

TELECOMPLUSPLC

Embargoed until 0700

19 November 2014

Telecom Plus PLC

Half-Year Results for the Six Months ended 30 September 2014

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, today announces its half-year results for the six months ended 30 September 2014.

Financial highlights:

- Revenue up 9% to £267.3m (2013: £245.8m) notwithstanding unseasonably warm weather
- Adjusted profit before tax up 55% to £21.3m (2013: £13.7m); statutory £15.4m (2013: £12.6m)
- Adjusted earnings per share up 41% to 21.8p (2013: 15.5p); statutory 14.4p (2013: 14.3p)
- Interim dividend increased by 19% to 19p per share (2013: 16p)

Operating highlights:

- Continuing strong organic growth
- Total services supplied up by 126,537 for the period to 2,033,697 (2013: 1,767,774)
- Customer numbers up by 34,733 for the period to 565,372 (2013: 494,940)
- Recommended Provider and Best Buy Awards received from *Which?* and Moneywise

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

"I am pleased with the strong performance during the first half of the year. Our consistent organic growth means that we now supply over two million services to more than 565,000 households across the country."

"We continue to build our market share for each of the services we supply through a unique combination of personal recommendation, an integrated multi-utility proposition, and a relentless focus on looking after our customers. I am delighted with the progress we are making towards our target of supplying one million households in the medium term."

"We are confident that we will deliver record revenues, profits, and earnings per share for the current year. This is reflected in the 19% increase we are making in our interim dividend payment, and our intention to pay a total dividend of 40p for the full year."

For more information please contact:

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Analyst call

Telecom Plus will host an analyst presentation at 9.30 a.m. today. Please contact MHP Communications for details at telecomplus@mhpc.com.

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 and a network of over 45,000 part-time authorised distributors ("Partners") in order to grow its market share.

Telecom Plus holds a significant minority stake (20%) in Opus Energy Group Limited, the leading independent energy supplier to the SME and corporate business markets.

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

Interim Management Report

Financial and Operating Review

Results

Half year to 30 September	Adjusted			Statutory		
	2014	2013	Change	2014	2013	Change
Revenue	£267.3m	£245.8m	8.7%	£267.3m	£245.8m	8.7%
Profit before tax	£21.3m	£13.7m	55.5%	£15.4m	£12.6m	22.2%
Basic earnings (per share)	21.8p	15.5p	40.6%	14.4p	14.3p	0.7%
Interim dividend (per share)	19.0p	16.0p	18.8%	19.0p	16.0p	18.8%

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.

We are extremely pleased with the strong overall performance of the business during the first half of the financial year. Adjusted profit before tax increased by 55% to £21.3m (2013: £13.7m) on revenues ahead by 9% to £267.3m (2013: £245.8m), and adjusted earnings per share increased by 41% to 21.8p (2013: 15.5p). Statutory profit before tax, after the amortisation of intangibles of £5.6m (2013: £Nil) and share incentive scheme charges of £0.3m (2013: £1.1m), increased by 22% to £15.4m (2013: £12.6m).

The 9% increase in revenue reflects the 14% increase we have seen in the size of our customer base over the last 12 months, partially offset by the impact of lower average energy consumption by domestic customers during an extended spell of exceptionally warm weather so far this year.

The increase in gross margin for the period to 19.8% (2013: 15.9%) is in line with previous guidance, and primarily reflects the new wholesale energy supply arrangements we negotiated with npower last December (see note 4).

We sustained our record of delivering strong organic growth during the half-year, with the number of customers and services growing by 34,733 (2013: 33,908) and 126,537 (2013: 165,714) respectively. This took our total customer base to 565,372 (31 March 2014: 530,639) and the number of services we are providing to 2,033,697 (31 March 2014: 1,907,160).

This performance was achieved against a background of a particularly competitive market, with smaller independent energy suppliers enjoying a significant short-term pricing advantage due primarily to a combination of falling wholesale energy prices and not needing to make a full contribution towards certain social and environmental charges. In the broadband market, a number of the major telecoms companies have been jostling for position, heavily promoting their respective television offerings in order to build brand differentiation, and thus reduce churn. Against this backdrop, to have seen such strong growth in all our core services during the period, with net additions of approximately 61,000 energy services and over 55,000 communications services, demonstrates the continuing attractiveness of our multi-utility business model and the power of our route to market.

We remain clearly focussed on the quality of our customer base, and are pleased that around 50% of new members during the period applied for at least four of our core services (Gas, Electricity, Mobile, Landline and Broadband). We also continue to invest in providing best-in-class customer service from our UK-based call centre. These have contributed to a reduction in our underlying churn, which fell to below 1% a month. We are currently working on a number of initiatives, in particular our home-mover processes, which have the potential to further reduce our churn rates in the future.

We are also delighted to have been recognised during the period by *Which?* as the UK's best Phone and Broadband Provider, and by Moneywise in their latest survey as the UK's Best Energy Provider for Value and Service. These are a valuable endorsement of the commitment and hard work of all our employees,

and demonstrate the progress we continue to make in our quest to become the Nation's most trusted utility supplier.

Costs

Distribution expenses increased by £2.2m to £10.4m (2013: £8.2m) reflecting the increase in the number of services we supply, Partner holiday incentives, and promotional activity which successfully boosted new customer numbers during July.

Overall administrative expenses before amortisation rose by £3.1m to £22.3m, in line with the growth in the number of services we are providing. Within this total, our bad debt charge has fallen to around 1.75% of turnover (2013: 1.9%) reflecting the improving quality of our customer base, with lower levels of both churn and delinquency compared with the same period last year. We have continued to invest in growing head count throughout the Company, to ensure we maintain our current high standards of customer service as the business continues to grow.

Route to market

Partner recruitment remains steady, with the total number of Partners increasing by over 2,000 during the last six months to a new record of 46,570, helped by a half-price introductory joining offer that we ran during April.

On 14 and 15 September we held motivational sales conferences in Aintree and Cheltenham. Both venues were packed to capacity, with a total attendance of around 5,000 Partners spread across the two days. The atmosphere was extremely positive reflecting recent strong levels of activity (both in relation to customer gathering and recruitment of new Partners), and we took advantage of the high turnout to introduce some incremental improvements to the way new Partners are trained. These changes have been designed to harness their initial high levels of enthusiasm and increase their productivity, and we believe there is still considerable scope for further improvement in these areas in future.

Our Car Plan, which provides eligible Partners with a subsidised Utility Warehouse branded BMW Mini, remains extremely popular and almost 650 of these are now in circulation. We have also provided approximately 10,000 Tablets to our Partners to enable them to use the Business Builder App which we launched at our annual sales conference in March, taking the total number of Partners using our new sales tools to over 16,000.

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, with the number of electricity and gas sites they supply growing to 179,614 and 25,832 respectively. This represents a combined increase of more than 25% on the previous year.

Turnover at Opus remains weighted towards the second half of the financial year, and in spite of the exceptionally warm weather so far this year, the rapid and consistent organic growth they are achieving has resulted in our share of their profits for the first half increasing by over 17% to £1,816,000 (2013: £1,546,000).

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

Charity of the Year Partnership

Thanks to the enthusiastic and generous support of customers, Partners and staff, our charity partnership with Prostate Cancer UK and the Breast Cancer Campaign is on track to raise significantly in excess of our £200,000 target over a two year period ending in March 2015. We are in the process of choosing a new Charity Partnership for next year, which we will be announcing in March.

Partner, Customer and Service Numbers

	FY2015		FY2014		
	Q2	Q1	Q4	Q3	Q2
Partners	46,570	46,602	44,046	42,489	42,223
Customers					
Residential	529,716	511,783	495,234	478,171	458,751
Business	29,733	29,540	29,098	28,609	29,289
Total Telecom Plus	559,449	541,323	524,332	506,780	488,040
TML	5,923	6,055	6,307	6,599	6,900
Total Group	565,372	547,378	530,639	513,379	494,940
Services					
Electricity	508,202	490,292	474,123	457,482	439,367
Gas	419,614	405,114	392,744	378,615	363,945
Fixed telephony	299,639	292,764	288,130	283,172	273,168
Fixed line rental	277,880	269,957	264,341	258,089	246,624
Broadband	237,688	228,737	221,938	214,457	202,102
Mobile	131,773	124,230	117,425	110,806	104,249
CashBack card	150,661	144,174	139,769	137,580	129,018
Non Geographic numbers	8,240	8,466	8,690	9,002	9,301
Total Group	2,033,697	1,963,734	1,907,160	1,849,203	1,767,774
Residential	1,929,164	1,860,198	1,804,830	1,747,682	1,665,772
Business	82,888	81,686	79,864	78,447	78,168
Total Telecom Plus	2,012,052	1,941,884	1,884,694	1,826,129	1,743,940
TML	21,645	21,850	22,466	23,074	23,834
Total Group	2,033,697	1,963,734	1,907,160	1,849,203	1,767,774

Cash Flow and Dividend

Our underlying operating cash flow generation remains strong at £13.6m (2013: £7.7m). Net debt (including the deferred consideration of £21.5m payable to npower in December 2016) at the end of the period was £84.8m (31 March 2014: £75.1m). This increase of £9.7m primarily reflects the costs of refurbishing our new 130,000 sq ft headquarters office building in north-west London, which we anticipate starting to occupy in February 2015, together with paying a final dividend for last year of £15.1m in August.

We took advantage of our strong cash position during the summer to renegotiate the structure of our loans from Barclays. This involved repaying one of the more expensive tranches and extending the maturity and repayment schedule of the remainder, such that no further repayments need to be made until December 2015. Consistent with the progressive dividend policy previously adopted by the Board, this gives us the headroom to start increasing our dividend payout ratio from next year towards our historic level of around 75% of adjusted earnings per share, whilst ensuring that we retain sufficient cash to fund our working capital requirements and repay the £21.5m deferred consideration to npower in December 2016.

In the meantime, the Board has resolved to increase the interim dividend by 19% to 19p per share (2013: 16p). This will be paid on 15 December 2014 to shareholders on the register on 28 November 2014. The Company's shares will go ex-dividend on Thursday 27 November 2014.

In the absence of unforeseen circumstances, the Board confirms its intention to propose a final dividend of 21p (2014: 19p) making a total of 40p (2014: 35p) for the full year.

Tax

The increase in our effective tax rate for the first half to 25.4% (2013: 20%) principally reflects the £5.6m charge relating to amortisation of intangible assets, which is not an allowable deduction for tax purposes. It also 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 net of tax, partially offset by the further small reduction in the standard rate of UK corporation tax.

Future Opportunities

The television space remains confusing, with multiple hardware platforms, distribution technologies and content providers all jockeying for position (Cable, Satellite, Broadband, Freeview, YouView, Netflix, Amazon, Google, Apple and many others), not to mention the battle over sporting rights being fought out at ever increasing cost between BT and Sky. We continue to retain a 'watching brief' on this area, but are growing increasingly sceptical as to whether these services will ever offer an attractive commercial opportunity that we can sensibly harness for the benefit of all our stakeholders.

In the medium term, we intend to extend our current range of services into a number of complementary areas, including insurance (eg: household and motor policies) and the provision of boiler cover.

The one major utility we have historically been unable to offer our customers is the supply of water. We therefore welcome the moves currently underway to open this market up to greater competition in 2017 by requiring the existing regional monopoly providers to hive-off their supply businesses into separate companies. Initially, this opportunity will be restricted to supplying water to business customers, and we are investigating the feasibility of including this as an additional core service to members of our Business Club; this would help us gain valuable expertise as a water supplier, prior to the eventual likely opening up to competition of the domestic water market - albeit that no commitment to do so has yet been announced by the Government.

Outlook

We continue to invest 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 (eg: a customer referral scheme), existing (eg: additional services) and former members (eg: a win-back campaign). We have made significant progress with these projects over the course of the last twelve months, successfully launching a new customer sign-up process at www.jointheclub.co.uk in March 2014, and conducting a thorough brand review over the summer. Our new company website and automated refer-a-friend programme are due for completion in the first quarter of 2015.

The CMA enquiry into the energy market is now underway, and we look forward to its report which is due to be delivered in December 2015. We strongly believe that the so-called green levies and other government imposed policy costs (such as ECO, Warm Home Discount, etc) should be funded out of general taxation in future, rather than the regressive way in which these are currently collected from customers through their energy bills. This would immediately reduce energy prices for virtually all UK households, create a stronger competitive environment, and help to start rebuilding trust in the energy industry by reducing the wide disparity in prices between larger suppliers who are subject to these costs, and new/smaller suppliers who are not.

As widely commented on in the media, the UK has experienced a sustained period of unusually warm weather so far this year. This has led to a significant reduction in average energy consumption by domestic customers compared with the corresponding period last year, particularly in respect of our gas revenues. However, in contrast to typical retail energy suppliers, our new wholesale energy supply agreement with npower protects us from any material weather-related impact on our profitability.

The Board's focus remains firmly on maximising shareholder value over the medium term, by leveraging the benefits of our unique multi-utility proposition and our proven low-cost route to market to increase our share of the UK market for each of the services we supply. We are therefore supportive of the changes recently announced by the FCA to remove the obligation upon quoted companies to publish detailed interim management statements in addition to the standard half-yearly updates, and are intending to cease publishing these in future. Rather we intend to keep shareholders informed about the progress of the business on an event driven basis, for example following our annual distributor conference which is generally held in March each year.

We remain confident that revenues, profits, earnings per share and dividends for the current year will all set new records, in line with our previous guidance. The strong organic growth we have achieved so far this year will be reflected in next year's results, and we remain well placed to benefit from the opportunities which lie ahead.

Principal Risks and Uncertainties

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 customers. 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 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 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 relation to customer service, reputational risk is principally mitigated through the Group's recruitment processes, a focus on closely monitoring staff performance, including the use of direct customer feedback surveys (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 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 tested as extensively as reasonably practical 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, designed to ensure 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 energy markets in the UK and Continental Europe 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. 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 maintain an effective relationship with Ofgem and comply with its licence obligations, it could be subject to fines or to the removal of its respective licences.

Recent regulatory changes such as the new requirements in relation to smart energy meters (with the potential for additional costs if existing meters must be replaced prior to the end of their planned lives) and social tariffs, and changes to the current decommissioning regime could all have a potentially significant impact on the sector, although any additional costs associated with smart metering are not expected to affect the net margins earned by energy suppliers (as any such extra costs are likely to be reflected in higher retail charges).

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 maintains an appropriate relationship with both Ofgem and Ofcom (the UK regulators for the energy and communications markets respectively) and the Department for Energy and Climate Change ("DECC"). 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.

However, it should be noted that the regulatory environment for the various markets in which the Group operates is generally focussed on promoting competition. As one of the new entrants, it seems

reasonable to expect that most such 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, although these changes, and their actual impact, remain uncertain at present. Furthermore, the governmental focus on reform of the energy market and the investigation by the Competition and Markets Authority, appears to be targeted at the large vertically integrated suppliers, with consideration being given to the desirability of breaking the link between energy generation and retail supply.

Political and consumer concern over rising energy prices 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. The Government could also choose to introduce adverse measures such as a windfall tax on the Group or price controls for certain customer segments, or even to renationalise the energy supply industry. In addition, political and regulatory developments affecting the energy markets within which the Group operates may have a material adverse effect on the Group's business, results of operations and overall financial condition, although the proposed Labour Party energy price freeze for 20 months following the forthcoming election is not expected to put pressure on the margins of the Group if implemented.

Financing risk

As a result of the transaction with npower in December 2013, the Group entered into new debt facilities leading to increased 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 material 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 ("Delinquent Customers"), 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 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 relatively 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, 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 and Tablets) from the Group; the Group regularly reviews and refines its fraud protection systems to reduce its potential exposure to such risks.

Wholesale prices 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 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 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 its 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, 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 Group has a long-standing supply relationship with npower under which the latter assumes the substantive risks and rewards of hedging and buying energy for the Group's customers, and where the price paid by the Group is set by reference to the average of the variable prices charged by the 'Big 6' to their domestic customers less an agreed discount; this may not be competitive against the wholesale prices available to new and/or other independent suppliers. If the Group did not have the benefit of this long term supply agreement it would be exposed to the pricing risk of securing access to the necessary energy on the open market.

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 and keeping the cost base as low as possible. New service innovations are monitored closely by senior management and the Group is typically able to respond rapidly by offering any new services using the infrastructure of its existing suppliers. The Group offers a unique multi-utility proposition. The increasing proportion of customers who are benefiting from a genuine multi-utility solution, that is unavailable from any other known supplier, materially reduces any competitive threat.

The Directors anticipate that the Group will face continued competition in the future as the market grows, 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. 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 supplied to the Group. There can be no assurance that the Group's competitors will not develop more effective or more affordable technologies or services, thus rendering the Group's technologies and/or services obsolete, uncompetitive or uneconomical. 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 the Group's three largest wholesale suppliers. This should 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, it is anticipated that services required by customers could be sourced from another provider.

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 2014, 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
Melvin Lawson	Non-Executive Director
Michael Pavia	Non-Executive Director

Given on behalf of the Board

CHARLES WIGODER

Executive Chairman

ANDREW LINDSAY

Chief Executive

18 November 2014

Independent Review Report to Telecom Plus PLC

Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-year results for the six months ended 30 September 2014 which comprises the condensed consolidated statement of comprehensive income, the condensed consolidated balance sheet, the condensed consolidated cash flow statement, the condensed consolidated statement of changes in equity and the related explanatory notes.

We have read the other information contained in the half-year results and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The half-year results are the responsibility of and have been approved by the directors. The directors are responsible for preparing the half-year results in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The condensed set of financial statements included in these half-year results have 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-year results based on our review.

Our report has been prepared in accordance with the terms of our engagement to assist the company in meeting its responsibilities in respect of half-year results in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

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-year results for the six months ended 30 September 2014 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 Conduct Authority.

BDO LLP

London
United Kingdom
18 November 2014

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

Condensed Consolidated Statement of Comprehensive Income

	Note	6 months ended 30 September 2014 (unaudited) £'000	6 months ended 30 September 2013 (unaudited) £'000	Year ended 31 March 2014 (audited) £'000
Revenue		267,296	245,817	658,760
Cost of sales		(214,351)	(206,661)	(558,509)
Gross profit		<u>52,945</u>	<u>39,156</u>	<u>100,251</u>
Distribution expenses		(10,338)	(8,160)	(18,641)
Share incentive scheme charges		(74)	(61)	(125)
Total distribution expenses		(10,412)	(8,221)	(18,766)
Administrative expenses		(22,261)	(19,200)	(41,560)
Share incentive scheme charges		(240)	(1,042)	(4,068)
Amortisation of intangible assets	4	(5,603)	-	(3,785)
Total administrative expenses		(28,104)	(20,242)	(49,413)
Other income		206	391	650
Operating profit		<u>14,635</u>	<u>11,084</u>	<u>32,722</u>
Financial income		78	31	109
Financial expense		(1,139)	(41)	(855)
Net financial expense		<u>(1,061)</u>	<u>(10)</u>	<u>(746)</u>
Share of profit of associate		1,816	1,546	4,654
Profit before taxation		<u>15,390</u>	<u>12,620</u>	<u>36,630</u>
Taxation		(3,915)	(2,567)	(7,655)
Profit and total comprehensive income for the year attributable to owners of the parent		<u>11,475</u>	<u>10,053</u>	<u>28,975</u>
Basic earnings per share		14.4p	14.3p	39.8p
Diluted earnings per share		14.2p	14.0p	39.2p
Interim dividend per share		19.0p	16.0p	

Condensed Consolidated Balance Sheet

	Note	As at 30 September 2014 (unaudited) £'000	As at 30 September 2013 (unaudited) £'000	As at 31 March 2014 (audited) £'000
Assets				
Non-current assets				
Property, plant and equipment	3	32,880	19,111	23,379
Goodwill		3,742	3,742	3,742
Other intangible assets	4	215,175	2,969	220,778
Investment in associate		6,653	5,706	8,814
Deferred tax		985	1,817	2,399
Other non-current receivables		14,351	11,985	13,061
Total non-current assets		273,786	45,330	272,173
Current assets				
Inventories		874	578	1,771
Trade and other receivables		21,738	17,271	39,336
Prepayments and accrued income		77,170	82,386	120,786
Cash		5,568	3,344	45,389
Total current assets		105,350	103,579	207,282
Total assets		379,136	148,909	479,455
Current liabilities				
Short term borrowings		-	(4,736)	(19,804)
Trade and other payables		(8,079)	(5,721)	(7,749)
Current tax payable		(2,667)	(2,156)	(3,360)
Accrued expenses and deferred income		(73,244)	(65,593)	(137,780)
Total current liabilities		(83,990)	(78,206)	(168,693)
Non-current liabilities				
Long term borrowings	5	(68,877)	-	(79,216)
Deferred consideration	4	(21,500)	-	(21,500)
JSOP creditor		(3,757)	(1,477)	(4,080)
Total non-current liabilities		(94,134)	(1,477)	(104,796)
Total assets less total liabilities		201,012	69,226	205,966
Equity				
Share capital		4,008	3,542	4,001
Share premium	6	136,967	9,069	136,651
Shares held in treasury		(760)	-	-
Shares held in JSOP		(2,275)	(2,275)	(2,275)
Retained earnings		63,072	58,890	67,589
Total equity		201,012	69,226	205,966

Condensed Consolidated Cash Flow Statement

	6 months ended 30 September 2014 (unaudited) £'000	6 months ended 30 September 2013 (unaudited) £'000	Year ended 31 March 2014 (audited) £'000
Operating activities			
Profit before taxation	15,390	12,620	36,630
Adjustments for:			
Share of profit of associate	(1,816)	(1,546)	(4,654)
Net financial expense	1,061	10	746
Depreciation of property, plant and equipment	892	630	1,307
Loss on disposal of fixed assets	6	-	-
Amortisation of intangible assets	5,603	-	3,785
Amortisation of debt arrangement fees	172	-	118
(Increase) / decrease in inventories	897	(87)	(1,280)
Decrease in trade and other receivables	59,910	31,146	41,284
Decrease in trade and other payables	(64,119)	(33,019)	(92,208)
Share incentive scheme charges	314	1,103	4,193
Corporation tax paid	(4,719)	(3,194)	(7,104)
Net cash flow from operating activities	<u>13,591</u>	<u>7,663</u>	<u>(17,183)</u>
Investing activities			
Purchase of property, plant and equipment	(10,444)	(791)	(5,736)
Disposal of property, plant and equipment	46	-	-
New energy supply agreement:			
- Cash consideration and fees paid	-	-	(202,629)
- Cash held in statutory entities acquired	-	-	64,175
Distribution from associated company	4,148	3,056	3,056
Purchase of shares in associate	(171)	-	-
Interest received	92	31	107
Cash flow from investing activities	<u>(6,329)</u>	<u>2,296</u>	<u>(141,027)</u>
Financing activities			
Dividends paid	(15,105)	(12,656)	(23,921)
Interest paid	(1,226)	(41)	(769)
Drawdown of borrowing facilities	-	-	100,000
Repayment of borrowing facilities	(30,000)	-	-
Fees associated with borrowing facilities	(315)	-	(1,098)
Issue of new ordinary shares	323	573	131,061
Payment of share issue costs	-	-	(2,447)
Purchase of own shares	(760)	-	-
Cash flow from financing activities	<u>(47,083)</u>	<u>(12,124)</u>	<u>202,826</u>
Increase/(decrease) in cash and cash equivalents	(39,821)	(2,165)	44,616
Net cash and cash equivalents at the beginning of the period	45,389	773	773
Net cash and cash equivalents at the end of the period	<u>5,568</u>	<u>(1,392)</u>	<u>45,389</u>
Cash	5,568	3,344	45,389
Short term borrowings (cash equivalents)	-	(4,736)	-
Net cash and cash equivalents at the end of the period	<u>5,568</u>	<u>(1,392)</u>	<u>45,389</u>

Condensed Consolidated Statement of Changes in Equity

	Share Capital £'000	Share Premium £'000	Treasury Shares £'000	JSOP Shares £'000	Retained Earnings £'000	Total £'000
Balance at 1 April 2013	3,530	8,508	-	(2,275)	60,979	70,742
Profit and total comprehensive income for the period	-	-	-	-	10,053	10,053
Deferred tax on share options	-	-	-	-	203	203
Dividends	-	-	-	-	(12,656)	(12,656)
Credit arising on share options	-	-	-	-	311	311
Issue of new shares	12	561	-	-	-	573
Balance at 30 September 2013	3,542	9,069	-	(2,275)	58,890	69,226
Balance at 1 October 2013	3,542	9,069	-	(2,275)	58,890	69,226
Profit and total comprehensive income for the period	-	-	-	-	18,922	18,922
Deferred tax on share options	-	-	-	-	545	545
Dividends	-	-	-	-	(11,265)	(11,265)
Credit arising on share options	-	-	-	-	497	497
Issue of new shares	459	130,029	-	-	-	130,488
Costs associated with the issue of new ordinary shares	-	(2,447)	-	-	-	(2,447)
Balance at 31 March 2014	4,001	136,651	-	(2,275)	67,589	205,966
Balance at 1 April 2014	4,001	136,651	-	(2,275)	67,589	205,966
Profit and total comprehensive income for the period	-	-	-	-	11,475	11,475
Deferred tax on share options	-	-	-	-	(1,524)	(1,524)
Dividends	-	-	-	-	(15,105)	(15,105)
Purchase of treasury shares	-	-	(760)	-	-	(760)
Credit arising on share options	-	-	-	-	637	637
Issue of new shares	7	316	-	-	-	323
Balance at 30 September 2014	4,008	136,967	(760)	(2,275)	63,072	201,012

Notes to the condensed financial statements

1. General information

The condensed consolidated 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 2014 and are consistent with those that the company expects to apply in its financial statements for the year ended 31 March 2015.

The condensed consolidated financial statements for the year ended 31 March 2014 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 2014 were audited and have been filed with the Registrar of Companies.

The Independent Auditors' Report on the Annual Report and Accounts of Telecom Plus Plc for the year ended 31 March 2014 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 2014 and 30 September 2013 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 was approved for issue by the Board of Directors on 18 November 2014.

Notes to the condensed financial statements (continued)

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 2014 (unaudited)		6 months ended 30 September 2013 (unaudited)		Year ended 31 March 2014 (audited)	
	Revenue £'000	Segment Result £'000	Revenue £'000	Segment Result £'000	Revenue £'000	Segment Result £'000
Customer Management	259,412	21,033	238,229	16,819	642,541	44,858
Customer Acquisition	7,884	(6,398)	7,588	(5,735)	16,219	(12,136)
Total	267,296	14,635	245,817	11,084	658,760	32,722
		As at 30 September 2014 (unaudited) £'000		As at 30 September 2013 (unaudited) £'000		As at 31 March 2014 (audited) £'000
Customer Management		371,412		145,211		474,145
Customer Acquisition		7,724		3,698		5,310
Total Assets		379,136		148,909		479,455
Customer Management		(175,647)		(77,415)		(269,841)
Customer Acquisition		(2,477)		(2,268)		(3,648)
Total Liabilities		(178,124)		(79,683)		(273,489)

3. Property, plant and equipment

The increase in property plant and equipment during the six month period to 30 September 2014 mainly relates to the costs of refurbishing Merit House, the Company's new headquarters office in north-west London.

Notes to the condensed financial statements (continued)

4. Intangible assets

	6 months ended 30 September 2014 (unaudited)	6 months ended 30 September 2013 (unaudited)	Year ended 31 March 2014 (audited)
	£'000	£'000	£'000
Cost			
Amount brought forward	224,563	2,969	2,969
Additions	-	-	221,594
Amount carried forward	<u>224,563</u>	<u>2,969</u>	<u>224,563</u>
Amortisation			
Amount brought forward	(3,785)	-	-
Charge for the period	<u>(5,603)</u>	<u>-</u>	<u>(3,785)</u>
Amount carried forward	<u>(9,388)</u>	<u>-</u>	<u>(3,785)</u>
Carrying amount	<u>215,175</u>	<u>2,969</u>	<u>220,778</u>

The additions to intangible assets during the year ended 31 March 2014 related to the entering into of the new energy supply arrangements with npower on improved commercial terms through the acquisition of Electricity Plus Supply Limited and Gas Plus Supply Limited (“the Companies”) from npower Limited having effect from 1 December 2013 (“the Transaction”). For accounting purposes, the Transaction was treated as an asset purchase, not a business combination, as the Companies acquired did not constitute businesses. Further information on the Transaction can be found in Note 21 of the 2014 annual financial statements.

The total consideration for the Transaction comprised a payment to npower of £196.5 million on 20 December 2013, a deferred amount of £21.5 million payable on 20 December 2016 and a payment of £2.5 million made in January 2014 for the net assets acquired in the Companies which comprised cash and short term working capital balances.

The addition to intangible assets of £221.6 million in the year ended 31 March 2014 therefore represents the total consideration paid and payable to npower, excluding the payment for net assets acquired in the Companies, plus transaction costs of £3.6 million, which in accordance with the relevant accounting standards, have been recognised as a cost of acquisition.

The intangible asset is being amortised evenly over the 20 year life of the energy supply agreement.

Notes to the condensed financial statements (continued)

5. Interest bearing loans and borrowings

	6 months ended 30 September 2014 (unaudited)	6 months ended 30 September 2013 (unaudited)	Year ended 31 March 2014 (audited)
	£'000	£'000	£'000
Bank loans	70,000	-	100,000
Unamortised loan arrangement fees	(1,123)	-	(980)
Working capital facilities	-	4,736	-
	<u>68,877</u>	<u>4,736</u>	<u>99,020</u>
Due within one year	-	4,736	20,000
Due after one year	<u>70,000</u>	<u>-</u>	<u>80,000</u>
	<u>70,000</u>	<u>4,736</u>	<u>100,000</u>

The Group entered into total bank loan facilities of £125 million during the year ended 31 March 2014, comprising a transaction facility of £100 million (“the Transaction Facility”) which was fully drawn down as at 31 March 2014 and working capital facilities of £25 million (“the Working Capital Facilities”) of which £Nil were drawn down as at 31 March 2014.

The Transaction Facility was divided into two tranches: (i) Term Loan A of £70 million repayable by 20 December 2016; and (ii) Term Loan B of £30 million repayable by 20 December 2015.

In July 2014 the Group restructured the Transaction Facility which involved the early repayment of Term Loan B and extending the maturity and repayment dates of Term Loan A. An extension to the Working Capital Facilities up to a maximum of £40 million was also agreed.

6. Share premium

The increase in the share premium account during the year ended 31 March 2014 related mainly to the issue of 8,813,500 new ordinary shares at a price of 1475p per share on 20 December 2013 in order to fund the acquisition of Electricity Plus Supply Limited and Gas Plus Supply Limited from npower Limited.

Notes to the condensed financial statements (continued)

7. Dividends

	6 months ended 30 September 2014 (unaudited) £'000	6 months ended 30 September 2013 (unaudited) £'000	Year ended 31 March 2014 (audited) £'000
Final dividend for the year ended 31 March 2014 of 19p per share	15,105	-	-
Final dividend for the year ended 31 March 2013 of 18p per share	-	12,656	12,656
Interim dividend for the year ended 31 March 2014 of 16p per share (2013: 13p)	-	-	11,265

An interim dividend of 19p per share will be paid on 15 December 2014 to shareholders on the register at close of business on 28 November 2014. The estimated amount of this dividend to be paid is £15.1 million and, in accordance with IFRS accounting requirements, has not been recognised in these accounts.

Notes to the condensed financial statements (continued)

8. Earnings per share

	6 months ended 30 September 2014 (unaudited)	6 months ended 30 September 2013 (unaudited)	Year ended 31 March 2014 (audited)
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	11,475	10,053	28,975
Share incentive scheme charges (net of tax)	248	850	4,038
Amortisation of intangible assets	<u>5,603</u>	<u>-</u>	<u>3,785</u>
Earnings excluding share incentive scheme charges for the purpose of adjusted basic and diluted earnings per share	<u>17,326</u>	<u>10,903</u>	<u>36,798</u>
	Number (000s)	Number (000s)	Number (000s)
Weighted average number of ordinary shares for the purpose of basic earnings per share	79,538	70,211	72,775
Effect of dilutive potential ordinary shares (share options)	<u>1,038</u>	<u>1,439</u>	<u>1,223</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>80,576</u>	<u>71,650</u>	<u>73,998</u>
Adjusted basic earnings per share ¹	<u>21.8p</u>	<u>15.5p</u>	<u>50.6p</u>
Basic earnings per share	<u>14.4p</u>	<u>14.3p</u>	<u>39.8p</u>
Adjusted diluted earnings per share ¹	<u>21.5p</u>	<u>15.2p</u>	<u>49.7p</u>
Diluted earnings per share	<u>14.2p</u>	<u>14.0p</u>	<u>39.2p</u>

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 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.