

TELECOMPLUSPLC

Embargoed until 0700

21 November 2017

Telecom Plus PLC

Half-Year Results for the Six Months ended 30 September 2017

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) to both residential and business customers, today announces its half-year results for the six months ended 30 September 2017.

Financial highlights:

- Revenue up 2.6% to £299m (2016: £291m)
- Adjusted profit before tax (continuing operations) up 6.0% to £25.7m
- Statutory profit before tax (continuing operations) up 7.0% to £19.1m
- Adjusted EPS (continuing operations) up 6.1% to 26.0p
- Statutory EPS (continuing operations) up 6.0% to 17.7p
- Interim dividend increased by 4.3% to 24p per share (2016: 23p)
- Adjusted full-year pre-tax profits expected to be slightly ahead of current market expectations

Operating highlights:

- Continuing organic growth in line with previous guidance
- Customer ("Member") numbers for the period up by 5,265 to 613,067 (2016: 604,063)
- Total services supplied up by 36,348 for the period to 2,325,266 (2016: 2,233,741)
- Over 2 million LED light bulbs installed free of charge under Project Daffodil

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

"We welcome the proposed legislation to introduce a price cap on standard variable tariffs ("SVTs"); this will create a fairer energy market in which the benefits of competition are felt by all consumers rather than being restricted to those who switch on a regular basis. Following the introduction of this cap, competition will still be able to thrive due to the attractively priced introductory deals offered by many smaller independent suppliers; but critically these will no longer be at the expense of those customers who remain on SVTs offered by the 'Big 6'.

"Service growth during the first half of the financial year was at the lower end of management expectations, albeit that revenues and profits both reached record levels. We are optimistic that the proposed SVT price cap will materially improve our competitive position, and will act as the catalyst that takes our growth rates back towards the double-digit levels we have historically achieved.

"Our unique route to market and integrated multi-utility proposition give us valuable USPs which our competitors show little sign of successfully emulating. The combination of increased recruitment within our Partner network and the forthcoming SVT price cap give us considerable confidence for the future."

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Analyst presentation

Telecom Plus will host an analyst presentation at 8.45 for 9.00 a.m. today at Peel Hunt's offices, Moor House, 120 London Wall, London, EC2Y 5ET. 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.

Members benefit from the convenience of a single monthly bill, consistently good value across all their utilities and exceptional levels of customer service. Telecom Plus does not advertise, relying instead on 'word of mouth' recommendation by existing satisfied Members and a network of around 40,000 part-time authorised distributors ('Partners') in order to grow its market share.

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		
	2017	2016	Change	2017	2016	Change
Continuing operations						
Revenue (£'000)	298,915	291,312	2.6%	298,915	291,312	2.6%
Profit before tax (£'000)	25,683	24,231	6.0%	19,074	17,833	7.0%
Basic earnings (per share)	26.0p	24.5p	6.1%	17.7p	16.7p	6.0%
Interim dividend (per share)	24.0p	23.0p	4.3%	24.0p	23.0p	4.3%

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 energy supply arrangements with npower in December 2013. In addition, the comparative numbers for 2016 have been adjusted to remove the contribution of Opus which was sold in February 2017. The amortisation of intangible assets has been excluded on the basis that it represents a non-cash accounting charge that does not impact the amount of profits available for distribution to shareholders.

We are pleased to report another period of growth, with customer numbers, services, revenues and profits all showing further positive progress.

Adjusted profit before tax increased by 6.0% to £25.7m (2016 continuing operations: £24.2m) on higher revenues of £298.9m (2016: £291.3m), including a £1.2m recovery of previously incurred Electricity Market Reform levy costs under our energy supply contract (2016: £4.2m of previously incurred costs relating to the smart meter rollout programme). Adjusted earnings per share increased by 6.1% to 26.0p (2016 continuing operations: 24.5p). Statutory profit before tax increased by 7.0% to £19.1m (2016 continuing operations: £17.8m), after intangible amortisation of £5.6m (2016: £5.6m) and share incentive scheme charges of £1.0m (2016: £0.7m).

The growth in revenue for the period was broadly in line with the increase in service numbers, with the impact from higher telephony and energy prices being largely offset by a continuing decline in average energy usage due to warmer weather, the progressive impact of energy efficiency initiatives, and the prepayment meter price cap that was introduced in April.

Gross margin for the period increased to 22.5% (2016: 21.1%). This reflects changes to our sales mix, with energy (which has a relatively low gross margin) accounting for a smaller proportion of total revenue, higher fixed line telephony margins resulting from modest price rises, and improved commercial terms from some of our key suppliers.

Net customer acquisition costs within the segmental analysis, which had been expected to increase, remained broadly constant during the first half at £9.2m, reflecting a steady level of investment in gathering high quality new members. These include the costs associated with Project Daffodil, our innovative free LED light bulb replacement service; under this scheme around two million LED bulbs have been successfully installed in over 60,000 members' homes since its launch in October 2015, generating significant reductions in their energy consumption and consequently their carbon footprints.

We maintained our track record for consistent organic growth during the half-year, with the number of members and services increasing by 5,265 (2016: 5,450) and 36,348 (2016: 52,037) respectively. This took our total membership base to 613,067 (31 March 2017: 607,802) and the number of services we are providing to 2,325,266 (31 March 2017: 2,288,918). Net service growth would have been broadly in line with the previous year, but for the one-off loss of services (predominantly fixed line telephony) relating to a migration programme from our legacy IPStream product (a slow-speed broadband service) onto our faster fibre-based services.

The quality of our membership base continues to improve, with a steady rise in the proportion of members taking energy, phone/broadband and mobile services from us; these premium 'Double Gold' members have increased from 17.8% to 21.8% of our total membership base over the last 12 months.

The competitive environment for supplying energy remains challenging, with a constant stream of new suppliers joining the market; their ability to undercut more established suppliers (at least until they have grown to the point when they start facing the same regulatory, policy, administrative and customer service costs themselves), combined with the SVT price rises implemented by the 'Big 6' earlier in the year has led to the gap between SVTs and the cheapest introductory deals expanding from around £230 to over £300 since the start of the year.

Churn rates within the electricity industry are now running at a record annualised rate of almost 20%, with the 'Big 6' suppliers having lost over 700,000 customers during the period. It is particularly pleasing that our ongoing focus on the quality of our customer base, treating customers fairly and investment in providing best-in-class customer service from our UK-based call centre, means that despite the gap between the top and bottom of the market widening during the period, our own level of customer churn has fallen since last year to 1% a month.

Almost uniquely amongst large and medium sized suppliers, our clearly differentiated business model has enabled us to continue increasing our market share over this challenging period, delivering growing incomes for our Partners whilst generating an attractive return for shareholders, with positive cash-flow and rising dividends.

We have again been recognised during the period by both *Which?* and Moneywise for the quality of our customer service and the consistently good value we offer, and we are pleased that our Net Promoter Score remains high. These are valuable endorsements of the commitment and hard work of both our employees and Partner network, and demonstrate the progress we continue to make towards our goal of being the Nation's most trusted utility supplier.

Costs

Distribution expenses were flat at around £10.7m (2016: £10.7m), although in cash terms our Partners saw an increase of approximately 10% in their earnings compared with the same period last year, due to the impact of our Quick Income Plan which was launched at the start of 2017.

Overall administrative expenses before amortisation rose by £4.5m to £30.7m (2016: £26.1m) due to a combination of factors including: (i) growth in the volume and range (such as insurance) of services we are providing; (ii) higher technology costs as we continue to update our core CRM systems, shift to a cloud-based hosting environment, develop new systems to support our Partner network, and invest in information/cyber security; (iii) higher regulatory costs (including GDPR preparation); and (iv) annual inflation-linked increases in staff pay.

In addition, we continue to invest in growing head count throughout the Company to ensure we maintain our current high standards of customer service as the business grows, and to further strengthen our senior management team.

Route to market

On the 9th and 10th September we held motivational sales conferences in Sheffield and Cheltenham; both venues were well-attended, with around 4,000 Partners joining us across the two days. The key announcements this year included modifying the Quick Income Plan we launched at the start of the calendar year (making it easier for new Partners to earn a meaningful short-term income), introducing a simpler proposition for new Partners, and allowing new recruits to start signing up their friends and families as Members as soon as they have completed their online training. These initiatives delivered an immediate boost in the number of new Partners joining each week, which increased from a run-rate of around 600 per month, to approaching 1,000 per month.

Whilst the number of active Partners has remained broadly constant, the total number of registered Partners has been declining for some time; this primarily reflects the high number of Partners who joined at discounted prices over the last 24 months, and who subsequently allowed their position to lapse. As a result of this high attrition rate we made the strategic decision to cease offering such introductory deals for new Partners. Since doing so in early September we have seen stronger levels of recruitment and retention, with the total number of Partners having stabilised at around current levels.

We believe our route to market continues to give us a significant competitive advantage, enabling us to target high quality customers who would not otherwise be engaged in the market, and to effectively communicate the savings, simplicity and service provided by our unique integrated multi-utility proposition (together with all the other benefits of being part of our discount club) to prospective new Members.

We remain committed to becoming the Nation's most trusted utility supplier; a core component of this brand positioning is our focus on treating customers fairly by (for example) not offering discounts or benefits to new Members which are not also available to existing loyal Members, meaning both new and existing Members are able to pay exactly the same prices for identical packages. Combined with the wider range of benefits and consistently good value we offer, this is expected to create significantly greater shareholder value over the medium term through lower churn and longer average customer lifetimes.

Our Car Plan remains extremely popular with 74 new vehicles having been supplied during the period, and approaching 1,000 Partners having taken delivery of a Utility Warehouse branded Mini or X5 since the start of the scheme.

Partner, Member and Service Numbers

	H1 FY 2018	FY2017	H1 FY 2017
Partners	39,764	41,717	45,189
Members			
Residential Club	584,909	578,799	574,780
Business Club	28,158	29,003	29,283
Total	613,067	607,802	604,063
Services			
Electricity	557,535	551,622	546,315
Gas	451,053	446,394	442,572
Fixed Telephony (calls)	321,034	320,269	312,373
Fixed Telephony (line rental)	305,918	303,787	294,497
Broadband	280,393	276,721	265,809
Mobile	214,243	201,372	187,103
CashBack card	193,311	188,753	185,072
Home insurance	1,779	-	-
Total	2,325,266	2,288,918	2,233,741
Residential Club	2,244,311	2,205,462	2,149,374
Business Club	80,955	83,456	84,367
Total	2,325,266	2,288,918	2,233,741

The table above excludes the customer and service numbers of TML.

Cash Flow and Dividend

Our operating cash flow fell to £7.1m (2016: £15.8m), mainly due to a £15.8m working capital outflow in the period, which was primarily due to expected timing differences related to our energy purchasing arrangements with npower, the Quick Income Plan we launched for Partners earlier in the year, and the ramp-up in the smart meter roll-out programme. Capital expenditure of £2.0m (2016: £2.6m) related primarily to our continuing IT development plans. Following the £25m share buy-back resulting from the sale of Opus and the working capital outflow, net debt increased to £20.4m (31 March 2017: net cash position of £18.7m). At this level, the ratio of net debt to EBITDA (on a 12-month rolling basis) remains low at under 0.5x.

Following the decision to retain the majority of the proceeds from the sale of Opus earlier this year, the Company now has a particularly strong balance sheet, with capital in excess of its current operating requirements; this will remain the case until these funds are either utilised to take advantage of an appropriate strategic opportunity, or are instead returned to shareholders. The Board is keeping this situation under review, and in the meantime, in order to prevent the level of excess capital continuing to increase, intends to use any retained profits from this and any future financial periods to buy back shares in the market. Any buy-back programme will operate under the authority granted to the Company by shareholders at the Company's last Annual General Meeting and will be subject to pricing, liquidity and quantum parameters. It is intended that any programme will be conducted in compliance with the Market Abuse Regulation (EU) No. 596/2014 and the delegated regulations made pursuant to it.

The interim dividend is being increased by 4.3% to 24p per share (2016: 23p) and will be paid on 15 December 2017 to shareholders on the register on 1 December 2017; the Company's shares will go ex-dividend on Thursday 30 November 2017. We maintain our dividend guidance for the full year of 50p per share.

Tax

Our effective tax rate for the first half was 26.5% (2016 continuing operations: 24.9%); this remains higher than the underlying rate of corporation tax due to the ongoing amortisation charge on our energy supply contract intangible asset, which is not an allowable deduction for tax purposes.

Opportunities

Our strategy is to leverage the unique potential of our Partner network and integrated multi-utility service proposition to increase both our penetration in each of the markets in which we operate, and the average number of services we provide to each Member. This will entail both increasing the take up of our existing range of services, whilst progressively introducing complementary new services with the objective of delivering both rising revenues and profits over time.

One consequence of our strategy is that we operate across multiple increasingly complex and highly regulated markets. We are investing significant resources to ensure that we remain ahead of the associated technology and compliance challenges – a point of key differentiation for our business model, and a substantial barrier to entry for anyone seeking to emulate our success. Simultaneously this investment will enable us to capitalise on the significant growth opportunities that exist within our core target markets.

Insurance

Following the successful trial last year, we continue to make progress in three key areas: broadening our coverage and the competitiveness of the quotes we offer through deeper relationships with more underwriters; gathering annual policy renewal dates from our Members (with 28,000 now collected) - as this renewal window is the prime opportunity for consumers to switch provider; and developing and refining a fully automated marketing and 'quote & buy' system to ensure maximum operational efficiency and convenience to our Members.

By the end of the period we had around 1,800 live policies, with encouraging month-on-month growth in new policy sales. Whilst this figure is still small in the context of the current size of our business, it clearly demonstrates the widespread appeal of this new service to our Members, that we are able to meet that demand at a price point that will generate significant shareholder value in due course, and that the technical end-to-end processes we have developed for managing this service are robust.

While the focus in 2018 will be the scale roll-out of our home insurance product to our Members, we will continue to invest resources into extending the range of insurance services we offer over the medium term.

Television

It remains unclear if bundled linear television services have a long-term future, or whether customers will increasingly choose to purchase the content they want and stream it to their devices as and when they want it. We retain a watching brief on this area, and will only enter this market if we find a way to do so that combines an attractive proposition for our Members with a satisfactory commercial return for shareholders.

Energy related services

The retail energy supply market is entering a period of significant upheaval. The introduction of smart meters, developments in smart home technology, the anticipated growth in the number of electric vehicles, advances in battery storage technology, and cheaper local small-scale generation technology (wind and solar) will all create opportunities for nimble, entrepreneurial and well-capitalised suppliers over the coming decade; while we are still in the early stages of formulating our approach to these opportunities, we believe we will be in a strong position to take advantage of them at the appropriate time.

In the shorter term, we are also considering other opportunities in this area that offer attractive returns including the supply and installation of gas boilers, and providing boiler service and breakdown cover.

Outlook

Since 2013 there has been a rapid increase in the number of sub-scale and unprofitable independent energy suppliers, with little to differentiate themselves from each other, competing solely on price, and typically using price comparison sites to acquire new customers; it is no surprise that their churn rates are now running at annualised rates of over 30%, and that the larger ones are finding further growth (or indeed achieving an acceptable and sustainable positive return on their investment) increasingly difficult to achieve. Questions remain over the long-term value that this large number of undercapitalised and inefficient sub-scale competitors are bringing to the domestic energy supply market, and their ability to meet their ongoing responsibilities as regulated energy suppliers.

This increase in the number of new energy suppliers has been a major factor behind the relatively modest organic growth we have delivered over the last four years; whilst frustrating for Partners, management and shareholders alike, this has been a repeating pattern for the business over the last 20 years, where extended periods of slower customer growth have alternated with more rapid growth phases as new products are introduced, the services become more competitive, and Partner confidence improves.

The combination of our strong core proposition (unique route to market and integrated multi-utility billing platform), the valuable USPs we enjoy (which our competitors show little sign of successfully emulating), the various levers available to the management team to improve the engagement of our Partner network, and the forthcoming SVT price cap, give us considerable confidence that the business is capable of returning to double-digit organic growth in due course.

We particularly welcome the proposed legislation to introduce a cap on the energy prices charged to all consumers on standard variable and other default tariffs; this will go a long way towards creating a fairer

energy market with lower bills for millions of less-engaged households, whilst retaining a highly competitive and dynamic market with over 60 domestic energy suppliers. In contrast to other larger energy suppliers, we would expect to see faster Member and service growth resulting from higher levels of Partner confidence in our improved competitive retail position; we anticipate that the protection afforded to our energy margins by our long-term supply agreement with npower (where the wholesale cost of the energy we supply to our Members is linked to standard variable tariffs of the 'Big 6'), combined with a further reduction in churn, will translate into faster earnings growth.

SSE and npower have recently announced their intention to merge their UK domestic supply businesses (together with certain other assets), creating a new independent fully-listed energy supplier which will become the second largest of what will then become the 'Big 5' (subject to approval from the CMA). We have been informed that our current supply agreement with npower is intended to become the responsibility of the new entity, and we will be discussing the logistics of this with them over the coming months together with any new opportunities which this reorganisation might create for us.

Our programme to roll-out smart meters is gathering momentum despite an industry-wide shortage of trained meter installation engineers, delays to the approval of SMETS 2 meters, and the DCC testing and approval process remaining behind schedule. We remain committed to delivering a rapid roll-out across our meter portfolio.

Project Daffodil, our innovative free LED lightbulb replacement service, continues to deliver high quality customers in significant quantities, with an increase in expected customer lifetime that more than compensates for the additional cost of providing this benefit. There is also a substantial environmental benefit from this initiative in terms of the lower amount of CO₂ created to produce the energy they use – an aggregate saving that will amount to around one million tonnes over the lifetime of the bulbs already fitted.

We expect our adjusted profits before tax for the full year ending 31 March 2018 to be slightly ahead of current market expectations, and are excited by the opportunities which lie ahead.

Principal Risks and Uncertainties

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

The Group continues to develop and operate a consistent and systematic risk management process, which involves risk ranking, prioritisation and subsequent evaluation, with a view to ensuring all significant risks have been identified, prioritised and (where possible) eliminated, and that systems of control are in place to manage any remaining risks.

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

Business model

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

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

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 Members, 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 the service provided to its membership base, reputational risk is principally mitigated through the Group's recruitment processes, a focus on closely monitoring staff performance, including the use of direct feedback surveys from Members (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 membership 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, motivated and experienced individuals. The Group relies on this software and any failure in its operation could negatively impact service to Members and potentially be damaging to the Group's brand.

All significant changes which are made to the billing and membership management software are tested as extensively as reasonably practicable before launch and are ultimately approved by the Chief Technology Officer and Billing departments in consultation with the Chief Executive as appropriate.

Back-ups of both the software and underlying billing and membership data are made on a regular basis and securely stored off-site. The Group also maintains a disaster recovery facility in a warm standby state in the event of a failure of the main system, designed to ensure that a near-seamless service to Members can be maintained.

The Group has full strategic control over the source code behind its billing and membership management system, thereby removing any risk of future software development not being able to meet the precise requirements of the Group.

Data security risk

The Group processes sensitive personal and commercial data during the course of its business. The Group looks to protect customer and corporate information and data and to keep its infrastructure secure. A significant breach of cyber security could result in the Group facing prosecution and fines, loss of commercially sensitive information, financial losses from fraud and theft, lost productivity from not being able to process orders and invoices, and unplanned costs to restore and improve the Group's security. This could damage the Group's brand and Partner confidence which might take an extended period of time to rebuild. Ultimately, individuals' welfare could be put at risk in the event that the Group was not able to provide services or personal data was misappropriated. The Group uses high specification firewalling, network segmentation, and multifaceted network and endpoint anti-viral

mitigation systems; external consultants are also used to conduct penetration testing of the Group's internal and external IT infrastructure.

The Information Commissioner's Officer ('ICO') upholds information rights in the public interest and the Group is a data controller registered with the ICO. If the Group fails to comply with all the relevant legislation concerning information security it could be subject to enforcement action and significant fines.

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 and any failure to comply may result in the Group being fined and lead to reputational damage which could impact the Group's brand. Furthermore, the Group is obliged to comply with retail supply procedures, amendments to which could have an impact on operating costs.

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

Proposed regulatory changes such as the imposition of retail energy price caps, the rapid rollout programme of smart energy meters (with the potential for additional costs if existing meters must be replaced prior to the end of their planned lives), and the replacement of existing environmental and social policies, could all have a potentially significant impact on the sector, and the net profit margins available to energy suppliers.

The Group is also a licenced supplier of telephony services and therefore has a direct regulatory relationship with Ofcom. If the Group fails to comply with its licence obligations, it could be subject to fines or to the removal of its licences.

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

In general, the majority of the Group's services are supplied into highly regulated markets, and this could restrict the operational flexibility of the Group's business. In order to mitigate this risk, the Group seeks to maintain appropriate relations with both Ofgem and Ofcom (the UK regulators for the energy and communications markets respectively), the Department for Business, Energy and Industrial Strategy ('BEIS'), and the FCA. The Group engages with officials from all these organisations on a periodic basis to ensure they are aware of the Group's views when they are consulting on proposed regulatory changes or if there are competition issues the Group needs to raise with them.

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

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

Financing risk

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

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

Fraud and bad debt risk

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

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

More generally, the Group is also exposed to payment card fraud, where Members 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 largely protected from technological risk, capacity risk or the risk of obsolescence, as it can purchase the amount of each service required to meet its Members' needs.

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

The supply of energy has different risks associated with it. The wholesale price can be extremely volatile, and Member 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 Members, and where the

price paid by the Group is set by reference to the average of the standard variable tariffs charged by the 'Big 6' to their domestic customers less an agreed discount; this may not be competitive against the wholesale prices paid by new and/or other independent suppliers. However, if the Group did not have the benefit of this long term supply agreement it would need to find alternative means of protecting itself from the pricing risk of securing access to the necessary energy on the open market and the costs of balancing.

Competitive risk

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

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

Infrastructure risk

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

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

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

Smart meter rollout risk

The Group is reliant on third party suppliers to deliver its smart meter rollout programme effectively. In the event that the Group suffers delays to its smart meter rollout programme the Group may be in breach of its regulatory obligations and therefore become subject to fines from Ofgem.

The Group may also be indirectly exposed to reputational damage and litigation from the risk of technical complications arising from the installation of smart meters, e.g. the escape of gas in a Member's property causing injury or death.

Energy industry estimation risk

A significant degree of judgement and estimation is required in order to determine the actual level of energy used by Members and hence that should be recognised by the Group as sales. There is an inherent risk that the estimation routines used by the Group do not in all instances fully reflect the actual usage of Members. However, this risk is mitigated by the relatively high proportion of Members who provide meter readings on a periodic basis, and the rapid anticipated growth in the installed base of smart meters resulting from the national rollout programme.

Gas leakage within the national gas distribution network

The operational management of the national gas distribution network is outside the control of the Group. There is a risk that the level of leakage in future could be higher than those historically experienced, and above the level currently expected.

Key man risk

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

Single site risk

The Group operates from one principal site and, in the event of significant damage to that site through fire or other issues, the operations of the Group could be adversely affected.

Acquisition Risk

The Group may invest in other businesses, taking a minority, majority or 100% equity shareholding, or through a joint venture partnership. Such investments may not deliver the anticipated returns, and may require additional funding in future.

Going concern

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

Under the Group's energy supply arrangements, Npower continues to be responsible for funding the principal working capital requirements relating to the supply of energy to the Group's Members. This includes funding the Budget Plans of Members who pay for their energy in equal monthly installments and pre-funding the payment of certain energy network charges.

The Group has from Barclays Bank PLC and Lloyds Bank PLC total revolving credit facilities of £150m for the period to 14 December 2020, of which only £45.0m was drawn down at the period end.

The Group has considerable financial resources together with a large and diverse retail and small business membership base and long term contracts with a number of key suppliers. As a consequence, the directors believe that the Group is well placed to manage its business risks.

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

Directors' responsibilities

The Directors are responsible for the preparation of the condensed set of financial statements and interim management report comprising this set of Half-Yearly Results for the six months ended 30 September 2017, 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 Guidance and Transparency Rules (DTR) 4.2.7R (indication of important events during the first six months and their impact on the financial statements and description of principal risks and uncertainties for the remaining six months of the year); and
- the interim management report includes a fair review of the information required by DTR 4.2.8R (disclosures of related party transactions and changes therein).

The Directors of Telecom Plus PLC are:

Charles Wigoder	Executive Chairman
Julian Schild	Non-Executive Deputy Chairman
Andrew Lindsay	Chief Executive
Nick Schoenfeld	Chief Financial Officer
Andrew Blowers	Non-Executive Director
Beatrice Hollond	Non-Executive Director
Melvin Lawson	Non-Executive Director

Given on behalf of the Board

ANDREW LINDSAY

Chief Executive

NICK SCHOENFELD

Chief Financial Officer

20 November 2017

Independent Review Report to Telecom Plus PLC

Conclusion

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2017 which comprises the condensed consolidated interim statement of comprehensive income, the condensed consolidated interim statement of financial position, the condensed consolidated interim statement of cash flows, the condensed consolidated interim statement of changes in shareholders' equity and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2017 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted by the EU and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

Scope of review

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

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

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

The annual financial statements of the group are prepared in accordance with International Financial Reporting Standards as adopted by the EU. The directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted by the EU.

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

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

David Neale
for and on behalf of KPMG LLP

Chartered Accountants

15 Canada Square

Canary Wharf

London EC14 5GL

United Kingdom

20 November 2017

Condensed Consolidated Interim Statement of Comprehensive Income

	Note	6 months ended 30 September 2017 (unaudited) £'000	6 months ended 30 September 2016 (unaudited) £'000	Year ended 31 March 2017 (audited) £'000
<i>Continuing operations</i>				
Revenue		298,915	291,312	740,290
Cost of sales		(231,729)	(229,782)	(609,859)
Gross profit		67,186	61,530	130,431
Distribution expenses		(10,730)	(10,702)	(21,116)
Share incentive scheme charges		(38)	(48)	(101)
Total distribution expenses		(10,768)	(10,750)	(21,217)
Administrative expenses		(30,668)	(26,126)	(55,195)
Share incentive scheme charges		(957)	(736)	(1,084)
Amortisation of energy supply contract intangible	5	(5,614)	(5,614)	(11,228)
Total administrative expenses		(37,239)	(32,476)	(67,507)
Other income		302	214	449
Operating profit		19,481	18,518	42,156
Financial income		31	60	89
Financial expenses		(438)	(745)	(1,378)
Net financial expense		(407)	(685)	(1,289)
Profit before taxation		19,074	17,833	40,867
Taxation		(5,052)	(4,445)	(10,424)
Profit for period		14,022	13,388	30,443
<i>Discontinued operations</i>				
Profit for period from associate		-	832	64,517
Profit and other comprehensive income for the period attributable to owners of the parent		14,022	14,220	94,960
Basic earnings per share				
<i>Continuing operations</i>		17.7p	16.7p	38.0p
<i>Discontinued operations</i>		-	1.1p	80.6p
	9	17.7p	17.8p	118.6p
Diluted earnings per share				
<i>Continuing operations</i>		17.6p	16.7p	37.8p
<i>Discontinued operations</i>		-	1.0p	80.1p
	9	17.6p	17.7p	117.9p
Interim dividend per share		24.0p	23.0p	

Condensed Consolidated Interim Balance Sheet

	Note	As at 30 September 2017 (unaudited) £'000	As at 30 September 2016 (unaudited) £'000	As at 31 March 2017 (audited) £'000
Assets				
Non-current assets				
Property, plant and equipment		30,144	33,115	31,117
Investment property	4	8,880	9,268	9,089
Intangible assets	5	185,936	193,319	190,575
Goodwill		3,742	3,742	3,742
Investment in associate		-	7,417	-
Other non-current assets		15,611	14,131	15,593
Total non-current assets		244,313	260,992	250,116
Current assets				
Inventories		4,977	2,921	2,676
Trade and other receivables		31,011	26,156	29,812
Prepayments and accrued income		67,532	61,513	98,320
Cash		23,858	15,326	18,732
Total current assets		127,378	105,916	149,540
Total assets		371,691	366,908	399,656
Current liabilities				
Deferred consideration		-	(21,500)	-
Trade and other payables		(25,674)	(25,405)	(24,608)
Current tax payable		(4,737)	(4,737)	(5,407)
Accrued expenses and deferred income		(68,059)	(68,641)	(111,322)
Total current liabilities		(98,470)	(120,283)	(141,337)
Non-current liabilities				
Long term borrowings	6	(44,255)	(51,525)	-
Deferred tax		(870)	(586)	(605)
Total non-current liabilities		(45,125)	(51,111)	(605)
Total assets less total liabilities		228,096	194,514	257,714
Equity				
Share capital		3,928	4,019	4,024
Share premium		114,000	138,160	138,642
Treasury shares		(760)	(760)	(760)
JSOP reserve		(1,150)	(1,150)	(1,150)
Retained earnings		112,078	54,245	116,958
Total equity		228,096	194,514	257,714

Condensed Consolidated Interim Cash Flow Statement

	Note	6 months ended 30 September 2017 (unaudited) £'000	6 months ended 30 September 2016 (unaudited) £'000	Year ended 31 March 2017 (audited) £'000
Operating activities				
Profit before taxation – continuing operations		19,074	17,833	40,867
Adjustments for:				
Net financial expense		407	685	1,289
Depreciation of property, plant and equipment		1,685	1,936	3,203
Profit on disposal of fixed assets		-	(8)	(21)
Amortisation of intangible assets		6,101	5,614	12,088
Amortisation of debt arrangement fees		114	114	229
(Increase) / decrease in inventories		(2,301)	(159)	86
Decrease / (increase) in trade and other receivables		28,711	36,980	(4,084)
(Decrease) / increase in trade and other payables		(42,194)	(47,116)	(5,241)
Share incentive scheme charges		995	784	1,185
Corporation tax paid		(5,456)	(900)	(6,190)
Net cash flow from operating activities		7,136	15,763	43,411
Investing activities				
Purchase of property, plant and equipment		(503)	(2,052)	(2,066)
Purchase of intangible assets		(1,462)	(569)	(3,406)
Disposal of property, plant and equipment		-	14	60
Payment of deferred consideration		-	-	(21,500)
Disposal of associated company		-	-	71,103
Distribution from associated company		-	5,074	5,074
Purchase of shares in associated company		-	(55)	(55)
Interest received		31	62	91
Cash flow from investing activities		(1,934)	2,474	49,301
Financing activities				
Dividends paid	7	(19,523)	(19,205)	(37,633)
Interest paid		(441)	(742)	(1,370)
Drawdown of long term borrowing facilities		45,000	-	-
Repayment of borrowing facilities		-	(18,741)	(71,241)
Issue of new B shares in subsidiary		7	-	-
Issue of new ordinary shares	8	254	434	921
Purchase of own shares	8	(25,373)	-	-
Cash flow from financing activities		(76)	(38,254)	(109,323)
Increase/(decrease) in cash and cash equivalents		5,126	(20,017)	(16,611)
Net cash and cash equivalents at the beginning of the period		18,732	35,343	35,343
Net cash and cash equivalents at the end of the period		23,858	15,326	18,732

Condensed Consolidated Interim Statement of Changes in Equity

	Share Capital £'000	Share Premium £'000	Treasury Shares £'000	JSOP Reserve £'000	Retained Earnings £'000	Total £'000
Balance at 1 April 2016	4,016	137,729	(760)	(1,150)	58,446	198,281
Profit and total comprehensive income for the period	-	-	-	-	14,220	14,220
Dividends	-	-	-	-	(19,205)	(19,205)
Credit arising on share options	-	-	-	-	784	784
Issue of new ordinary shares	3	431	-	-	-	434
Balance at 30 September 2016	4,019	138,160	(760)	(1,150)	54,245	194,514
Balance at 1 October 2016	4,019	138,160	(760)	(1,150)	54,245	194,514
Profit and total comprehensive income for the period	-	-	-	-	80,740	80,740
Dividends	-	-	-	-	(18,428)	(18,428)
Credit arising on share options	-	-	-	-	401	401
Issue of new ordinary shares	5	482	-	-	-	487
Balance at 31 March 2017	4,024	138,642	(760)	(1,150)	116,958	257,714
Balance at 1 April 2017	4,024	138,642	(760)	(1,150)	116,958	257,714
Profit and total comprehensive income for the period	-	-	-	-	14,022	14,022
Dividends	-	-	-	-	(19,523)	(19,523)
Credit arising on share options	-	-	-	-	995	995
Issue of new ordinary shares	4	250	-	-	-	254
Issue of B shares in subsidiary	7	-	-	-	-	7
Purchase of cancelled shares	(107)	(24,892)	-	-	(374)	(25,373)
Balance at 30 September 2017	3,928	114,000	(760)	(1,150)	112,078	228,096

Notes to the condensed interim financial statements

1. General information

The condensed consolidated interim financial statements presented in this half-year report (“the Half-Year Results”) have been prepared in accordance with IAS 34. The principal accounting policies adopted in the preparation of the condensed consolidated financial statements are unchanged from those used in the annual report for the year ended 31 March 2017 and are consistent with those that the company expects to apply in its financial statements for the year ended 31 March 2018.

There are no new standards or amendments to standards that are mandatory for the first time for the financial year beginning 1 April 2017 that have an impact on the Group financial statements.

The condensed consolidated financial statements for the year ended 31 March 2017 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 2017 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 2017 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 2017 and 30 September 2016 is unaudited but has been subject to a review by the company’s auditors. The presentation of financial information for the period ended 30 September 2016 has been changed to reflect the disposal on 10 February 2017 of the company’s 20% investment in Opus Energy Group Limited as detailed in Note 8 of the Annual Report and Accounts for the year ended 31 March 2017.

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

The Half-Year Results were approved for issue by the Board of Directors on 20 November 2017.

2. Judgements and estimates

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

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

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 March 2017.

3. 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 2017 (unaudited)		6 months ended 30 September 2016 (unaudited)		Year ended 31 March 2017 (audited)	
	Revenue £'000	Segment Result £'000	Revenue £'000	Segment Result £'000	Revenue £'000	Segment Result £'000
Customer Management	291,043	28,710	282,673	27,379	722,748	60,445
Customer Acquisition	7,872	(9,229)	8,639	(8,861)	17,542	(18,289)
Total	<u>298,915</u>	<u>19,481</u>	<u>291,312</u>	<u>18,518</u>	<u>740,290</u>	<u>42,156</u>

	As at 30 September 2017 (unaudited) £'000	As at 30 September 2016 (unaudited) £'000	As at 31 March 2017 (audited) £'000
Customer Management	364,770	359,535	390,639
Customer Acquisition	6,921	7,373	9,017
Total Assets	<u>371,691</u>	<u>366,908</u>	<u>399,656</u>
Customer Management	(141,100)	(169,457)	(138,850)
Customer Acquisition	(2,495)	(2,937)	(3,092)
Total Liabilities	<u>(143,595)</u>	<u>(172,394)</u>	<u>(141,942)</u>

4. Investment property

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

An independent valuation of Southon House was conducted at 30 September 2015 in accordance with RICS Valuation – Professional Standards UK January 2014 (revised April 2015) guidelines. The independent market value of Southon House was determined to be £10.2 million. The directors believe that there have not been any material changes in circumstances that would lead to a significant change in the market valuation of Southon House since 30 September 2015.

5. Intangible assets

	Energy Supply Contract £'000	IT Software & Web Development £'000	Total £'000
Cost			
At 31 March 2017	224,563	5,571	230,134
Additions	-	1,462	1,462
At 30 September 2017	<u>224,563</u>	<u>7,033</u>	<u>231,596</u>
Amortisation			
At 31 March 2017	(37,427)	(2,132)	(39,559)
Charge for the period	(5,614)	(487)	(6,101)
At 30 September 2017	<u>(43,041)</u>	<u>(2,619)</u>	<u>(45,660)</u>
Net book amount at 30 September 2017 (unaudited)	<u>181,522</u>	<u>4,414</u>	<u>185,936</u>
Net book amount at 31 March 2017 (audited)	<u>187,136</u>	<u>3,439</u>	<u>190,575</u>
Net book amount at 30 September 2016 (unaudited)	<u>192,750</u>	<u>569</u>	<u>193,319</u>

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

The IT Software & Web Development intangible asset relates to the capitalisation of certain costs associated with the development of new IT systems. As set out in the last annual report, during the year ended 31 March 2017 certain IT software and web development assets were reclassified from Property, Plant and Equipment to Intangible Assets.

6. Interest bearing loans and borrowings

	6 months ended 30 September 2017 (unaudited) £'000	6 months ended 30 September 2016 (unaudited) £'000	Year ended 31 March 2017 (audited) £'000
Bank loans	45,000	52,500	-
Unamortised loan arrangement fees	(745)	(975)	(860)
	<u>44,255</u>	<u>51,525</u>	<u>(860)</u>
Due within one year	-	-	-
Due after one year	44,255	51,525	-
	<u>44,255</u>	<u>51,525</u>	<u>-</u>

As at 31 March 2017 the Company's bank loans were not drawn down and therefore the unamortised arrangement fees were shown in non-current assets.

7. Dividends

	6 months ended 30 September 2017 (unaudited) £'000	6 months ended 30 September 2016 (unaudited) £'000	Year ended 31 March 2017 (audited) £'000
Final dividend for the year ended 31 March 2017 of 25p per share	19,523	-	-
Final dividend for the year ended 31 March 2016 of 24p per share	-	19,205	19,205
Interim dividend for the year ended 31 March 2017 of 23p per share (2016: 22p)	-	-	18,428

An interim dividend of 24.0p per share will be paid on 15 December 2017 to shareholders on the register at close of business on 1 December 2017. The estimated amount of this dividend to be paid is approximately £18.7m and, in accordance with IFRS accounting requirements, has not been recognised in these accounts.

8. Share capital

During the period the Company issued 78,917 new ordinary shares to satisfy the exercise of employee and distributor share options.

During the period the Company repurchased for cancellation 2,145,890 ordinary shares at 1165p per share through a tender offer made available to all shareholders.

9. Earnings per share

	6 months ended 30 September 2017 (unaudited)	6 months ended 30 September 2016 (unaudited)	Year ended 31 March 2017 (audited)
	£'000	£'000	£'000
The calculation of basic and diluted EPS is based on the following data:			
Earnings for the purpose of basic and diluted EPS	14,022	14,220	94,960
Share of profit related to associate (net of tax)	-	(832)	(64,517)
Earnings for the purpose of basic and diluted EPS - continuing operations	14,022	13,388	30,443
Share incentive scheme charges (net of tax)	918	637	968
Amortisation of energy supply contract intangible assets	5,614	5,614	11,228
Earnings excluding share incentive scheme charges for the purpose of adjusted basic and diluted EPS	20,554	19,639	42,639
	Number (‘000s)	Number (‘000s)	Number (‘000s)
Weighted average number of ordinary shares for the purpose of basic EPS	79,188	80,024	80,073
Effect of dilutive potential ordinary shares (share incentive awards)	441	370	438
Weighted average number of ordinary shares for the purpose of diluted EPS	79,629	80,394	80,511
<i>Continuing operations</i>			
Adjusted basic EPS ¹	26.0p	24.5p	53.3p
Basic earnings per share	17.7p	16.7p	38.0p
<i>Continuing operations</i>			
Adjusted diluted earnings per share ¹	25.8p	24.4p	53.0p
Diluted earnings per share	17.6p	16.7p	37.8p

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