration committee was approved by the board on 7 April 2016.

A P Nabavi

Chair of the remuneration committee

Report of the Directors

for the year ended 31 December 2015

The directors present their annual report together with the audited financial statements for the year ended 31 December 2015.

Principal activities

The principal activities of the Group continue to be the provision of contracted managed services, the sale and installation of telecommunications systems and the provision of fixed line, mobile and data telecommunications services, predominantly to the enterprise business sector.

Results and dividends

The consolidated statement of comprehensive income is set out on page 37 and shows the profit of the Group for the year.

During the year the Company paid a final dividend of 11.6p per ordinary share in respect of the 2014 financial year, amounting to £1.243m (2014: 9.0p, amounting to £961,000), and an interim dividend in respect of 2015 of 12.8p per share, amounting to £1.378m (2014: 9.3p and £993,000 respectively). A second interim dividend in respect of 2015 of 16.5p per share was paid on 5 April 2016, at a cost of £1.777m.

Strategic report

A review of the business and future developments of the Group is set out in the Strategic report on pages 6 to 19.

Directors

The directors of the Company as at 31 December 2015 and their interests in the ordinary shares of the Company at that date were as follows:

	Number of 1p ordinary shares			
	2015 Beneficial	**2015 Non-beneficial**	**2014 Beneficial**	**2014 Non-beneficial**
J D S Booth	2,760,301	–	2,759,674	–
E Buxton	4,654	81,816	4,225	85,522
A J McCaffery	2,055,629	–	2,055,085	–
A P Nabavi	–	–	–	–
K Stevens	2,671	–	2,334	–
N J Taylor	15,947	77,523	15,368	81,379
W D Todd	37,941	78,529	47,397	82,350

D Boyce was a director of the Company until his resignation on 24 November 2015. He had no interest in the ordinary shares of the Company during that time.

J D S Booth is a shareholder in Herald Investment Trust plc which has an interest in 610,000 1p ordinary shares in the Company; this is in addition to Mr Booth's beneficial holding above.

The non-beneficial holdings above relate to holdings of the Share Incentive Plan, of which the respective directors are trustees.

Since the year end, the Share Incentive Plan has acquired a net 1,021 shares in total, including 60 in respect of K Stevens. There were no other changes in the directors' shareholdings between 31 December 2015 and 7 April 2016.

Substantial shareholders

In addition to the directors' shareholdings, at 7 April 2016 the Company had been notified of the following shareholdings of 3% or more in the ordinary share capital of the Company:

	Number of 1p ordinary shares	% of issued ordinary shares
J A Spens	1,731,171	16.1%
Marlborough Fund Managers Ltd	1,461,300	13.6%
Herald Investment Trust plc	610,000	5.7%

Share capital

Details of the share capital of the Company are shown in note 23 of the financial statements.

53,909 shares were issued in the year on the exercise of share options; no shares were repurchased during the year.

The existing authority for the repurchase of the Company's shares is for the purchase of up to 1,606,115 shares. A fresh authority, for the purchase of up to 1,614,196 shares, will be sought at the forthcoming annual general meeting.

Employees

Maintel's success is dependent on the knowledge, experience and motivation of its employees, and so on the attraction and retention of those staff. The Group offers competitive compensation packages, including bonus structures where appropriate, to align employee interest with that of the Group. The Group's management ensures that there is continual investment in external and internal training of employees, and monitors the compliance with both statutory regulation and best practice with regard to equal opportunities.

Report of the Directors

for the year ended 31 December 2015 (continued)

The Group gives full and fair consideration to applications for employment from disabled persons, having regard to their particular aptitudes and abilities and to their training and career development. This includes, where applicable and possible, the retraining and retention of staff who become disabled during their employment.

Periodic updates are distributed to employees, and a Group intranet is core to open communication amongst employees; this continues to be developed.

The Company established a Share Incentive Plan in 2006, allowing employees and directors to invest tax effectively in its shares, and so aligning employee interests with those of shareholders. Under the plan, shares are acquired by employees out of pre-tax salary, with ownership vesting at that time, and are held by trustees on behalf of the employees. The plan is therefore separate from the assets of the Group.

Environment

The Group acknowledges its responsibilities to environmental matters and where practicable adopts environmentally sound policies in its working practices, such as recycling paper and packaging waste and using specialist recyclers of scrap telecommunications and IT equipment. A major consideration when replacing company cars is their impact on the environment. The Group also makes use of in-house video-conferencing facilities to reduce the need for regional meetings. Maintel Europe Limited has ISO14001:2004 accreditation for its environmental management systems.

Financial instruments

Details of the use of financial instruments by the Group are contained in note 22 of the financial statements.

Annual General Meeting

The Annual General Meeting of the Company will be held at its London offices on 19 May at 9.30am.

Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Company's auditors for the purposes of their audit and to ensure that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

A resolution proposing the re-appointment of BDO LLP as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the board

E Buxton
Director
7 April 2016

Statement of Directors' responsibilities

Directors' responsibilities

The directors are responsible for preparing the annual report and financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards), including FRS101 "Reduced Disclosure Framework" ("FRS101") and applicable law. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. The directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

The directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Independent auditors' report

to the shareholders of Maintel Holdings Plc

We have audited the financial statements of Maintel Holdings Plc for the year ended 31 December 2015 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows, the company statement of financial position and the related notes. The financial reporting framework that has been applied in the preparation of the consolidated financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS101 'The Financial Reporting Standard applicable to the UK and Republic of Ireland'.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2015 and of the group's profit for the year then ended;
- the consolidated financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company's financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Julian Frost (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London, United Kingdom

7 April 2016

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

Consolidated statement of comprehensive income

for the year ended 31 December 2015

	Note	2015 £000	2014 £000
Revenue	4	50,623	41,890
Cost of sales		(31,571)	(26,292)
Gross profit		19,052	15,598
Other operating income		12	–
Administrative expenses			
Intangibles amortisation	14	(2,235)	(1,472)
Exceptional costs	12	(884)	(809)
Other administrative expenses		(11,530)	(9,375)
		(14,649)	(11,656)
Operating profit	7	4,415	3,942
Financial income	8	1	2
Financial expense	8	(265)	(135)
Profit before taxation		4,151	3,809
Taxation	9	(69)	(865)
Profit and total comprehensive income attributable to owners of the parent		4,082	2,944
Earnings per share			
Basic	11	38.0p	27.6p
Diluted	11	37.5p	27.2p

The notes on pages 41 to 62 form part of these consolidated financial statements.

Consolidated statement of financial position

at 31 December 2015

	Note	2015 £000	2015 £000	2014 £000	2014 £000
Non current assets					
Intangible assets	14		18,132		20,367
Property, plant and equipment	16		673		314
			18,805		20,681
Current assets					
Inventories	17	1,298		1,436	
Trade and other receivables	18	11,040		12,419	
Cash and cash equivalents		2,784		3,347	
Total current assets			15,122		17,202
Total assets			33,927		37,883
Current liabilities					
Trade and other payables	19		20,276		20,809
Current tax liabilities			257		828
Borrowings	20		2,000		2,500
Total current liabilities			22,533		24,137
Non current liabilities					
Deferred tax liability	21		834		1,242
Borrowings	20		4,000		7,500
Total net assets			6,560		5,004
Equity					
Issued share capital	23		108		107
Share premium	24		1,169		1,116
Capital redemption reserve	24		31		31
Translation reserve	24		88		47
Retained earnings	24		5,164		3,703
Total equity			6,560		5,004

The consolidated financial statements were approved and authorised for issue by the board on 7 April 2016 and were signed on its behalf by:

W D Todd
Director

The notes on pages 41 to 62 form part of these consolidated financial statements.

Consolidated statement of changes in equity

for the year ended 31 December 2015

	Note	Share capital £000	Share premium £000	Capital redemption reserve £000	Translation reserve £000	Retained earnings £000	Total £000
At 31 December 2013		107	1,028	31	–	2,713	3,879
Profit and total comprehensive income for the year		–	–	–	–	2,944	2,944
Foreign currency translation differences		–	–	–	47	–	47
Dividend	10	–	–	–	–	(1,954)	(1,954)
Issue of new ordinary shares		–	88	–	–	–	88
At 31 December 2014		107	1,116	31	47	3,703	5,004
Profit and total comprehensive income for the year		–	–	–	–	4,082	4,082
Foreign currency translation differences		–	–	–	41	–	41
Dividend	10	–	–	–	–	(2,621)	(2,621)
Issue of new ordinary shares	23	1	53	–	–	–	54
At 31 December 2015		108	1,169	31	88	5,164	6,560

The notes on pages 41 to 62 form part of these consolidated financial statements.

Consolidated statement of cash flows

for the year ended 31 December 2015

	Note	2015 £000	2014 £000
Operating activities			
Profit before taxation		4,151	3,809
Adjustments for:			
Intangibles amortisation	14	2,235	1,472
Loss/(profit) on sale of fixed assets		4	(1)
Depreciation charge	16	191	184
Interest receivable	8	(1)	(2)
Interest payable	8	265	135
Operating cash flows before changes in working capital		6,845	5,597
Decrease/(increase) in inventories		138	(94)
Decrease in trade and other receivables		1,379	1,403
(Decrease)/increase in trade and other payables		(533)	197
Cash generated from operating activities		7,829	7,103
Tax paid		(1,048)	(1,049)
Net cash flows from operating activities		6,781	6,054
Investing activities			
Purchase of plant and equipment	16	(554)	(87)
Proceeds from disposal of plant and equipment		–	6
Purchase price in respect of business combination		–	(11,994)
Net cash acquired with subsidiary undertaking		–	3,526
		–	(8,468)
Interest receivable	8	1	2
Net cash flows from investing activities		(553)	(8,547)
Financing activities			
Proceeds from borrowings		–	10,000
Repayment of borrowings		(4,000)	(2,750)
Interest payable	8	(265)	(135)
Issue of new ordinary shares	23	54	88
Equity dividends paid	10	(2,621)	(1,954)
Net cash flows from financing activities		(6,832)	5,249
Net (decrease)/increase in cash and cash equivalents		(604)	2,756
Cash and cash equivalents at start of period		3,347	544
Exchange differences		41	47
Cash and cash equivalents at end of period		2,784	3,347

The notes on pages 41 to 62 form part of these consolidated financial statements.

Notes forming part of the consolidated financial statements

for the year ended 31 December 2015

1. General information

Maintel Holdings Plc is a public limited company incorporated and domiciled in the UK, whose shares are publicly traded on the Alternative Investment Market (AIM). Its registered office and principal place of business is 160 Blackfriars Road, London SE1 8EZ.

2. Accounting policies

The principal policies adopted in the preparation of the consolidated financial statements are as follows:

(a) Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRS) issued by the International Accounting Standards Board (IASB) as adopted by the European Union ("adopted IFRSs"), IFRIC interpretations and with those parts of the Companies Act 2006 applicable to companies preparing their accounts in accordance with adopted IFRSs.

(b) Basis of consolidation

The consolidated financial statements present the results of the Company and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

Where the Company has control over an investee, it is classified as a subsidiary. The Company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

The consolidated financial statements incorporate the results of business combinations using the acquisition method. In the consolidated statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date on which control ceases.

(c) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and can be reliably measured.

Revenue represents sales to customers at invoiced amounts and commissions receivable from suppliers, less value added tax. Revenue from sales of technology, professional services and network services is recognised when the goods or services are provided. Amounts invoiced in advance in respect of managed service contracts are deferred and released to the consolidated statement of comprehensive income on a straight line basis over the period covered by the invoice. Connection commissions received from mobile network operators are recognised (a) where commission is payable in advance, when the customer contract has been accepted by the network operator and is therefore legally binding, less an allowance for expected future clawbacks, and (b) where commission is payable on a monthly basis, in the month to which commission relates.

Notes forming part of the consolidated financial statements

for the year ended 31 December 2015 (continued)

2. Accounting policies (continued)

(d) Operating leases

Where substantially all of the risks and rewards incidental to ownership are not transferred to the Group (an "operating lease"), the total rentals payable under the lease are charged to the consolidated statement of comprehensive income on a straight-line basis over the lease term. The aggregate benefit of lease incentives is recognised as a reduction of the rental expense over the lease term on a straight-line basis.

Rentals receivable under operating leases are credited to the consolidated statement of comprehensive income on a straight-line basis over the term of the lease. The aggregate cost of lease incentives offered is recognised as a reduction of the rental income over the lease term on a straight-line basis.

(e) Employee benefits

The Group contributes to a number of defined contribution pension schemes in respect of certain of its employees, including those established under auto-enrolment legislation. The amount charged in the consolidated statement of comprehensive income represents the employer contributions payable to the schemes in respect of the financial period. The assets of the schemes are held separately from those of the Group in independently administered funds.

The cost of all short term employee benefits is recognised during the period the employee service is rendered.

Holiday pay is expensed in the period in which it accrues.

(f) Redundancy costs

Redundancy costs are those costs incurred from the date the redundancy decision is made.

(g) Interest

Interest income and expense is recognised on an accruals basis.

(h) Taxation

Current tax is the expected tax payable on the taxable income for the year, together with any adjustments to tax payable in respect of previous years.

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, except for differences arising on:

- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit; and
- investments in subsidiaries where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

A deferred tax asset is recognised only to the extent that it is more probable than not that future taxable profits will be available against which the asset can be utilised.

Management judgement is used in determining the amount of deferred tax asset that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

The amount of the deferred tax asset or liability is measured on an undiscounted basis and is determined using tax rates that have been enacted or substantively enacted by the date of the consolidated statement of financial position and are expected to apply when the deferred tax assets/liabilities are recovered/settled.

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- the same taxable Group company; or
- different Group entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

(i) Dividends

Dividends unpaid at the reporting date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Proposed but unpaid dividends that do not meet these criteria are disclosed in the notes to the consolidated financial statements.

(j) Intangible assets

Goodwill

Goodwill represents the excess of the fair value of the consideration of a business combination over the acquisition date fair value of the identifiable assets, liabilities and contingent liabilities acquired; the fair value of the consideration comprises the fair value of assets given. Contingent consideration is included in cost at its acquisition date fair value and, in the case of contingent consideration classified as a financial liability, remeasured subsequently through profit or loss. Direct costs of acquisition are recognised immediately as an expense.

Goodwill is capitalised as an intangible asset and carried at cost with any impairment in carrying value being charged to the consolidated statement of comprehensive income.

Customer relationships

Customer relationships are stated at cost, or fair value where acquired through a business combination, less accumulated amortisation. Where these assets have been acquired through a business combination, the cost will be the fair value allocated in the acquisition accounting.

Customer relationships are amortised over their estimated useful lives of (i) six years in respect of managed service contracts, (ii) seven years in respect of network services and mobile contracts.

(k) Impairment of non-current assets

Impairment tests on goodwill are undertaken annually on 31 December. Customer relationships and other assets are subject to impairment tests whenever events or changes in circumstances indicate the carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (being the higher of value in use and fair value less costs to sell), the asset is written down accordingly in the administrative expenses line item in the consolidated statement of comprehensive income and, in respect of goodwill impairments, the impairment is never reversed.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit (being the lowest group of assets in which the asset belongs for which there are separately identifiable cash flows). Goodwill is allocated on initial recognition to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination giving rise to goodwill.

Notes forming part of the consolidated financial statements

for the year ended 31 December 2015 (continued)

2. Accounting policies (continued)

(l) Property, plant and equipment

Property, plant and equipment is stated at cost, less accumulated depreciation and any impairment in value. Depreciation is provided to write off the cost, less estimated residual values, of all tangible fixed assets over their expected useful lives, at the following rates:

Office and computer equipment	– 25% straight line
Motor vehicles	– 25% straight line
Leasehold improvements	– over the remaining period of the lease

Property, plant and equipment acquired in a business combination is initially recognised at its fair value.

(m) Inventories

Inventories comprise (i) maintenance stock, being replacement parts held to service customers' telecommunications systems, and (ii) stock held for resale, being stock purchased for customer orders which has not been installed at the end of the financial period. Inventories are valued at the lower of cost and net realisable value.

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short term deposits with an original maturity of three months or less.

(o) Financial assets and liabilities

The Group's financial assets and liabilities mainly comprise cash, borrowings, trade and other receivables and trade and other payables.

Trade and other receivables are not interest bearing and are stated at their nominal value as reduced by appropriate allowances for irrecoverable amounts or additional costs required to effect recovery.

Trade and other payables are not interest bearing and are stated at their nominal amount.

(p) Borrowings

Interest bearing bank loans and overdrafts are initially recorded at the value of the amount received, net of attributable transaction costs. Interest bearing borrowings are subsequently stated at amortised cost with any difference between cost and redemption value being recognised in the consolidated statement of comprehensive income over the period of the borrowing using the effective interest method.

(q) Foreign currency

The presentation currency of the Group is sterling. All Group companies have a functional currency of sterling (other than Maintel International Limited ("MIL") which has a functional currency of the Euro) consistent with the presentation currency of the Group's consolidated financial statements. Transactions in currencies other than sterling are recorded at the rates of exchange prevailing on the dates of the transactions.

On consolidation, the results of MIL are translated into sterling at rates approximating those ruling when the transactions took place. All assets and liabilities of MIL, including goodwill arising on its acquisition, are translated at the rate ruling at the reporting date.

(r) Accounting standards issued

There are no IFRSs that are effective for the first time during the financial year that have a material effect on the consolidated financial statements, nor are there any impending IFRSs that are expected to have a material effect on the Group's consolidated financial statements.

The Group notes IFRS15 *Revenue from Contracts with Customers* which takes effect and will be adopted in 2017. Having considered the Group's revenue streams and current recognition policies, as disclosed in (c) 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 will be adopted in 2019. This IFRS will require the Group to recognise the lease on its premises as both an asset and a rental commitment in its consolidated statement of financial position, but is not expected to have any material effect on the Group's profitability.

3. Accounting estimates and judgements

In the process of applying the Group's accounting policies, management has made various estimates, assumptions and judgements, with those likely to contain the greatest degree of uncertainty being summarised below.

Deferred tax asset relating to brought forward losses

At 31 December 2015 the directors have had to assess the validity of the carrying value of tax losses attributable to the Datapoint companies that might be used against future profits, shown in note 21, which involves estimating the companies' profitability and future tax rates.

Impairment

The Group assesses at each reporting date whether there is an indication that its intangible assets may be impaired and where such indicators exist, the Group performs an impairment review. In addition, the Group assesses the carrying value of goodwill annually for impairment. In undertaking such an impairment review, estimates are required in determining an asset's recoverable amount; those used are shown in note 14. These estimates include the asset's future cash flows and an appropriate discount to reflect the time value of money. The Group undertakes sensitivity analysis based on reasonably possible changes in assumptions by increasing the weighted average cost of capital and reducing future growth expectations in the model. The results of this analysis show no indication of impairment.

Notes forming part of the consolidated financial statements

for the year ended 31 December 2015 (continued)

4. Segment 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 Strategic report.

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

Year ended 31 December 2015	Managed service and technology £000	Network services £000	Mobile £000	Central/ inter-company £000	Total £000
Revenue	39,614	8,383	2,815	(189)	50,623
Operating profit before customer relationship intangibles amortisation and exceptional costs	6,015	1,146	389	(16)	7,534
Customer relationship intangibles amortisation	(251)	–	–	(1,984)	(2,235)
Exceptional costs	(884)	–	–	–	(884)
Operating profit	4,880	1,146	389	(2,000)	4,415
Interest (net)					(264)
Profit before taxation					4,151
Taxation					(69)
Profit and total comprehensive income for the period					4,082

Revenue is wholly attributable to the principal activities of the Group and other than sales of £4.3m to EU countries and £1.0m to the rest of the world (2014: £3.3m to EU countries, and £0.4m to the rest of the world), arises within the United Kingdom.

Intercompany trading consists of telecommunications services, and recharges of sales, engineering and rent costs, £0.1m (2014: £0.1m) attributable to the managed services and technology segment, £0.1m (2014: £0.1m) to the network services segment and immaterial amounts to the mobile segment in each year.

In 2015 the Group had one customer (2014: two) which accounted for more than 10% of its revenue, amounting to £5.4m (2014: £5.3m and £4.3m).

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
Other					
Capital expenditure	554	–	–	–	554
Depreciation	191	–	–	–	191

Year ended 31 December 2014	Managed service and technology £000	Network services £000	Mobile £000	Central/ inter-company £000	Total £000
Revenue	31,993	7,156	2,907	(166)	41,890
Operating profit before customer relationship intangibles amortisation and exceptional costs	4,418	1,027	764	14	6,223
Customer relationship intangibles amortisation	(252)	(28)	–	(1,192)	(1,472)
Exceptional costs	(312)	–	–	(497)	(809)
Operating profit	3,854	999	764	(1,675)	3,942
Interest (net)					(133)
Profit before taxation					3,809
Taxation					(865)
Profit and total comprehensive income for the period					2,944

	Managed service and technology £000	Network services £000	Mobile £000	Central/ inter-company £000	Total £000
Other					
Capital expenditure	87	–	–	–	87
Depreciation	183	–	1	–	184

Notes forming part of the consolidated financial statements

for the year ended 31 December 2015 (continued)

5. Employees

	2015 Number	2014 Number
The average number of employees, including directors, during the year was:		
Corporate and administration	40	36
Sales and customer service	99	80
Technical and engineering	138	125
	277	241

Staff costs, including directors, consist of:	**£000**	**£000**
Wages and salaries	15,323	13,082
Social security costs	1,816	1,545
Pension costs	285	293
	17,424	14,920

The Group makes contributions to defined contribution personal pension schemes for employees and directors. The assets of the schemes are separate from those of the Group. Pension contributions totalling £62,000 (2014: £50,000) were payable to the schemes at the year end and are included in other payables.

6. Directors' remuneration

The remuneration of the Company directors was as follows:

	2015 £000	2014 £000
Directors' emoluments	826	865
Pension contributions	20	16
	846	881

Included in the above is the remuneration of the highest paid director as follows:

	2015 £000	2014 £000
Directors' emoluments	207	196
Pension contributions	6	3
	213	199

The Group paid contributions into defined contribution personal pension schemes in respect of 7 directors during the year, 3 of whom were auto-enrolled at minimal contribution levels (2014: 6, 2 auto-enrolled).

The aggregate amount of gains made by directors on the exercise of share options in the year was £291,000 (2014: £182,000), all of which related to the highest paid director. The above table excludes these amounts.

Further details of director remuneration are shown in the remuneration committee report on page 28.

7. Operating profit

This has been arrived at after charging:

	2015 £000	2014 £000
Depreciation of property, plant and equipment	191	184
Amortisation of intangible fixed assets	2,235	1,472
Operating lease rentals payable:		
– property	885	515
– plant and machinery	78	94
Operating lease rentals receivable – property	12	–
Fees payable to the Company's auditor for the audit of the Company's annual accounts	9	9
Fees payable to the Company's auditor for other services:		
– due diligence and other acquisition costs	–	107
– audit of the Company's subsidiaries pursuant to legislation	114	110
– audit-related assurance services	25	19
– tax compliance services	22	6
Foreign exchange gain	44	50

8. Financial income and expense

	2015 £000	2014 £000
Interest receivable on bank deposits	1	2
Interest payable on bank loans	265	135

9. Taxation

	2015 £000	2014 £000
UK corporation tax		
Corporation tax on profits of the period	610	977
Prior year adjustment	(133)	–
	477	977
Deferred tax (note 21)	(408)	(112)
Taxation on profit on ordinary activities	69	865

Notes forming part of the consolidated financial statements

for the year ended 31 December 2015 (continued)

9. Taxation (continued)

The standard rate of corporation tax in the UK changed from 21% to 20% with effect from 1 April 2015, and the Group's UK subsidiaries are therefore taxed at a rate of 20.25% for the year. Further reductions in rate to 19% with effect from 1 April 2017 and 18% from 1 April 2020 were substantively enacted on 18 November 2015 and the projected effect of these reductions on the unwinding of deferred tax assets and liabilities has not been adjusted for in these financial statements. The differences between the total tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax are as follows:

	2015 £000	2014 £000
Profit before tax	4,151	3,809
Profit at the standard rate of corporation tax in the UK of 20.25% (2014: 21.50%)	841	819
Effect of:		
Expenses not deductible for tax purposes, net of reversals	15	109
Capital allowances in excess of depreciation	(26)	(36)
Effects of change in tax rates	(36)	(17)
Effects of overseas tax rates	(32)	(5)
Relief on option exercise	(62)	–
Prior year adjustment	(133)	–
Increase in deferred tax asset relating to Datapoint tax losses (note 21)	(500)	–
Other timing differences	2	(5)
	69	865

10. Dividends paid on ordinary shares

	2015 £000	2014 £000
Final 2013, paid 24 April 2014 – 9.0p per share	–	961
Interim 2014, paid 3 October 2014 – 9.3p per share	–	993
Final 2014, paid 1 May 2015 – 11.6p per share	1,243	–
Interim 2015, paid 7 October 2015 – 12.8p per share	1,378	–
	2,621	1,954

A second interim dividend of 16.5p per ordinary share was paid on 5 April 2016 in respect of the year to 31 December 2015 (2014 final dividend: 11.6p). The cost of that dividend was £1.777m (2014 final dividend: £1.243m).

11. Earnings per share

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

	2015 £000	2014 £000
Earnings used in basic and diluted EPS, being profit after tax	4,082	2,944
Adjustments:		
Intangibles amortisation (note 14)	2,235	1,472
Exceptional costs (note 12)	884	809
Tax relating to above adjustments	(666)	(396)
Deferred tax charge on utilisation of Datapoint tax losses	451	161
Increase in deferred tax asset	(500)	–
Adjusted earnings used in adjusted EPS	6,486	4,990

Datapoint has brought forward tax losses, so that it will pay no tax in respect of this year's profits. On acquisition, however, a deferred tax asset was recognised in respect of a proportion of its tax losses, and a deferred tax charge of £451,000 has been recognised in the income statement in respect of the year's profits. As this does not reflect the reality and benefit to the Group of the non-taxable profits, the deferred tax charge is adjusted above. An increase of £500,000 in the deferred tax asset relating to useable losses is also reflected in the income statement and is similarly adjusted for above.

	2015 Number (000s)	2014 Number (000s)
Weighted average number of ordinary shares of 1p each	10,754	10,676
Potentially dilutive shares	145	165
	10,899	10,841
Earnings per share		
Basic	38.0p	27.6p
Basic and diluted	37.5p	27.2p
Adjusted – basic but after the adjustments in the table above	60.3p	46.7p
Adjusted – basic and diluted after the adjustments in the table above	59.5p	46.0p

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

In calculating diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential 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.

Notes forming part of the consolidated financial statements

for the year ended 31 December 2015 (continued)

12. Exceptional costs

Most of the exceptional costs incurred in the year related to the termination of property leases and the signing of new leases, and the penalties and duplicated costs resulting from these. These and the other costs analysed below have been shown as exceptional costs in the income statement as they are not normal operating expenses:

	2015 £000	2014 £000
Duplicated occupation costs on London premises	380	–
Rent penalty on Dublin premises	90	–
Dilapidations net of accrued amounts	11	–
Property-related legal and professional costs	110	–
Acquisition-related redundancy costs	237	312
Cost of rebrand	56	–
Legal and professional fees relating to the acquisition of Proximity	–	497
	884	809

13. Business combinations

On 24 October 2014 the Company acquired the entire share capital of Proximity Communications Limited at the following aggregate valuations:

	£000
Purchase consideration	
Cash	11,994
Assets and liabilities acquired	
Tangible fixed assets	127
Inventories	497
Trade and other receivables	4,861
Cash	3,526
Trade and other payables	(6,646)
	2,365
Customer relationships	5,698
Deferred tax on customer relationships	(1,197)
Net assets and liabilities acquired	6,866
Goodwill	5,128

Cash flows arising from the acquisition were as follows:	
Purchase consideration settled in cash	(11,994)
Direct acquisition costs (note 12)	(497)
Cash balances acquired	3,526
	(8,965)

Proximity was acquired to complement and extend the Group's existing offerings of telecommunications and data services and enable further cross-selling to and from other Group operations. The goodwill is attributable to the workforce of the acquired business, cross-selling opportunities and cost synergies that have been and continue to be achieved from sharing the expertise and resource of Maintel with that of Proximity and vice versa.

The customer relationships are estimated to have a useful life of six years based on the directors' experience of comparable contracts and are therefore amortised over that period and are subject to an annual impairment review. A deferred tax liability of £1.197m was recognised above which is being credited to the income statement pro rata to the amortisation of the customer relationships. The amortisation charge in 2015 is £950,000 (2014: £158,000).

The trade and other receivables were stated at gross valuation, no provisions being made against them.

14. Intangible assets

	Goodwill £000	Customer relationships £000	Total £000
Cost			
At 1 January 2014	5,019	9,554	14,573
Acquired in the year	5,128	5,698	10,826
Adjustment to Datapoint goodwill	25	–	25
At 31 December 2014 and 31 December 2015	10,172	15,252	25,424
Amortisation and impairment			
At 1 January 2014	317	3,268	3,585
Amortisation in the year	–	1,472	1,472
At 31 December 2014	317	4,740	5,057
Amortisation in the year	–	2,235	2,235
At 31 December 2015	317	6,975	7,292
Net book value			
At 31 December 2015	9,855	8,277	18,132
At 31 December 2014	9,855	10,512	20,367

Amortisation charges for the year have been charged through administrative expenses in the statement of comprehensive income.

Goodwill

The carrying value of goodwill is allocated to the cash generating units as follows:

	2015 £000	2014 £000
Network services division	443	443
Managed service and technology division	8,861	8,861
Mobile division	551	551
	9,855	9,855

For the purposes of the impairment review of goodwill, the net present value of the projected future cash flows of the relevant cash generating unit are compared with the carrying value; where the recoverable amount of the cash generating unit is less than the carrying amount, an impairment loss is recognised. Projected operating margins for this purpose for all except the Mobile cash generating unit are based on a five year horizon and 3% rate of growth, and a discount rate of 10% is applied to the resultant projected cash flows. The Mobile cash generating unit operating margins are based on a five year horizon, 2%–8% rates of growth and a discount rate of 16%.

The discount rate is based on conventional capital asset pricing model inputs and varies to reflect the relative risk profiles of the relevant cash generating units. Sensitivity analysis using reasonable variations in the assumptions shows no indication of impairment.

Notes forming part of the consolidated financial statements

for the year ended 31 December 2015 (continued)

14. Intangible assets (continued)

Goodwill (continued)

Fully amortised intangibles with a combined cost of £1.413m relating to the District Holdings Limited and Callmaster Limited acquisitions are included within intangibles and are still used within the business.

15. Subsidiaries

The Group consists of Maintel Holdings Plc and its subsidiary undertakings, including several which did not trade during the year. The following were the principal subsidiary undertakings at the end of the year and each has been included in the consolidated financial statements:

Maintel Europe Limited
Maintel Voice and Data Limited
Maintel Mobile Limited
Datapoint Customer Solutions Limited
Datapoint Global Services Limited
Maintel International Limited (previously Datapoint Communications Limited)
Proximity Communications Limited (see note 29)
Achilles Professional Services Limited (see note 29)

All the above subsidiaries other than Maintel Voice and Data Limited and Maintel Mobile Limited provide goods and services as described under the managed services and technology division in the Strategic report. Maintel Voice and Data Limited and Proximity Communications Limited provide network services and Maintel Mobile Limited provides mobile services, also described in the Strategic report.

The following subsidiaries of the Company were dormant throughout the year and previous year:

Maintel Finance Limited
Maintel Network Solutions Limited
District Communications Limited
District Network Services Limited
Datapoint Limited
Unified Communications Limited
Unified Professional Services Limited
Maintel London Limited
District Holdings Limited
District Maintenance Limited
Hi-Tech Network Solutions Limited
Unified Group Limited
Unified Networks Services Limited

Each company is wholly owned and, other than Maintel International Limited which is incorporated in the Republic of Ireland, is incorporated in England and Wales.

16. Property, plant and equipment

	Leasehold improvements £000	Office and computer equipment £000	Motor vehicles £000	Total £000
Cost or valuation				
At 1 January 2014	492	1,925	64	2,481
Additions	1	86	–	87
On acquisition of Proximity	78	490	–	568
Disposals	–	(26)	(17)	(43)
At 31 December 2014	571	2,475	47	3,093
Additions	336	218	–	554
Disposals	(489)	(1,221)	–	(1,710)
Exchange differences	(4)	(3)	–	(7)
At 31 December 2015	414	1,469	47	1,930
Depreciation				
At 1 January 2014	457	1,702	33	2,192
Provided in year	35	135	14	184
On acquisition of Proximity	61	380	–	441
Disposals	–	(25)	(13)	(38)
At 31 December 2014	553	2,192	34	2,779
Provided in year	11	168	12	191
Disposals	(488)	(1,218)	–	(1,706)
Exchange differences	(5)	(2)	–	(7)
At 31 December 2015	71	1,140	46	1,257
Net book value				
At 31 December 2015	343	329	1	673
At 31 December 2014	18	283	13	314

The significant level of disposals in the year, mostly fully depreciated assets, primarily relates to (a) the cessation of use of the ERP system acquired with Datapoint, and (b) leasehold improvements, furniture and IT equipment disposed of on the vacation of three properties during the year, as described in the Strategic report; the additions in the year relate to the occupation of replacement premises and the establishment of a datacentre-based Group network.

17. Inventories

	2015 £000	2014 £000
Maintenance stock	1,008	1,076
Stock held for resale	290	360
	1,298	1,436
Cost of inventories recognised as an expense	8,579	6,118

Provisions of £79,000 were made against the maintenance stock in 2015 (2014: £26,000), with no reversal of provisions having been made in either year.

Notes forming part of the consolidated financial statements

for the year ended 31 December 2015 (continued)

18. Trade and other receivables

	2015 £000	2014 £000
Trade receivables	7,147	7,898
Other receivables	9	28
Prepayments and accrued income	3,884	4,493
	11,040	12,419

All amounts shown above fall due for payment within one year.

19. Trade and other payables

	2015 £000	2014 £000
Trade payables	5,148	4,896
Other tax and social security	1,650	1,849
Accruals	3,158	2,772
Other payables	601	399
Deferred managed service income	9,003	10,447
Other deferred income	716	446
	20,276	20,809

Deferred managed service income relates to the unearned element of managed service revenue that has been invoiced but not yet recognised in the consolidated statement of comprehensive income. Other deferred income relates to other amounts invoiced but not yet recognised in the consolidated statement of comprehensive income.

20. Borrowings

	2015 £000	2014 £000
Non-current bank loan – secured	4,000	7,500
Current bank loan – secured	2,000	2,500
	6,000	10,000

On 24 October 2014 the Group entered into a £13.0m facility agreement with Lloyds Bank plc to support the acquisition of Proximity, replacing its previous facilities with Lloyds. This was split between a £6.0m term loan and a £7.0m revolving credit facility, the latter incorporating a £1.0m overdraft facility.

The term loan is repayable in quarterly instalments over a 3 year period, and had reduced to £3.5m by 31 December 2015. The revolving facility is due for renewal on 24 October 2017 and the overdraft facility, which was not drawn at 31 December 2015 or 31 December 2014 has been renewed and is due for further renewal on 1 November 2016.

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 term loan and revolving credit facility at a variable rate of 2.25% per annum over LIBOR, with a reduced rate payable on undrawn facility. Interest is payable on amounts drawn under the overdraft facility at a rate of 2.25% over base rate.

Covenants based on adjusted EBITDA to net finance charges and net debt to EBITDA ratios are tested on a quarterly basis; these tests have been passed to date.

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

21. Deferred taxation

	Property, plant and equipment £000	Intangible assets £000	Tax losses £000	Other £000	Total £000
Net liability at 1 January 2014	3	1,221	(1,065)	(10)	149
Liability established against intangible assets acquired during the year	–	1,197	–	–	1,197
Liability acquired with Proximity	8	–	–	–	8
Charge/(credit) to consolidated statement of comprehensive income	(1)	(274)	161	2	(112)
Net liability at 31 December 2014	10	2,144	(904)	(8)	1,242
Charge/(credit) to consolidated statement of comprehensive income	79	(440)	451	2	92
Credit to consolidated statement of comprehensive income in respect of anticipated further use of tax losses	–	–	(500)	–	(500)
Net liability at 31 December 2015	89	1,704	(953)	(6)	834

The deferred tax liability represents (a) a liability established under IFRS on the recognition of an intangible asset in relation to the Maintel Mobile, Datapoint and Proximity acquisitions, and (b) the amount of depreciation provided in the accounts in excess of the tax value of capital allowances claimed, and is calculated using the tax rates at which the liabilities are expected to reverse.

The deferred tax asset predominantly relates to the anticipated use in the future of tax losses within the Datapoint companies which were acquired in 2013, based on estimates of those companies' future profitability and relevant tax rates. The tax losses used to date are in excess of those envisaged at the time of acquisition, and the directors have therefore increased the deferred tax asset by £0.5m in the year to reflect their expectation that more will be used in the future. A change in tax rates in the future would increase or decrease the value of this asset.

The asset relating to the use of tax losses is based on the directors' judgement of a range of factors influencing their anticipated use. A further undiscounted deferred tax asset of £1.8m (2014: £2.3m) relating to tax losses has not been recognised on the grounds that there is insufficient evidence that the asset will be recoverable; use of these unrecognised losses would be increased by the Datapoint companies making more than the anticipated future profits and/or an increase in corporate tax rates.

Changes in tax rates and factors affecting the future tax charge

As described in note 9, the corporation tax rate will reduce from 20% to 19% with effect from 1 April 2017 and to 18% from 1 April 2020. The deferred tax balances at 31 December 2015 have been calculated on the basis that they will unwind at a rate of 21% to 24%. Based on their projected rate of unwinding and applying the reduced future rates would result in a decreased deferred tax charge in the consolidated statement of comprehensive income for the year, which has not been adjusted for.

Notes forming part of the consolidated financial statements

for the year ended 31 December 2015 (continued)

22. Financial instruments

The Group's financial assets and liabilities mainly comprise cash, borrowings, trade and other receivables and trade and other payables.

	Loans and receivables	
	2015 £000	**2014 £000**
Current financial assets		
Trade receivables	7,147	7,898
Cash and cash equivalents	2,784	3,347
Other receivables	9	28
	9,940	11,273

	Financial liabilities measured at amortised cost	
	2015 £000	**2014 £000**
Non-current financial liabilities		
Secured bank loan	4,000	7,500
Current financial liabilities		
Trade payables	5,148	4,896
Other payables	601	399
Secured bank loan	2,000	2,500
	7,749	7,795

The maximum credit risk for each of the above is the carrying value stated above. The main risks arising from the Group's operations are credit risk, currency risk and interest rate risk, however other risks are also considered below.

Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on customers as deemed necessary based on, inter alia, the nature of the prospect and size of order. The Group does not require collateral in respect of financial assets.

At the reporting date, the largest exposure was represented by the carrying value of trade and other receivables, against which £157,000 is provided at 31 December 2015 (2014: £218,000). The provision represents an estimate of potential bad debt, goodwill credits and additional costs to completion to be incurred in respect of the year end trade receivables, a review having been undertaken of each such year end receivable. The largest individual receivable included in trade and other receivables at 31 December 2015 owed the Group £1.6m including VAT (2014: £1.6m). The Group's customers are spread across a broad range of sectors and consequently it is not otherwise exposed to significant concentrations of credit risk on its trade receivables.

The movement on the provision is as follows:

	2015 £000	**2014 £000**
Provision at start of year	218	149
Provision used	(89)	(27)
Additional provision made	28	96
Provision at end of year	157	218

A debt is considered to be bad when it is deemed irrecoverable, for example when the debtor goes into liquidation, or when a credit or partial credit is issued to the customer for goodwill or commercial reasons.

The Group had past due trade receivables not requiring impairment as follows:

	2015 £000	2014 £000
Up to 30 days overdue	1,707	1,590
31–60 days overdue	271	943
More than 60 days overdue	8	56
	1,986	2,589

Cash and cash equivalents at 2015 and 2014 year ends are represented by cash and short term deposits, primarily with Lloyds Bank plc.

Foreign currency risk

The functional currency of all Group companies is Sterling apart from Maintel International Limited, which is registered in and operates from the Republic of Ireland and whose functional currency is the Euro. The consolidation of the results of that company is therefore affected by movements in the Euro/Sterling exchange rate. In addition, some Group companies transact with certain customers and suppliers in Euros or Dollars, and those transactions are affected by exchange rate movements during the year but are not deemed material in a Group context.

Interest rate risk

The Group had borrowings of £6.0m at 31 December 2015 (2014: £10.0m), together with a £1.0m overdraft facility. The interest rate charged is related to LIBOR and bank rate respectively and will therefore change as those rates change. If interest rates had been 0.5% higher/lower during 2015, and all other variables were held constant, the Group's profit for the year would have been £48,000 higher/lower due to the variable interest element on the loan.

The Group expects to be in a net borrowing position in the immediate future, and received only £1,000 interest during the year (2014: £2,000).

Liquidity risk

Liquidity risk represents the risk that the Group will not be able to meet its financial obligations as they fall due. This risk is managed by balancing the Group's cash balances, banking facilities and reserve borrowing facilities in the light of projected operational and strategic requirements.

Market risk

As noted above, the interest payable on borrowings is dependent on the prevailing rates of interest from time to time.

Capital risk management

The Group's objective when managing capital is to safeguard its ability to continue as a going concern in order to provide returns to shareholders. Capital comprises all components of equity – share capital, capital redemption reserve, share premium, translation reserve and retained earnings. Typically returns to shareholders will be funded from retained profits, however in order to take advantage of the opportunities available to it from time to time, the Group will consider the appropriateness of issuing shares, repurchasing shares, amending its dividend policy and borrowing, as is deemed appropriate in the light of such opportunities and changing economic circumstances.

Notes forming part of the consolidated financial statements
for the year ended 31 December 2015 (continued)

23. Share capital

	Authorised			
	2015 Number	2014 Number	2015 £000	2014 £000
Ordinary shares of 1p each	17,571,840	17,571,840	176	176

	Allotted, called up and fully paid			
	2015 Number	2014 Number	2015 £000	2014 £000
Ordinary shares of 1p each	10,768,487	10,714,578	108	107

53,909 ordinary shares were issued in the year on exercise of a share option.

24. Reserves

Share capital, share premium, translation reserve and retained earnings represent balances conventionally attributed to those descriptions.

The capital redemption reserve represents the nominal value of ordinary shares repurchased and cancelled by the Company and is undistributable in normal circumstances.

The Group having no regulatory capital or similar requirements, its primary capital management focus is on maximising earnings per share and therefore shareholder return.

A second interim dividend of 16.5p per share in respect of the year to 31 December 2015 was paid on 5 April 2016; this dividend is not provided for in these financial statements.

25. Share Incentive Plan

The Company established the Maintel Holdings Plc Share Incentive Plan ("SIP") in 2006. The SIP is open to all employees with at least 6 months' continuous service with a Group company, and allows employees to subscribe for existing shares in the Company out of their gross salary. The shares are bought by the SIP on the open market. The employees own the shares from the date of purchase, but must continue to be employed by a Group company and hold their shares within the SIP for 5 years to benefit from the full tax benefits of the plan.

26. Share based payments

On 18 May 2009 the directors of the Company approved the adoption of the Maintel Holdings Plc 2009 Option Plan.

The remuneration committee's report on page 28 describes the options granted over the Company's ordinary shares.

In aggregate, options are outstanding over 2.3% of the current issued share capital. The number of shares under option and the vesting and exercise prices may be adjusted at the discretion of the remuneration committee in the event of a variation in the issued share capital of the Company.

27. Operating leases

As at 31 December, the Group had future minimum rentals payable under non-cancellable operating leases as set out below:

The total future minimum lease payments are due as follows:	2015 Land and buildings £000	2015 Other £000	2014 Land and buildings £000	2014 Other £000
Not later than one year	583	121	475	87
Later than one year and not later than five years	2,601	98	122	59
Later than five years	2,663	–	–	–
	5,847	219	597	146

The commitment relating to land and buildings is in respect of the Group's London, Dublin and Thatcham offices; the changes in leases associated with these premises are described in the Strategic report. The remaining commitment relates to contract hired motor vehicles (which are typically replaced on a 3 year rolling cycle), office equipment, datacentre space rental and licencing of billing software.

Part of the London premises has been sublet, with future minimum rentals receivable under non-cancellable operating leases as set out below:

The total future minimum lease payments are due as follows:	2015 Land and buildings £000	2014 Land and buildings £000
Not later than one year	129	–
Later than one year and not later than five years	257	–
	386	–

28. Related party transactions

Transactions with key management personnel

The Group has a related party relationship with its directors and executive officers. The remuneration of the individual directors is disclosed in the remuneration committee report. The remuneration of the directors and other key members of management, consisting of certain subsidiary company directors, during the year was as follows:

	2015 £000	2014 £000
Short term employment benefits	1,409	1,573
Contributions to defined contribution pension scheme	25	36
	1,434	1,609

Notes forming part of the consolidated financial statements

for the year ended 31 December 2015 (continued)

28. Related party transactions (continued)

Other transactions

The Group traded during the year with E Buxton, A J McCaffery and K Stevens. Transactions in 2015 and 2014 amounted in aggregate to less than £1,000 in each case.

The Group traded during the year with The Imaginarium Studios Limited, a company in which J D S Booth is a shareholder. Imaginarium purchased telecommunication services from the Group in the year amounting to £3,000 net of VAT (2014: £3,000), of which £Nil (2014: £Nil) was owed at the year end.

In 2014, the Company paid fees of £20,000 to Hopton Hill Limited, a company of which N J Taylor is a shareholder and director, in respect of consultancy services provided to the Company relating to the acquisition of Proximity (2015: £Nil).

The Company paid fees of £11,000 (2014: £13,000) to Anchusa Consulting Limited, a company of which A P Nabavi is a shareholder and director, in respect of consultancy services provided to the Company.

Proximity paid fees of £64,000 (2014: £14,000 plus £1,000 expenses) to TCB Consulting, a company of which D K Boyce is a shareholder and director, in respect of consultancy services provided to the company.

The Group paid commissions in the year to J A Spens, a shareholder in the Company, amounting to £3,000 net of VAT (2014: £9,000), of which £Nil (2014: £1,000) was owed at the year end. These commissions relate to revenues earned by the Group following an introduction to a customer by Mr Spens.

29. Post balance sheet events

On 1 January 2016, as part of the integration of the Proximity business, its business and assets, together with those of its 100% subsidiary, Achilles Professional Services Limited, were variously transferred to Maintel Europe Limited and Maintel Voice and Data Limited.

Company balance sheet

at 31 December 2015 – prepared under FRS101

	Note	2015 £000	2015 £000	2014 £000	2014 £000
Fixed assets					
Investment in subsidiaries	5		22,225		24,825
Current assets					
Debtors	6	404		518	
Cash at bank and in hand		71		948	
		475		1,466	
Creditors: amounts falling due within one year					
Creditors	7	7,010		6,518	
Borrowings	8	2,000		2,500	
Net current liabilities			(8,535)		(7,552)
Creditors: amounts falling due after one year					
Borrowings	8		(4,000)		(7,500)
Total assets less current liabilities			9,690		9,773
Capital and reserves					
Called up share capital	9		108		107
Share premium			1,169		1,116
Capital redemption reserve			31		31
Profit and loss account			8,382		8,519
Shareholders' funds			9,690		9,773

The Company financial statements were approved and authorised for issue by the board on 7 April 2016 and were signed on its behalf by:

W D Todd
Director

The notes on pages 65 to 68 form part of these financial statements.

Reconciliation of movement in shareholders' funds

for the year ended 31 December 2015 – prepared under FRS101

	Share capital £000	Share premium £000	Capital redemption reserve £000	Profit and loss account £000	Total £000
At 1 January 2014	107	1,028	31	7,367	8,533
Profit for year	–	–	–	3,106	3,106
Dividends paid	–	–		(1,954)	(1,954)
Issue of new ordinary shares	–	88	–	–	88
At 31 December 2014	107	1,116	31	8,519	9,773
Profit for year	–	–	–	2,484	2,484
Dividends paid	–	–	–	(2,621)	(2,621)
Issue of new ordinary shares	1	53	–	–	54
At 31 December 2015	108	1,169	31	8,382	9,690

The notes on pages 65 to 68 form part of these financial statements.

Notes forming part of the Company financial statements
at 31 December 2015

1. Accounting policies

The Company financial statements have been prepared in accordance with Financial Reporting Standard 100 *Application of Financial Reporting Requirements* and Financial Reporting Standard 101 *Reduced Disclosure Framework* with effect from 1 January 2014.

The principal accounting policies are summarised below; they have been applied consistently throughout the year and the preceding year.

(a) Basis of preparation

The financial statements of the Company are presented as required by the Companies Act 2006.

The company has applied FRS101 *Reduced Disclosure Framework* in these financial statements, which is based on the recognition and measurement requirements of International Financial Reporting Standards (IFRS) as adopted by the European Union. It intends to continue to use FRS101 for the foreseeable future.

(b) Investments

Investments in subsidiary undertakings are stated at cost unless, in the opinion of the directors, there has been impairment to their value, in which case they are written down to their recoverable amount.

(c) Taxation

Current tax is the expected tax payable on the taxable income for the year, together with any adjustments to tax payable in respect of previous years.

(d) Dividends

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Proposed but unpaid dividends that do not meet these criteria are disclosed in the notes to the accounts.

(e) Disclosure exemptions adopted

In preparing these financial statements the Company has taken advantage of disclosure exemptions conferred by FRS101. Therefore these financial statements do not include:

- certain comparative information as otherwise required by EU endorsed IFRS;
- certain disclosures regarding the company's capital;
- a statement of cash flows;
- the effect of future accounting standards not yet adopted;
- the disclosure of the remuneration of key management personnel; and
- disclosure of related party transactions with other wholly owned members of the group headed by Maintel Holdings Plc.

In addition, and in accordance with FRS101 further disclosure exemptions have been adopted because equivalent disclosures are included in the consolidated financial statements of Maintel Holdings Plc. These financial statements do not include certain disclosures in respect of:

- Share based payments;
- Financial Instruments (other than certain disclosures required as a result of recording financial instruments at fair value);
- Impairment of assets

Other than the adoption of the reduced disclosures there was no material effect of applying FRS101 for the first time.

Notes forming part of the Company financial statements
at 31 December 2015 (continued)

1. Accounting policies (continued)

(f) Judgements and key areas of estimation uncertainty

The Company makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The principal use of 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 relates to the potential impairment of the carrying value of investments.

The Company assesses at each reporting date whether there is an indication that its investments may be impaired. In undertaking such an impairment review, estimates are required in determining an asset's recoverable amount; those used are shown in note 14 of the consolidated accounts. These estimates include the asset's future cash flows and an appropriate discount to reflect the time value of money. The range of estimates reflects the relative risk profiles of the relevant cash generating units.

2. Employees

The directors' remuneration is shown in note 6 of the consolidated financial statements.

3. Profit for the financial period

The Company has taken advantage of the exemption under S408 of the Companies Act 2006 and has not presented its own profit and loss account in these financial statements. The profit for the year of the Company, after tax and before dividends paid, was £2,484,000 (2014: £3,106,000). The auditor's remuneration for audit services to the Company in the year was £9,000 (2014: £9,000).

4. Dividends paid on ordinary shares

Details of dividends paid and payable are shown in note 10 of the consolidated financial statements.

5. Investment in subsidiaries

	Shares in subsidiary undertakings £000
Cost	
At 1 January 2014	12,911
Additions in the year	11,994
At 31 December 2015 and 31 December 2014	24,905
Provision for impairment	
At 31 December 2014 and 1 January 2014	80
Provision for impairment in the year	2,600
At 31 December 2015	2,680
Net book value	
At 31 December 2015	22,225
At 31 December 2014	24,825

On 24 October 2014 the Company acquired the entire share capital of Proximity Communications Limited, for a gross consideration of £12.0m, paid in cash.

Whilst the directors envisage an improvement in its results in the future, the profitability of subsidiary Maintel Mobile Limited in 2015 does not currently justify its £7.0m investment carrying value in the Company's accounts and a £2.6m provision for impairment has therefore been made against the investment.

Details of the Company's subsidiaries are shown in note 15 of the consolidated financial statements.

6. Debtors

	2015 £000	2014 £000
Amounts owed by subsidiary undertakings	221	419
Other tax and social security	16	54
Prepayments and accrued income	46	22
Corporation tax recoverable	121	23
	404	518

All amounts shown under debtors fall due for payment within one year.

7. Creditors

	2015 £000	2014 £000
Amounts due to subsidiary undertakings	6,934	6,391
Trade creditors	39	61
Accruals and deferred income	37	66
	7,010	6,518

8. Borrowings

	2015 £000	2014 £000
Non-current bank loans – secured	4,000	7,500
Current bank loans – secured	2,000	2,500
	6,000	10,000

On 24 October 2014 the Group entered into a £13.0m facility agreement with Lloyds Bank plc to support the acquisition of Proximity, replacing its previous facilities with Lloyds. This was split between a £6.0m term loan and a £7.0m revolving credit facility, the latter incorporating a £1.0m overdraft facility.

The term loan is repayable in quarterly instalments over a 3 year period, and had reduced to £3.5m by 31 December 2015. The revolving facility is due for renewal on 24 October 2017 and the overdraft facility, which was not drawn at 31 December 2015 or 31 December 2014 has been renewed and is due for further renewal on 1 November 2016.

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 term loan and revolving credit facility at a variable rate of 2.25% per annum over LIBOR, with a reduced rate payable on undrawn facility. Interest is payable on amounts drawn under the overdraft facility at a rate of 2.25% over base rate.

Covenants based on adjusted EBITDA to net finance charges and net debt to EBITDA ratios are tested on a quarterly basis; these tests have been passed to date.

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

Notes forming part of the Company financial statements

at 31 December 2015 (continued)

9 Share capital

	Authorised			
	2015 Number	**2014 Number**	**2015 £000**	**2014 £000**
Ordinary shares of 1p each	17,571,840	17,571,840	176	176

	Allotted, called up and fully paid			
	2015 Number	**2014 Number**	**2015 £000**	**2014 £000**
Ordinary shares of 1p each	10,768,487	10,714,578	108	107

53,909 ordinary shares were issued in the year on exercise of a share option.

10 Related party transactions

Transactions with other Group companies have not been disclosed as permitted by FRS101, as the Group companies are wholly owned.

11 Contingent liabilities

As security on the Group's loan and overdraft facilities, the Company has entered into a cross guarantee with its subsidiary undertakings in favour of Lloyds Bank plc. At 31 December 2015 each subsidiary undertaking had a net cash balance.

The Company has entered into an agreement with Maintel Europe Limited, guaranteeing the performance by Maintel Europe of its obligations under the lease on its London premises.

Directors, Company details and advisers

Directors

J D S Booth	Chairman, Non-Executive Director
E Buxton	Chief Executive
A J McCaffery	Director
A P Nabavi	Non-Executive Director
K Stevens	Group Operations Director
N J Taylor	Non-Executive Director
W D Todd	Finance Director

Secretary and registered office

W D Todd,
160 Blackfriars Road,
London
SE1 8EZ

Company number

3181729

Auditors

BDO LLP,
55 Baker Street,
London
W1U 7EU

Nominated broker and nominated adviser

finnCap Limited,
60 New Broad Street,
London
EC2M 1JJ

Registrars

Computershare Investor Services PLC,
The Pavilions,
Bridgwater Road,
Bristol
BS99 6ZY
Tel: 0370 707 1182

Notice of annual general meeting

(the following does not form part of the statutory financial statements)

Notice is hereby given that the annual general meeting of Maintel Holdings Plc ("the Company") will be held at its offices at 160 Blackfriars Road, London SE1 8EZ, on 19 May 2016, at 9.30am, for the following purposes:

Ordinary business

To consider and, if thought fit, to pass the following resolutions which will be proposed as ordinary resolutions:

1. To receive and adopt the financial statements of the Company for the year ended 31 December 2015, together with the strategic report, the report of the directors and the independent auditors' report thereon.
2. To approve the report of the remuneration committee for the year ended 31 December 2015.
3. To re-elect Mr J D S Booth as a director of the Company, who is retiring as a non-executive director in accordance with good corporate governance practice, having been a director for more than nine years and who, being eligible, offers himself for re-election.
4. To re-elect Mr N J Taylor as a director of the Company, who is retiring as a non-executive director in accordance with good corporate governance practice, having been a director for more than nine years and who, being eligible, offers himself for re-election.
5. To elect Mark Townsend as a director of the Company, who was appointed to the board on 7 April 2016.
6. To elect Stuart Legg as a director of the Company, who was appointed to the board on 7 April 2016.
7. To re-appoint BDO LLP as auditors of the Company to hold office from the conclusion of the meeting to the conclusion of the next meeting at which accounts are laid before the Company, and to authorise the directors to agree their remuneration.

Special business

To consider and, if thought fit, to pass the following resolutions, of which resolution 8 will be proposed as an ordinary resolution and resolutions 9 and 10 as special resolutions:

8. That the directors be and are hereby generally and unconditionally authorised pursuant to Section 551 of the Companies Act 2006 ("the Act") to exercise all powers of the Company to allot and to make offers or agreements to allot relevant securities up to a maximum aggregate nominal amount of £35,895, provided that this authority shall expire at the conclusion of the next annual general meeting of the Company or 15 months after the passing of this resolution (if earlier) unless revoked, renewed or extended prior to such time, except that the Company may before such expiry make an offer or agreement which would or might require the relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired. This authority is in addition to all subsisting authorities since the last annual general meeting of the Company to the extent unused.
9. That, subject to the passing of resolution 8, the directors be and are hereby generally empowered pursuant to Section 570 of the Act to allot equity securities as defined in Section 560 of the Act for cash pursuant to the authority granted by resolution 8 as if Section 561 of the Act did not apply to any such allotment, provided that this power shall be limited:

   (a) to the allotment of equity securities in connection with a rights issue, open offer or other pre-emptive issue in favour of shareholders; and

   (b) to the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal value of £10,767.

   This power shall expire at the conclusion of the next annual general meeting of the Company or 15 months after the passing of this resolution (if earlier) unless revoked, renewed or extended prior to such time except that the Company may before such expiry make an offer or agreement which would or might require the relevant securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

10. That the Company is, pursuant to Section 701 of the Act, hereby generally and unconditionally authorised to make market purchases (within the meaning of Section 693) of up to a maximum of 1,614,196 ordinary shares of 1p each in its capital (representing 14.99% of the Company's current issued ordinary share capital), provided that:
    (a) the minimum price, exclusive of any expenses, which may be paid for an ordinary share is 1p;
    (b) the maximum price, exclusive of any expenses, which may be paid for each ordinary share is not more than 5% above the average published market value for an ordinary share as derived from the London Stock Exchange Alternative Investment Market for the five business days immediately preceding the day on which such share is contracted to be purchased; and
    (c) the authority shall expire at the conclusion of the next annual general meeting of the Company or 15 months after the passing of this resolution (if earlier), except in relation to the purchase of any ordinary shares the contract for which was concluded before the date of expiry of the authority and which would or might be completed wholly or partly after such date.

By order of the board

W D Todd
Company Secretary

22 April 2016

Registered office
160 Blackfriars Road
London SE1 8EZ

Notice of annual general meeting (continued)

(the following does not form part of the statutory financial statements)

Notes

1. A member of the Company entitled to attend and vote at the meeting may appoint one or more proxies to attend, speak and vote at the meeting instead of him/her. A proxy need not be a member of the Company. A member of the Company may appoint more than one proxy provided each proxy is appointed to exercise the rights attached to different shares. A member may not appoint more than one proxy to exercise the rights attached to any one share. Appointment of a proxy will not preclude a member from attending and voting at the meeting. A form of proxy is enclosed which you are invited to complete and return. 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. To be effective, it must be completed and be received, by post or (during normal business hours only) by hand at the offices of the Company's Registrar not later than 9.30am on 17 May 2016 (or in the event that 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 the adjourned meeting). Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the meeting.

2. The Company, pursuant to Regulation 41 of the Uncertified Securities Regulations 2001, specifies that only those shareholders registered in the register of members of the Company as at 9.30am on 17 May 2016, shall be entitled to attend or vote at the aforesaid general meeting in respect of the number of shares registered in their name at that time (or in the event that the meeting is adjourned, 48 hours (excluding any part of a day that is not a working day) before the time of the adjourned meeting). Changes to entries on the relevant register of securities after 9.30am on 17 May 2016 shall be disregarded in determining the rights of any person to attend and vote at the meeting.

3. In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that (i) if a corporate member has appointed the chairman of the meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that member at the meeting, then on a poll those corporate representatives will give voting directions to the chairman and the chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate member attends the meeting but the corporate member has not appointed the chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate members are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives – www.icsa.org.uk – for further details of this procedure. The guidance includes a sample form of representation letter if the chairman is being appointed as described in (i) above.

Documents available for inspection

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 end of the meeting:

a. Copies of the service contracts of the executive directors.

b. Copies of the letters of appointment of the non-executive directors.

Biographical details of directors

Biographical details of all those directors who are offering themselves for appointment or reappointment at the meeting are set out on pages 20 and 21 of the annual report and accounts and, in respect of Mr Legg and Mr Townsend, in the Admission Document published on 8 April 2016.

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