

TELECOMPLUSPLC

Embargoed until 0700

22 November 2011

Telecom Plus PLC

Half-Year Results for the Six Months ended 30 September 2011

Telecom Plus PLC (trading as the Utility Warehouse), which supplies a wide range of utility services (gas, electricity, fixed line telephony, mobile telephony and broadband internet) to both residential and business customers, announces half-year results for the six months ended 30 September 2011.

Financial highlights:

- Revenue up 10% to £161.7m (2010: £147.0m) reflecting continued organic growth
- Operating margin of 6.4% (2010: 5.3%)
- Profit before tax up 31% to £11.1m (2010: £8.5m)
- Strong underlying cash generation
- Earnings per share 12.2p (2010: 9.4p)
- Interim dividend increased to 10p per share (2010: 8p)
- Intention to pay a total dividend of 27p for the current year (2010: 22p)

Operating Highlights:

- Total services supplied up by 99,503 to 1,270,639
- Customer numbers up by 21,349 to 392,699
- Further growth in average services per residential club member to 3.53 (2010: 3.37)
- Organic growth in high quality customers gathering momentum
- Autumn sales conferences attended by over 3,500 distributors
- New generation website successfully launched

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

"We saw a consistent flow of new distributors joining the business, with customer and service numbers accelerating strongly during the second quarter. We are extremely pleased that this improvement has been broadly spread across all our major services, and with the significant increase we have seen in the proportion of new members who are applying for at least four major services to around 40%.

"Second half revenues and profits will benefit from the combined impact of a larger customer base and the seasonal nature of our business which sees most customers use around 70% of their annual energy consumption during the winter period.

"In an uncertain economic climate, our business is well positioned to deliver continuing strong organic growth in customer numbers, with rising revenues, profitability and earnings. We anticipate paying a final dividend of 17p per share making a total of 27p (2011: 22p) for the full year, and face the future with considerable confidence."

For more information please contact:

Telecom Plus PLC

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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 both the Communications and Energy markets.

Customers benefit from the convenience of a single monthly bill, consistently good value across all their utilities and exceptional levels of customer service. The Company does not advertise, relying instead on 'word of mouth' recommendation by existing satisfied customers in order to grow its market share.

Telecom Plus has a wholly owned subsidiary called TML which was purchased in 2002. TML supplies predominantly fixed line telephony and broadband internet to small and medium sized business customers through a network of authorised resellers and dealers.

Telecom Plus also has a 20% shareholding in Opus Energy Group Ltd, a successful, profitable and fast growing independent supplier of Gas and Electricity to small, medium and large business customers.

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

Interim Management Report

We are pleased to report a further period of strong organic growth.

Financial and Operating Review

Results

Revenue for the first half of the financial year increased by 10% to £161.7m (2010: £147.0m) and profit before tax increased by 31% to £11.1m (2010: £8.5m). Earnings per share for the period increased by 30% to 12.2p (2010: 9.4p). This strong financial performance is due to the combined impact of a higher gross margin, tight control of costs and increasing economies of scale.

Retail energy prices during the first half were broadly unchanged compared with the same period last year, while consumption was slightly lower than normal due to the particularly warm weather we experienced during the spring. This had the effect of increasing our gross margin for the period, which also benefited from the impact of more favourable commercial terms which we managed to negotiate with a number of our key wholesale partners. We do not expect this higher gross margin to be sustained, as we intend to use it in order to make our customer proposition even more competitive. We anticipate this will drive faster organic growth and improve customer retention, which will in turn lead to steadily rising earnings over the medium term.

We are particularly encouraged by the momentum which is developing within the business, where the solid growth we had seen during the first quarter increased during the second quarter, to an annualised rate of 15% (for customers) and 20% (for service numbers). This acceleration in the rate of organic growth has been accompanied by a further improvement in the quality of our customers, with around 40% of new members joining since 1 July taking at least four major services. Customer numbers at the end of the period reached 392,699 (2010: 357,300), whilst the number of services we are providing increased to 1,270,639 (2010: 1,107,217).

The number of active CashBack cards rose by around 24% during the period, with card spend on track to reach £180m over the next 12 months; this will generate over £6m in additional savings for our members.

Costs

Distribution expenses increased by 21% reflecting our growth in turnover, improving customer quality and faster organic growth, which together resulted in significantly higher commission payments.

We increased our bad debt provision for the period to £4.8m (2010: £3.3m). This reflects the uncertain outlook for debt recovery over the remainder of the current year, in what is likely to remain an extremely challenging economic environment for many households, not helped by the industry wide energy prices rises we have seen over the last few months. This higher bad debt charge, combined with a rise in headcount to ensure we maintain our current high standards of customer service as the business continues to grow, were the main factors behind the increase in administrative expenses during the period.

We have made real progress in reducing the proportion of delinquent energy customers (those who are using but not paying for the energy we have supplied to them), which has fallen from approximately 2.5% to 1.5% over the last 12 months. Whilst we are always prepared to assist households who are experiencing genuine financial difficulties, there unfortunately remain a small minority who refuse to pay for the energy they have used. We have made considerable progress in dealing with this issue over the last 12 months (successfully installing around 6,500 prepayment meters), and look forward to a progressive reduction in the level of bad debts over the medium term, as the quality of our customer base continues to improve.

Distributors

Interest in the part-time income opportunity we provide remains strong, with over 6,000 new distributors registering to market our services during the first half. We saw record attendance at the motivational

training conferences organised by our key leaders over the weekend of 17/18 September; spread across two venues, these were attended by over 3,500 distributors, reflecting the continuing enthusiasm and confidence of our sales channel.

Opus

Opus Energy Group Ltd ('Opus') continues to make strong progress in building its market share as the UK's leading independent supplier of energy to business users, supported by the positive reception they have received for Opus Evolution – their innovative software tool that gives large corporate users direct access to the wholesale electricity market; recent major account wins who are using this service include Halfords and Pizza Hut. Opus has also made exciting progress in building its new gas business, which is gaining significant scale and is on track to reach 10,000 sites by the end of next month. During the period we received a dividend of £1.8m in respect of our 20% equity investment, and our share of the profits for the first half of the current year increased to £874,000 (2010: £722,000).

Customer, Distributor and Service Numbers

Telecom Plus Group	FY2012		FY2011		
	Q2	Q1	Q4	Q3	Q2
Distributors	34,496	32,922	31,459	29,818	30,696
Customers					
Residential Club	312,121	299,973	293,292	285,450	280,009
Business Club	25,968	25,240	24,506	23,729	23,066
Total Club	338,089	325,213	317,798	309,179	303,075
Non Club	44,192	43,153	43,156	43,197	43,552
Total Telecom Plus	382,281	368,366	360,954	352,376	346,627
TML	10,418	10,372	10,396	10,452	10,673
Total Group	392,699	378,738	371,350	362,828	357,300
Services					
Electricity	316,746	303,495	296,412	288,895	282,135
Gas	267,675	255,741	249,482	243,064	236,836
Fixed Telephony	222,925	217,308	215,059	214,093	214,096
Fixed Line Rental	178,179	170,556	166,194	162,911	160,400
Broadband	126,087	118,252	113,411	109,813	107,052
Mobile	55,727	48,891	42,151	36,607	35,795
CashBack card	89,976	80,851	72,611	63,412	54,661
Non Geographic numbers	13,324	14,182	15,816	16,030	16,242
Total Group	1,270,639	1,209,276	1,171,136	1,134,825	1,107,217
Residential Club	1,102,959	1,044,786	1,007,185	971,354	943,577
Business Club	63,390	61,534	59,781	58,403	56,807
Total Club	1,166,349	1,106,320	1,066,966	1,029,757	1,000,384
Non Club	72,285	70,311	70,240	70,616	71,590
Total Telecom Plus	1,238,634	1,176,631	1,137,206	1,100,373	1,071,974
TML	32,005	32,645	33,930	34,452	35,243
Total Group	1,270,639	1,209,276	1,171,136	1,134,825	1,107,217

We saw a consistent flow of new distributors joining the business, with customer and service numbers accelerating strongly during the second quarter. We are extremely pleased that this improvement has been broadly spread across all our major services, and with the significant increase we have seen in the proportion of new members who are applying for at least four major services to around 40%.

Charity of the Year Partnership

We are delighted to announce that following a consultation process with both our staff and distributors, we have agreed to support the Make-A-Wish Foundation UK over the coming calendar year. The money we raise through this partnership will help Make-A-Wish in their mission to grant magical wishes to children and young people fighting life-threatening illnesses.

Future Opportunities

Our new generation website, which we launched earlier this month, creates an exciting opportunity to promote our services to both new and existing members, and we will be trialling a number of marketing initiatives over the next few months; this will include re-launching our customer referral scheme in order to capitalise on the high satisfaction rating we enjoy, as demonstrated by a recent survey in which 96% of our customers said they would recommend us to a friend (survey carried out in October 2011 with over 13,000 respondents).

We have been frustrated with the extensive delays being experienced by the "YouView" television consortium in bringing their innovative new service to market. We still believe that in due course this will provide an exciting opportunity for us to broaden our current range of services, grow revenues and improve customer retention. We continue to monitor the consortium's progress.

Interim Dividend

In line with guidance provided previously, the Board has decided to pay an interim dividend of 10p per share (2010: 8p) which will be paid on 19 December 2011 to shareholders on the register on 2 December 2011. The Company's shares will go ex-dividend on Wednesday 30 November 2011.

Cash Flow

Our underlying cash flow remains strong with cash balances increasing during the period by £18.4m. After eliminating our net debt at the financial year end, this resulted in a net cash position of £5.3m (2010: £18.0m), in line with management expectations. Whilst our cash balance is lower than at the same stage last year, this is mainly due to the impact of our new commercial arrangements with npower, which has eliminated both the peaks and troughs in our cash position associated with supplying energy to customers paying by Budget Plan.

We anticipate steady cash generation over the coming months and further improvement in our net cash position at the end of our financial year.

All our cash is held on deposit at Barclays Bank and we have no debt. As disclosed in our last annual report and accounts, we have borrowing facilities with Barclays of £11m through to 30 June 2012, although it is unlikely we will need to make any significant use of these facilities prior to their renewal date.

Tax

Our lower overall tax charge in the first half of 23% (2010: 24%) reflects the inclusion of our share of the increased profits of Opus (in which we have a 20% shareholding) which is shown on our Consolidated Statement of Comprehensive Income after tax has already been deducted; as their contribution generally accounts for a higher proportion of our earnings during the first half of each year, our tax charge for this period will generally therefore be lower than for the year as a whole. Excluding the impact of any earnings from Opus, it should be expected that our tax charge in future

will remain slightly below the underlying rate of UK corporation tax due to the tax treatment of share options.

Principal Risks and Uncertainties

The principal risks and uncertainties affecting the Company's activities which are detailed on pages 18 and 19 of the Report and Accounts for the year ended 31 March 2011 are unchanged and are repeated in Note 6 to this Half-Yearly Report. A copy of the Report and Accounts is available on the Company's website at www.utilitywarehouse.co.uk/corporate/investorRelations.

Responsibility Statement

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 2011, each of whom accordingly confirms that to the best of his knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 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 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 are:

Charles Wigoder	Executive Chairman
Julian Schild	Non-Executive Deputy Chairman
Andrew Lindsay	Chief Executive
Chris Houghton	Finance Director
Melvin Lawson	Non-Executive Director
Michael Pavia	Non-Executive Director

Outlook

The second half of our financial year has started strongly.

Retail energy prices have increased across the industry over the last few months, mainly reflecting rising wholesale costs. We took advantage of these changes to reposition ourselves more aggressively, by raising our own tariffs by less than most of our competitors. As a result, we have seen an increase in our net growth to approaching 10,000 energy services per month.

The recent improvements we have seen in our net growth have been driven predominantly by new members taking 3, 4 or even 5 major services from us, where the lifetime value is many times greater than the 'energy only' or 'telephony only' customers previously being gathered in significant numbers. These higher quality customers are expected to generate higher levels of profitability, with lower churn and lower bad debts, for many years to come.

We expect that the continuing difficult economic climate will provide strong support for our position in the market as the sole integrated supplier of a wide range of essential utility services, combining the convenience of a single bill with substantial cost savings and exceptional customer service. We also

expect the reduction in jobs within the public sector over the coming year to result in an increase in the number of new distributors joining the business, in search of a secure and reliable part-time income.

In the absence of unforeseen circumstances, we anticipate reporting record profits and turnover for the full year, and to paying a final dividend of 17p per share, making a total of 27p for the full year (2010: 22p). We intend to maintain our progressive dividend policy going forward, subject to retaining sufficient funds within the business to support our strong organic growth, and consider we are well placed to benefit from the opportunities which lie ahead.

Given on behalf of the Board

CHARLES WIGODER
Executive Chairman

CHRIS HOUGHTON
Finance Director

ANDREW LINDSAY
Chief Executive

21 November 2011

Independent Review Report to Telecom Plus PLC

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 2011 which comprises the consolidated statement of comprehensive income, consolidated balance sheet, consolidated cash-flow statement, consolidated statement of changes in equity and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with the terms of our engagement. 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.

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 Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting," as adopted by the European Union.

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.

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 United Kingdom. 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. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) 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.

Conclusion

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 2011 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

PKF (UK) LLP

London, UK

21 November 2011

Consolidated Statement of Comprehensive Income

	6 months ended 30 September 2011 (unaudited) £'000	6 months ended 30 September 2010 (unaudited) £'000	Year ended 31 March 2011 (audited) £'000
Revenue	161,658	146,973	418,845
Cost of sales	<u>(127,595)</u>	<u>(120,050)</u>	<u>(352,273)</u>
Gross profit	34,063	26,923	66,572
Distribution expenses	(6,789)	(5,596)	(13,252)
Administrative expenses	(17,127)	(13,647)	(28,301)
Other income	<u>183</u>	<u>76</u>	<u>82</u>
Operating profit	<u>10,330</u>	<u>7,756</u>	<u>25,101</u>
Financial income	23	29	74
Financial expense	<u>(112)</u>	<u>(42)</u>	<u>(69)</u>
Net financial (expense) / income	(89)	(13)	5
Share of profit of associates	874	722	2,400
Profit before taxation	<u>11,115</u>	<u>8,465</u>	<u>27,506</u>
Taxation	<u>(2,586)</u>	<u>(2,051)</u>	<u>(6,781)</u>
Profit for the period attributable to the owners of the parent	<u>8,529</u>	<u>6,414</u>	<u>20,725</u>
Deferred tax on share options	809	218	167
Total comprehensive income for the period attributable to the owners of the parent	<u>9,338</u>	<u>6,632</u>	<u>20,892</u>
Basic earnings per share	<u>12.2p</u>	<u>9.4p</u>	<u>30.1p</u>
Diluted earnings per share	<u>12.1p</u>	<u>9.3p</u>	<u>29.9p</u>
Interim dividend per share	<u>10.0p</u>	<u>8.0p</u>	

Consolidated Balance Sheet

	As at 30 September 2011 (unaudited) £'000	As at 30 September 2010 (unaudited) £'000	As at 31 March 2011 (audited) £'000
Assets			
Non-current assets			
Property, plant and equipment	12,983	12,224	12,468
Goodwill and intangible assets	6,712	3,742	3,742
Investments in associates	4,370	3,634	5,313
Deferred tax	1,673	1,606	1,118
Non-current receivables	5,969	4,676	5,095
Total non-current assets	<u>31,707</u>	<u>25,882</u>	<u>27,736</u>
Current assets			
Inventories	485	304	347
Trade and other receivables	13,935	12,003	15,772
Prepayments and accrued income	56,355	45,014	79,307
Cash and cash equivalents	5,337	17,961	2,419
Total current assets	<u>76,112</u>	<u>75,282</u>	<u>97,845</u>
Total assets	<u>107,819</u>	<u>101,164</u>	<u>125,581</u>
Current liabilities			
Short term borrowings	-	-	(15,525)
Trade and other payables	(4,843)	(3,311)	(3,937)
Current tax payable	(2,089)	(1,986)	(2,565)
Accrued expenses and deferred income	(47,794)	(53,445)	(51,852)
Total current liabilities	<u>(54,726)</u>	<u>(58,742)</u>	<u>(73,879)</u>
Total assets less total liabilities	<u>53,093</u>	<u>42,422</u>	<u>51,702</u>
Equity attributable to the owners of the parent			
Share capital	3,499	3,452	3,477
Share premium	6,198	2,014	4,298
Treasury shares	(444)	(375)	-
JSOP reserve	(2,275)	-	(2,275)
Retained earnings	46,115	37,331	46,202
Total equity	<u>53,093</u>	<u>42,422</u>	<u>51,702</u>

Consolidated Cash Flow Statement

	6 months ended 30 September 2011 (unaudited) £'000	6 months ended 30 September 2010 (unaudited) £'000	Year ended 31 March 2011 (audited) £'000
Operating activities			
Operating profit	10,330	7,756	25,101
Depreciation of property, plant and equipment	635	511	1,076
Distribution from associated company	1,817	1,090	1,090
Increase in inventories	(138)	(70)	(113)
Decrease / (increase) in trade and other receivables	23,915	17,337	(21,144)
(Decrease) / increase in trade and other payables	(4,636)	243	(724)
Share based payment charge	268	227	436
Corporation tax paid	(2,810)	(2,048)	(5,745)
Net cash flow from operating activities	<u>29,381</u>	<u>25,046</u>	<u>(23)</u>
Investing activities			
Purchase of property, plant and equipment	(1,150)	(637)	(1,447)
Cash flow from investing activities	<u>(1,150)</u>	<u>(637)</u>	<u>(1,447)</u>
Financing activities			
Dividends paid	(9,693)	(9,604)	(15,118)
Interest received	23	29	74
Interest paid	(112)	(42)	(69)
Issue of ordinary shares	438	-	12
Purchase of own shares	(444)	-	-
Sale of Treasury shares	-	696	992
Cash flow from financing activities	<u>(9,788)</u>	<u>(8,921)</u>	<u>(14,109)</u>
Increase / (decrease) in cash and cash equivalents	<u>18,443</u>	<u>15,488</u>	<u>(15,579)</u>
At the beginning of the period:			
Cash and cash equivalents	2,419	2,473	2,473
Short term borrowings	(15,525)	-	-
Cash and cash equivalents at the end of the period	<u>5,337</u>	<u>17,961</u>	<u>(13,106)</u>

Consolidated Statement of Changes in Equity

	Share Capital £'000	Share Premium £'000	JSOP Reserve £'000	Treasury Shares £'000	Retained Earnings £'000	Total £'000
Balance at 1 April 2010	3,452	2,000	-	(1,278)	40,314	44,488
Profit for the period ended 30 September 2010					6,414	6,414
Deferred tax on share options					218	218
Total comprehensive income for the period					<u>6,632</u>	<u>6,632</u>
Dividends					(9,604)	(9,604)
Sale of treasury shares		14		903	(238)	679
Credit arising on share options					227	227
Balance at 30 September 2010	<u>3,452</u>	<u>2,014</u>	<u>-</u>	<u>(375)</u>	<u>37,331</u>	<u>42,422</u>
Balance at 1 October 2010	3,452	2,014	-	(375)	37,331	42,422
Profit for the period ended 31 March 2011					14,311	14,311
Deferred tax on share options					(51)	(51)
Total comprehensive income for the period					<u>14,260</u>	<u>14,260</u>
Dividends					(5,514)	(5,514)
Sale of treasury shares		22		375	(84)	313
Credit arising on share options					209	209
Issue of new shares to JSOP	25	2,250	(2,275)			-
Issue of new shares		12				12
Balance at 31 March 2011	<u>3,477</u>	<u>4,298</u>	<u>(2,275)</u>	<u>-</u>	<u>46,202</u>	<u>51,702</u>
Balance at 1 April 2011	3,477	4,298	(2,275)	-	46,202	51,702
Profit for the period ended 30 September 2011					8,529	8,529
Deferred tax on share options					809	809
Total comprehensive income for the period					<u>9,338</u>	<u>9,338</u>
Dividends					(9,693)	(9,693)
Purchase of treasury shares				(444)		(444)
Issue of new shares	22	1,900				1,922
Credit arising on share options					268	268
Balance at 30 September 2011	<u>3,499</u>	<u>6,198</u>	<u>(2,275)</u>	<u>(444)</u>	<u>46,115</u>	<u>53,093</u>

Notes to the Half-Yearly Report

1. General information

The financial information contained in this Half-Yearly Report does not constitute statutory accounts as defined in section 435 of the Companies Act 2006. No statutory accounts for the period have been delivered to the Registrar of Companies. The financial information contained in this Half-Yearly Report has not been audited but has been subject to a review by the auditor.

The statutory accounts for year ended 31 March 2011 which were prepared under International Financial Reporting Standards as adopted by the European Union, have been filed with the Registrar of Companies. The auditor's report on these accounts was unqualified and did not contain a statement under section 498(2) or 498(3) of the Companies Act 2006.

The Group's consolidated financial information has been prepared on the going concern basis and in accordance with accounting policies consistent with those adopted in the financial statements for the year ended 31 March 2011 and has been drawn up in accordance with International Accounting Standard 34, "Interim Financial Reporting".

This Half-Yearly Report was approved for issue by the Board of Directors on 21 November 2011.

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.

2. Operating segments

For management reporting purposes, the Group is currently organised into two operating divisions: Customer Management and Customer Acquisition. These divisions form the basis on which the Group reports its segment information.

	6 months ended 30 September 2011 (unaudited)		6 months ended 30 September 2010 (unaudited)		Year ended 31 March 2011 (audited)	
	Revenue £'000	Segment Result £'000	Revenue £'000	Segment Result £'000	Revenue £'000	Segment Result £'000
Customer Management	157,988	14,518	144,472	10,301	413,490	30,211
Customer Acquisition	3,670	(4,188)	2,501	(2,545)	5,355	(5,110)
Total	<u>161,658</u>	<u>10,330</u>	<u>146,973</u>	<u>7,756</u>	<u>418,845</u>	<u>25,101</u>

Notes to the Half-Yearly Report (continued)

	6 months ended 30 September 2011 (unaudited) £'000	6 months ended 30 September 2010 (unaudited) £'000	Year ended 31 March 2011 (audited) £'000
3. Dividends			
Final dividend for the year ended 31 March 2011 of 14p per share (2010: 14p)	9,693	9,604	9,604
Interim dividend for the year ended 31 March 2011 of 8p per share (2010: 8p)	-	-	5,514

An interim dividend of 10p per share will be paid on 19 December 2011 to shareholders on the register at close of business on 2 December 2011. The estimated amount of this dividend to be paid is £7.0 million and, in accordance with IFRS accounting requirements, has not been recognised in these accounts.

4. Earnings per share

The calculation of the basic and diluted earnings per share is based on the following data:

	£'000	£'000	£'000
Earnings for the purpose of basic and diluted earnings per share	8,529	6,414	20,725
	Number (000s)	Number (000s)	Number (000s)
Weighted average number of ordinary shares for the purpose of basic earnings per share	69,686	68,534	68,740
Effect of dilutive potential ordinary shares (share options)	955	487	560
Weighted average number of ordinary shares for the purpose of diluted earnings per share	70,641	69,021	69,300
Basic earnings per share	12.2p	9.4p	30.1p
Diluted earnings per share	12.1p	9.3p	29.9p

Notes to the Half-Yearly Report (continued)

5. Allotment of shares to npower Limited at nominal value

On 25 May 2011 the Company announced that it had reached agreement with npower to vary the terms of the existing long term energy supply agreements under which npower is responsible for providing all the gas and electricity used by the Company's customers.

In recognition of the substantial benefits expected to accrue to the Company as a result of the revised supply agreements, it was agreed that subject to shareholder approval, new ordinary shares in the Company with a market value of £3 million be allotted to npower at nominal value. Shareholder approval for the allotment of these shares was duly granted by the Company's shareholders at its Annual General Meeting held on 13 July 2011.

Accounting treatment

On the inception of the new supply agreements with npower, an intangible asset of approximately £3 million was recognised in the Company's Balance Sheet in order to reflect the inherent value to the Company arising from the revised arrangements. At the same time, an equal current liability of approximately £3 million was also recognised by the Company to reflect the future commitment to issue new shares to npower in two tranches with a total market value £3 million.

On 24 August 2011, in accordance with the terms of the revised supply agreements, the first tranche of 231,562 new ordinary shares in the Company with a market value of £1.5 million were duly issued and allotted to npower Limited. At the date of allotment, the Company received cash equal to the nominal value of the shares issued from npower and approximately £1.5 million was transferred from current liabilities to the share premium account.

It is expected that the second tranche of shares with a market value of £1.5 million will be issued and allotted to npower in January 2012.

6. Principal Risks

The Group faces various risk factors, both internal and external, which could have a material impact on long-term performance.

Reputation risk

Telecom Plus's reputation amongst our business partners, suppliers, shareholders and customers is fundamental to the future success of the Group. Failure to meet expectations in terms of the services we provide, the way that we do business or in our financial performance could have a material effect on the Group. These risks are mitigated through our focus on quality customer service, the training of our staff and our systems of internal control and risk management.

Wholesale prices

The Company does not currently own or operate any network infrastructure itself, choosing instead to purchase the capacity needed from third parties. The advantage of this approach is that the Company is not exposed to either technological risk, capacity risk or the risk of obsolescence, as it can purchase each month the exact 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 Company 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 either regulated (as in the energy market) or subject to significant competitive pressures (as in telephony). The profile of our customers, the significant quantities of each service they consume in aggregate, and our clearly differentiated route to market has historically proven attractive to potential partners, who compete aggressively in order to secure a share of our business.

The supply of energy, which has been accounting for an increasing proportion of our sales each year, 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. In March 2006, the Company entered into a relationship with npower under which they assumed the substantive risks and rewards of hedging and buying energy for our customers; this has enabled the Company to earn a positive contribution from providing energy since that date.

Bad debt risk on energy customers

The Company has a universal supply obligation in relation to the provision of energy to domestic customers. This means that although the Company is entitled to request a reasonable deposit from potential new customers who are not considered credit worthy, the Company 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 ("Delinquent Customers"), there is likely to be a considerable delay before the Company is able to eliminate its exposure to future bad debt from them by either installing a pre-payment meter or disconnecting their supply, and the costs associated with preventing such Delinquent Customers from increasing their indebtedness are not always recoverable.

Bad debt risk on telephony customers

There is regular fraud within the telephony industry which arises from customers using the services without intending to pay their supplier. Although the amounts involved are generally small, larger-scale fraud is sometimes attempted involving calls to premium rate and/or international destinations. The Company has sophisticated systems to prevent material losses arising as a result of such fraud by processing all call traffic on an hourly or daily basis, and promptly disconnecting any number whose usage profile appears to be suspicious, although short delays are sometimes experienced in receiving information from our network partners.

Information technology risk

The Company is dependent on its proprietary billing and customer management software for the successful implementation of its business strategy. This software is developed and maintained in accordance with the changing needs of the business by a small team of highly skilled, motivated and experienced individuals. Back-ups of both the software and data are made on a regular basis and securely stored off-site.

Competitive risk

The Group operates in highly competitive markets and significant product innovations or increased price competition could affect our margins. In order to maintain our competitive position, we constantly focus on ways of improving our operating efficiency and keeping our cost base as low as possible.

Legislation and regulatory risk

The Group is subject to varying laws and regulations, including possible adverse effects from European regulatory intervention.

Risk management

The business 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 and prioritised, and systems of control are in place to manage such risks.