**CORETX Holdings plc**
**(“CORETX”, the “Group” or the “Company”)**

**Unaudited interim results for the six months ended 30 June 2016**

CORETX Holdings plc (AIM: COR), the mid-market network, cloud and IT managed services provider, today announces its unaudited interim results for the six months ended 30 June 2016. The results represent five and a half months of contribution from Selection Services Investments Limited (“Selection”), acquired in January 2016, and four and a half months of contribution from C4L Group Holdings Limited (“C4L”), acquired in February 2016.

**Highlights**

- Acquisition of Selection for an enterprise value of £34.8m alongside oversubscribed placing to raise £30.0m in January 2016
- Acquisition of C4L for a total consideration of £20.2m in February 2016
- Revenues of £19.2m, of which 84% are recurring
- Trading EBITDA* of £2.3m
- Adjusted EBITDA** of £1.6m
- New bank facilities of up to £19m secured with Royal Bank of Scotland
- Successful rebrand of the business as CORETX™ in April 2016
- Integration on track with significant investment having been made in people, platforms, processes and the product portfolio
- Strategic focus on growing recurring revenue base (increased by 9% across the Group on a pro forma basis) while reducing reliance on one off project and product resale

Andy Ross, Chief Executive of CORETX, commented:

"The work done in the first half of 2016 has focused on creating a stable and solid platform for growth going forwards. We have made good progress with the integration of Selection and C4L into a single operating business, and have made significant changes at the senior management level, putting in place an experienced management team with a track record of delivering growth and creating shareholder value. The investment we are making in new processes and systems around the FORCE.COM platform will also allow us to scale the business more easily going forwards."

Jonathan Watts, Chairman of CORETX, commented:

"CORETX is laying the foundations to become a leading supplier in the Managed Services, Cloud and connectivity space. The integration of the businesses we have acquired has progressed very well, and at the same time we have continued to compete and win business in a very competitive market. We are also expanding our products and services portfolio, establishing CORETX as the route to the Cloud for the mid-market. Andy and his team are developing CORETX into a business that can become a leading player in the market and the Board is confident that the Group will be well placed to deliver increased shareholder value in the years ahead."

*Note: Prior to the acquisition of Selection in January 2016, the Company was an investing company as defined under the AIM Rules for Companies, hence comparative figures would be meaningless and have not been included*

** Earnings Before Interest, Tax, Depreciation and Amortisation and excludes transaction and integration costs, charges for share-based payments and plc costs*

****Earnings Before Interest, Tax, Depreciation and Amortisation and excludes transaction and integration costs and charges for share-based payments*

The information communicated in this announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) No. 596/2014.

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Further information on the Company can be found at www.coretx.com.

**Chairman's Statement**

I am pleased to present the interim results for CORETX for the six months to 30 June 2016, prior to which the Company was an investing company as defined under the AIM Rules for Companies.

Market and Strategy

Our aim remains to become the go-to technology provider of choice for mid-market organisations. The market remains highly fragmented and we are of the firm belief that companies in this space have to date not been provided with a full service offering by the larger IT providers.

This has been a very busy first reporting period. Through the acquisitions of Selection and C4L in January and February 2016 respectively we have been able to create a business with strong networks, data centres and managed services and with over 400 highly skilled staff. The focus in the first half of the year has been largely on integration and unifying two separate businesses onto one common platform. I am pleased to say that we have made great progress in this respect and that by adopting the FORCE.COM platform, we will be able to scale the business much more easily going forwards.

As well as integration there has been a lot of work done on product innovation to provide further sales momentum and greater quality and flexibility for our clients. In the second half of the year we will extend our network reach as well as increase the connectivity to 10 GBs. We will also be offering enhanced network security and greater public cloud connectivity.

Following the rebranding of the business to CORETX™ in April, the sales teams have been restructured to better reflect the new business, all of whom report in to the Chief Executive, Andy Ross. The focus is to build the order book with strong levels of recurring revenue and higher margin. I am pleased to report that this new structure is already demonstrating success and, as well as a number of new contracts signed in the first half of the year, the pipeline for the second half of the year, particularly in Q4, is looking stronger.

Summary trading results

The results for the 6 months to 30 June 2016 represent five and a half months of contribution from Selection and four and a half months of contribution from C4L. During the same period in the prior year, the Company was an investing company as defined by the AIM Rules for Companies, hence to refer to the comparative figures would be meaningless. However, in order to provide a more useful comparative for shareholders, management have calculated what the acquired businesses would have generated on a pro forma basis in the first six months of 2015.

In keeping with the Board's stated intention of building a business with good visibility through a strong level of higher margin recurring revenues, we have reduced the Group's reliance on larger one off projects and product resale. I am therefore pleased to announce that revenues of £19.2m to 30 June 2016 included recurring revenues of £16.2m (representing 84% of the total) with one off revenues of £3m (representing 16% of the total). On a pro forma basis, the Group would have had 75% recurring and 25% one off revenues in H1 of 2015, hence there has been a notable shift towards more recurring revenues.

Gross margins of £8.1m arise primarily from recurring services (£7.1m or 87% of the total) with the contribution from professional services and one offs being £1.0m or 13%. On a pro forma basis, the Group would have delivered 77% from recurring services and 23% from one off and project services in H1 of 2015, so the change in product mix is helping the business.

Trading EBITDA of £2.3m reflects a solid start to the newly assembled group, in line with the Board's expectations and a 16% improvement over the first six months of 2015 on a pro forma basis.

The Company has incurred exceptional costs of £2.1m, arising from the integration and restructuring of the business following the acquisitions of Selection and C4L and has incurred £1.0m of depreciation on tangible assets and £1.7m of amortisation of intangible assets. On a reported basis, this leads to a loss before taxation of £3.4m.

## Cash flow

As an investing company, the Company started the period under review with £22.8m in cash & cash equivalents and raised a further £29.3m net of expenses from the successful, oversubscribed placing to new and existing investors in January 2016. This was used to fund the acquisitions of Selection and C4L. Selection was acquired with an enterprise value of £34.8m, paid as £34.4m in cash and the remainder through the issue of 1.3m new ordinary shares in the Company. Selection has now been rebranded as CORETX Manage. C4L was acquired with an enterprise value of £23m, paid as £14.2m in cash, £6m through the issue of 18.3m new ordinary shares in the Company and £2.8m cash in the business taken out by the owner. C4L has now been rebranded as CORETX Connect.

The Company signed a banking facility agreement in January 2016, comprising an overdraft facility of £2m, a revolving credit facility ("RCF") of £7m with an accordion feature giving the Company the option to increase the RCF by a further £10m should the funds be required for a specific acquisition. At 30 June 2016, the Company had drawn down £3.5m from the RCF to settle loans in the acquired businesses and to provide a working capital injection into both acquired businesses. In addition, there was significant upfront investment required in relation to a contract signed at the start of 2016. As at 30 June 2016, the Company showed a net overdrawn position of £1.5m.

## Board Changes

As announced on 9 September 2016, Matt Hawkins and Simon Mewett have left the Company to pursue other interests. The Board would like to thank Matt and Simon for their contribution to the business and wish them success in the future.

## Outlook

The first half of the year has not been without its challenges, as one would expect when combining two business to create a platform for growth. However, the Board is confident that it is making solid progress as evidenced by the growth of our recurring revenue base in the first half of the year.

The prospects for the future look positive, with a healthy new business pipeline, high quality, relevant new products being launched and new exciting partnerships. Combined with a focused, motivated new management team, we believe we are well placed for continued growth. The Company expects the trend to continue towards longer, recurring service contracts in IT, networks and hosting and away from one off professional services and equipment sales. This in turn will provide shareholders with greater visibility, higher margins and a better quality of earnings.

I believe this has been a period of solid progress for the Company, and the Board would like to thank all of the staff and management for their hard work, and congratulate them on their achievements in the first half of the year.

Jonathan Watts
Non-Executive Chairman
21st September 2016

## Consolidated Statement of Comprehensive Income

| | Note | **Unaudited Six months ended 30 June 2016 £000** | Unaudited Six months ended 30 June 2015 £000 | Audited Year ended 31 December 2015 £000 |
|---|---|---|---|---|
| **Revenue** | 3 | **19,199** | 88 | 146 |
| Cost of sales | | **(11,151)** | (31) | 29 |
| **Gross profit** | | **8,048** | 57 | 175 |
| Administrative expenses | | **(11,361)** | 1,492 | 279 |
| **Operating (loss)/profit** | | **(3,313)** | 1,549 | 454 |
| *Analysed as:* | | | | |
| Adjusted EBITDA* | | **1,629** | (135) | 137 |
| Equity settled share-based payment expenses | | **(33)** | - | - |
| Increase in derivative financial instruments | | **(60)** | - | - |
| Depreciation of property, plant and equipment | | **(995)** | - | - |
| Amortisation of intangible assets | | **(1,753)** | - | - |
| Release of exceptional cost provisions | | **-** | 1,684 | 1,535 |
| Exceptional costs | 4 | **(2,101)** | - | (1,218) |
| Net financial (costs)/income | | **(126)** | 467 | 659 |
| Gain on sale of tangible assets | | **-** | 11 | - |
| **(Loss)/profit before taxation** | | **(3,439)** | 2,027 | 1,113 |
| Tax on (loss)/profit on ordinary activities | | **232** | (391) | (363) |
| (Loss)/profit for the period from continuing operations attributable to shareholders of the parent company | | **(3,142)** | - | (977) |
| (Loss)/profit for the period from discontinued operations attributable to shareholders of the parent company | | **(65)** | 1,636 | 1,727 |
| **(Loss)/profit for the period after taxation** | | **(3,207)** | 1,636 | 750 |
| **Other comprehensive income:** | | | | |
| Items that are or may be classified subsequently to profit or loss: | | | | |
| Foreign exchange translation differences – equity accounted investments | | **36** | 9 | - |
| **(Loss)/profit for the period and total comprehensive income all attributable to equity holders of the parent** | | **(3,171)** | 1,645 | 750 |
| Basic and diluted earnings per share | | | | |
| Basic (pence per share) | | **(1.83)** | 2.30 | 1.05 |
| Diluted (pence per share) | | **(1.74)** | 2.30 | 1.05 |

* Earnings from continuing operations before interest, tax, depreciation, amortisation, goodwill impairment, share based payments, increase in derivative financial instruments and exceptional costs

## Consolidated Statement of Financial Performance

| | **Unaudited 30 June 2016 £000** | Unaudited 30 June 2015 £000 | Audited 31 December 2015 £000 |
|---|---|---|---|
| ***Non-current assets*** | | | |
| Intangible assets | **60,347** | - | - |
| Goodwill | **12,359** | - | - |
| Property, plant and equipment | **5,425** | - | - |
| Deferred taxation | **282** | - | - |
| Financial and other assets | **95** | - | 74 |
| | **78,508** | - | 74 |
| ***Current assets*** | | | |
| Trade and other receivables | **10,297** | 4,760 | 80 |
| Taxation | **-** | 557 | - |
| Cash and cash equivalents | **468** | 17,954 | 22,769 |
| | **10,765** | 23,271 | 22,849 |
| **Total assets** | **89,273** | 23,271 | 22,923 |
| ***Current liabilities*** | | | |
| Bank overdraft | **1,962** | - | - |
| Trade and other payables | **8,077** | 936 | 1,146 |
| Deferred income | **4,895** | - | - |
| Taxation | **308** | - | 290 |
| Finance lease obligations | **1,129** | - | - |
| Derivative financial instruments | **559** | - | - |
| Provisions | **1,302** | 391 | 438 |
| | **18,232** | 1,327 | 1,874 |
| ***Non-current liabilities*** | | | |
| Loans and other borrowings | **3,500** | - | - |
| Finance lease obligations | **255** | - | - |
| Deferred tax liabilities | **12,127** | - | - |
| Provisions | **2,064** | - | - |
| | **17,946** | - | - |
| **Total liabilities** | **36,178** | 1,327 | 1,874 |
| **Net assets** | **53,095** | 21,944 | 21,049 |
| **Equity attributable to equity holders of the parent** | | | |
| Called up share capital | **4,773** | 1,780 | 1,780 |
| Share premium account | **32,191** | 18,025 | - |
| Foreign currency translation reserve | **(132)** | (159) | (168) |
| Merger reserve | **-** | (1,261) | - |
| Capital redemption reserve | **-** | 347 | - |
| Retained earnings | **16,263** | 3,212 | 19,437 |
| **Total equity** | **53,095** | 21,944 | 21,049 |

## Consolidated Statement of Changes in Equity

| | Share capital | Share premium | Retained earnings | Foreign currency translation reserve | Merger reserve | Capital redemption reserve | Total |
|---|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| At 1 January 2015 | 1,780 | 18,025 | 1,576 | (168) | (1,261) | 347 | 20,299 |
| ***Total comprehensive income for the period*** | | | | | | | |
| Profit for the period | - | - | 1,636 | - | - | - | 1,636 |
| Exchange rate differences | - | - | - | 9 | - | - | 9 |
| At 30 June 2015 | 1,780 | 18,025 | 3,212 | (159) | (1,261) | 347 | 21,944 |
| ***Total comprehensive income for the period*** | | | | | | | |
| Loss for the period | - | - | (886) | - | - | - | (886) |
| Exchange rate differences | - | - | - | (9) | - | - | (9) |
| ***Transactions with owners recorded directly in equity*** | | | | | | | |
| Cancellation of share premium reserve | - | (18,025) | 18,025 | - | - | - | - |
| Cancellation of capital redemption reserve | - | - | 347 | - | - | (347) | - |
| Release of merger reserve | - | - | (1,261) | - | 1,261 | - | - |
| At 31 December 2015 | 1,780 | - | 19,437 | (168) | - | - | 21,049 |
| ***Total comprehensive income for the period*** | | | | | | | |
| Loss for the period | - | - | (3,207) | - | - | - | (3,207) |
| Exchange rate differences | - | - | - | 36 | - | - | 36 |
| ***Transactions with owners recorded directly in equity*** | | | | | | | |
| Share issue, net of issue costs | 2,500 | 26,814 | - | - | - | - | 29,314 |
| Acquisition of Selection | 34 | 372 | - | - | - | - | 406 |
| Acquisition of C4L | 459 | 5,504 | - | - | - | - | 5,963 |
| Issue of warrants | - | (499) | - | - | - | - | (499) |
| Share based payments | - | - | 33 | - | - | - | 33 |
| **At 30 June 2016** | **4,773** | **32,191** | **16,263** | **(132)** | **-** | **-** | **53,095** |

## Consolidated Cash Flow Statement

| | **Unaudited Six months ended 30 June 2016 £000** | Unaudited Six months ended 30 June 2015 £000 | Audited Year ended 31 December 2015 £000 |
|---|---|---|---|
| (Loss)/profit for the period | **(3,207)** | 1,636 | 750 |
| *Adjustments for:* | | | |
| Depreciation of property, plant and equipment | **995** | - | - |
| Amortisation of intangible assets | **1,753** | - | - |
| Net financial costs/(income) | **126** | (467) | (659) |
| Equity settled share-based payment expenses | **33** | - | - |
| Derivative financial instrument expenses | **60** | - | - |
| Taxation | **(232)** | 391 | 363 |
| Gain on disposal of property, plant and equipment | **-** | (11) | (22) |
| Other reserve movements | **36** | 9 | - |
| | **(436)** | 1,558 | 432 |
| (Increase)/decrease in trade and other receivables | **(4,211)** | 214 | 187 |
| Increase/(decrease) in trade and other payables | **61** | (906) | (694) |
| Decrease in provisions | **(614)** | (2,616) | (2,569) |
| | **(5,200)** | (1,750) | (2,644) |
| Net corporation tax (paid)/recovered | **(30)** | 85 | 960 |
| Net cash from operating activities | **(5,230)** | (1,665) | (1,684) |
| *Cash flow from investing activities:* | | | |
| Interest received | **7** | 52 | - |
| Acquisition of Selection, net of cash acquired | **(34,233)** | - | - |
| Acquisition of C4L, net of cash acquired | **(14,291)** | - | - |
| Acquisition of plant and equipment | **(904)** | - | - |
| Proceeds from sale of discontinued operations 2014 | **-** | 750 | 12,366 |
| Proceeds from sale of discontinued operations 2013 | **-** | 6,667 | - |
| Proceeds from sale of property, plant and equipment | **-** | 11 | 22 |
| Net cash (used in)/from investing activities | **(49,421)** | 7,480 | 12,388 |
| *Cash flows from financing activities:* | | | |
| Share issue, net of share issue costs | **29,314** | - | - |
| Proceeds from borrowings, net of expenses | **3,402** | - | - |
| Repayment of loans and other borrowings | **(1,494)** | - | - |
| Repayment of finance lease obligations | **(684)** | - | - |
| Interest paid | **(129)** | - | - |
| Acquisition of financial and other non-current assets | **(21)** | - | (74) |
| Net cash from/(used in) financing activities | **30,388** | - | (74) |
| Net (decrease)/increase in cash and cash equivalents | **(24,263)** | 5,815 | 10,630 |
| Cash and cash equivalents at beginning of period | **22,769** | 12,139 | 12,139 |
| Cash and cash equivalents at end of period | **(1,494)** | 17,954 | 22,769 |

## Notes to the half-yearly financial information

### 1. Basis of preparation

The condensed consolidated interim financial information for the six month period ended 30 June 2016 and 30 June 2015 is unaudited. This statement has not been reviewed by the Company's auditor. This condensed consolidated interim financial information was approved by the Board of Directors and authorised for issue on 21 September 2016. A copy of this half-yearly financial report is available on the Company's website at www.coretx.com

The Company is a public limited liability company incorporated and domiciled in Scotland. The address of its registered office is 24 Dublin Street, Edinburgh EH1 3PP. The Company is listed on the AIM market of the London Stock Exchange.

On 11 April 2016, the Company changed its name from Castle Street Investments plc to CORETX Holdings plc.

CORETX and its subsidiaries have not applied IAS 34, 'Interim Financial Reporting' as adopted by the European Union, which is not mandatory for UK AIM listed companies, in the preparation of this half-yearly financial report.

This condensed consolidated interim financial information for the six month period ended 30 June 2016 does not comply, therefore with all the requirements of IAS 34, 'Interim Financial Reporting' as adopted by the European Union. The consolidated interim financial information should be read in conjunction with the annual financial statements of the Company as at and for the year ended 31 December 2015, which were prepared in accordance with IFRS as adopted by the European Union.

This condensed consolidated interim financial information does not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2015 were approved by the Board of Directors on 8 March 2016 and delivered to the Registrar of Companies. The report of the auditor was unqualified, did not contain an emphasis of matter paragraph and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

**Accounting policies**

The accounting policies used in the preparation of the condensed consolidated interim financial information for the six months ended 30 June 2016 are in accordance with the recognition and measurement criteria of International Financial Reporting Standards ("IFRS") as adopted by the European Union and are consistent with those that will be adopted in the annual statutory financial statements for the year ended 31 December 2016.

While the financial information included has been prepared in accordance with the recognition and measurement criteria of IFRS, as adopted by the European Union, these financial statements do not contain sufficient information to comply with IFRSs.

**Exceptional items**

Items which are material because of their size or nature and which are non-recurring are highlighted separately on the face of the income statement. The separate reporting of exceptional items helps provide a better picture of the Company's underlying performance. Items which may be included within the exceptional category include:

- spend on the integration of significant acquisitions and the other major restructuring programmes;
- significant goodwill or other asset impairments; and
- other particularly significant or unusual items.

Spend on integration is incurred by the Group when integrating one trading business into another. The types of costs include employment related costs of staff being made redundant as a consequence of integration, due diligence costs, property costs such as lease termination penalties and vacant property provisions, third party advisor fees and rebranding costs.

Exceptional items are excluded from the headline profit measures used by the Group and are highlighted separately in the income statement as management believe that they need to be considered separately to gain an understanding the underlying profitability of the trading businesses.

For further details, please refer to note 4.

**Going concern**

The condensed consolidated interim financial information has been prepared on a going concern basis.

The Directors have prepared cash flow forecasts for the Group following its acquisition of Selection and C4L, including sensitivity analysis on key assumptions. These forecasts show that the Group expects to meet its liabilities from cash resources, taking into account all risks and uncertainties.

On 25 January 2016, the Group secured new bank facilities with The Royal Bank of Scotland plc. The facilities comprise a five year £7.0 million Revolving Credit Facility available to the Group until 22 January 2021 and a £2.0 million overdraft facility, renewable annually. In addition, the Revolving Credit Facility also contains an accordion feature that allows the total facility to be increased by up to a further £10.0 million to support organic and growth initiatives.

As a result, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Directors consider that the adoption of the going concern basis is appropriate.

## 2. Business combinations

**Selection**

On 21 January 2016, the Company acquired the entire issued share capital of Selection Services Investments Limited and its subsidiary entities ("Selection"), a United Kingdom focused provider of IT solutions and Cloud Services with over 500 active customers. The enterprise value of Selection was £34.8 million, paid as to £34.4 million in cash with the balance satisfied by the issue of 1,353,810 new ordinary shares.

The Directors' assessment of the assets acquired and liabilities assumed have not been completed at the time of these interim results. The Directors have allocated provisional fair values in preparing these results.

From the date of acquisition to 30 June 2016, Selection recorded revenue of £14.3 million and a loss before tax of £1.0 million. Assuming the combination had taken place at the beginning of the year, the interim reported revenue from Selection would have been £15.6 million and the loss before taxation would have been £1.7 million.

Acquisition costs were £0.9 million, £0.8 million of which had been accrued at 31 December 2015.

**C4L**

On 16 February 2016, the Company acquired the entire issued share capital of C4L Group Holdings Limited and its subsidiary entities ("C4L"), a successful and growing network services and data centre hosting business with over 550 active customers, for a total consideration of £20.2 million, paid as to £14.2 million in cash with the balance satisfied by the issue of 18,346,918 new ordinary shares. C4L brings a high quality core network infrastructure with substantial capacity for growth and a broad data centre infrastructure.

The Directors' assessment of the assets acquired and liabilities assumed have not been completed at the time of these interim results. The Directors have allocated provisional fair values in preparing these results.

From the date of acquisition to 30 June 2016, C4L recorded revenue of £4.8 million and a profit before tax of £0.1 million. Assuming the combination had taken place at the beginning of the year, the interim reported revenue from C4L would have been £6.6 million and the profit before taxation would have been £0.2 million.

Acquisition costs were £0.8 million.

The total provisional goodwill and intangible assets arising from the acquisitions is the difference between the fair value of the consideration less the provisional value of the assets acquired.

| **Provisional value** | Selection £000 | C4L £000 | Total £000 |
|---|---|---|---|
| Fair value of purchase consideration | 34,771 | 20,211 | 54,982 |
| *Less fair value of assets acquired:* | | | |
| Property plant and equipment | (1,544) | (3,937) | (5,481) |
| Other non-current assets | (632) | (336) | (968) |
| Trade receivables | (2,271) | (1,077) | (3,348) |
| Other debtors | (709) | (1,027) | (1,736) |
| Cash | (132) | 43 | (89) |
| Trade payables | 3,052 | 1,878 | 4,930 |
| Other liabilities | 4,982 | 8,525 | 13,507 |
| Goodwill and intangibles | 37,517 | 24,280 | 61,797 |

The consideration was satisfied as follows:

| | Selection £000 | C4L £000 | Total £000 |
|---|---|---|---|
| Cash on completion | 34,365 | 14,248 | 48,613 |
| Equity | 406 | 5,963 | 6,369 |
| | 34,771 | 20,211 | 54,982 |

On acquisition of each business, the Directors assessed the business acquired to identify any intangible assets. Customer contracts and relationships in Selection and networks in C4L met the criteria for recognition as intangible assets as they are separable from each other and have a measurable fair value, being the amount for which an asset would be exchanged between knowledgeable and willing parties in an arm's length transaction. Goodwill was identified following the recognition of deferred tax liabilities on the customer contracts and network intangible assets, under the provisions of IAS 12, 'Income Taxes'.

For customer contracts in Selection, the fair value of the intangible assets was calculated using the discounted cash flows arising from the existing customer contract base. Customer retention was assumed to be 80% based on past experience.

For networks in C4L, the fair value of the intangible assets was calculated using the discounted cash flows arising from the existing network in place. Future revenues generated from the existing network was assumed to be 100%.

A long term growth rate of 8.7% was applied with a discount rate of 9.4%. The reasonable economic life of the customer relationships and networks was assumed to be 15 years. The identifiable assets are as follows:

| | Selection £000 | C4L £000 | Total £000 |
|---|---|---|---|
| Intangible asset - customer contracts and relationships | 37,517 | - | 37,517 |
| Intangible asset - network | - | 24,280 | 24,280 |
| Goodwill | 7,503 | 4,856 | 12,359 |
| Deferred tax liability | (7,503) | (4,856) | (12,359) |
| | 37,517 | 24,280 | 61,797 |

## 3. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting to the Chief Operating Decision Maker (“CODM”). The CODM has been identified as the Group Chief Executive and the Chief Financial Officer.

The Group Chief Executive and the Chief Financial Officer are jointly responsible for resource allocation and assessing the performance of the operating segments. The operating segments are defined by distinctly separate product offerings or markets. The CODMs assesses the performance of the operating segments based on a measure of revenue and gross profit.

The following table presents revenue and gross profit in respect of the Group’s operating segment for the six months ended 30 June 2016. Administrative expenses are not allocated against operating segments in the Company’s internal reporting.

**Unaudited for the six month period ended 30 June 2016**

| **Continuing operations** | Managed Services | Cloud Hosting | Networks | Projects | Central | Total |
|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Revenue | 6,872 | 5,055 | 4,316 | 2,956 | - | 19,199 |
| Cost of Sales | (3,852) | (2,352) | (3,007) | (1,940) | - | (11,151) |
| Gross profit/(loss) | 3,020 | 2,703 | 1,309 | 1,016 | - | 8,048 |
| Administrative expenses | - | - | - | - | (11,296) | (11,296) |
| Operating profit/(loss) | 3,020 | 2,703 | 1,309 | 1,016 | (11,296) | (3,248) |
| *Analysed as:* | | | | | | |
| Adjusted EBITDA* | 3,020 | 2,703 | 1,309 | 1,016 | (6,419) | 1,629 |
| Equity settled share-based payment expenses | - | - | - | - | (33) | (33) |
| Increase in derivative financial instruments | - | - | - | - | (60) | (60) |
| Depreciation | - | - | - | - | (995) | (995) |
| Amortisation of intangible assets | - | - | - | - | (1,753) | (1,753) |
| Exceptional costs | - | - | - | - | (2,036) | (2,036) |
| Net financial costs | - | - | - | - | (126) | (126) |
| Profit/(loss) before taxation | 3,020 | 2,703 | 1,309 | 1,016 | (11,422) | (3,374) |
| Tax on profit/(loss) on ordinary activities | - | - | - | - | 232 | 232 |
| **Profit/(loss) for the period after taxation** | 3,020 | 2,703 | 1,309 | 1,016 | (11,190) | (3,142) |

* Earnings from continuing operations before interest, tax, depreciation, amortisation, goodwill impairment, share based payments, increase in derivative financial instruments and exceptional costs

The statement of financial position is not allocated between Managed Services, Cloud Hosting, Networks, Projects and Central in the Company’s internal reporting.

## 4. Exceptional costs

In accordance with the Group's policy in respect of exceptional costs, the following charges were incurred:

| | **Unaudited Six months ended 30 June 2016 £000** | Unaudited Six months ended 30 June 2015 £000 | Audited Year ended 31 December 2015 £000 |
|---|---|---|---|
| Restructuring and reorganisation costs | **1,207** | - | 458 |
| Acquisition costs | **894** | - | 760 |
| | **2,101** | - | 1,218 |
| Continuing operations | **2,036** | - | 760 |
| Discontinued operations | **65** | - | 458 |
| | **2,101** | - | 1,218 |

## 5. Earnings per share

| | **Unaudited Six months ended 30 June 2016 £000** | Unaudited Six months ended 30 June 2015 £000 | Audited Year ended 31 December 2015 £000 |
|---|---|---|---|
| **(Loss)/profit for the period** | **(3,207)** | 1,636 | 750 |
| *Addback:* | | | |
| Taxation | **(232)** | 391 | 363 |
| Equity settled share-based payment expenses | **33** | - | - |
| Increase in derivative financial instruments | **60** | - | - |
| Gain on sale of property, plant and equipment | **-** | (11) | - |
| Amortisation of intangible assets | **1,753** | - | - |
| Release of exceptional cost provisions | **-** | (1,684) | (1,535) |
| Exceptional costs | **2,101** | - | 1,218 |
| Revised profit | **508** | 332 | 796 |
| Taxation | **(102)** | (66) | (159) |
| Adjusted earnings | **406** | 266 | 637 |

| | **30 June 2016** | 30 June 2015 | 31 December 2015 |
|---|---|---|---|
| Weighted average number of shares | **175,228,614** | 71,201,993 | 71,201,993 |
| Diluted weighted average number of shares | **184,630,178** | 71,201,993 | 71,201,993 |
| Basic (loss)/earnings per share (pence) | **(1.83)** | 2.30 | 1.05 |
| Diluted (loss)/earnings per share (pence) | **(1.74)** | 2.30 | 1.05 |
| Basic adjusted earnings per share (pence) | **0.23** | 0.37 | 0.89 |
| Diluted adjusted earnings per share (pence) | **0.22** | 0.37 | 0.89 |

The basis for adjusted earnings per share, as calculated above, is a non-statutory measure, which we believe is useful to investors and is commonly used by the market in monitoring similar businesses.

## 6. Subsequent events

On 9 September 2016, the Company announced that it had agreed to sell its subsidiary undertaking, CORETX Media Limited ("CML"), to Matt Hawkins, Chief Technology Officer (CTO), who resigned with immediate effect as a Director of the Company in order to focus on developing the CML business.

CML was acquired by the Company for no additional consideration as part of its acquisition of C4L Group Holdings Limited ("C4L") in February 2016 and was established by Matt Hawkins to deliver network and other related services. Matt has a proven track record as a successful entrepreneur and has stepped down from his role as CTO of CORETX in order to focus full time on building a business within CML.

In light of the nature of CML's business operations and commercial activity to date, its disposal was effected for £1, in conjunction with which CORETX will provide CML with fibre, network connectivity and other related services.

On 9 September 2016, having overseen the integration of C4L into the CORETX group, Simon Mewett resigned from his position as Director and Chief Operating Officer of the Company.