

TELECOMPLUSPLC

Embargoed until 0700

20 November 2012

Telecom Plus PLC

Half-Year Results for the Six Months ended 30 September 2012

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 2012.

Financial highlights:

- Revenue up 30% to £210.0m (2011: £161.7m) reflecting continued strong organic growth
- Profit before tax up 8.7% to £12.1m (2011: £11.1m)
- Earnings per share up 9.8% to 13.5p (2011: 12.3p)
- Interim dividend increased by 30% to 13p per share (2011: 10p)

Operating highlights:

- Total services supplied up by 107,722 to 1,488,745
- Customer numbers up by 22,657 to 438,146
- Further growth in average services per residential Club member to 3.72 (2011: 3.53)
- Continuing improvement in customer quality
- Autumn sales conferences attended by over 4,000 distributors

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

"I am very pleased by the continuing strong momentum being demonstrated by the business; we have now seen five consecutive quarters in which service numbers have grown by more than 50,000.

This consistency in the rate of organic growth has been accompanied by a steady improvement in the quality of our customers, with over 55% of new members joining during the period taking at least four major services.

The Board has expressed confidence that we will deliver record turnover, profits and earnings per share for the full year; this is reflected in the 30% increase we are making in our interim dividend payment and in our intention to pay a total dividend of 31p for the full year."

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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 Telecommunications Management Limited ("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 Limited, 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 30% to £210.0m (2011: £161.7m) and profit before tax increased by 8.7% to £12.1m (2011: £11.1m). Earnings per share for the period increased by 9.8% to 13.5p (2011: 12.3p).

The 30% increase in revenues reflects the strong customer growth we have achieved over the last 12 months combined with an increase in the average number of services being taken and higher energy prices, partially offset by the stronger competitive position we have adopted in the landline, mobile and broadband markets where many customers have seen a reduction in their cost of using these services.

Our lower gross margin percentage for the period is in line with previous guidance and reflects the increased proportion of our total turnover that relates to lower margin energy services combined with the actions we have taken to make our customer proposition even more competitive. We anticipate that our full year gross margin will be comfortably within the 13% to 15% medium term range previously indicated.

We are very pleased by the continuing strong momentum being demonstrated by the business; we have now seen five consecutive quarters in which service numbers have grown by more than 50,000. It is particularly encouraging that this consistency in the rate of organic growth has been accompanied by a steady improvement in the quality of our customers, with over 55% (2011: 37%) of new members joining during the period taking at least four major services; this has driven the average number of services taken by each residential Club member to a record high of 3.72 (2011: 3.53). Customer numbers at the end of the period reached 438,146 (2011: 392,699), whilst the number of services we are providing increased to 1,488,745 (2011: 1,270,639).

This continuing trend towards a higher quality customer base derives directly from the ongoing focus of our distribution channel on gathering home owners who take a combination of energy and communication services from us, and thus benefit from the simplicity and convenience of our integrated billing system; we are particularly pleased with the impact this is having in reducing both customer churn and delinquency levels (customers with two or more invoices outstanding). Coupled with higher average revenues from each customer, this can be expected to significantly enhance the future profitability of the business.

Costs

Distribution expenses increased by 10.2% reflecting the impact of our continuing strong organic growth, and consequent increase in the amount of commission paid to distributors.

Within administration costs, our bad debt charge fell to £3.9m (2011: £4.8m), primarily reflecting the ongoing reduction in our delinquency levels which have fallen from approximately 2.5% to 1.1% over the last 24 months as the quality of our customer base has improved. It is particularly encouraging to have achieved this reduction in such a challenging economic environment, and against the backdrop of industry wide energy price rises. The reduction in our bad debt charge was partially offset by the costs of employing more staff to ensure we maintain our current high standards of customer service as the business continues to grow; as a result, the overall level of administrative expenses for the period was almost unchanged.

Staff numbers increased by around 10% over the last 12 months, compared to an increase of 17.2% in service numbers; this demonstrates the considerable scope for improving operational efficiency over the medium term as our business continues to grow.

Distributors

Interest in the part-time income opportunity we provide remains strong, with around 6,000 new distributors registering to market our services during the first half of the year. We were pleased to see a record attendance of more than 4,000 distributors at the motivational training conferences organised by our key leaders over the weekend of 15/16 September which were again held in Bradford and Cheltenham. To sustain this enthusiasm, we have recently enhanced our training programme, and also introduced a new incentive designed to focus distributors on the benefits of consistent activity during their first year.

Opus Energy Group Limited ("Opus")

Opus continues to make strong progress in building its market share as the UK's leading independent supplier of energy to business users. The number of electricity sites they supply increased by 23% during the year; with gas site numbers having increased year-on-year by over 50%.

Turnover at Opus has historically been weighted towards the second half of the financial year, and their rapidly growing new gas business is further exacerbating this trend. Against a backdrop of fixed costs that are broadly constant throughout the year (other than growth related administration costs), these increasingly seasonal revenues have resulted in our share of their profits for the first half falling slightly to £811,000 (2011: £874,000).

The Opus Board remain confident that the outcome for the full year will be significantly ahead of the record profits they reported last year.

Customer, Distributor and Service Numbers

Telecom Plus Group	FY2013		FY2012		
	Q2	Q1	Q4	Q3	Q2
Distributors	37,709	37,777	37,263	35,536	34,496
Customers					
Residential Club	352,733	343,346	333,497	322,131	312,121
Business Club	27,717	27,141	26,649	26,222	25,968
Total Club	380,450	370,487	360,146	348,353	338,089
Non Club	48,379	46,091	45,005	43,813	44,192
Total Telecom Plus	428,829	416,578	405,151	392,166	382,281
TML	9,317	9,828	10,338	10,364	10,418
Total Group	438,146	426,406	415,489	402,530	392,699
Services					
Electricity	375,262	361,202	348,629	333,068	316,746
Gas	311,780	300,420	290,057	277,682	267,675
Fixed telephony	240,963	236,517	232,890	226,330	222,925
Fixed line rental	206,316	199,669	191,667	183,847	178,179
Broadband	157,355	149,608	140,771	132,219	126,087
Mobile	77,344	69,225	63,724	60,028	55,727
CashBack card	108,806	106,235	101,351	96,203	89,976
Non geographic numbers	10,919	11,463	11,934	12,791	13,324
Total Group	1,488,745	1,434,339	1,381,023	1,322,168	1,270,639
Residential Club	1,311,540	1,262,437	1,211,122	1,154,509	1,102,959
Business Club	69,773	67,284	65,683	64,440	63,390
Total Club	1,381,313	1,329,721	1,276,805	1,218,949	1,166,349
Non Club	79,723	75,838	73,638	71,675	72,285
Total Telecom Plus	1,461,036	1,405,559	1,350,443	1,290,624	1,238,634
TML	27,709	28,780	30,580	31,544	32,005
Total Group	1,488,745	1,434,339	1,381,023	1,322,168	1,270,639

Charity of the Year Partnership

Thanks to the enthusiastic and generous support of customers, distributors and staff, our charity partnership with the Make-A-Wish Foundation UK is on target to raise around £150,000 in the current calendar year to support them in granting magical wishes to children and young people fighting life-threatening illnesses.

Future Opportunities

We continue to invest significant resources in developing our online presence, which we believe offers significant medium-term potential to increase our current growth using complementary marketing initiatives aimed at both new (such as a customer referral scheme) and existing (e.g. additional services) members. We have successfully trialled email campaigns promoting our mobile service to existing members, and look forward to re-launching our customer referral scheme once the necessary development work is complete.

There is considerable uncertainty in the television space at the moment with multiple hardware platforms, distribution technologies and content providers all jockeying for position (Cable, Satellite, Broadband, Freeview, YouView, Google, Apple and many others). We are therefore adopting a "watching brief" on this market until it becomes clear which, if any, commercial opportunities can sensibly be harnessed for the benefit of all our stakeholders.

We welcome the groundswell of opinion which is building behind the idea that energy suppliers should have to automatically put each of their customers onto their cheapest available tariff. This would create a stronger competitive environment by preventing the former monopoly suppliers (who between them still have a market share of around 97% of UK households) from exploiting their legacy bases by using the profits generated from them to offer below-cost introductory deals to new customers.

We also continue to explore the possible introduction of ancillary new services, with a view to making a number of complementary products available to members of our Discount Club in due course.

Interim Dividend

The Board has decided to increase the interim dividend by 30% to 13p per share (2011: 10p); this will be paid on 17 December 2012 to shareholders on the register on 30 November 2012 and is expected to represent a higher proportion of the total dividend than in previous years as we move progressively towards a more even split between the interim and final dividend payments. The Company's shares will go ex-dividend on Wednesday 28 November 2012.

Cash Flow

Our underlying cash flow remains strong with a net cash position of £0.7m (31 March 2012: £0.9m). We paid a final dividend of £11.9m in August, reflecting our stated policy of returning most of our earnings back to shareholders each year through dividends.

We anticipate steady cash generation over the coming months and a significant 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 long-term debt. As disclosed in our last annual report and accounts, we have borrowing facilities with Barclays of £20m through to 30 June 2013, although we do not currently anticipate needing to make significant use of these facilities prior to their renewal date.

Tax

Our lower effective tax rate in the first half of 22% (2011: 23%) reflects the inclusion of our share of the 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. We anticipate 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 as detailed on pages 18-20 of the Report and Accounts for the year ended 31 March 2012 are unchanged, and are repeated in Note 5 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 2012, 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 – 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 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 seen a particularly strong start with a record rate of new service growth being achieved over the last seven weeks, although the Christmas and New Year holiday period historically sees a brief lull in activity.

All the major energy suppliers (with the exception of E.ON who are expected to follow suit shortly) have recently announced price rises, reflecting higher wholesale, social, regulatory, infrastructure and low-carbon related energy costs. We once again took advantage of these changes to position ourselves more competitively; we anticipate that this will help us to build on the strong momentum we are currently seeing in new customer and service numbers.

The consistent growth in services that we have seen over the last 15 months is being driven by an increasing proportion of new members taking four or more major services from us, where the lifetime value is many times greater than the 'energy only' or 'telephony only' customers which were gathered historically; we are encouraged that these high quality customers now account for 36.9% (2011: 29.9%) of our residential Club membership. This steady improvement in the proportion of our customers who fall into this category is expected to generate increasing levels of profitability (with lower churn and lower bad debts) for many years to come.

The continuing difficult economic climate is providing 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 anticipate that distributor recruitment will continue at around current levels for the foreseeable future, reflecting the attractiveness of the secure and reliable part-time business opportunity we provide.

The growth in service numbers achieved over the last 12 months and the improvements we have seen in the quality of our customer base give us considerable confidence in the outcome for the full year; we expect turnover, profits and earnings per share to all set new records in line with market expectations. The Board proposes to pay a total dividend of 31p for the full year and we intend to maintain our progressive dividend policy going forward, subject to retaining sufficient funds within the business to support our strong organic growth. We remain 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

19 November 2012

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 2012 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 2012 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

19 November 2012

Consolidated Statement of Comprehensive Income

	6 months ended 30 September 2012 (unaudited) £'000	6 months ended 30 September 2011 (unaudited) £'000	Year ended 31 March 2012 (audited) £'000
Revenue	210,020	161,658	471,458
Cost of sales	<u>(174,648)</u>	<u>(127,595)</u>	<u>(395,085)</u>
Gross profit	35,372	34,063	76,373
Distribution expenses	(7,483)	(6,789)	(16,017)
Administrative expenses	(17,099)	(17,127)	(32,563)
Other income	<u>484</u>	<u>183</u>	<u>370</u>
Operating profit	<u>11,274</u>	<u>10,330</u>	<u>28,163</u>
Financial income	24	23	49
Financial expense	<u>(30)</u>	<u>(112)</u>	<u>(132)</u>
Net financial expense	(6)	(89)	(83)
Share of profit of associates	811	874	2,663
Profit before taxation	<u>12,079</u>	<u>11,115</u>	<u>30,743</u>
Taxation	<u>(2,679)</u>	<u>(2,586)</u>	<u>(7,290)</u>
Profit and total comprehensive income for the period attributable to owners of the parent	<u>9,400</u>	<u>8,529</u>	<u>23,453</u>
Basic earnings per share	<u>13.5p</u>	<u>12.3p</u>	<u>33.8p</u>
Diluted earnings per share	<u>13.2p</u>	<u>12.2p</u>	<u>33.4p</u>
Interim dividend per share	<u>13.0p</u>	<u>10.0p</u>	

Consolidated Balance Sheet

	As at 30 September 2012 (unaudited) £'000	As at 30 September 2011 (unaudited) £'000	As at 31 March 2012 (audited) £'000
Assets			
Non-current assets			
Property, plant and equipment	18,880	12,983	19,256
Intangible assets	2,969	2,970	2,969
Goodwill	3,742	3,742	3,742
Investments in associates	4,624	4,370	6,159
Deferred tax	1,545	1,673	1,321
Non-current receivables	8,189	5,969	7,711
Total non-current assets	<u>39,949</u>	<u>31,707</u>	<u>41,158</u>
Current assets			
Inventories	339	485	452
Trade and other receivables	16,254	13,935	15,563
Prepayments and accrued income	63,038	56,355	79,148
Cash	3,492	5,337	3,846
Total current assets	<u>83,123</u>	<u>76,112</u>	<u>99,009</u>
Total assets	<u>123,072</u>	<u>107,819</u>	<u>140,167</u>
Current liabilities			
Short term borrowings	(2,757)	-	(2,900)
Trade and other payables	(5,039)	(4,843)	(5,317)
Current tax payable	(2,212)	(2,089)	(2,981)
Accrued expenses and deferred income	(51,679)	(47,794)	(66,158)
Total current liabilities	<u>(61,687)</u>	<u>(54,726)</u>	<u>(77,356)</u>
Total assets less total liabilities	<u>61,385</u>	<u>53,093</u>	<u>62,811</u>
Equity			
Share capital	3,520	3,499	3,510
Share premium	8,133	6,198	7,716
Treasury shares	-	(444)	-
JSOP reserve	(2,275)	(2,275)	(2,275)
Retained earnings	52,007	46,115	53,860
Total equity	<u>61,385</u>	<u>53,093</u>	<u>62,811</u>

Consolidated Cash Flow Statement

	6 months ended 30 September 2012 (unaudited) £'000	6 months ended 30 September 2011 (unaudited) £'000	Year ended 31 March 2012 (audited) £'000
Operating activities			
Operating profit	11,274	10,330	28,163
Depreciation of property, plant and equipment	614	635	1,286
Distribution from associated company	2,365	1,817	1,817
Decrease / (increase) in inventories	113	(138)	(105)
Decrease / (increase) in trade and other receivables	14,941	23,915	(2,248)
(Decrease) / increase in trade and other payables	(14,757)	(4,636)	15,686
Costs attributed to the issue of share options	382	268	641
Corporation tax paid	(3,432)	(2,810)	(6,656)
Net cash flow from operating activities	<u>11,500</u>	<u>29,381</u>	<u>38,584</u>
Investing activities			
Purchase of property, plant and equipment	(238)	(1,150)	(8,074)
Purchase of shares in associated company	(18)	-	-
Cash flow from investing activities	<u>(256)</u>	<u>(1,150)</u>	<u>(8,074)</u>
Financing activities			
Dividends paid	(11,876)	(9,693)	(16,636)
Interest received	24	23	49
Interest paid	(30)	(112)	(132)
Issue of new ordinary shares	427	438	483
Purchase of own shares	-	(444)	(444)
Sale of treasury shares	-	-	222
Cash flow from financing activities	<u>(11,455)</u>	<u>(9,788)</u>	<u>(16,458)</u>
(Decrease) / increase in cash and cash equivalents	<u>(211)</u>	<u>18,443</u>	<u>14,052</u>
Net cash and cash equivalents at the beginning of the period	946	(13,106)	(13,106)
Net cash and cash equivalents at the end of the period	735	5,337	946
Cash	3,492	5,337	3,846
Short term borrowings	(2,757)	-	(2,900)
Net cash and cash equivalents at the end of the period	<u>735</u>	<u>5,337</u>	<u>946</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 2011	3,477	4,298	(2,275)	-	46,202	51,702
Profit and total comprehensive income for the period					8,529	8,529
Deferred tax on share options					809	809
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	3,499	6,198	(2,275)	(444)	46,115	53,093
Balance at 1 October 2011	3,499	6,198	(2,275)	(444)	46,115	53,093
Profit and total comprehensive income for the period					14,924	14,924
Deferred tax on share options					(387)	(387)
Dividends					(6,943)	(6,943)
Sale of treasury shares				444	(222)	222
Issue of new shares	11	1,518				1,529
Credit arising on share options					373	373
Balance at 31 March 2012	3,510	7,716	(2,275)	-	53,860	62,811
Balance at 1 April 2012	3,510	7,716	(2,275)	-	53,860	62,811
Profit and total comprehensive income for the period					9,400	9,400
Deferred tax on share options					241	241
Dividends					(11,876)	(11,876)
Issue of new shares	10	417				427
Credit arising on share options					382	382
Balance at 30 September 2012	3,520	8,133	(2,275)	-	52,007	61,385

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 2012 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 2012 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 19 November 2012.

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 2012 (unaudited)		6 months ended 30 September 2011 (unaudited)		Year ended 31 March 2012 (audited)	
	Revenue £'000	Segment Result £'000	Revenue £'000	Segment Result £'000	Revenue £'000	Segment Result £'000
Customer Management	205,645	15,689	157,988	14,518	464,469	37,096
Customer Acquisition	4,375	(4,415)	3,670	(4,188)	6,989	(8,933)
Total	210,020	11,274	161,658	10,330	471,458	28,163

Notes to the Half-Yearly Report (continued)

	6 months ended 30 September 2012 (unaudited) £'000	6 months ended 30 September 2011 (unaudited) £'000	Year ended 31 March 2012 (audited) £'000
3. Dividends			
Final dividend for the year ended 31 March 2012 of 17p per share (2011: 14p)	11,876	9,693	9,693
Interim dividend for the year ended 31 March 2012 of 10p per share (2011: 8p)	-	-	6,943

An interim dividend of 13p per share will be paid on 17 December 2012 to shareholders on the register at close of business on 30 November 2012. The estimated amount of this dividend to be paid is £9.1 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	9,400	8,529	23,453
	Number (000s)	Number (000s)	Number (000s)
Weighted average number of ordinary shares for the purpose of basic earnings per share	69,797	69,186	69,365
Effect of dilutive potential ordinary shares (share options)	1,147	955	940
Weighted average number of ordinary shares for the purpose of diluted earnings per share	70,944	70,141	70,305
Basic earnings per share	13.5p	12.3p	33.8p
Diluted earnings per share	13.2p	12.2p	33.4p

Notes to the Half-Yearly Report (continued)

5. Principal Risks

Background

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.

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.

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 and broadband internet) under the Utility Warehouse and TML brands. As a reseller, the Group does not own any of the network infrastructure required to deliver its services to customer. 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 distributors, who are paid solely on a commission basis. This means that the Group has minimal 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 independent distributors 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 negative impact on the Group's performance.

In relation to customer service, reputational risk is principally mitigated through a focus on closely monitoring staff performance and through the provision of rigorous staff training.

Responsibility for maintaining effective relationships with suppliers and distributors 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 distributor 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 dependent on its proprietary billing and customer management software for the successful operation of its business model. This software is developed and maintained in accordance with the changing needs of the business by a team of highly skilled, long-standing, motivated and experienced individuals.

All significant changes which are made to the billing and customer management software are extensively tested before launch and are ultimately approved by the heads of the IT and Billing departments in consultation with the Chief Executive as appropriate.

Back-ups of both the software and underlying billing and customer data are made on a regular basis and securely stored off-site. The Group also has extensive back-up information technology infrastructure in the event of a failure of the main system, ensuring that a near-seamless service to customers can be maintained.

Legislative and regulatory risk

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

The majority of the Group's services are supplied into highly regulated markets, and this could restrict the operational flexibility of the business. In order to mitigate this risk, the Group maintains an appropriate relationship with both Ofgem and Ofcom (the UK regulators for the energy and communications markets respectively). We engage with officials from both these organisations on a periodic basis to ensure they are aware of our views when they are consulting on proposed regulatory changes, or if there are competition issues we need to raise with them. The Group is also exposed to European regulatory intervention, but there is little (if anything) we can do at a practical level to influence any such events.

However, it should be noted that the regulatory environment for the various markets in which we operate is generally focussed on promoting competition. As one of the new entrants, it seems reasonable to expect that most such changes will benefit the Group, given our relatively small size compared to the former monopoly incumbents with whom we compete.

Fraud and Bad debt risk

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 creditworthy, 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 fully recovered.

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

More generally, we are also exposed to credit card fraud, where customers use stolen cards to obtain credit (e.g. on their CashBack card) or goods (e.g. Smart Phones) from us; we are constantly refining our fraud protection systems to reduce our exposure to such activities.

Wholesale prices

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 not exposed to either technological risk, capacity risk or the risk of obsolescence, as it can purchase the exact amount of each service required to meet its customers' needs each month.

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 either regulated (as in the energy market) or subject to significant competitive pressures (as in telephony and broadband). 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 increasingly aggressively in order to secure a share of our growing business.

The supply of energy, which accounts for an increasing proportion of 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. The Company has a long-standing supply relationship with npower under which they assume the substantive risks and rewards of hedging and buying energy for our customers.

As described in our 2011 annual report, the main supply agreement with npower was renewed on 24 May 2011 with npower additionally taking on the seasonal working capital obligation associated with supplying customers who use an annual budget plan to pay for their energy.

Competitive risk

The Group operates in highly competitive markets and significant product innovations or increased price competition could impact future profit margins. In order to maintain its competitive position, there is a constant focus on ways of improving operational efficiency and keeping the cost base as low as possible. New product innovations are monitored closely by senior management and the Group is typically able to respond rapidly by offering any new services through the infrastructure of its existing suppliers.

The Company offers a unique multiservice proposition. The increasing proportion of customers who are benefiting from a genuine multiservice proposition, that is unavailable from any other supplier, materially reduces any competitive threat.