



Telecom Plus PLC Half-Yearly Report

Period ended 30 September 2020

Introduction

Half-Year Results for the Six Months ended 30 September 2020

Telecom Plus PLC (trading as Utility Warehouse), the UK's only fully integrated provider of a wide range of competitively priced utility services spanning the communications, energy and insurance markets, today announces its half-year results for the six months ended 30 September 2020.

Financial highlights:

- Revenue down 1% to £349m, primarily due to lower energy prices (2019: £353m)
- Adjusted profit before tax marginally ahead at £27.7m (2019: £27.5m)
- Statutory profit before tax up 1.8% to £21.5m (2019: £21.1m)
- Interim dividend maintained at 27p per share (2019: 27p)

Operating highlights:

- Resilient performance across all aspects of the business
- Customer number drop due to spring lockdown largely reversed, ending down 0.3% at 650,497
- Total services supplied for the period up by 15,004 (2019: 68,174) to 2,037,720
- Named '*Utilities Brand of the Year 2020*' by Which?
- New five-year mobile contract signed with EE
- FCA Insurance broker authorisation received
- Strong start to H2, with record Partner numbers joining in October and return to customer growth

Commenting on today's results, Andrew Lindsay, Chief Executive, said:

"We delivered a resilient performance during the first half of the financial year, successfully adapting to the challenges created by covid. Our competitive position improved following the reduction in the energy price cap from 1 October 2020, which has contributed to a recent marked uptick in Partner activity and a return to customer growth.

"We are very pleased to have extended our longstanding supply agreement with EE on improved commercial terms; on the back of this we launched a market leading and extremely competitive new multi-sim, 'unlimited' mobile tariff in September, which has been well received by our Partners and customers.

“Over the last seven weeks we have seen a significant increase in the number of new Partners joining the business; this is an encouraging lead-indicator for the rate of future customer growth over the coming months. We anticipate low single-digit percentage growth in customer and service numbers for the year to March, and look forward to delivering full-year adjusted profits in line with our previous guidance.”

There will be a virtual meeting for analysts today at 9.00am. Please contact MHP Communications at: telecomplus@mhpc.com for dial in details.

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About Telecom Plus PLC (“Telecom Plus”):

Telecom Plus, which owns and operates the Utility Warehouse brand, is the UK’s only fully integrated provider of a wide range of competitively priced utility services spanning the Communications, Energy and Insurance markets.

Customers benefit from the convenience of a single monthly statement, consistently good value across all their utilities and exceptional levels of service. Telecom Plus does not advertise, relying instead on ‘word of mouth’ recommendation by existing satisfied customers and Partners in order to grow its market share.

Telecom Plus PLC is listed on the London Stock Exchange (Ticker: TEP LN). For further information please visit telecomplus.co.uk

LEI code: 549300QGHDX5UKE58G86

Interim Management Report

Financial and Operating Review

Results

Half year to 30 September	Adjusted			Statutory		
	2020	2019	Change	2020	2019	Change
Revenue (£'000)	349,370	353,207	(1.1)%	349,370	353,207	(1.1)%
Profit before tax (£'000)	27,655	27,523	0.5%	21,451	21,074	1.8%
Basic earnings (per share)	28.6p	27.5p	4.0%	20.8p	19.4p	7.2%
Interim dividend (per share)	27.0p	27.0p	-	27.0p	27.0p	-

In order to provide a clearer understanding of the underlying trading performance of the Group, adjusted profit before tax and adjusted basic EPS exclude: (i) share incentive scheme charges; and (ii) the amortisation of intangible assets arising on entering into the new energy supply arrangements with npower in December 2013. The amortisation of intangible assets has been excluded on the basis that it represents a non-cash accounting charge that does not impact the amount of profits available for distribution to shareholders. Adjusted profit before tax also excludes the share of the profit for the period attributable to the 25% non-controlling interest in Glow Green. These balances can be derived directly from amounts shown separately on the face of the condensed consolidated interim statement of comprehensive income.

The business has delivered a resilient performance during the first half, adapting quickly and effectively to the operational challenges caused by covid. It is testament to the strength of our business model that the financial outcome for the period is marginally ahead of last year's record levels, and that the number of services we supply has continued to grow despite the impact of social distancing on our traditional 'word-of-mouth' route to market.

Adjusted profit before tax increased marginally to £27.7m (2019: £27.5m) on slightly lower revenues of £349.4m (2019: £353.2m). Adjusted earnings per share increased to 28.6p (2019: 27.5p). Statutory profit before tax increased by £0.4m to £21.5m (2019: £21.1m), after intangible amortisation of £5.6m (2019: £5.6m) and share incentive scheme charges of £0.6m (2019: £0.7m).

We will be paying an interim dividend of 27p per share (2019: 27p) on 11 December 2020 to shareholders on the register on 27 November 2020; the Company's shares will go ex-dividend on 26 November 2020.

Revenues

The small reduction in revenue primarily reflects lower prevailing energy prices and milder weather during the period. This was partially offset by higher service numbers, increased usage by some households during lockdown, and a steadily increasing proportion of customers taking fibre broadband.

Gross margin increased to 23.7% (2019: 22.4%), reflecting the lower proportion of our revenues which derive from supplying lower margin energy services following reductions in the Ofgem price cap on 1 October 2019 and 1 April 2020, and a rise in the number of higher margin boiler sales at Glow Green.

Costs

Distribution expenses increased slightly to £13.5m (2019: £13.2m), reflecting a modest increase in the number of services we are supplying, and a higher proportion of new customers switching all their services to us.

Overall administrative expenses (excluding amortisation) rose by £2.5m to £40.9m (2019: £38.4m) due to a combination of factors including: (i) growth in the number of services we are providing; (ii) our smart meter rollout programme; (iii) increased costs relating to marketing, regulation and technology; and (iv) covid-related costs.

Cash Flow

Our operating cash flow increased to £42.7m (2019: £27.2m), mainly reflecting a covid-related deferral in VAT payments and a normalisation in the timing of corporation tax instalments last year. Capital expenditure of £5.3m (2019: £3.8m) related primarily to our ongoing technology investment programme, including the costs of providing staff with Chromebooks to enable them to work from home in response to covid. Net debt during the period fell to £46.1m (31 March 2020: £59.4m), mainly reflecting the deferral in VAT payments. At this level, our net debt to EBITDA ratio (on a 12-month rolling basis) remains low at around 0.65x, underpinning our progressive dividend policy.

Tax

Our effective tax rate for the first half was 23.9% (2019: 28.4%). This reduction reflects the absence of the exceptional change in the deferred tax asset associated with unexercised employee share options last year, although the overall level remains higher than the underlying rate of corporation tax due mainly to the ongoing amortisation charge on our energy supply contract intangible asset (which is not an allowable deduction for tax purposes).

Our Customers - a genuine multi-service proposition

We offer our customers a clearly differentiated product, saving them both time and money by supplying them with all their home services in one, simple, monthly bill. As the UK's only fully integrated multi-service provider, we derive significant operating efficiencies by spreading a single set of overheads across the multiple revenue streams we receive from our customers.

We are committed to treating our customers fairly, avoiding the business practice adopted by many of our competitors of combining cheap introductory deals for new customers with higher tariffs charged to their legacy customer bases. Our fairer approach, combined with the growing proportion of customers taking all our core services, creates significantly greater shareholder value over the medium term through lower churn and longer average customer lifetimes.

The number of services for the period increased by 15,004 (2019: 68,174), although we saw a marginal fall in the number of customers to 650,497; this overall performance masks an initially larger fall as customer gathering activity slowed in the wake of the first lockdown. This was followed by a partial recovery over the remainder of the period as our Partners adapted to new methods of promoting our services in an environment of unprecedented restrictions on normal social interactions.

	H1 FY 2021	FY 2020	H1 FY 2020
Partners	46,698	45,138	43,111
Customers			
Residential Club	626,036	627,058	619,336
Business Club	24,461	25,179	25,970
Total	650,497	652,237	645,306
Core Services			
Energy	1,063,017	1,071,665	1,065,637
Broadband	324,993	323,901	317,320
Mobile	288,567	280,220	267,427
Insurance	31,497	28,550	21,832
Other Services			
CashBack Card	301,717	288,043	264,823
Legacy services	27,929	30,337	32,454
Total	2,037,720	2,022,716	1,969,493

The table above excludes the customer and service numbers of TML; Insurance includes Home Insurance and Boiler & Home Cover policies.

The quality of our customer base continued to improve during the period, with a further rise in the proportion of new customers taking all our core services (energy, broadband and mobile) at the point of sign up; these high value customers now represent over 31% of our residential customer base. Not only do these customers generate the highest revenues, but more importantly they have the lowest churn, meaning that their lifetime value is many times higher than those taking fewer services from us.

Service

We remain focussed on delivering consistently high standards of service, as evidenced by our rating on Trustpilot and the regular endorsements we receive from independent consumer organisations. We were particularly pleased at being recognised as the ‘*Utilities Brand of the Year 2020*’ by Which? in their recent annual awards.

This, alongside being recognised as ‘*Recommended Provider*’ for both our Broadband and our Mobile services during the first half, is not only testament to the significant investment we make in looking after our customers across all our services, but also to our commitment to earning the trust and loyalty of our customers through our approach to fair pricing, whilst avoiding ‘tease and squeeze’ tactics.

All staff are currently working remotely, except where they are unable to do so for logistical, technical or personal reasons, with pleasing levels of productivity. We are now recruiting call centre teams to work from home on a permanent basis, wherever they live in the UK. Early indications of the effectiveness of these new teams is extremely promising.

Churn and Bad Debts

Our energy churn for the period has remained at just over 1% per month. This is substantially below the levels being seen within the domestic energy market as a whole, where annualised churn continues to run at well over 20%.

We have seen a marginal reduction in the proportion of customers paying by direct debit, and a small increase in the number of customers ‘in arrears’ who have agreed a ‘payment plan’ with us. As a result, we have increased our bad debt charge for the period by £0.3m.

Our Partners – a unique route to market

We offer our Partners a smarter way to earn: in their own time and on their own terms. They are one of the key strengths of our business, and certainly our greatest point of differentiation.

Through UW, they can create real financial security for themselves and their families by signing up new customers and introducing our income opportunity to other like-minded people; in doing so, they can earn meaningful short-term financial rewards combined with a long-term residual income. And by communicating the benefits of our unique multi-utility retail proposition to high quality customers who in many cases have never previously switched supplier, they give us a significant competitive advantage - in stark contrast to the routes to market adopted by other suppliers of similar essential household services.

Over the last six months we have put significant resources into helping our Partners adapt to the challenges of promoting UW in an environment where previously normal social interactions are now subject to unprecedented restrictions, and ensuring they remain motivated. We have further developed the remote sign-up tools we launched in the Spring, giving them the capability to support new Partners remotely, and have enhanced online training and simplified our joining process.

The covid pandemic has highlighted the attractiveness of our business opportunity, with more people than ever seeking an alternative income stream to replace or supplement their previous source of income.

Following a successful and well-attended virtual Partner conference in early September, where we launched a highly competitive new mobile tariff, we saw a rapid uptick in Partner activity and a return to net customer growth. This accelerated over the last seven weeks with a jump in the number of new Partners joining the business, following a reduction in the initial joining cost from 1 October in response to the more difficult macro-economic environment.

Energy

A further four independent energy suppliers have exited the market so far this year, including both Robin Hood Energy (125,000 customers, owned and operated by Nottingham City Council) and Tonik Energy (130,000 customers).

Over 20 suppliers have left the market over the last two years, and in the absence of strong balance sheets to absorb their continuing losses, which are likely to be exacerbated by worsening macro-economic conditions, further insolvencies seem inevitable.

With potential new suppliers now having to meet an increased range of financial and sustainability requirements by Ofgem before they can start trading, the number of domestic suppliers has continued to fall. Over time, this should reduce the hidden cost to the energy industry (and therefore ultimately on customers through higher prices) of the mutualisation of debts left behind by repeated independent energy companies exiting the market.

In contrast to the uncertain futures of many other near identical, sub-scale, high-churning, undercapitalised and unprofitable independent energy suppliers, our strong balance sheet, profitable multi-service business model and unique route to market, place us in a stronger position than ever to continue growing our market share.

Smart meter rollout programme

We are extremely pleased with the strong progress made by UW Home Services (our wholly owned licensed meter operator) in installing over 61,500 smart meters during the period; this excellent performance by our 300-strong field force of engineers takes our penetration of smart meters amongst our customers to over 50%, a level surpassed by only one other energy supplier.

H2 performance is currently difficult to forecast, given the ongoing need to adapt engineering schedules in line with constantly changing lockdown restrictions.

Glow Green - our boiler installation business

Glow Green has continued to build on the positive momentum from last year, with a significant increase in boiler volumes. The business traded profitably during the period, and is firmly on track to make a modest positive contribution to group profits for the full year.

The supply, installation and servicing of domestic boilers is a highly fragmented £1bn-a-year market in the UK, and represents a significant medium-term opportunity for us.

Broadband and Mobile

We are pleased that in a broadly flat overall market, and against a continuing highly competitive background, our market share for all the communication services we provide continues to increase. In addition, we benefited from a temporary increase in fixed line call volumes during the spring lockdown.

A key focus over the last year has been promoting the benefits of fibre broadband to our customers, ensuring they receive a fast and reliable high-quality service. As a result, the proportion of our broadband base taking one of our Ultra services had risen to over 60% by the end of H1. We have recently started trialling Fibre to the Premise (“FttP”) services, with a view to making it available on a national basis (subject to coverage) in H2.

We signed a new five-year Mobile Virtual Network Operator (“MVNO”) contract with EE in August for our mobile services, on substantially improved commercial terms; this enabled us to launch a competitive new ‘unlimited’ tariff (with an additional discount for customers switching multiple mobiles to us) in September. This has been well received - over 50% of new mobile customers are currently taking this new tariff, with an average of over 1.5 sim cards per customer. We intend to start promoting this new tariff to existing customers in H2 and anticipate a significant progressive increase in our current mobile penetration.

We are pleased that the exceptional quality, value and service we deliver on all our telephony services have once again been recognised by Which? who chose us as their ‘Recommended Broadband Provider’ in March 2020 and ‘Recommended Mobile Provider’ in April 2020.

Insurance

We are steadily building a high-quality home insurance book, with overall policy numbers increasing by 10% during H1 to over 31,000; we anticipate adding at least a similar number of policies during H2.

Renewal rates remained high during the period at levels unprecedented within the sector, reflecting our approach of providing ‘everyday low prices’ rather than discounted introductory deals, and giving us confidence that over time this new service will generate significant shareholder value.

We have recently received FCA authorisation as an insurance broker, which we consider a key milestone towards achieving our long-term aspirations in this sector; we anticipate this will provide significantly greater flexibility in the way we sell our policies in future.

The recent focus by the FCA on ‘Price Walking’ (the practice by many other insurers of offering low introductory prices followed by rises each year on renewal which exceed those justifiable by any increase in the cost of the risk being insured) is extremely welcome, and will make our pricing approach look even better value when potential customers compare our quote against those available from other insurers.

We remain focussed on steadily building scale for our current product range, expanding our existing home insurance panel, and increasing the conversion ratio amongst our customers who show interest in these products, whilst maintaining consistently robust margins. In the longer term we expect to launch further complementary insurance products to our customers.

Remuneration Policy

In response to feedback from investors, the Board is proposing to amend our remuneration policy: under the current policy, members of the executive management team have the opportunity to earn entrepreneurial rewards for creating exponential shareholder value over the long term, but unlike other FTSE-250 companies, there is no formal structure for rewarding performance over the shorter and medium term. The new policy is designed to remedy this issue, whilst ensuring the interests of management and shareholders remain aligned, by introducing a conventional annual bonus scheme; in exchange, executives able to benefit from this will waive a proportion

of their current LTIP and/or share option entitlement. Full details of this proposal will be circulated to shareholders shortly, and voted on at an EGM to be held in due course.

Outlook

The Ofgem energy Price Cap fell by £84 at the start of October, against a backdrop of rising wholesale prices as we move into the peak winter demand period; this combination has led to a significant narrowing of the price gap between the cheapest introductory deals available from other suppliers and our own standard energy prices (which are set at a sustainable discount to the Ofgem ‘fair price’).

We have seen a strong start to H2, with a net increase in customer numbers of around 2,200 during October (equivalent to an annualised growth rate of c.4%), more than offsetting the slight reduction we had seen during the preceding six months. In addition, the more challenging macro-economic background means we are seeing record numbers of new Partners joining the business, which is a good lead-indicator to future levels of customer growth once the current social distancing restrictions are lifted. Overall, we anticipate low single-digit percentage customer growth for the full year, with a slightly higher percentage increase in the number of services we are providing.

We are increasingly confident in our previous guidance that full-year adjusted profit before tax will be marginally below the record level we reported for FY20. However, the range of possible outcomes for the full year remains wider than usual, due to uncertainty about the scope and duration of lockdowns during H2, and the wide range of possible impacts they may have on both the economy in general, and our business in particular.

We maintain our dividend guidance of 57p (2019: 57p) per share for the full year.

Principal Risks and Uncertainties

The Group faces various risk factors, both internal and external, which could have a material impact on long-term performance. However, the Group’s underlying business model is considered relatively low-risk, with no need for management to take any disproportionate risks in order to preserve or generate shareholder value.

The Group continues to develop and operate a consistent and systematic risk management process, which involves risk ranking, prioritisation and subsequent

evaluation, with a view to ensuring all significant risks have been identified, prioritised and (where possible) eliminated, and that systems of control are in place to manage any remaining risks.

The directors have carried out a robust assessment of the Company's emerging and principal risks. A formal document is prepared by the executive directors and senior management team on a regular basis detailing the key risks faced by the Group and the operational controls in place to mitigate those risks; this document is then reviewed by the Audit Committee. No new principal risks have been identified during the period, and save as set out below, nor has the magnitude of any risks previously identified significantly changed during the period.

Business model

The principal risks outlined below should be viewed in the context of the Group's business model as a reseller of utility services (gas, electricity, fixed line telephony, mobile telephony, broadband and insurance services) under the Utility Warehouse and TML brands. As a reseller, the Group does not own any of the network infrastructure required to deliver these services to its customer base. This means that while the Group is heavily reliant on third party providers, it is insulated from all the direct risks associated with owning and/or operating such capital-intensive infrastructure itself.

The Group's services are promoted using 'word of mouth' by a large network of independent Partners, who are paid predominantly on a commission basis. This means that the Group has limited fixed costs associated with acquiring new customers.

The principal specific risks arising from the Group's business model, and the measures taken to mitigate those risks, are set out below.

Reputational risk

The Group's reputation amongst its customers, suppliers and Partners is believed to be fundamental to the future success of the Group. Failure to meet expectations in terms of the services provided by the Group, the way the Group does business or in the Group's financial performance could have a material negative impact on the Group's performance.

In developing new services, and in enhancing current ones, careful consideration is given to the likely impact of such changes on existing customers.

In relation to the service provided to its customer base, reputational risk is principally mitigated through the Group's recruitment processes, a focus on closely monitoring staff performance, including the use of direct feedback surveys from customers (Net Promoter Score), and through the provision of rigorous staff training.

Responsibility for maintaining effective relationships with suppliers and Partners rests primarily with the appropriate member of the Group's senior management team with responsibility for the relevant area. Any material changes to supplier agreements and Partner commission arrangements which could impact the Group's relationships are generally negotiated by the executive Directors and ultimately approved by the full Board.

Information technology risk

The Group is reliant on its in-house developed and supported systems for the successful operation of its business model. Any failure in the operation of these systems could negatively impact service to customers, undermine Partner confidence, and potentially be damaging to the Group's brand. Application software is developed and maintained by the Group's Technology team to support the changing needs of the business using the best 'fit for purpose' tools and infrastructure. The Technology team is made up of highly-skilled, motivated and experienced individuals.

Changes made to the systems are prioritised by business, Product Managers work with their stakeholders to refine application and systems requirements. They work with the Technology teams undertaking the change to ensure a proper understanding and successful outcome. Changes are tested as extensively as reasonably practicable before deployment. Review and testing are carried out at various stages of the development by both the Technology team and the operational department who ultimately take ownership of the system.

The Group has strategic control over the core customer and Partner platforms including the software development frameworks and source code behind these key applications. The Group also uses strategic third-party vendors to deliver solutions outside of our core competency. This largely restricts our counterparty risks to services that can be replaced with alternative vendors if required, albeit this could lead to temporary disruption to the day-to-day operations of the business.

Monitoring, backing up and restoring of the software and underlying data are made on a regular basis. Backups are securely stored or replicated to different locations. Disaster recovery facilities are either provided through cloud-based infrastructure as a service, in critical cases maintained in a warm standby or active-active state to mitigate risk in the event of a failure of the production systems.

Data security risk

The Group processes sensitive personal and commercial data and in doing so is required by law to protect customer and corporate information and data, as well as to keep its infrastructure secure. A breach of security could result in the Group facing prosecution and fines as well as loss of business from damage to the Group's reputation. Recovery could be hampered due to any extended period necessary to identify and recover a loss of sensitive information and financial losses could arise from fraud and theft. Unplanned costs could be incurred to restore the Group's security.

The Group has deployed a robust and industry appropriate Group-wide layered security strategy, providing effective control to mitigate the relevant threats and risks. External consultants conduct regular penetration testing of the Group's internal and external systems and network infrastructure.

The Information Commissioner's Office ('ICO') upholds information rights in the public interest and the Group is a data controller registered with the ICO. If the Group fails to comply with all the relevant legislation and industry specific regulations concerning data protection and information security, it could be subject to enforcement action, significant fines and the potential loss of its operating licence.

Information security risks are overseen by the Group's Information Security and Legal and Compliance team.

Legislative and regulatory risk

The Group is subject to varying laws and regulations. The energy and communications markets in the UK are subject to comprehensive operating requirements as defined by the relevant sector regulators and/or government departments. Amendments to the regulatory regime could have an impact on the Group's ability to achieve its financial goals and any failure to comply may result in the Group being fined and lead to reputational damage which could impact the Group's brand. Furthermore, the Group is obliged to comply with retail supply procedures, amendments to which could have an impact on operating costs.

The Group is a licensed gas and electricity supplier, and therefore has a direct regulatory relationship with Ofgem. If the Group fails to comply with its licence obligations, it could be subject to fines or to the removal of its respective licences.

Further regulatory changes relating to retail energy price caps, faster switching, the rollout programme of smart energy meters, and the development of existing environmental and social policies, could all have a potentially significant impact on the sector, and the net profit margins available to energy suppliers.

The Group is also a licensed supplier of telephony services and therefore has a direct regulatory relationship with Ofcom. If the Group fails to comply with its licence obligations, it could be subject to fines or to the removal of its licences. Regulatory changes relating to the European Electronic Communications Code could have an impact on the telephony sector with increased regulatory burden and on the Group's product offering.

The Group is an Appointed Representative of a Financial Conduct Authority ('FCA') authorised and regulated insurance broker for the purposes of providing insurance services to customers. If the Group fails to comply with FCA regulations, it could be indirectly exposed to fines and risk losing its status as an Appointed Representative, severely restricting its ability to offer insurance services to customers.

In general, the majority of the Group's services are supplied into highly regulated markets, and this could restrict the operational flexibility of the Group's business. In order to mitigate this risk, the Group seeks to maintain appropriate relations with both Ofgem and Ofcom (the UK regulators for the energy and communications markets respectively), the Department for Business, Energy and Industrial Strategy ('BEIS'), and the FCA. The Group engages with officials from all these organisations on a periodic basis to ensure they are aware of the Group's views when they are consulting on proposed regulatory changes or if there are competition issues the Group needs to raise with them. An investigation into the Group's debt management processes announced by Ofgem in June 2018 remains ongoing, and any potential exposure is not considered likely to be material.

It should be noted that the regulatory environment for the various markets in which the Group operates is generally focussed on promoting competition; it therefore seems reasonable to expect that most potential changes will broadly be beneficial to the Group, given the Group's relatively small size compared to the former monopoly incumbents with whom it competes. However, these changes and their actual impact

will always remain uncertain and could include, in extremis, the re-nationalisation of the energy supply industry.

Political and consumer concern over energy prices, vulnerable customers and fuel poverty may lead to further reviews of the energy market which could result in further consumer protection legislation being introduced through energy supply licences with price controls for certain customer segments currently being proposed. In addition, political and regulatory developments affecting the energy and telecoms markets within which the Group operates may have a material adverse effect on the Group's business, results of operations and overall financial condition.

Financing risk

The Group has debt service obligations which may place operating and financial restrictions on the Group. This debt could have adverse consequences insofar as it: (a) requires the Group to dedicate a proportion of its cash flows from operations to fund payments in respect of the debt, thereby reducing the flexibility of the Group to utilise its cash to invest in and/or grow the business; (b) increases the Group's vulnerability to adverse general economic and/or industry conditions; (c) may limit the Group's flexibility in planning for, or reacting to, changes in its business or the industry in which it operates; (d) may limit the Group's ability to raise additional debt in the long-term; and (e) could restrict the Group from making larger strategic acquisitions or exploiting business opportunities.

Each of these prospective adverse consequences (or a combination of some or all of them) could result in the potential growth of the Group being at a slower rate than may otherwise be achieved.

Fraud and bad debt risk

The Group has a universal supply obligation in relation to the provision of energy to domestic customers. This means that although the Group is entitled to request a reasonable deposit from potential new customers who are not considered creditworthy, the Group is obliged to supply domestic energy to everyone who submits a properly completed application form. Where customers subsequently fail to pay for the energy they have used, there is likely to be a considerable delay before the Group is able to control its exposure to future bad debt from them by either switching their smart meters to pre-payment mode, installing a pre-payment meter or disconnecting their supply, and the costs associated with preventing such customers from increasing their indebtedness are not always fully recovered.

Fraud and bad debt within the telephony industry may arise from customers using the services, or being provided with a mobile handset, without intending to pay their supplier. The amounts involved are generally relatively small as the Group has sophisticated call traffic monitoring systems to identify material occurrences of usage fraud. The Group is able to immediately eliminate any further usage bad debt exposure by disconnecting any telephony service that demonstrates a suspicious usage profile, or falls into arrears on payments.

More generally, the Group is also exposed to payment card fraud, where customers use stolen cards to obtain credit (e.g. on their CashBack card) or goods (e.g. Smartphones) from the Group; the Group regularly reviews and refines its fraud protection systems to reduce its potential exposure to such risks.

Wholesale price risk

The Group does not own or operate any utility network infrastructure itself, choosing instead to purchase the capacity needed from third parties. The advantage of this approach is that the Group is largely protected from technological risk, capacity risk or the risk of obsolescence, as it can purchase the amount of each service required to meet its customers' needs.

Whilst there is a theoretical risk that in some of the areas in which the Group operates it may be unable to secure access to the necessary infrastructure on commercially attractive terms, in practice the pricing of access to such infrastructure is typically either regulated (as in the energy market) or subject to significant competitive pressures (as in telephony and broadband). The profile of the Group's customers, the significant quantities of each service they consume in aggregate, and the Group's clearly differentiated route to market has historically proven attractive to infrastructure owners, who compete aggressively to secure a share of the Group's growing business.

The supply of energy has different risks associated with it. The wholesale price can be extremely volatile, and customer demand can be subject to considerable short-term fluctuations depending on the weather. The Group has a long-standing supply relationship with npower under which the latter assumes the substantive risks and rewards of buying and hedging energy for the Group's customers, and where the price paid by the Group to cover commodity, balancing, transportation, distribution, agreed metering, regulatory and certain other associated supply costs is set by reference to the average of the standard variable tariffs charged by the 'Big 6' to their domestic customers less an agreed discount, which is set at the start of each quarter; this may not be competitive against the equivalent supply costs incurred by new and/or other independent suppliers. In addition, the timing of any quarterly price changes under the

power arrangement may not align with changes in retail prices, creating temporary short-term fluctuations in the underlying margins earned by the Group from supplying energy. However, if the Group did not have the benefit of this long-term supply agreement it would need to find alternative means of protecting itself from the pricing risk of securing access to the necessary energy on the open market and the costs of balancing.

Competitive risk

The Group operates in highly competitive markets and significant service innovations or increased price competition could impact future profit margins. In order to maintain its competitive position, there is a consistent focus on ways of improving operational efficiency. New service innovations are monitored closely by senior management and the Group is generally able to respond within an acceptable timeframe by offering any new services using the infrastructure of its existing suppliers. The increasing proportion of customers who are benefiting from the genuinely unique multi-utility solution that is offered by the Group, and which is unavailable from any other known supplier, is considered likely to materially reduce any competitive threat.

The Directors anticipate that the Group will face continued competition in the future as new companies enter the market and alternative technologies and services become available. The Group's services and expertise may be rendered obsolete or uneconomic by technological advances or novel approaches developed by one or more of the Group's competitors. In the event that smaller independent energy suppliers were to experience financial difficulties as a result of increasing wholesale prices for instance, it is possible that customers could also have a loss of confidence in the Group, given that it is also an independent energy supplier. The existing approaches of the Group's competitors or new approaches or technologies developed by such competitors may be more effective or affordable than those available to the Group. There can be no assurance that the Group will be able to compete successfully with existing or potential competitors or that competitive factors will not have a material adverse effect on the Group's business, financial condition or results of operations. However, as the Group's customer base continues to rise, competition amongst suppliers of services to the Group is expected to increase. This has already been evidenced by various volume-related growth incentives which have been agreed with some of the Group's largest wholesale suppliers. This should also ensure that the Group has direct access to new technologies and services available to the market.

Infrastructure risk

The provision of services to the Group's customers is reliant on the efficient operation of third party physical infrastructure. There is a risk of disruption to the supply of services to customers through any failure in the infrastructure e.g. gas shortages, power cuts or damage to communications networks. However, as the infrastructure is generally shared with other suppliers, any material disruption to the supply of services is likely to impact a large part of the market as a whole and it is unlikely that the Group would be disproportionately affected. In the event of any prolonged disruption isolated to the Group's principal supplier within a particular market, services required by customers could in due course be sourced from another provider.

The development of localised energy generation and distribution technology may lead to increased peer-to-peer energy trading, thereby reducing the volume of energy provided by nationwide suppliers. As a nationwide retail supplier, the Group's results from the sale of energy could therefore be adversely affected.

Similarly, the construction of 'local monopoly' fibre telephony networks to which the Group's access may be limited as a reseller could restrict the Group's ability to compete effectively for customers in certain areas.

Smart meter rollout risk

The Group is in part reliant on third party suppliers to fully deliver its smart meter rollout programme effectively. In the event that the Group suffers delays to its smart meter rollout programme the Group may be in breach of its regulatory obligations and therefore become subject to fines from Ofgem. In order to mitigate this risk the Group dual-sources (where practicable) the third party metering and related equipment they use.

The Group may also be indirectly exposed to reputational damage and litigation from the risk of technical complications arising from the installation of smart meters or other acts or omissions of meter operators, e.g. the escape of gas in a customer's property causing injury or death. The Group mitigates this risk through having established their own meter operator (UW Home Services Limited) and ensuring that all employees receive appropriate training and proper supervision.

Energy industry estimation risk

A significant degree of estimation is required in order to determine the actual level of energy used by customers and hence that should be recognised by the Group as sales. There is an inherent risk that the estimation routines used by the Group do not in all instances fully reflect the actual usage of customers. However, this risk is mitigated by

the relatively high proportion of customers who provide meter readings on a periodic basis, and the rapid anticipated growth in the installed base of smart meters resulting from the national rollout programme.

Gas leakage within the national gas distribution network

The operational management of the national gas distribution network is outside the control of the Group, and in common with all other licensed domestic gas suppliers the Group is responsible for meeting its pro-rata share of the total leakage cost. There is a risk that the level of leakage in future could be higher than historically experienced, and above the level currently expected.

Key man risk

The Group is dependent on its key management for the successful development and operation of its business. In the event that any or all of the customers of the key management team were to leave the business, it could have a material adverse effect on the Group's operations. The Group seeks to mitigate this risk through its remuneration policy.

Single site risk

The Group operates from one principal site and, in the event of significant damage to that site through fire or other issues, the operations of the Group could be adversely affected. In order to mitigate, where possible, the impact of this risk the Group has in place appropriate disaster recovery arrangements.

Acquisition risk

The Group may invest in other businesses, taking a minority, majority or 100% equity shareholding, or through a joint venture partnership. Such investments may not deliver the anticipated returns, and may require additional funding in future. This risk is mitigated through conducting appropriate pre-acquisition due diligence where relevant.

UK withdrawal from the EU risk

The Directors do not anticipate that, as a UK centric business supplying core household services (where any increases in costs tend to be passed through into retail prices), the UK's withdrawal from the EU ("Brexit") will have any material negative impact on the Group's earnings or growth. It is not expected that Brexit will have a significant impact on the security of supply of the services the Group provides given its arrangements with key suppliers.

It is possible that if Brexit has a meaningful negative impact on the UK economy in the short term, certain consumers may face temporary hardship. However, as a supplier of essential non-discretionary household services to a large and diverse customer base, it is not expected that this will have a material overall impact on the Company's sales levels and exposure to credit risk. Nonetheless the situation is being kept under review.

Virus outbreak risk

In the absence of a vaccine or effective treatment, the Company faces a number of risks from any highly infectious virus or disease which causes serious incapacity amongst those infected, including: (i) staff may be unable to attend their normal place of work and fulfil their normal duties due to falling ill or being required to self-isolate (either due to exposure to carriers of the virus, or to reduce the likelihood of being so exposed); (ii) the Company may be required to shut Network HQ to prevent transmission of the virus in the workplace; (iii) the efficiency of our operations may be reduced; (iv) we may be unable to recruit and train new members of staff; (v) customers may find it more difficult to contact the company; (vi) we may be unable to resolve faults and challenges faced by customers which require a visit to their home or other engineering works to be carried out; (vii) customers may stop paying their bills, or we may be required by the Government to offer payment holidays to customers in respect of their utilities (in a similar fashion to the mortgage payment provisions), putting pressure on the Company's working capital; (viii) we may be restricted from carrying out normal debt enforcement procedures including suspension of telephony services and installation of smart meters; (ix) the Company's Partners may find it more difficult to grow their businesses during a period when restrictions on movement are imposed by the Government; (x) we may be unable to visit customers' homes to install smart meters and/or our free lightbulb replacement service; (xi) the various providers of third party infrastructure used to supply our services may be unable to cope with the increased demands placed upon them; and (xii) churn could increase during periods when customers are isolated at home.

These are mitigated by: (i) the Company has proven technology to enable most employees to carry out their duties remotely; (ii) the demographic mix of our customer base is heavily skewed towards homeowners and older/retired customers; this means we are significantly less exposed to payment issues than most other providers of similar services; (iii) the Company has a strong balance sheet with modest gearing, and access to significant, recently refinanced, additional debt facilities (if required) to cover any temporary pressure on working capital; in extremis, these could be enhanced by a temporary suspension of the dividend; (iv) the Company has developed tools which are now in widespread use, enabling Partners to sign-up new customers, recruit new Partners, and to help existing Partners support new Partners remotely to teach them

how to build their own successful UW business; and (v) the wide range of services provided to customers gives us significant resilience from a revenue and profit perspective against an external event which affects any individual revenue stream.

Going concern

Recent developments in the Group's business activities, together with the factors likely to affect its future development, performance and financial position are set out above.

In January 2020 the Group agreed new total revolving credit facilities of £150.0 million with Barclays Bank PLC, Lloyds Bank PLC and Bank of Ireland Group PLC for the period to 17 January 2023. As at 30 September 2020, £80.0 million of this facility was drawn down and the Company had a cash balance of £41.4 million.

Under the Group's energy supply arrangements, the Group benefits from its relationship with npower who fund the principal seasonal working capital requirements relating to the supply of energy to the Group's customers.

The Group has continued to trade throughout the covid pandemic and its financial performance to date and available liquidity are in line with expectations. The Group has considerable financial resources together with a large and diverse retail and small business customer base and long-term contracts with a number of key suppliers. As a consequence, the directors believe that the Group is well placed to manage its business risks.

On this basis the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The interim financial statements have therefore been prepared on a going concern basis in accordance with the FRC's Going Concern and Liquidity Risk: Guidance for Directors of UK Companies 2009 issued in October 2009.

Directors' responsibilities

The Directors are responsible for the preparation of the condensed set of financial statements and interim management report comprising this set of Half-Yearly Results for the six months ended 30 September 2020, each of whom accordingly confirms that to the best of their knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 “Interim Financial Reporting” and provides a true and fair view of the assets, liabilities, financial position and profit of the Group as a whole;
- the interim management report includes a fair review of the information required by the Financial Statements Disclosure Guidance and Transparency Rules (DTR) 4.2.7R (indication of important events during the first six months and their impact on the financial statements and description of principal risks and uncertainties for the remaining six months of the year); and
- the interim management report includes a fair review of the information required by DTR 4.2.8R (disclosures of related party transactions and changes therein).

The Directors of Telecom Plus PLC

Charles Wigoder	Executive Chairman
Andrew Lindsay	Chief Executive
Nick Schoenfeld	Chief Financial Officer
Stuart Burnett	Chief Operating Officer
Beatrice Hollond	Senior Non-Executive Director
Andrew Blowers	Non-Executive Director
Melvin Lawson	Non-Executive Director
Julian Schild	Non-Executive Director
Suzi Williams	Non-Executive Director

Given on behalf of the Board

Andrew Lindsay	Nick Schoenfeld
Chief Executive	Chief Financial Officer

16 November 2020

Independent Review Report to Telecom Plus PLC

Conclusion

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2020 which comprises the condensed consolidated interim statement of comprehensive income, the condensed consolidated interim statement of financial position, the condensed consolidated interim statement of cash flows, the condensed consolidated interim statement of changes in shareholders' equity and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2020 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted by the EU and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA. The annual financial statements of the group are prepared in accordance with International Financial Reporting Standards as adopted by the EU. The directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted by the EU.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

The purpose of our review work and to whom we owe our responsibilities

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this 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 for our review work, for this report, or for the conclusions we have reached.

Robert Seale

for and on behalf of KPMG LLP

Chartered Accountants

15 Canada Square

London E14 5GL

United Kingdom

16 November 2020

Condensed Consolidated Interim Statement of Comprehensive Income

		6 months ended 30 Sept 2020 (unaudited)	6 months ended 30 Sept 2019 (unaudited)	Year ended 31 Mar 2020 (audited)
	Note	£'000	£'000	£'000
Revenue		349,370	353,207	875,774
Cost of Sales		(266,721)	(273,914)	(708,077)
Gross profit		82,649	79,293	167,697
Distribution expenses		(13,522)	(13,224)	(27,662)
Share incentive scheme (charges)/credits		-	(3)	1
Total distribution expenses		(13,522)	(13,227)	(27,661)
Administrative expenses		(40,895)	(38,442)	(78,683)
Share incentive scheme charges		(590)	(721)	(1,285)
Amortisation of energy supply contract intangible	5	(5,614)	(5,614)	(11,228)
Total administrative expenses		(47,099)	(44,777)	(91,196)
Other income		574	617	1,328
Operating profit		22,602	21,906	50,168
Financial income		53	164	280
Financial expenses		(1,204)	(996)	(2,336)
Net financial expense		(1,151)	(832)	(2,056)
Profit before taxation		21,451	21,074	48,112
Taxation		(5,126)	(5,994)	(12,352)
Profit for period		16,325	15,080	35,760
Profit and other comprehensive income for the year attributable to owners of the parent		16,324	15,191	35,911
Loss for the year attributable to non-controlling interest		1	(111)	(151)
Profit for the period		16,325	15,080	35,760
Basic earnings per share	9	20.8p	19.4p	45.9p
Diluted earnings per share	9	20.7p	19.3p	45.7p
Interim dividend per share		27.0p	27.0p	-

Condensed Consolidated Interim Balance Sheet

		As at 30 Sept 2020 (unaudited)	As at 30 Sept 2019 (unaudited)	As at 31 Mar 2020 (audited)
	Note	£'000	£'000	£'000
Assets				
Non-current assets				
Property, plant and equipment		36,975	34,917	37,767
Investment property	4	8,381	8,530	8,432
Intangible assets	5	164,377	170,089	167,719
Goodwill		5,324	5,324	5,324
Other non-current assets		28,635	21,939	25,185
Total non-current assets		243,692	240,779	244,427
Current assets				
Inventories		5,695	4,914	4,633
Trade and other receivables		59,013	48,854	57,718
Prepayments and accrued income		80,942	80,779	132,270
Cash		41,382	35,588	43,611
Total current assets		187,032	170,135	238,232
Total assets		430,724	410,934	482,659
Current liabilities				
Trade and other payables		(45,380)	(36,039)	(35,291)
Accrued expenses and deferred income		(80,893)	(77,414)	(121,323)
Total current liabilities		(126,273)	(113,453)	(156,614)
Non-current liabilities				
Long term borrowings	6	(79,198)	(69,712)	(94,020)
Lease liabilities		(8,310)	(6,599)	(8,969)
Deferred tax		(932)	(844)	(1,104)
Total non-current liabilities		(88,440)	(77,155)	(104,093)
Total assets less total liabilities		216,011	220,326	221,952
Equity				
Share capital		3,967	3,954	3,962
Share premium		144,551	142,405	143,896
Capital redemption reserve		107	107	107
Treasury shares		(5,502)	(5,502)	(5,502)
JSOP reserve		(1,150)	(1,150)	(1,150)
Retained earnings		74,466	80,901	81,068
Non-controlling interest		(428)	(389)	(429)
Total equity		216,011	220,326	221,952

Condensed Consolidated Interim Cash Flow Statement

	Note	6 months ended 30 Sept 2020 (unaudited) £'000	6 months ended 30 Sept 2019 (unaudited) £'000	Year ended 31 March 2020 (audited) £'000
Operating activities				
Profit before taxation		21,451	21,074	48,112
Adjustments for:				
Net financial expense		1,151	832	2,056
Depreciation of property, plant and equipment		2,359	1,978	4,142
Profit on disposal of fixed assets		(35)	(18)	(51)
Amortisation of intangible assets		7,157	6,597	13,345
Amortisation of debt arrangement fees		178	114	491
(Increase)/decrease in inventories		(1,062)	(133)	148
Decrease/(increase) in trade and other receivables		47,355	35,815	(27,821)
(Decrease)/increase in trade and other payables		(30,478)	(28,702)	14,410
Share incentive scheme charges		590	724	1,284
Corporation tax paid		(5,925)	(11,057)	(17,097)
Net cash flow from operating activities		42,741	27,224	39,019
Investing activities				
Purchase of property, plant and equipment		(1,527)	(794)	(2,910)
Purchase of intangible assets		(3,815)	(3,031)	(7,409)
Disposal of property, plant and equipment		47	36	87
Interest received		31	193	295
Cash flow from investing activities		(5,264)	(3,596)	(9,937)
Financing activities				
Dividends paid	7	(23,524)	(21,100)	(42,214)
Interest paid		(1,129)	(1,253)	(2,582)
Drawdown of long term borrowing facilities		-	10,000	145,000
Repayment of long term borrowing facilities		(15,000)	-	(110,000)
Fees associated with borrowing facilities		-	-	(1,069)
Repayment of lease liabilities		(713)	(530)	(948)
Issue of new ordinary shares	8	660	677	2,176
Cash flow from financing activities		(39,706)	(12,206)	(9,637)
(Decrease)/increase in cash and cash equivalents		(2,229)	11,422	19,445
Net cash and cash equivalents at the beginning of the period		43,611	24,166	24,166
Net cash and cash equivalents at the end of the period		41,382	35,588	43,611

Condensed Consolidated Interim Statement of Changes in Equity

	Share capital	Share premium	Capital redemption reserve	Treasury shares	JSOP reserve	Retained earnings	Non-controlling interest	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2019	3,950	141,732	107	(5,502)	(1,150)	86,230	(278)	225,088
Opening balance adjustments	-	-	-	-	-	(26)	-	(26)
Revised opening balances	3,950	141,732	107	(5,502)	(1,150)	86,204	(278)	225,063
Profit and total comprehensive income for period	-	-	-	-	-	15,191	(111)	15,080
Dividends	-	-	-	-	-	(21,100)	-	(21,100)
Credit arising on share options	-	-	-	-	-	724	-	724
Deferred tax on share options	-	-	-	-	-	(126)	-	(126)
Retained tax earnings adjustments	-	-	-	-	-	8	-	8
Issue of new ordinary shares	4	673	-	-	-	-	-	677
Balance at 30 September 2019	3,954	142,405	107	(5,502)	(1,150)	80,901	(389)	220,326
Balance at 1 October 2019	3,954	142,405	107	(5,502)	(1,150)	80,901	(389)	220,326
Profit and total comprehensive income for the period	-	-	-	-	-	20,720	(40)	20,680
Dividends	-	-	-	-	-	(21,114)	-	(21,114)
Credit arising on share options	-	-	-	-	-	560	-	560
Deferred tax on share options	-	-	-	-	-	1	-	1
Issue of new ordinary shares	8	1,491	-	-	-	-	-	1,499
Balance at 31 March 2020	3,962	143,896	107	(5,502)	(1,150)	81,068	(429)	221,952
Balance at 1 April 2020	3,962	143,896	107	(5,502)	(1,150)	81,068	(429)	221,952
Profit and total comprehensive income for the period	-	-	-	-	-	16,324	1	16,325
Dividends	-	-	-	-	-	(23,524)	-	(23,524)
Credit arising on share options	-	-	-	-	-	590	-	590
Retained earnings tax adjustments	-	-	-	-	-	8	-	8
Issue of new ordinary shares	5	655	-	-	-	-	-	660
Balance at 30 September 2020	3,967	144,551	107	(5,502)	(1,150)	74,466	(428)	216,011

Notes to the condensed interim financial statements

1. General information

The condensed consolidated interim financial statements presented in this half-year report (“the Half-Year Results”) have been prepared in accordance with IAS 34. The principal accounting policies adopted in the preparation of the condensed consolidated financial statements are unchanged from those used in the annual report for the year ended 31 March 2020, and are consistent with those that the Company expects to apply in its financial statements for the year ended 31 March 2021.

The condensed consolidated financial statements for the year ended 31 March 2020 presented in this half-year report do not constitute the Company’s statutory accounts for that period. The condensed consolidated financial statements for that period have been derived from the Annual Report and Accounts of Telecom Plus PLC. The Annual Report and Accounts of Telecom Plus PLC for the year ended 31 March 2020 were audited and will shortly be filed with the Registrar of Companies.

The Independent Auditor’s Report on the Annual Report and Accounts of Telecom Plus PLC for the year ended 31 March 2020 was unqualified and did not draw attention to any matters by way of emphasis and did not contain statements under s498(2) or (3) of the Companies Act 2006. The financial information for the periods ended 30 September 2020 and 30 September 2019 is unaudited but has been subject to a review by the Company’s auditors.

Seasonality of business: in respect of the energy supplied by the Group, approximately two thirds is consumed by customers in the second half of the financial year.

The Half-Year Results were approved for issue by the Board of Directors on 16 November 2020.

2. Judgements and estimates

The preparation of the condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in future periods if applicable.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 March 2020.

3. Operating segments

	6 months ended 30 Sept 2020 (unaudited)		6 months ended 30 Sept 2019 (unaudited)		Year ended 31 Mar 2020 (audited)	
	Revenue	Segment Result	Revenue	Segment Result	Revenue	Segment Result
	£'000	£'000	£'000	£'000	£'000	£'000
Customer Management	340,597	30,996	343,395	31,067	855,529	67,317
Customer Acquisition	8,773	(8,394)	9,812	(9,161)	20,245	(17,149)
Total	349,370	22,602	353,207	21,906	875,774	50,168

	As at 30 Sept 2020 (unaudited)		As at 30 Sept 2019 (unaudited)		As at 31 Mar 2020 (audited)	
	£'000	£'000	£'000	£'000	£'000	£'000
Customer Management	423,579	403,345	466,468			
Customer Acquisition	7,145	7,589	16,191			
Total Assets	430,724	410,934	482,659			
Customer Management	(211,988)	(187,889)	(257,424)			
Customer Acquisition	(2,725)	(2,719)	(3,283)			
Total Liabilities	(214,713)	(190,608)	(260,707)			

4. Investment property

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are stated at cost less accumulated depreciation. Rental income from investment properties is accounted for on an accruals basis. The Company vacated its former head office, Southon House, in 2015 and the property is now held as an investment property.

An independent valuation of Southon House was conducted at 30 September 2015 in accordance with RICS Valuation – Professional Standards UK January 2014 (revised April 2015) guidelines. The independent market value of Southon House was determined to be £10.2 million. Notwithstanding covid, the directors believe that there have not been any material changes in circumstances that would lead to a significant reduction in the market valuation of Southon House from £10.2m, given that the 30 September 2015 RICS valuation was undertaken when the property was vacant, whereas the property is now let with a rental income of c. £1.0m per annum. Furthermore, a DCF analysis was undertaken using comparative office space rental yields of 6-7%. The resulting valuation of Southon House was in the range of £14.3-£16.7m. A sensitivity analysis showed that the property could be vacant for 4-5 years until it was fully re-let before its market value fell below £10.0m.

5. Intangible assets

	Energy Supply Contract	IT Software & Web Development	Total
	£'000	£'000	£'000
Cost			
At 31 March 2020	224,563	20,813	245,376
Additions	-	3,815	3,815
At 30 September 2020	224,563	24,628	249,191
Amortisation			
At 31 March 2020	(71,111)	(6,546)	(77,657)
Charge for the period	(5,614)	(1,543)	(7,157)
At 30 September 2020	(76,725)	(8,089)	(84,814)
Net book amounts			
At 30 September 2020 (unaudited)	147,838	16,539	164,377
At 31 March 2020 (audited)	153,452	14,267	167,719
At 30 September 2019 (unaudited)	159,066	11,023	170,089

The Energy Supply Contract intangible asset relates to the entering into of the energy supply arrangements with npower on improved commercial terms through the acquisition of Electricity Plus Supply Limited and Gas Plus Supply Limited from Npower Limited having effect from 1 December 2013. The intangible asset is being amortised evenly over the 20-year life of the energy supply agreement.

The IT Software & Web Development intangible asset relates to the capitalisation of certain costs associated with the development of new IT systems.

6. Interest bearing loans and borrowings

	6 months ended 30 Sept 2020 (unaudited)	6 months ended 30 Sept 2019 (unaudited)	Year ended 31 Mar 2020 (audited)
	£'000	£'000	£'000
Bank loans	80,000	70,000	95,000
Unamortised loan arrangement fees	(802)	(288)	(980)
	79,198	69,712	94,020
Due within one year	-	-	-
Due after one year	80,000	70,000	95,000
	80,000	70,000	95,000

7. Dividends

	6 months ended 30 Sept 2020 (unaudited)	6 months ended 30 Sept 2019 (unaudited)	Year ended 31 Mar 2020 (audited)
	£'000	£'000	£'000
Final dividend for the year ended 31 March 2020 of 30p per share	23,524	-	-
Final dividend for the year ended 31 March 2019 of 27p per share	-	21,100	21,100
Interim dividend for the year ended 31 March 2020 of 27p per share (2019: 25p)	-	-	21,114

An interim dividend of 27.0p per share will be paid on 11 December 2020 to shareholders on the register at close of business on 27 November 2020. The estimated amount of this dividend to be paid is approximately £21.2m and, in accordance with IFRS accounting requirements, has not been recognised in these accounts.

8. Share capital

During the period the Company issued 110,704 new ordinary shares to satisfy the exercise of employee and distributor share options.

9. Earnings per share

The calculation of basic and diluted EPS is based on the following data:

	6 months ended 30 Sept 2020 (unaudited)	6 months ended 30 Sept 2019 (unaudited)	Year ended 31 Mar 2020 (audited)
	£'000	£'000	£'000
Earnings for the purpose of basic and diluted EPS	16,324	15,191	35,911
Share incentive scheme charges (net of tax)	516	668	1,203
Amortisation of energy supply contract intangible assets	5,614	5,614	11,228
Earnings excluding share incentive scheme charges for the purpose of adjusted basic and diluted EPS	22,454	21,473	48,342

	Number (‘000s)	Number (‘000s)	Number (‘000s)
Weighted average number of ordinary shares for the purpose of basic EPS	78,389	78,152	78,205
Effect of dilutive potential ordinary shares (share incentive awards)	305	452	401
Weighted average number of ordinary shares for the purpose of diluted EPS	78,694	78,604	78,606
Adjusted basic EPS ¹	28.6p	27.5p	61.8p
Basic earnings per share	20.8p	19.4p	45.9p
Adjusted diluted earnings per share ¹	28.5p	27.3p	61.5p
Diluted earnings per share	20.7p	19.3p	45.7p

¹ In order to provide a clearer understanding of the underlying trading performance of the Group, adjusted basic EPS excludes: (i) share incentive scheme charges; and (ii) the amortisation of intangible assets arising on entering into the energy supply arrangements with npower in December 2013. The amortisation of intangible assets and share incentive scheme charges have been excluded on the basis that they represent non-cash accounting charges. These balances can be derived directly from amounts shown separately on the face of the condensed consolidated interim statement of comprehensive income.